

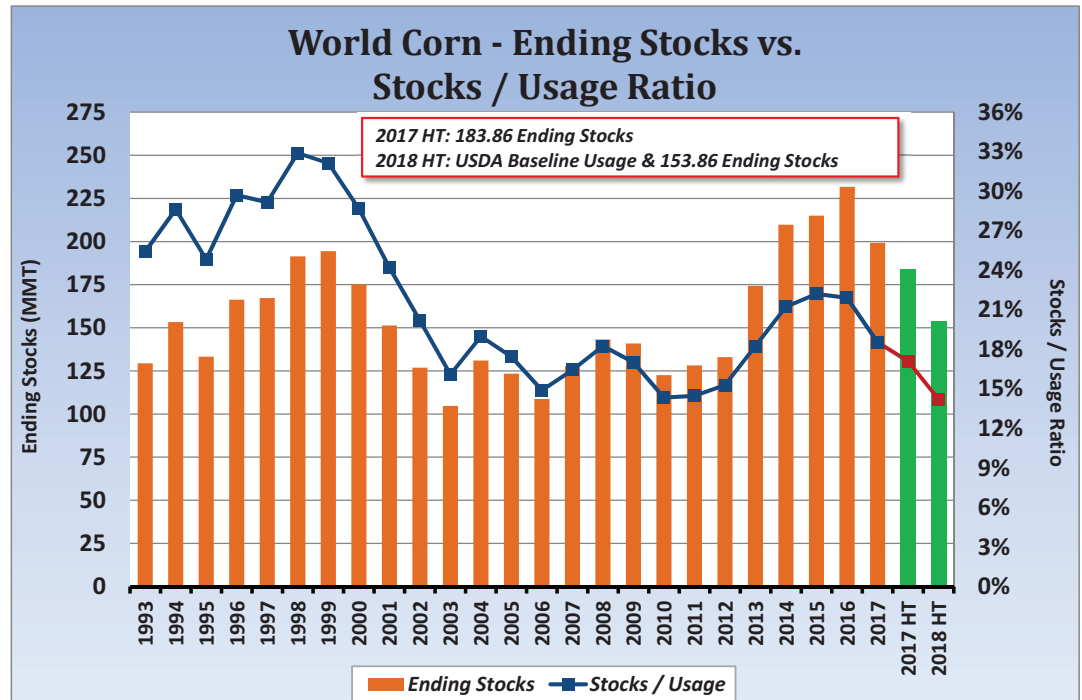
March 26, 2018

10 Good Reasons to Be Long Corn

1) The USDA Outlook Forum in February pegged corn planted area at 90 million acres, but most traders are looking for the Prospective Plantings report on March 29th show corn plantings coming in 500,000 to 2.5 million acres lower.

2) The USDA pegged Argentina's 2017/18 production at 36 million tonnes in March, down from 39 million estimated in February. We expect the crop to eventually come in at 31 million tonnes or lower.

3) The USDA pegged Brazil's production at 94.5 million tonnes in March, down from 95 million estimated in February. We look for the crop to come in at 88 million tonnes or lower, and we have seen some estimates as low as 85.5 million tonnes.



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4) The International Grains Council sees corn stockpiles falling 14% for the 2018/19 season. For 2017/18, we expect the drawdown to be around 48 million tonnes, for the largest global production deficit since 1988. For 2018/19, we see stocks coming down another 30 million tonnes, a 16% decline. If this happens, the global stocks/usage ratio would drop to its lowest level since the 1972/73 season.

5) Export demand is surging. Weekly export sales for the last five weeks have averaged 1.82 million tonnes. Sales only need to average of 470,200 each week to reach the current USDA forecast.

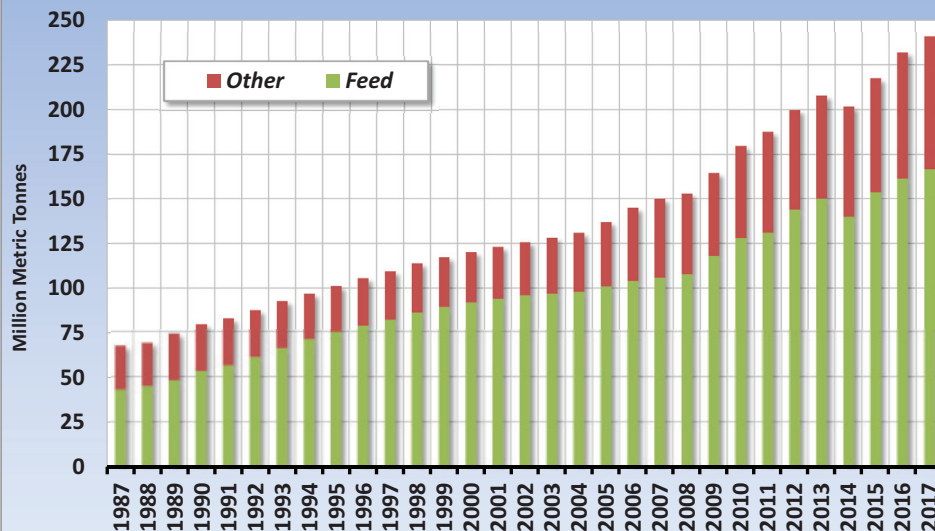
6) US beginning stocks for the new crop season should slide to roughly 2.0 billion bushels, down 14% from last year.

7) We look for ending stocks for the 2018/19 season to be near 1.243 billion bushels, down from 2.127 billion for 2017/18. (This estimate is based on 89.8 million acres planted, the lower beginning stocks, a 174 bushel per acre yield, and 15.125 billion bushels in usage, which is up 2% from 2017/18.)

8) China's shift to a 10% ethanol mix means their industrial corn usage could increase by 24 to 29 million tonnes per year by 2020.

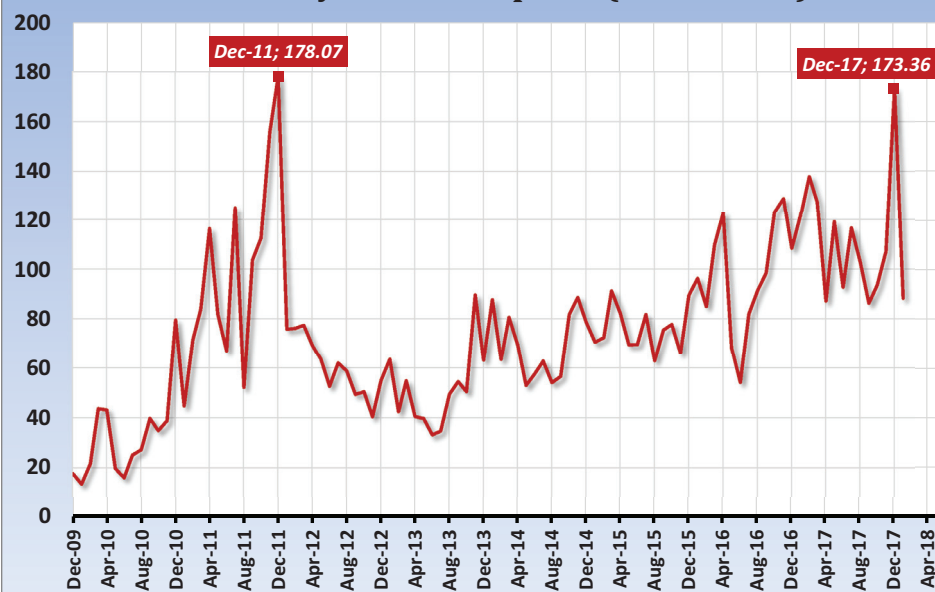
9) Early spring weather in the southern Midwest is forecast to be very wet, and this could slow plantings.

China Corn - Domestic Usage

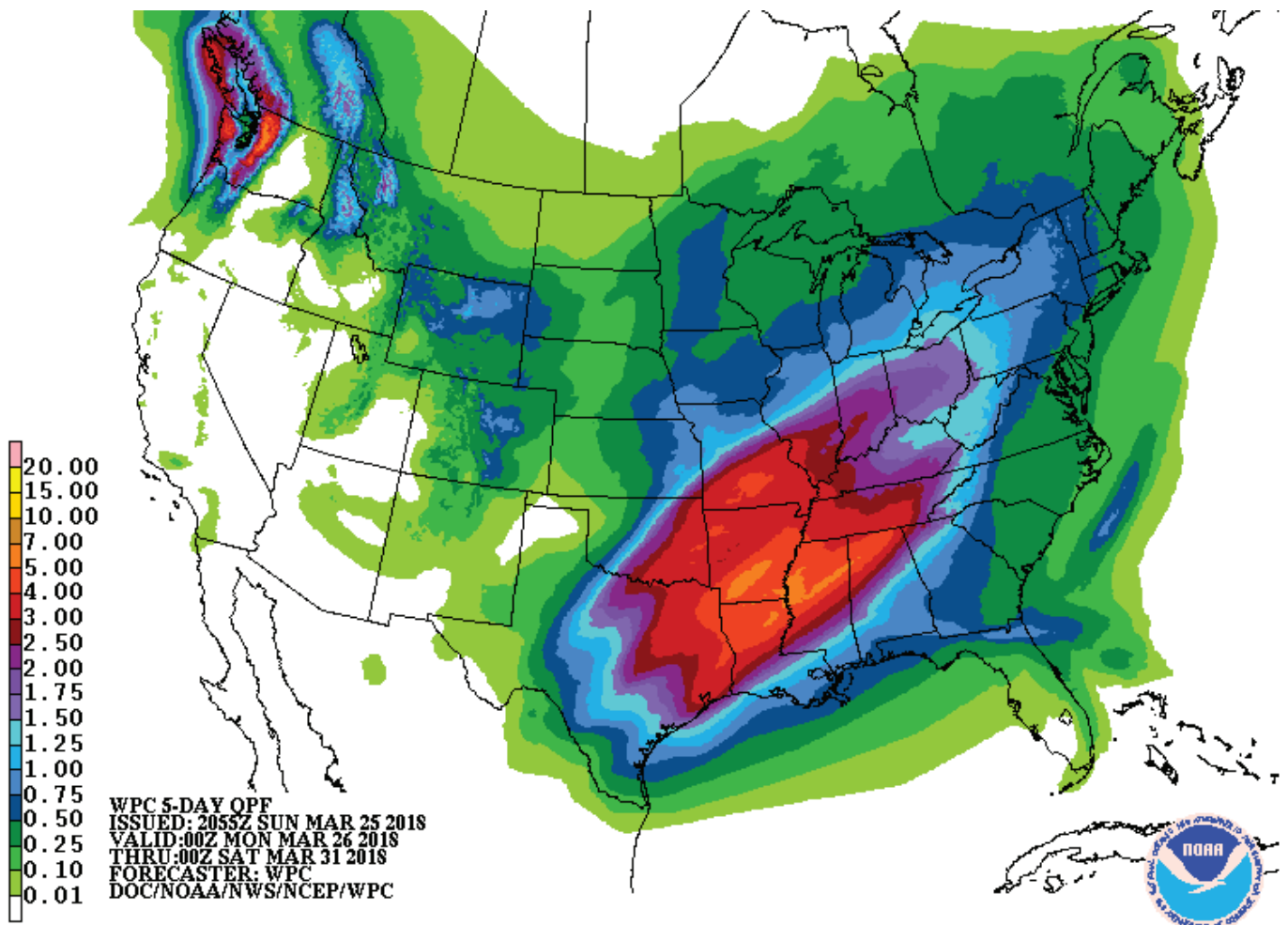


Source: USDA/Hightower Report

US Monthly Ethanol Exports (Mil Gallons)



USDA SUPPLY/DEMAND US CORN										2018/19 Forecast		
	10-11	11-12	12-13	13-14	14-15	15-16	Mar USDA 16-17	Feb USDA 17-18	Mar USDA 17-18	Lower Yield	USDA Outlook Forum	Hightower Estimate
Planted Area (M Acres)	88.2	91.9	97.3	95.4	90.6	88.0	94.0	90.2	90.2	89.0	90.0	89.8
Harvested Area (Acres)	81.4	83.9	87.4	87.4	83.1	80.8	86.7	82.7	82.7	81.6	82.7	82.3
Yield (Bu/Acre)	152.6	146.7	123.2	158.2	171.0	168.4	174.6	176.6	176.6	169.0	174.0	174.0
Beginning Stocks (M Bu)	1,708	1,128	989	821	1,232	1,731	1,737	2,293	2,293	2,127	2,127	2,000
Production	12,425	12,314	10,755	13,829	14,216	13,602	15,148	14,604	14,604	13,790	14,390	14,318
Imports	28	29	160	36	32	68	57	50	50	50	50	50
Supply, Total	14,161	13,471	11,904	14,686	15,479	15,401	16,942	16,947	16,947	15,967	16,567	16,368
Feed & Residual	4,770	4,512	4,309	5,001	5,280	5,114	5,473	5,550	5,550	5,475	5,475	5,550
Food, Seed & Industry	6,432	6,431	6,044	6,532	6,601	6,648	6,882	6,995	7,045	7,145	7,145	7,350
Ethanol for Fuel	5,019	5,000	4,641	5,124	5,200	5,224	5,432	5,525	5,575	5,650	5,650	5,855
Domestic Total	11,202	10,943	10,353	11,533	11,881	11,763	12,356	12,545	12,595	12,620	12,620	12,900
Total Exports	1,831	1,539	730	1,921	1,867	1,901	2,293	2,050	2,225	2,000	2,000	2,225
Use, Total	13,033	12,482	11,083	13,454	13,748	13,664	14,649	14,595	14,820	14,620	14,620	15,125
Ending Stocks	1,128	989	821	1,232	1,731	1,737	2,293	2,352	2,127	1,347	1,947	1,243
Stocks/Use Ratio	8.7%	7.9%	7.4%	9.2%	12.6%	12.7%	15.7%	16.1%	14.4%	9.2%	13.3%	8.2%



10) Index and managed money fund traders may view corn ownership as a hedge against inflation for the next year. The drawdown in world and US stocks plus the possibility that longest period in history of equity markets gaining on commodity markets may be coming to an end may attract fund buying.

Suggested Trading Strategies:

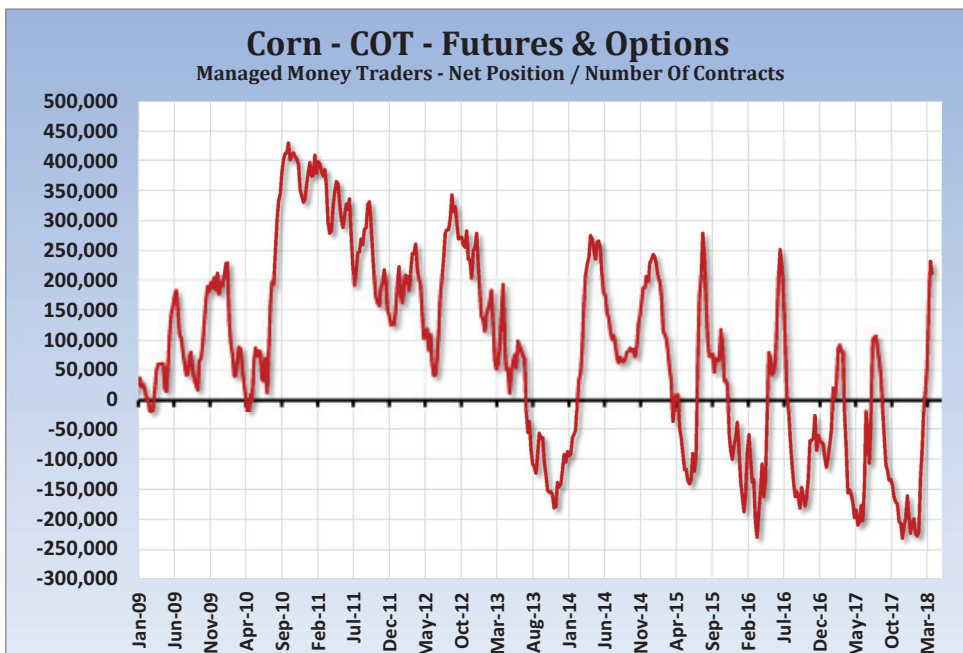
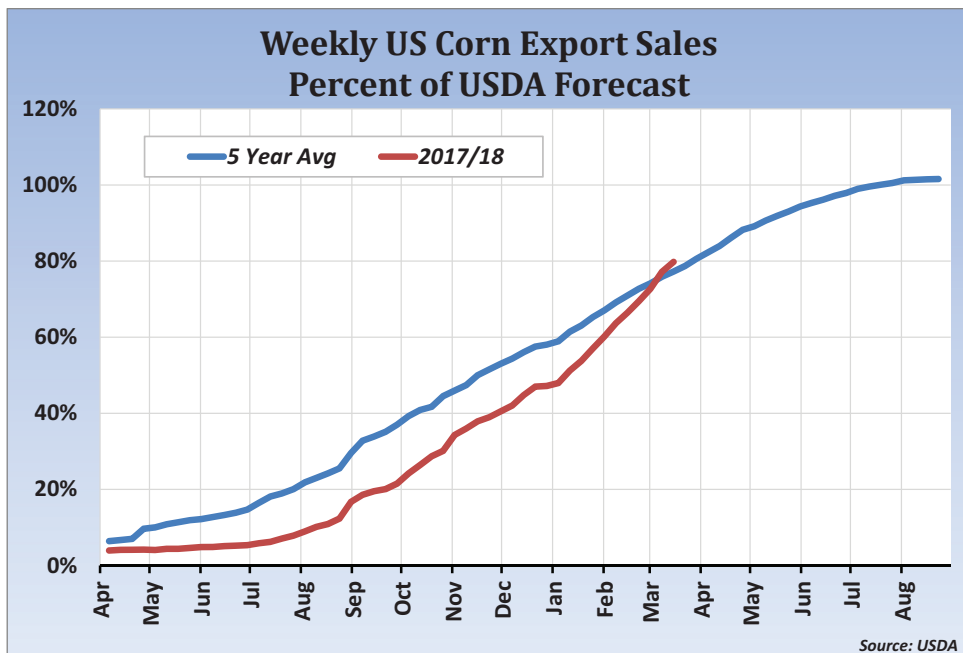
1) **SELL** a June Corn \$3.80 put at 12 cents with an objective of zero. Risk a total of 4 cents from entry.

2) **BUY** July Corn at \$3.79 with an objective of \$4.12. Risk a total of 8 ½ cents from entry.

3) **SELL** 1 September Corn \$3.90 call, **SELL** 1 September Corn \$3.70 put, and **BUY** 10 September Corn \$4.90 calls at a net cost of 9 cents on the entire position. Use an objective of +99 cents on the entire spread, and risk a total of 14 cents from entry.

If September Corn moves to \$4.60 after 60 days, the spread should be trading near +88 cents for a gain of 79 cents (the \$4.90 calls 16 cents each, the \$3.90 call at 71 ½ cents, and the \$3.70 put at ½ cent).

If September Corn moves to \$5.00 after 60 days, the spread should be trading near +\$2.37 ¾ for a gain of \$2.28 ¾ on the trade (the \$4.90 calls at 34 ¾ cents each, the \$3.90 call at \$1.09 ¾, and the \$3.70 put at zero).



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