INSIDE THIS ISSUE:

Is It Real?	1-2
Futures	3-8
Basis	9
Spreads	10
Inflation	11
Market Manager	12
Our Farm	13
New Grain Buyer	14

"WHERE FARMERS FUEL AMERICA"

PUBLICATION #32 JANUARY, 2021

Is It Real?

I watched a documentary on Netflix called "The Social Dilemma" last week that answered many questions I had as a result of the last four years. One of those questions that I could never find an answer to was "How did Russia and other outside forces influence our last two elections?" Experts said they were, but never told how. Even so, how could people be so easily influenced? The documentary revealed how and it points to the usual smart and powerful people doing bad things for personal gain. Most of the people in the documentary were old Google and Face Book employees who helped develop the operating frameworks that now prey on you daily. Since, they have left those companies in recognition of creating social division and misinformation through efforts to profit through social media. One comment offered was that our generation may be the last to really know what is real. That should be as terrifying as the thought of suffering from dementia someday. Here's one example of how it is done.

There is a small group of people in this World that to this day, believe that the World is flat. No globe...just walk to the end of the earth and fall off. These "flat earthers" have private groups on Face Book and other social media. I have viewed their information before and if you did not have any reference for science or what is real, they sound very convincing. This group of people tend to be of like mind and influenced similarly by data and shared experiences on social media platforms.

If you were inclined to take advantage of this set of people for personal gain, say you wanted to sell all of them ropes so they don't fall off the edge, you could go to Google and for a fee, find other profiles of people, who are not "flat earthers", but have demonstrated through their device use, that they are similar in how they think, process, and react to similar information. Google would then sell you access to these users. Over time, you would start to push info from these flat earthers to these new people of similar thinking and influence through Social Media, pushing them to explore these "flat earther" theories and over time, you grow the flat lander community to a magnitude of people that can buy a lot of your ropes. Not only that, but you have created a mass of people that could have real influence over politics and policy based on fiction, as their beliefs are affirmed by an increasing number of people that have become a part of that group think. You have grown a market and a movement that is void of what is real and fact, but simply based on similar psychology and social manipulation…to sell ropes.

Now what if you don't want to sell ropes, but sell a movement, a vote, a policy, electric cars..it's all the same method of social manipulation as orchestrated by big tech for profit.

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Is It Real?

If you are on social media today, you are being analyzed every moment by an algorithm whose sole intent is to control what you think and do. An algorithm is a computation that says if I tell you A, you're going to react with B. The algorithm learns to perfect that statement by the information it chooses to tell or not tell you, and it gets better and better at influencing you without your knowledge. While technology has increased a trillion fold in recent years, the human brain and it's psychological and social tendencies are still the same and just as impressionable as ever. Technology in the form of massive amounts of your psychological data are in the hands of those seeking wealth and power and have us in their grips and we don't even know it. Technology and algorithms are not moral compasses and make no determination of what is fact or fiction. They take data you input without question, in pursuit of giving the user a desired output: profit and power by changing your thinking and actions.

We have removed statues and historical fact from our school books that gave us any evidence of what is real or true and replaced it with opinion. We are now part of an information platform where nobody can be assured of what is or isn't true and we have lost any permanent reference of it. At the end of the documentary, it was stated that "Democracy is in a crisis of confidence" and because of how people can be swayed through social media, "Democracy is for sale". If you are entitled to your own facts and can be immersed through social media with only those who are of like mind, then there is no need for unity or agreement...and we end up right where we are today, split down the middle, each side convinced that the other side is wrong and void of rational and critical thinking.

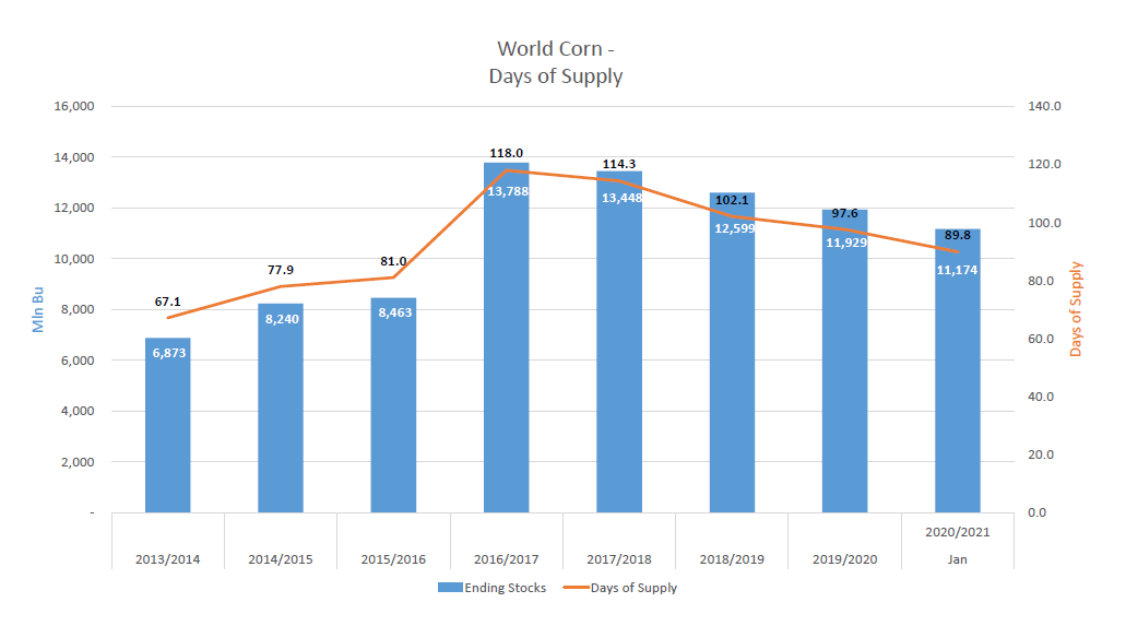
Now what does this have to do with grain? Everything and nothing. Prices go to where traders think it should go. Grain traders have similar algorithms to predict where prices will go, not based on supply and demand, but based on people's psychological tendencies to react to supply and demand data, that has proven repeatable. The World is in a social dilemma where fact OR fiction is as likely to drive grain prices as the other, and somehow, farmers have to navigate their way through this without falling victim. We can't just pick and choose what we want to believe in regards to market information and expect the markets to roll our way. We can't always believe the market info we hear either, as we are all being influenced by market opinion in some fashion. We must stay grounded and focused and avoid the pitfalls of social media, fake news, and picking our own facts, as we move through the next 9 months of crop reports, speculation, and fears of another repeat of spring 2020. The best way to stay grounded is to have historical reference for your net return per acre year to year. Can you lock in a better return now than in years past? That is a determinable fact and a reality that should serve as a foundation to marketing through this next crop year. It is free from manipulation and outside influence. It is not based on market opinion or what fact or fiction may influence markets tomorrow. It may be the one and only thing we can really know with certainty today that's real.

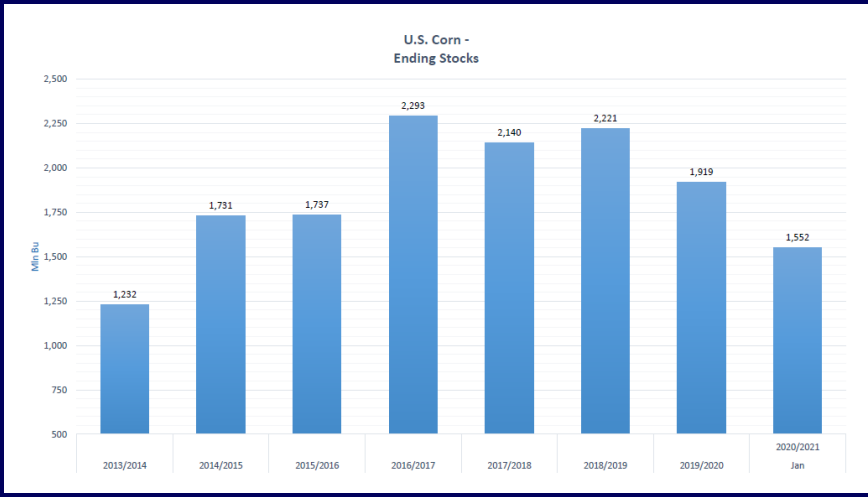
WASDE Monthly Changes

POET Grain United States - Corn, Wheat, Soybean (Millions of Bushels)				
Commodity	Dec 20/21	Jan 20/21	Change	5 Year Average
Yield - Bushels per Acre				
Corn	175.8	172.0	-3.8	172.7
Soybeans	50.7	50.2	-0.5	49.5
Planted Acres				
Corn	91.0	90.8	-0.2	90.2
Soybeans	83.1	83.1	0.0	84.3
Harvested Acres				
Corn	82.5	82.5	0.0	82.5
Soybeans	82.3	82.3	0.0	83.3
Production				
Corn	14,507	14,182	-325	14,264
Soybeans	4,170	4,135	-35	4,123
Domestic Use				
Total Corn	12,175	12,025	-150	12,178
Corn for Ethanol	5,050	4,950	-100	5,298
Corn for Feed	5,700	5,650	-50	5,445
Soybeans	2,333	2,325	-8	2,140
Exports				
Corn	2,650	2,550	-100	2,095
Soybeans	2,200	2,230	30	1,935
Ending Stocks				
Corn	1,702	1,552	-150	2,062
Soybeans	175	140	-35	474

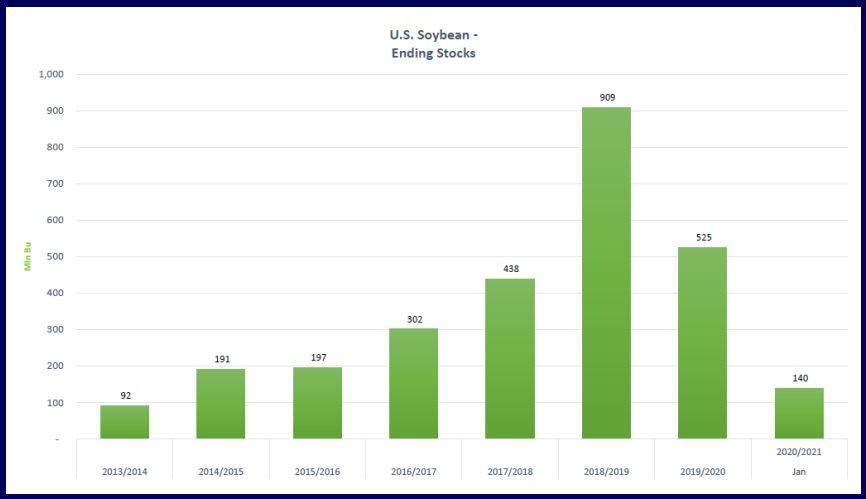
Corn was up the limit today on a large yield reduction of 3.8 bushels and beans were not far behind, down 1/2 bushel. The corn carryout continues to dwindle, now estimated to be 1552 by the end of September. Let's put this into context. The last time corn prices were this high, we were looking at carryout projections down in the 600-800 range. Corn by itself, is overdone today. However, bean ending stocks are only 140 and many would round that to 0. Therefore corn & beans must compete going forward for acres. So long as bean demand continues, corn will follow.

You can see that world days of corn supply are trending lower, but still well above 13'-16'. World supplies drive futures prices. High corn prices are not just a reflection of supply & demand today, but influenced by inflationary considerations as corn compares to the value of other commodities. Take fuel for instance. There is plenty of fuel today, yet fuel is up. Why? $2.09 fuel is cheap and cheap compared to what it takes to produce it, particularly what it will take to produce it 6 months from now as expenses increase.

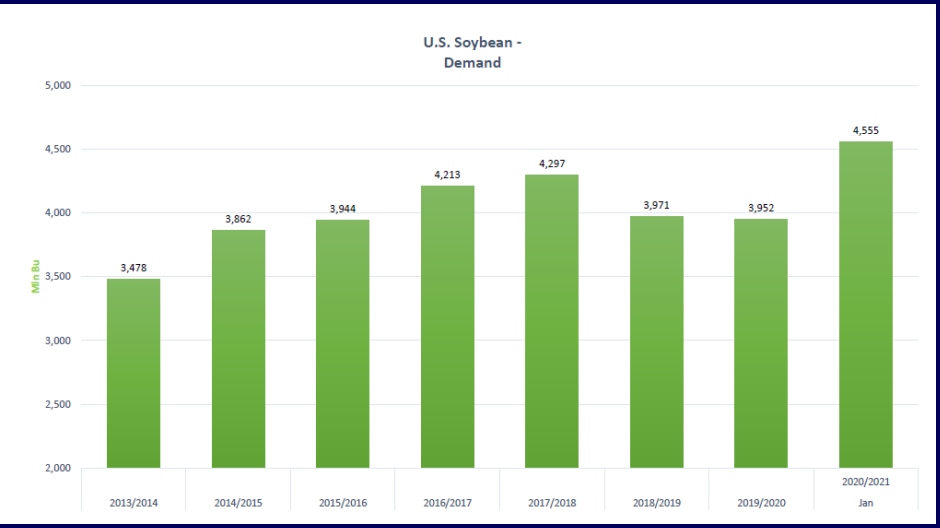




Simply put, carryout is lower, but manageable. Consider that this carryout is a September 30th projection that includes China taking all the record amount of corn and beans they have bought so far. The market is carrying an additional premium for the production issues in South America that may or may not reduce U.S. stocks further.



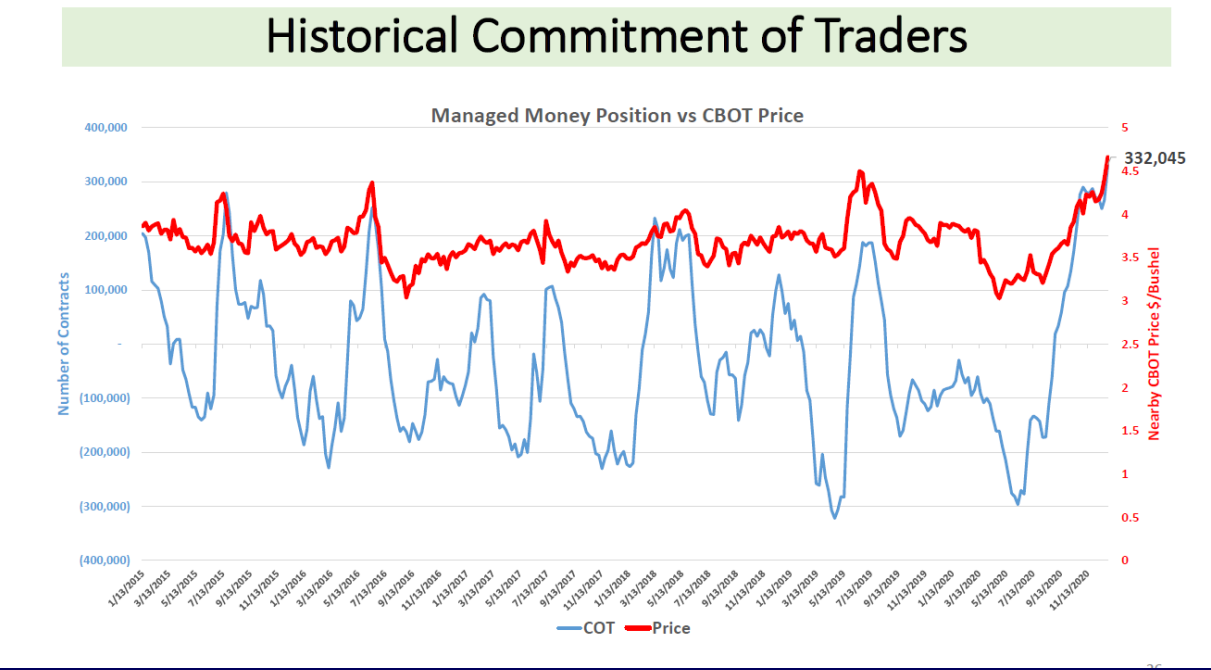
Beans stocks show a dramatic reduction based on China purchases. Demand MUST be reduced by PRICE and every day, we are effectively doing that little by little. There is a crop report and a new carryout estimate every month. The likelihood that we go lower from the current 140 versus higher, is very slim at this point.



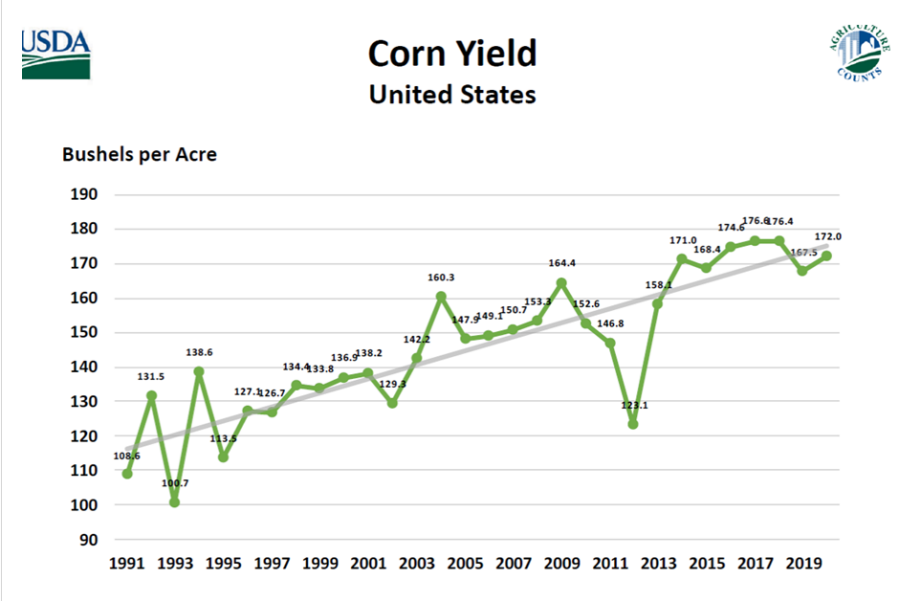
Here is the demand led rally, thanks to China. It's been since the drought years that we talked about Countries needing protein to feed people and animals and the long term need to continue to increase production to take care of more people and animals as the World population grows. Demand IS trending higher over time and so should prices, but recognize when it's too much too soon.

Stocks to use and days of supply is an indicator of how worried the market is about covering it's daily needs from the existing supply. The market is worried and will now be looking for substitutes and/or planning reductions in their daily needs as the supply dwindles. Either way, price will start to encourage alternatives in the months ahead since we are as lean as end users will get without making other plans.

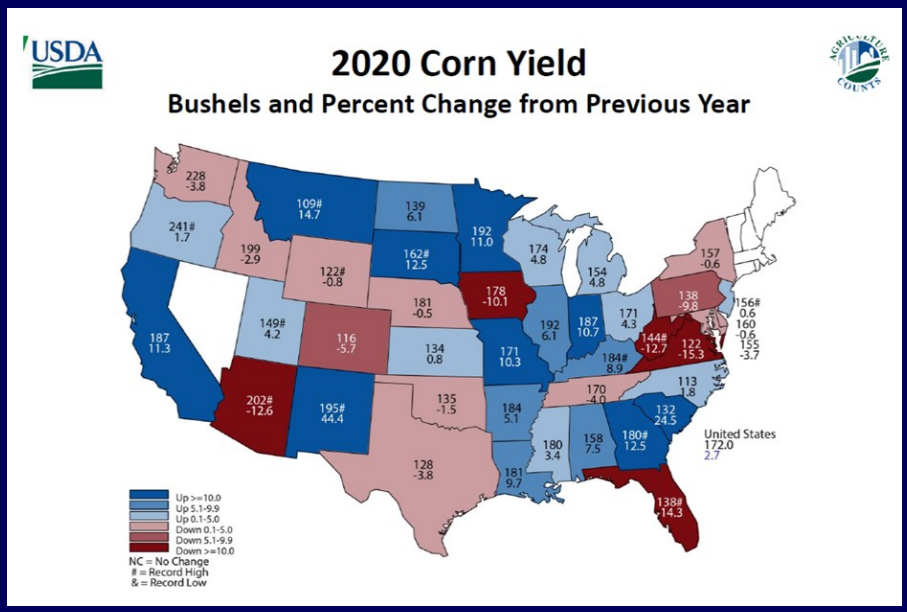
This was as of two days ago and prior to today's limit up. We are in uncharted waters as it pertains to speculative money owning corn and beans. It remains a simple fact that there is a limit to the amount of speculative money to be long or short the market. With more Covid money in circulation, it does not surprise me that we are at record spec positions. However, when all the spec money is in, the ONLY way they make money is to exit their position, and that will drive prices lower as this represents 1.6 billion bushels of ownership that has the ability to come out of the market place in a matter of days versus end users ability and need of it.

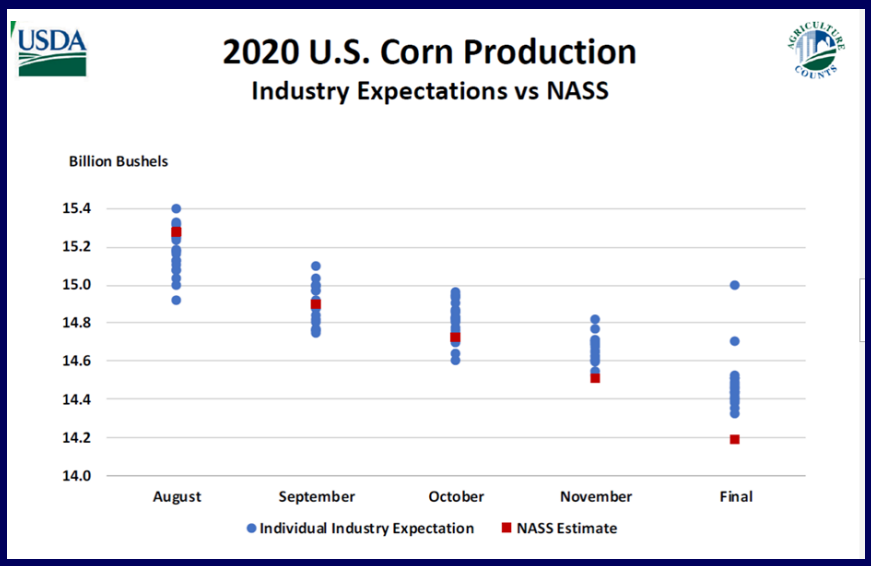


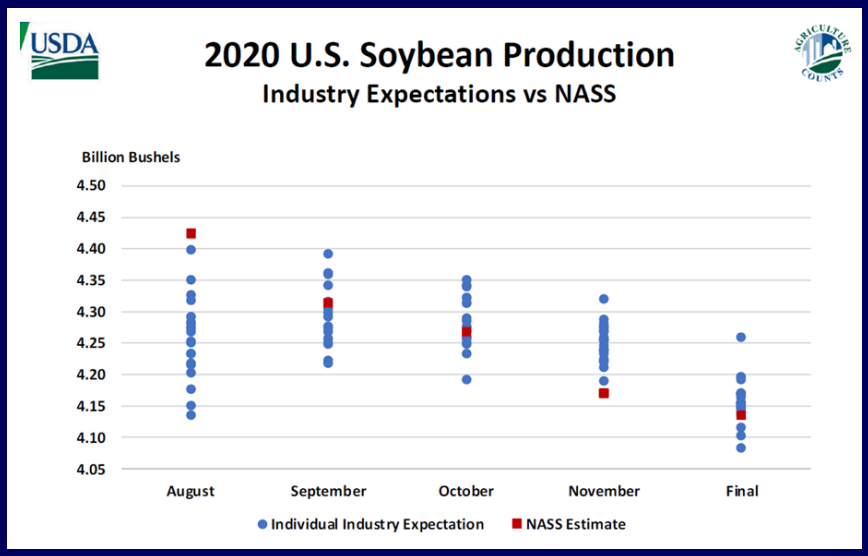
"WHERE FARMERS FUEL AMERICA"



The last 2 year's yield have been below trend. Yet, it is a rare occasion that MO's yield is at the national average and it is 10 bpa over last year. MO as it competes with other States has been the place to farm this year. Think, MO's yield was only 7bpa less than IA this year.





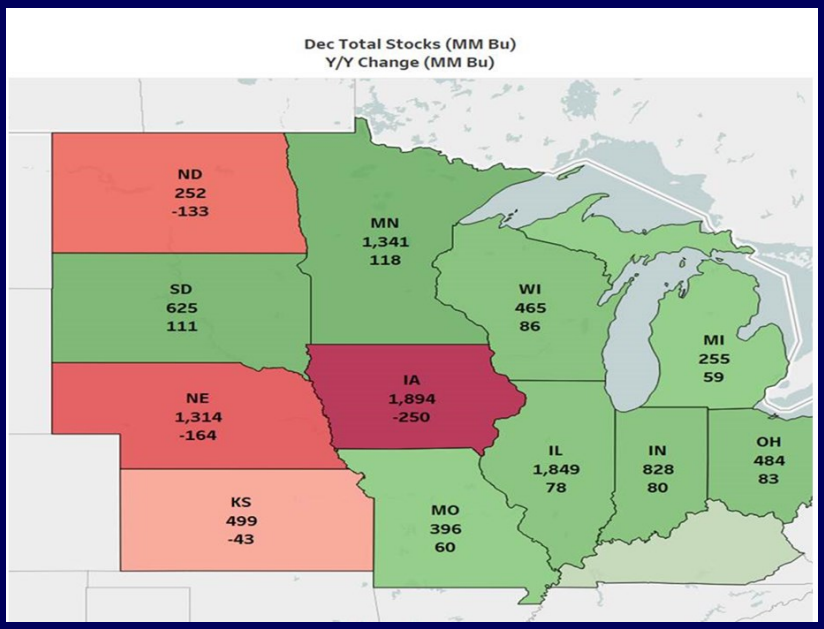


Here is another visual of why prices are out ahead of normal. We've had 5 consecutive months of crop reductions in corn and beans, with today's final corn estimate far below any industry estimates.

Once we get comfortable with this, markets will relax, but it does show that industry was not in tune and needed to make some hard decisions today.

BASIS

"WHERE FARMERS FUEL AMERICA"



Futures rallies have kept basis appreciation at bay since harvest. Although the river can and is able to buy all of MO's corn to ship to China over the next 8 months, MO stocks are up year on year and very comfortable. While river basis is and will continue to trade at all time highs, interior markets are flush with corn and must merely bid enough to keep the corn from going an extra 60 miles east.

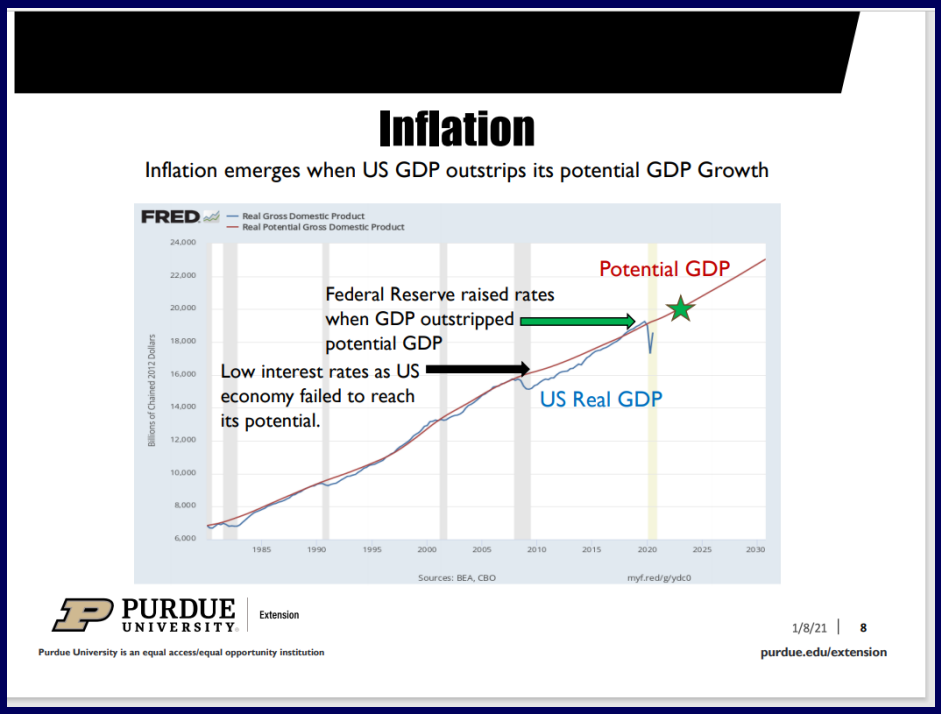
Mar21	+	13:19...	+25'0	517'2
May21	+	13:19...	+25'0	519'0
Jul21	+	13:19...	+25'0	516'2
Sep21	+	13:19...	+24'2	480'2
Dec21	+	13:19...	+17'6	458'4

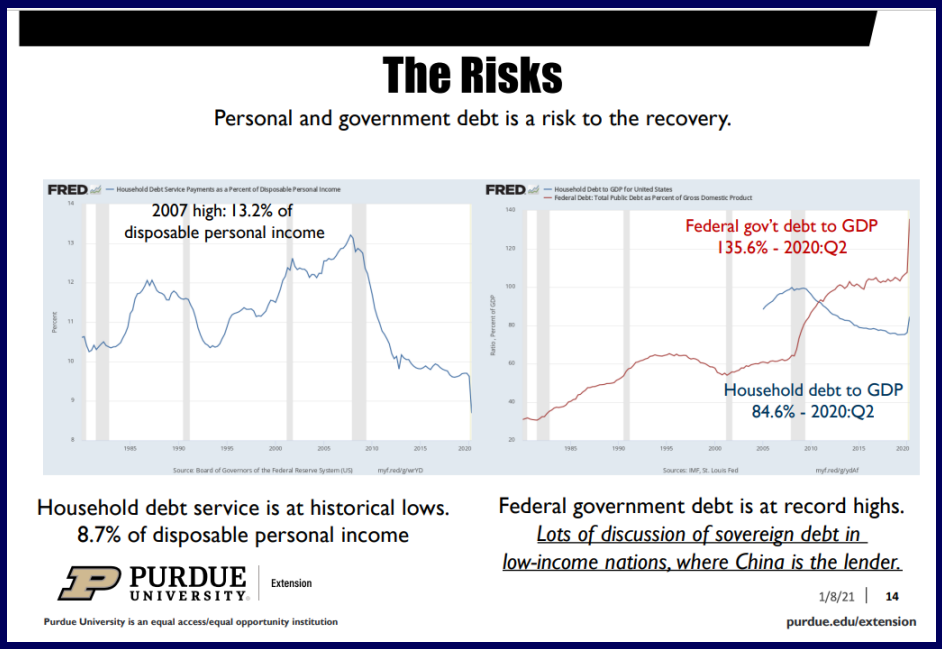
Spreads are flat on old crop and largely inverted to new crop. You might as well resign yourself to new crop bids that remain dollars less than old crop. It will get worse. You can see that July futures are already 36 cents higher than September futures. Would you want to buy corn for $5.16 in July and sell it in August for $4.80, $.36 less. That is exactly what the spread is saying and it's about 80 cents for beans. Beyond July, there is no incentive for any buyer of grain to own a bushel too much.

If you intend to carry unpriced grain into summer or feed grain into fall, you might consider locking in a spread, so you don't buy high today and sell low tomorrow.

INFLATION

Can you think of one thing that is cheaper today than it was yesterday? There is more cash in circulation. There are less goods and services due to Covid shortfalls limiting production of goods, services, and you can lump commodities in there as well. As many warnings that I have issued that high prices cure high prices, inflation will not be going away anytime soon and you can infer inflation accounting for 30-40 cents in higher corn prices and twice that in beans potentially. Those inflationary values may well stick to grain prices and we'll see a higher trading range of grain prices as a result in future.





MARKET MANAGER

Both July 21 market manager programs are underwater currently, program 10 & 11 if priced today, between $4.10 and $4.30. Net of basis, hopefully enrollees will get north of $4.00. As this program started 2 years ago and as futures have been a dollar cheaper and now a dollar higher, it's been a off and on relationship as to what you think about the program. Regardless, if you are enrolled in one of these programs and as futures spreads pose some risk to rolling these contracts forward, call us to see if early delivery is possible. Where river basis is strong currently, we might get you a better price than expected.

Here is my marketing plan.

I will enroll up to 20% in corn and beans in accumulators on recent runups. Accumulators are pricing at 50-80 cents over current markets. The fee is only 8 cents and no out of pocket requirements and a futures only contract, so it remains extremely flexible. As a function of new crop, new crop prices are only going up at the pace of about 1/3rd of cash, so a 50 cent head start is really bigger as a function of new crop.

If markets continue higher, I will flat price the next 20-30%, assuming prices will be much higher than demand will support and even if we see a dry year, production should be sufficient.

On the last 20-30%...if the World fails to produce and we see record high grain prices, I will buy out-of-the-money puts to protect a price, probably somewhere near the same level that I flat priced, but for a reasonable fee and puts do not require production or delivery of grain, so I can protect my entire expected crop without risk.

This is my plan and one I will stick to provided the market acts accordingly.

This plan is based on my assessment that currently, we have one of the largest per acre returns that has been available to lock down that we've seen, not including the drought year insurance payments.

Grain Buyer—Heather Morgan

Heather Morgan is our newest grain buyer at Macon Poet. Heather grew up on a family farm in mid Missouri and developed a passion for agriculture. Heather now resides in Holliday Missouri with her husband Brett Morgan and two daughters Hailey and Aubrey Morgan, where they operate a cow/calf pair operation and a farrow to finish dirt hog operation. In their spare time they enjoy being with family and watching their daughter's play sports. Heather looks forward to serving you and your family.