POET grain

POET Market Manager Update (March 2023 Pricing Period) – As of 5/23/2022 – Program #16

March '23 Futures have declined 13 cents during May as of the 23rd of the month. A high of $7.68 ½ was achieved on May 16th before slipping back to $7.42 on May 23rd.

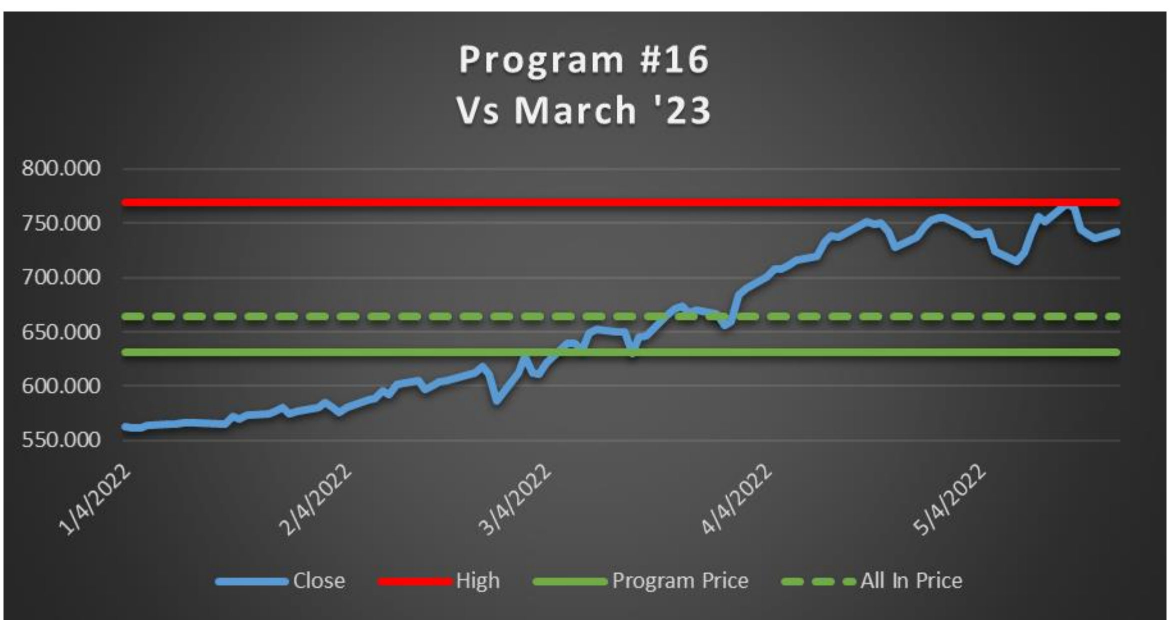
A slow early start to the U.S. planting season helped to boost values in April, but May has seen more of a sideways to lower trend as mid-May weather improved enough for planting to move within 7% of normal planting pace as of May 22nd. Early on, most of the Midwest saw planting pace deficits of 10 to 25% but now the only remaining areas of high concern are in North Dakota and Minnesota. As of May 22nd, North Dakota was only 20% planted compared to 66% on average. In Minnesota, conditions were slightly better but still 26% behind average at 60% planted. There appears to be enough economic incentive to encourage late planting to continue, but we believe there could be around 1 mln acres of prevent plant in these two states. The question is whether this is a straight deduction from the USDA's 89.5 mln acre estimate in May or if there are any additional acres picked up elsewhere to offset the prevent plant acres.

Before getting too far ahead, a quick look at the old crop balance sheet shows the USDA estimate at 1.44 bln bushels. We believe that there could be some upward revision potential based on possible reductions to exports and corn used for ethanol. On the export side, we have seen U.S. export values well above South America values for now thru December. The only old crop export business of significance in the U.S. is coming from Canada, Mexico, and China. We believe that China is essentially done booking old crop corn at this point and Canada/Mexico business has been light recently. Additionally, we've heard reports that China and Brazil have come to agreement on phytosanitary inspections (think bug inspections) that will allow Brazil corn to flow to China. We believe this is more of a new crop impact and does not change the global corn trade in total, but could cause some shifts in traditional corn flows.

The initial new crop balance sheet released from the USDA pegged the carryout for next year at 1.360 billion bushels. Arguably, we could have a slightly higher starting point from this year, but we see the USDA being a little optimistic on production and possibly a little on the light side for demand so we would have a downward bias to next year's carryout.

The next push higher likely needs a weather threat to U.S. production as we progress thru June and July. Conversely, while dips could be seen in the market, we believe they should find good support as we look forward to another expected tight carryout year next year.

We are currently 57% priced for program #16 at $6.315 versus March '23 CBOT and an "All In Price" at current values of $6.645.



All values are estimates and are not final