From: Craig Weber [redacted]
Sent: Friday, September 08, 2023 5:07 PM
To: Chris Nelson
Subject: Fwd: Doing the Hard Stuff That Needs Getting Done

Thought I would share. The Kruse family in Iowa has approved of the pipeline going on their property and he has been very instrumental in developing the industry in Iowa.

Craig

Sent from my iPhone

Begin forwarded message:

> **From:** Commstock [redacted]
> **Date:** September 6, 2023 at 3:24:05 PM CDT
> **To:** [redacted]
> **Subject: Doing the Hard Stuff That Needs Getting Done**
> **Reply-To:** Commstock [redacted]

The Commstock Report is a twice daily market report.

COMMSTOCK® INVESTMENTS

09/06/2023

Doing the Hard Stuff That Needs Getting Done

PLEASE REFER TO THE HEDGE AND TRADE STRATEGY PAGE FOR UPDATES!!

It was not an easy thing to build a US ethanol industry from scratch. As with anything worthwhile there will be naysayers, dissidents and opposition to it. That was certainly the way it was with building the ethanol industry. It requires a group of committed individuals with determination, vision and tenacity to absorb sticks, stones and arrows that are inherently part of the grueling process where green shoots eventually grow into something meaningful. Thus was the process of building an ethanol industry. I have a lot of respect for people who build things and disdain for those who by nature put their energy into tearing them down. Building an ethanol industry delivered on the vision of adding a **value-added component** to corn-belt agriculture. It was worth all that had to be gone through to get it done. The demand created for over 5 bln bushels of corn by the ethanol industry was the greatest wealth creator for the corn-belt economy since the green revolution. This ethanol contributed to US energy independence. That was the prime motivation as to why George W Bush pushed the Renewable Fuels Standard (RFS) as part of his energy agenda despite being an oilman. Prior to ethanol, we had smog in cities and now we don't. Ethanol is healthy compared to MTBE poison. Most forget the distillers grain component of ethanol production, used as livestock feed, which is 40% of the output. When they calculated initial carbon scores, they always left the DDG component out to make something good look bad. That was intentional misinformation. CO2, a greenhouse gas, is another production component of the ethanol process. Allowing its release further pollutes the atmosphere which is why there is applicable technology available to sequester it in order to avoid that.

As with any new technology development, there were a lot of people who lost money as the biofuel industry struggled to get its feet under itself. There were government subsidies initially but they fell away as the ethanol industry reached adolescence. What the RFS is now, after reaching its 15 bln gallon ethanol standard, is a **free market** where future consumption, if unimpeded by regulation, is earned. The RFS offered protection from predators who controlled access to the fuel pumps in what was otherwise the opposite of a free market. Ethanol is a better fuel than gasoline (higher octane) that competes well by price. The airline industry needs 3 bln gallons of low carbon Sustainable Aviation Fuel and ethanol is an applicable feedstock for producing it. **That is a key finishing piece of the future ethanol demand puzzle that will go beyond EVs.**

The trendline yield for corn climbs higher, due to genetics and production practices, so without expanding demand the price relationship with supply would mean a stagnant/weak rural economy. Ethanol has benefited the corn market of all of the naysayers, dissidents and opposition, the same as for those who understood the vision. Their corn prices are higher, basis levels have improved and energy security has been enhanced and land and other asset values have risen because of the contribution that ethanol has made to demand. Ethanol plants, primarily concentrated in the Midwest, are favorably located inland from the reach of deadly storms that often target coastal petroleum infrastructure. After all this biofuel industry has done adding value for the Midwest economy, there are those with twisted ideology, who would not voluntarily use biofuel even as their net worth's increase because of it. They like their new corn basis but don't let one of those new CO2 pipelines come anywhere near their farm in what they see as imposing upon them. They can get 6-figures of 90% tax free money from CO2 pipeline developers to cross every 80 acres they own and they get to continue to farm it and will eventually never even know the pipe is buried across their land. I know this from personal experience. They get paid even if the pipeline is never consummated. I would think that city folk would consider this an equivalent of **"winning the lottery"** and farmers who understood it would be inviting pipeline developers to come through their property. All of the headlines about hazardous CO2, damage to tile systems, inability to get insurance, damage from compacted soils, removal of soil and on and on are by design embellished and weaponized by the naysayers, dissidents and opposition. It is bullshit flung by artists. What little that sticks can be mitigated in the contracts.

Nothing has changed. The same degree of naysaying, dissidents and opposition that the ethanol industry faced upon conception is back for round 2 opposing CO2 pipelines. The future use of motor fuel will be determined by how it scores in a carbon economy. Low or carbon neutral fuels will be used in the future and high carbon fuels will not be. **The market will determine this**. CO2 sequestration of ethanol plants reduces the fuels carbon score to where it is lower than that of EVs. Carbon scoring sets the rules of the game how they will be played. The incentives to compete by these rules are enormous. Environmentalists oppose CO2 pipelines because a sequestered CO_2 low carbon ethanol industry has an extended life expectancy, something contrary to their wish and mission of eliminating internal combustion engines. They want to get rid of fossil fuel and thus ethanol, despite being a renewable fuel, becomes collateral damage in that quest. They could absolutely give a rip about the impact on the Midwest farm economy or any other negative outcome from elimination of biofuel. Yet, landowners go to the Sierra Club meeting and listen like the gingerbread man as to why they should climb onto the fox's snout. They offer no alternative to loss of biofuel support of the Ag economy. I guess that it is just supposed to go away and farmers be destitute, returning to taxpayer farm subsidies again.

After where we have come from in our Ag economy, once tethered to farm subsidies for our income, what the ethanol industry has contributed to farm incomes is both unprecedented and unappreciated. CO_2 sequestration gets tax credits because that is how the government directs policy. The world is adopting a low carbon economy. In its history, the Petroleum industry has gotten $trillions in subsidies. Ethanol must reduce its carbon score to be a sustainable fuel that will support corn demand and thank goodness there is a developing CO_2 sequestration industry that will accomplish that. Many think that the younger generation is entitled. Well, I see where they got it from…being from some of those who oppose CO_2 pipelines. CO_2 carbon sequestration pipelines are fully and totally in the interest of Midwest states, Ag economy and farmers. In fact, they will be crucial to their long-term financial viability and the biofuel industrial longevity of all who live there.

Where are things at now? IUB hearings are on-going in Iowa. They start September 11th in SD. Their initial proposal was denied in ND primarily over opposition to the route. They are modifying the route to address this and expect the new plan to be approved. Nearly 72% of landowners on their route in IA have signed easements with Summit Carbon Solutions. Of the 28% remaining, the company claims to be in negotiation with 3/4ths of them. That would mean that something near or over 20% are in a wait and see mode relative to the IUB hearings and whether eminent domain is granted. If approved they will quickly sign easements. That winnows the intransigent opposition down to less than 10%. Of that group some outline the specifics of their opposition and there is nothing new under the sun in them. Others have long addressed these concerns in their easement agreements. Asked if they had talked with Summit representatives about their concerns, you get answers referencing their refusal to answer phone messages or having thrown them off the porch if they knocked on the door. Many of these landowners have no idea what the terms of the easement are or can be. They just want to have nothing to do with it or them. They are actually the holdouts for which Eminent Domain provisions in Iowa State law were aimed at to protect the public interest. There is a process and it is working.

Trade and Hedge Strategy 09/06/2023

Speculator Start Covering Wheat Shorts But Hold Bearish on Corn

On The Grains:

Corn and soybeans rallied in reaction to the crop ratings falling by more than anticipated, with the Good and Excellent score down 3 points for corn and 5 points for soybeans. Both were taken below their year-ago levels. The ratings might not mean as much this late in the season, but they reflect damage done over the last several weeks and help support the idea that yield estimates are moving lower from here. Corn futures came off their highs eventually after light volume was seemingly dominated by continued speculative selling. Hedge funds that have built a large net-short position on corn are reluctant to buy aggressively this close to harvest, or while yield estimates are as lofty as they have been. The next opportunity to see lower yields comes next week with the Tuesday release of the Crop Production report. More trade estimates are expected to start circulating tomorrow. One pair of estimates out today came from the Allendale farmer survey, which predicted corn yield at 171.51 bushels per acre (USDA August 175.1) and soybean yield at 49.58 bpa (USDA 50.9). Yields should go lower, but the real wildcard would seem to be acreage. The planted area estimates are subject to change this month after the USDA makes review of the latest data from the FSA.

Various analysts have been out with predictions suggesting that corn acreage could rise by 500,000 to 1 million acres; anything above that is likely a bearish outcome. There has not been as strong of a call for soybean acreage to rise. All else unchanged on the soybean balance sheet, it only takes a yield reduction of 0.6 bushels per acre to drop the new-crop carryout below a tight 200 million bushels.

December Corn: 485'6 -0'2
November Beans: 1376'2 +11'2
December Oats: 498'6 +11'2

On The Charts: December corn futures were trading both sides of their 20-day moving average, a level which splits the lower Bollinger Band at $4.75 and the upper at $4.98. November soybeans were still well above their 20-day moving average, and the higher trade was helping that measure cross above the 30-day moving average for the first time in about three weeks. Upside targets include the August 28 high at $14.09 1/2 and the summer top at $14.35.

News regarding the war in Ukraine was back to being bullish after the failure of negotiations to restart the grain export deal open up the Black Sea to become an even bigger theater for fighting. There was nothing that really jumped out on the Crop Progress report for wheat, but with winter seedings now at 1 percent complete, they will be watched for the possibility of dry weather discouraging the planting effort. Weather around the world remained a mixed bag, with some improvement for conditions in Argentina, but dryness still a concern for Australia. The Board of Trade in Argentina issued a forecast for wheat production to recovery by 35.7 percent this year. In Australia, their country's agricultural department cut its wheat production forecast to what would represent a 34 percent reduction for the year.

December Spring Wheat: 782'2 +20'0
December Chicago Wheat: 609'0 +9'6
December KC Wheat: 749'4 +25'0

On The Charts: December Chicago wheat settled back above $6 but was still stuck in a larger downtrend formed out of the July high at $7.96 1/4. First up for resistance would include the 20-day moving average at $6.25. Monday's low at $5.92 1/4 is critical support. December Kansas City wheat finished just fractionally below its 20-day moving average and would have the late August high at $7.71 3/4 to test on further upside.

On The Livestock:

Cattle futures seemed to benefit from additional speculative buying after hedge funds had recently rebuilt large net long positions in both live cattle and feeders. On Wednesday, it was the live cattle in the stronger position after recent leadership from feeders. A cash trade had developed with light volumes trading hands on Tuesday; prices were $1 or $2 lower, but packer demand was expected to pick up stronger to account for the short holiday week. Marketing activity was thought likely to accelerate as producers caught up after hot temperatures helped slow things down over the previous few weeks. Beef demand remained elevated on accord of strong buying interest from domestic consumers, and last week's export sales report found beef exports rising by 35 percent over the 5-week average. Boxed beef was mostly flat on the morning report with the choice average up 14 cents to $315.62 and select down 16 cents to $289.38.

September Feeder Cattle: $253.15 +$1.77
October Live Cattle: $182.70 +$2.75

Real-Time Feeder Index: $249.71 +$1.51

On The Charts: October live cattle jumped above the recent high from late August and settled right below the upper Bollinger Band. The next major target up ahead is the contract high at $185.75. Bears will be targeting last week's low at $179.42.

Hog futures had yet another session where they started one way and finished in the opposite direction, this time opening sharply higher but then falling under Tuesday's lows. Cash markets were mostly quiet throughout the morning session, with the direct hog average down just 30 cents within a relatively tight range of $77 to $80. Still, the cash being below the October futures helped tug on board prices. The pork cutout was surprisingly flat this morning after several weeks of extreme volatility. Big swings are subject to return now that the market readjusts after the Labor Day holiday. Production will be influenced by slaughter weights that usually start to rise from here and from the balance against a kill rate that usually does not top out until later in the year.

Midday Cutout: $98.92 +$0.05
October Cutout Futures: $92.92 -$1.17
October Lean Hogs: $81.87 -$1.30
December Lean Hogs: $74.45 -$0.62

On The Charts: October hogs were turned away right at their upper Bollinger Band and stopped short of their weekly high at $84.72. Downside support comes into play around $80, which is near where the 100-day moving average is hovering.

Spread/Seasonal Trade Recommendations:

08/25/23- Most OJ traders are sticking with their shorts and rolling to November, but today was the printed exit date for the trade. Average losses for those that exited was about $20/contract.

07/19/23- I am getting a jump on a trade that is set to come out on 7/27. Sell September orange juice at the market. This is a 13/15 year winner with an average profit of $623 and an exit date of 8/25. It might seem a bit unusual to suggest a trade with such a small average profit, but OJ is sitting very near all-time highs, so the potential is likely higher.

NOTE TO SUBSCRIBERS:

All seasonal trades are left to the trader's discretion as to how they want a specific position traded. We have several who place limit orders at the time of initial fill to take the seasonal average profit. Without a GTC working order, there is no way to fill orders without monitoring around the clock. Others look for less profit at times, while some will carry to the end date. Please speak with your CommStock broker to establish your individualized plan. Keep in mind, past performance is not indicative of future results.

Trade Recommendations:

08/25/23- Roll September natural gas to October contract at the market.

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