POET grain

"WHERE FARMERS FUEL AMERICA"

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INSIDE THIS ISSUE:

After Hours & Saturday Call Number for Selling corn:

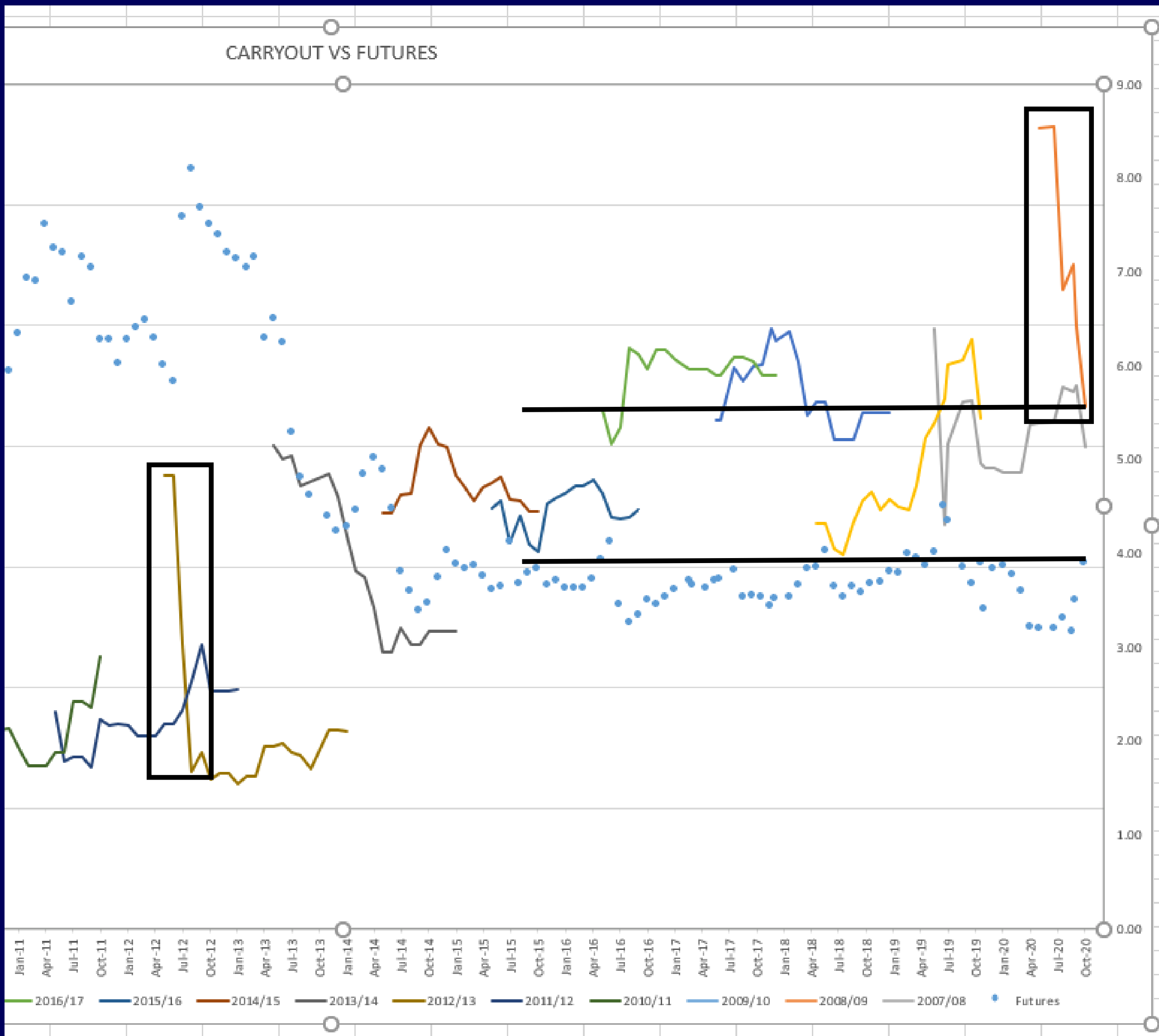
660-676-2152

A pandemic is defined by a world wide rapid spread of a disease. A pandemic affects everyone, everywhere, and not only is everyone affected, but panic results in toilet paper shortages and other seemingly irrational purchase decisions when people don't know exactly what to do to escape it. Does Covid induce prolonged and explosive diarrhea that requires large volumes of toilet paper? No. Yet for some reason, everyone thought the most important way to prepare for it was buy a year's supply of toilet paper. People stockpile "essentials" when there is an unknown threat of unknown proportion. The first TP stockpilers were emotional people who needed to do something to make themselves feel better. Second TP stockpilers were those who started taking note that supplies in stores were indeed dwindling for unknown reasons, and they could still afford not be caught without it. Lastly, there were those like me, who just found sport and potential profit in finding whatever was left.

It started with toilet paper and then moved to its substitutes: paper towels, shop rags, baby wipes, cheap socks, asking for more napkins at McDonalds. Covid today is no less a pandemic than it was 6 months ago, but go to Wal Mart today, and you can find TP reasonably priced. The fact of the matter is that toilet paper consumption did not increase. Although for a time, where it was consumed, moving more to home than in town, created some temporary supply logistics that were quickly solved as people stole supplies from restaurants and the office.

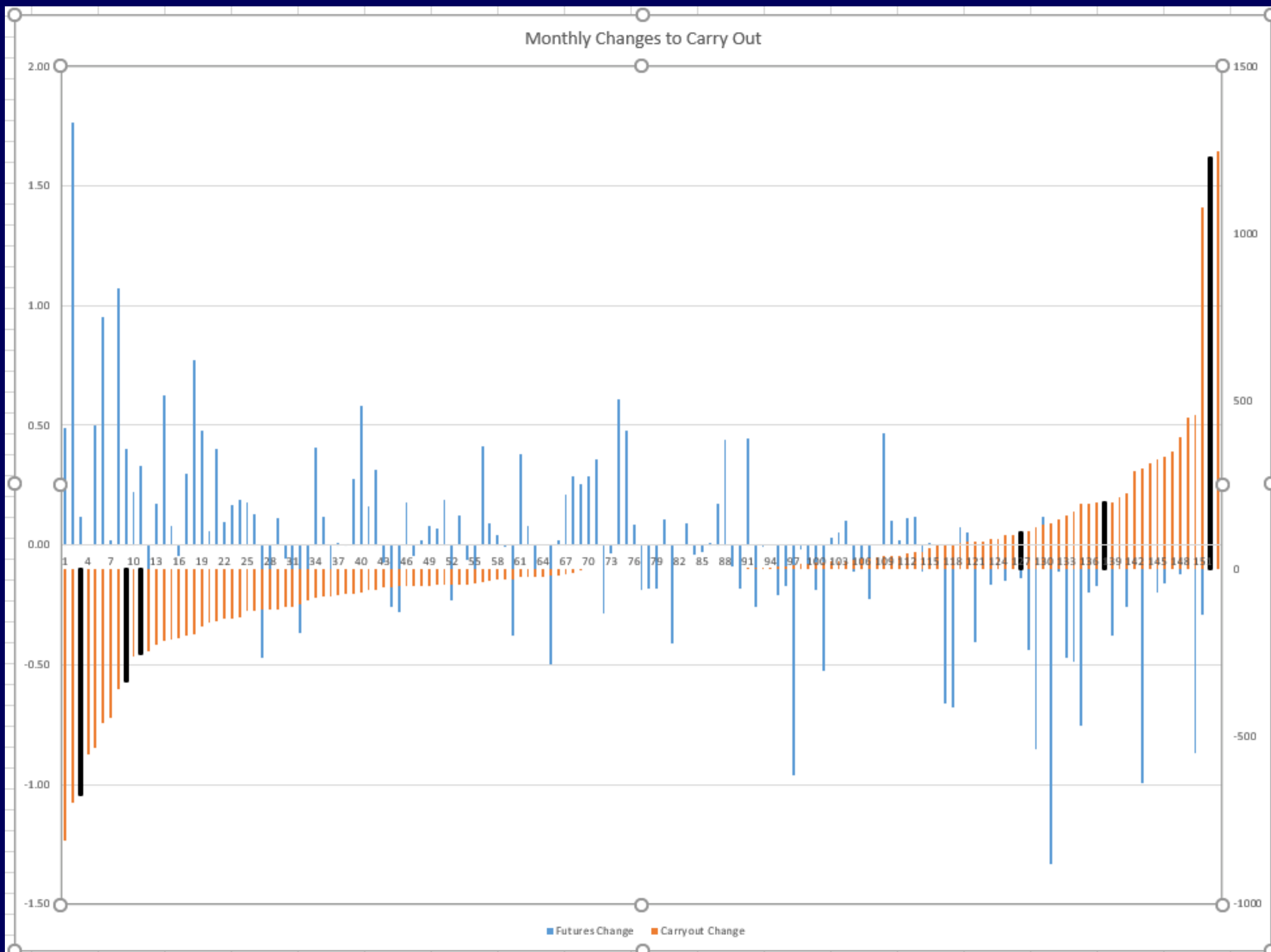
Now we are looking at a corn pandemic. 6 months ago we were looking at a 3 billion bushel plus carryout with no foreseeable way to reduce it; provided, China didn't have floods and typhoons, Iowa didn't have a drought and a derecho, Brazil didn't have planting delays, and the economy remained sluggish. What started as a corn epidemic in Iowa has expanded to worry of a corn pandemic throughout the World. On the pages that follow, you will see that the reduction in the estimated 20/21 carryout is as dramatic as the drought of 2012. The outlook has changed in just a few weeks. The World is now concerned, and just like in the case of toilet paper, there are a set of emotional buyers that need to stockpile corn early to achieve a level of comfort. China has done that with a record export book in place. To follow, there will be a set of buyers who have noted China's corn hoarding and they too, will not be caught without it. Yes, there are corn substitutes, but for now, they can still find and afford the real stuff. Is anyone eating a lot more corn today than yesterday? Not really. Yet, now that we've prematurely cleared full shelves from China's initial hoarding, there remains one last set of people who will find sport and potential profit in finding and buying what's left to create a real, but temporary, shortage of corn, hijacking remaining supplies, and propelling prices higher than they should go, eventually making everyone to consider using substitutes like leaves and old socks instead of toilet paper. We have a ways to go before the easy substitutes are bought up, but it does appear that we are headed toward a period of pandemic induced bare shelves and it really doesn't matter how the shelves got that way, or if it is logical or warranted. When you got to go, all that matters is who has the TP.

CarryOut VS Futures



Compare the step change inside the boxes from 2012/13 and 2020/21. They are of similar magnitude and timeframe. Trader attitudes flipped on a dime. If you look at the horizontal line where futures are today relative to the current projected carryout, it would seem we are fairly priced today, but I would say that the severity and magnitude of the change should create some additional uneasiness that should result in a price change that will be overdone to the upside in the near future.

Monthly CarrOut Change



Here is another dramatic representation of what we've experienced this year. These are monthly changes in carryout forecasts since 2010. The black lines represent monthly carryout changes in the last 6 months. When Covid hit, the carryout increase was the 2nd largest monthly increase in the last 10 years. Conversely, over the last 4 months, 3 of the 4 were the 3rd, 9th, and 11th, largest decreases in the last 10 years. I could expand a great deal on the hows and whys, but it really doesn't matter other than to say, the changes are very large, very real, and prices have a firm footing at least till spring.

The question is what can increase the carryout between now and next spring? The best answer is that a higher price will be needed to decrease Global demand as supplies are shrinking Globally.

Program Performance

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In regards to all 2020 Market Manager and Accumulator programs, here is the elephant in the room. The horizontal line will cover the average received futures price of most market manager and average accumulator programs after knockouts and reenrollments. We do not and will not promote either program as a way to get the highest prices, but continue to tout as a solid risk management tool. For 7 months, the programs were well above market and even after a significant rally late September, prices fell once again, below our program prices, reinforcing in our minds to stay the course into harvest. Meanwhile, speculators stepped in on the long side and never looked back. It was an opportunity missed.

We have done a couple things to improve our programs. One, we have changed the accumulator program to remove the unpriced delivery obligation when you are knocked out when prices fall below the threshold. It is a significant improvement with less pressure to reenroll at a lower accumulation level. The old requirement hit me personally, and I too, have double obligations that are well below the market today because I felt stuck in a program when prices were below my targets.

Two, we have our home office working on an additional Market Manager program that will include a floor on all bushels. With futures already profitable, and the upside increasingly likely, as a risk management tool, having a floor on all bushels would be prudent. Heaven forbid a repeat of Covid this winter. This may or may not be offered, but so you know we are hopeful that the market will allow us to offer a hybrid between a minimum price contract and a market manager. Anyone already enrolled, will have the choice.

CZ/SX Expirations

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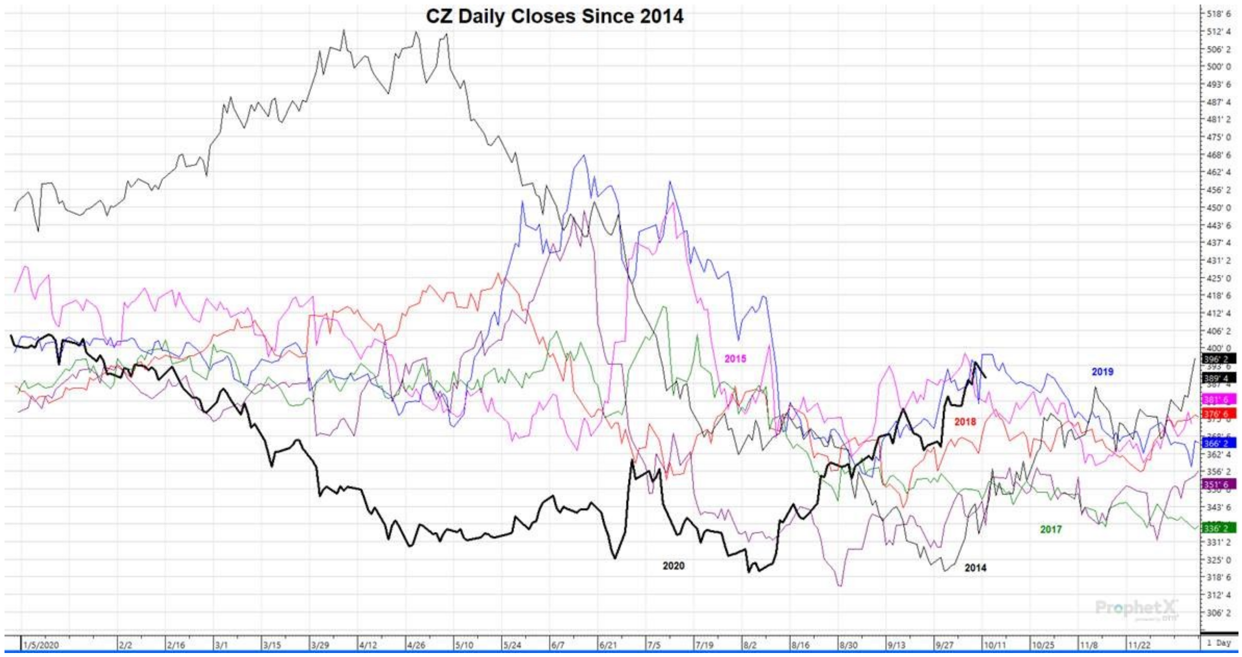

This is one chart that points out how hard it is to rally corn and beans into CZ/SX expiration. There is always a first for everything, but with funds already significantly long and corn harvest still in progress, mathematically speaking, it’s tough.