

## GOOD MORNING: 02/06/18 Farm Direction - VanTrump Report

1 message

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To: Kevin Van Trump <info@farmdirection.com>

Tue, Feb 6, 2018 at 6:49 AM



*"Cramps? What do I do? I keep running, and eventually they go away. I run through the cramps." - Frank Shorter*

**TUESDAY, FEBRUARY 06, 2018**

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**Morning Summary:** Stocks posted their biggest single one day loss in the markets long storied history, falling -1,175 points as the Dow pulled back -10% from it's most recent high. Keep in perspective however, on Black Monday, October 19 ,1987, the market fell -22% in one day. Also keep in mind, the Dow is still up nearly +40% since Donald Trump was elected president. Insiders report yesterday's heavy stock market selling was aggressively triggered when the S&P500 fell below its 50-Day Moving Average, something that hasn't really happened since September of last year. Interestingly, the selloff was on heavy action, about 300% of the markets normal daily volume. Before this past Friday, the S&P 500 had gone the longest stretch ever without even a -3% pullback. Remember, the financial world doesn't consider it a "bear market" until we witness a loss of -20% or more. The fundamentals supporting the bull market remain very solid with the economy growing at one of its best clips since the recovery and earnings set to grow by double digits. The latest troubles are being blamed on jitters about rising inflation which has seen money rotating into other asset classes on expectations that the Federal Reserve will raise interest rates more than Wall Street is currently anticipating. Insiders were pointing to heavy computer selling being a factor in yesterday's drop as well. Another factor for the declines is likely the continued cryptocurrency selloff, with Bitcoin falling to below \$6,000 in the overnight session. When one asset class makes a big loss, the negative sentiment tends to spread across other markets. Today's only economic data is International Trade and JOLTS. The latter could draw more attention than usual as much of the inflation fear stems from the tight labor market. The number of available jobs fell in November so investors will be hoping to see a reversal. Earnings pick up today with releases scheduled from ADM, Allergan, Anadarko, B.P, Cerner, Fidelity, General Motors, Gilead Sciences, Nintendo, Omnicom, S&P Global, and Walt Disney. Lawmakers are back in Washington and working toward cutting another short-term funding bill in order to avoid a government shutdown. I remain a longer-term bull, but understand the market its taking on more of a shoot first and ask questions later attitude. Meaning I suspect headline traders and computer based models will be digesting a ton of talk about market crashes and major setbacks in the days and weeks ahead. The uncertainty surrounding the ETF's tied to the VIX will also add to the current fears and chaos. I'm personally bracing for more nearby downside pressure, then perhaps a move to the upside that many amateurs will probably bite on, followed by what could then be a more severe move again to the downside. In other words I'm not adding or buying into any strength or any type of relief rally. I'm also not sure we bottom until we see bulls in the Tech sector feel more serious pain. On the downstroke, I'm only taking small bites and nibbling at stocks I want to own for more than 3 years. I feel I was lucky to unload all the unnecessary baggage on the incredible run higher. I include below a graphic we created in the office showing the single largest down days based on points in the Dow. As you can see, 8 of the top-10 have occurred since 2008, and 2 have actually happened in the past two trading sessions...

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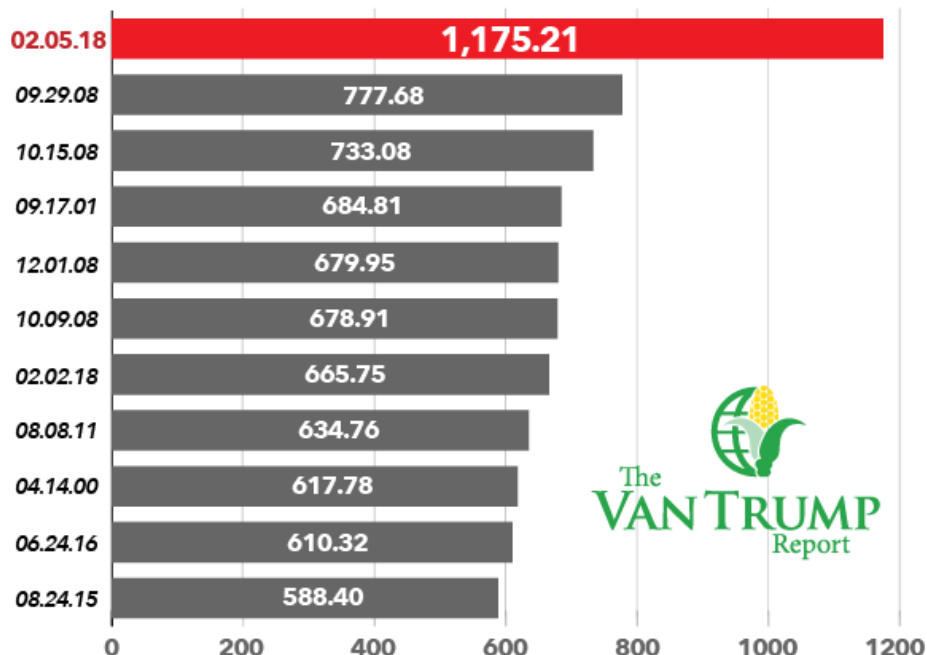
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### Today In History

**1891, Dalton Gang** - Members of the Dalton Gang stage an unsuccessful train robbery near Alila, California--an inauspicious beginning to their careers as

# Biggest One-Day Dow Point Drops



**April 14, 2000** - Dot.com bubble bursting. U.S. stocks plummeted Friday, capping off five days of stunning losses that handed the Nasdaq composite index its worst weekly performance of all time.

**September 17, 2001** - First day of trading after the 9/11 terror attacks.

**September 29, 2008** - Evidence of the first version of the TARP bail-out program failing in Congress. The financial crisis is starting to become more apparent.

**October 9th, 2008** - The one-year anniversary of the Dow's peak, the cost of short term credit rose while there were heavy losses in the United States stock market; the Dow dropped below 8600, reaching a five-year low. It was the first time since August 2003 that the Dow closed below 9000. A meeting of international financial leaders hosted by President Bush at the White House in Washington is planned to attempt to coordinate global response to the financial crisis.

**October 15th, 2008** - The London stock exchange FTSE 100 fell substantially, surrendering over 314 points to slip down 7.16 percent. The losses precipitated more losses in the U.S., as the Dow Jones Industrial Average suffered its largest drop in terms of percentage since 1987, falling over 733 points. The NASDAQ plunged almost eight and a half percent, and the Standard & Poor collapsed down over nine percent.

**December 1, 2008** - Government data announcing U.S. is officially in a deep recession.

**August 8, 2011** - European Debt Crisis

**August 24, 2015** - Oil melts down as prices fall sub-\$40 on more talk of China stumbling.

**June 24, 2016** - Surprise Brexit Vote

Source: Yahoo Finance, Business Insider

**Super Bowl Recovery:** Monday absenteeism is predicted to cost employers more than \$3 billion dollars in lost productivity, based on an estimate from



serious criminals. Bob, Emmett, and Grat Dalton were only three of Lewis and Adeleine Dalton's 10 sons. The brothers grew up on a succession of Oklahoma and Kansas homesteads during the post-Civil War period, when the region was awash in violence lingering from the war and notorious outlaw bands like the James-Younger Gang. Still, the majority of the Dalton boys became law-abiding citizens, and one of the older brothers, Frank, served as a deputy U.S. marshal. Ironically, Frank's position in law enforcement brought his younger brothers into lives of crime. When Oklahoma whiskey runners murdered Frank in 1887, Grat took Frank's place as a deputy marshal and recruited Emmett and Bob as assistants. Disillusioned by the fate of their older law-abiding brother, the three Dalton boys showed little respect for the law and began rustling cattle and horses to supplement their income. The brothers soon began to use their official law enforcement powers for their own ends, and in 1888, they killed a man for pursuing Bob's girlfriend. Such gross abuses of authority did not escape attention for long. By 1890, all three men were discredited as lawmen, though they managed to escape imprisonment. Taking up with some of the same hardcore criminals they had previously sworn to bring to justice, the Daltons decided to expand their criminal operations. Bob and Grat headed to California, leaving Emmett behind in Oklahoma because they felt he was still too young for a life of serious crime. In California, they planned to link up with their brother Bill and become bank and train robbers. The Dalton Gang's first attempt at train robbery was a fiasco. On February 6, 1891, Bob, Grat, and Bill tried to rob a Southern Pacific train near Alila, California. While Bill kept any passengers from interfering by shooting over their heads, Bob and Grat forced the engineer to show them the location of the cash-carrying express car. When the engineer tried to slip away, one of the brothers shot him in the stomach. Finding the express car on their own, Bob and Grat demanded that the guard inside open the heavy door. The guard refused and began firing down on them from a small spy hole. Thwarted, the brothers finally gave up and rode away. The Daltons would have done well to heed the ominous signs of that first failed robbery and seek safer pursuits. Instead, they returned to Oklahoma, reunited with young Emmett, and began robbing in earnest. A year later, the gang botched another robbery, boldly attempting to hit two Coffeyville, Kansas, banks at the same time. Townspeople caught them in the act and killed Bob, Grat, and two of their gang members. Emmett was seriously wounded and served 14 years in prison.

**1919, Labor Unions** - Nineteen-nineteen looked to be a good year for the American labor movement: World War I had swelled the ranks of the nation's unions, while the

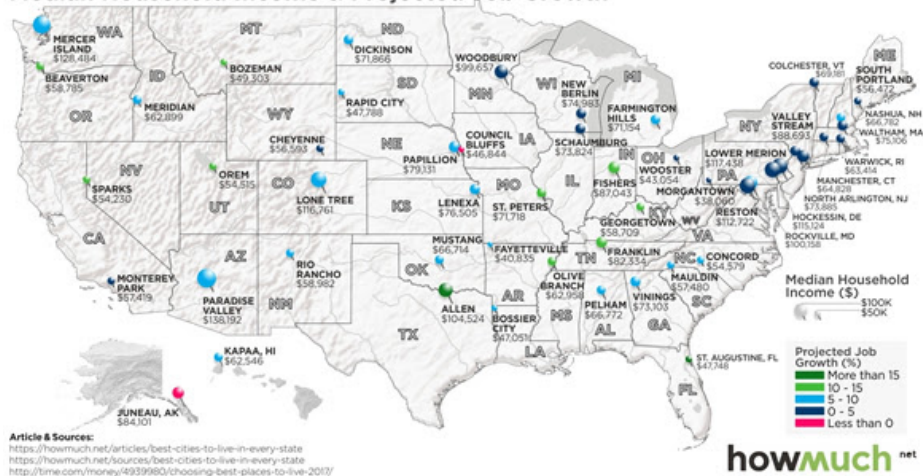


executive coaching firm Challenger, Gray and Christmas. It based that figures on an estimate of 67 million employed people using the December employment-to-population ratio from the Bureau of Labor Statistics. In total, Challenger anticipated that some 16.5 million workers would take a sick day on Monday. Football's effect stretches beyond the Super Bowl. Employee productivity losses related to the entire football season — and fantasy football in particular — cost companies an estimated \$17 billion in 2016, Challenger reported. That equates an even larger expense to businesses than this year's flu season, which Challenger predicts will total around \$15.4 billion. But workers calling out sick aren't the only ones causing employers problems this week. Challenger forecast that \$1.78 billion would be lost because of workers coming in an hour late on Monday or wasting at least an hour of work time discussing the game, paying out office pools or doing other time-wasting activities. (Source: MarketWatch)

**U.S. Service Sector Activity Hit A Decade-High:** ISM non-manufacturing sample is reporting some of the very best conditions in the 20-year history of this series. The composite index rose nearly 4 points in January to 59.9 which was well above analyst estimates. New orders are arguably more important than any composite result and the reading, at 62.7, is back at last year's peak. And employment is a special standout, up more than 5 points to a very rare plus 60 score of 61.6 which is by the far the best of the post-2008 expansion. Other details range from moderate, such as backlogs which are just barely building, to very strong growth such as input costs and business activity (which is a production measure). Further confirmation of strength comes from the breadth among industries with 15 of 18 reporting monthly growth including both mining and construction which have been very strong. (Source: Institute for Supply Management, Econoday)

**Algorithms help us make almost every decision—they can even decide court cases and predict legislation—but is it possible to objectively calculate the best places to live?** The answer depends on which factors are included and how the different metrics are weighted against each other. MONEY has calculated more than 170,000 data points into its ranking, such low crime rates, the quality of education systems, and public amenities. HowMuch compiled their results into the map below, showing median household income (which corresponds to the size of the dot on the map) and future job prospects (which relates to the color of the dot). Mapping the data in this manner creates an easy snapshot of the most desirable places to live in the country. Ideally, the best place to live would have both a high median income and strong projected job growth. In other words, looking at our map, the best place would be a large green dot—Allen, TX. As a matter of fact, there's a clear cluster of green dots stretching from Allen to Fishers, IN, indicating a buoyant economy in certain parts of the mid-South. Click the map for a larger view. (Source: HowMuch)

## Best City to Live in Every State Median Household Income & Projected Job Growth



**Weather** over the weekend saw light snow favor the northern and eastern Midwest and the northwestern Plains. Rain fell across the Delta and the Southeast and improved soil moisture for wheat in the Delta. However, significant dryness remains in place across the southwestern Plains, particularly in southwestern Kansas, western Oklahoma and western Texas. Temperatures turned much colder over the weekend in the north, central U.S., dropping below 0 degrees F in parts of Kansas and Nebraska. The fallen snow will help increase protection for wheat as temperatures are expected to remain below normal this week across the Plains and Midwest. Looking to South America, the dry weather plaguing Argentina remained in place over the weekend. Dry weather and above normal temperatures further increased stress on corn and soybean crops in major growing areas. This hot and dry pattern is expected to stick around for the next



Marxist revolution in Russia raised hopes of deliverance for the world's workers. On February 6, 1919, a heady display of labor's growing power concluded when a general strike was called off in Seattle, Washington. In the days before the war, a strong alliance of craft unions enabled Seattle's 35,000 dockworkers to gain some of the highest wages in the nation. With the outbreak of war, the government placed constraints on the shipyard worker's wages, in hopes of rolling their earnings back in line with the rest of the country. In January, the dockworkers retaliated by walking off the job, and on February 1, 25,000 of Seattle's other workers joined the dockworkers on the picket line. The five-day strike effectively shut down Seattle: factories, shops and the waterfront all sat dormant, waiting for a resolution to the dispute. A General Strike Committee swiftly stepped in and established temporary systems for feeding and protecting Seattle's citizens. Although the strike was peaceful, and the Committee judged that people were rapidly "learning to manage" the city's daily operations, local government and business chiefs threatened action against the country's unions. Feeling the fire of a potential legal or political nightmare, national labor leaders stepped in and urged Seattle's workers to end their strike. Seattle's strikers had not yet gained ground on their wage demands, but they heeded the call and headed back to work, releasing the city from their grip on this day in 1919.

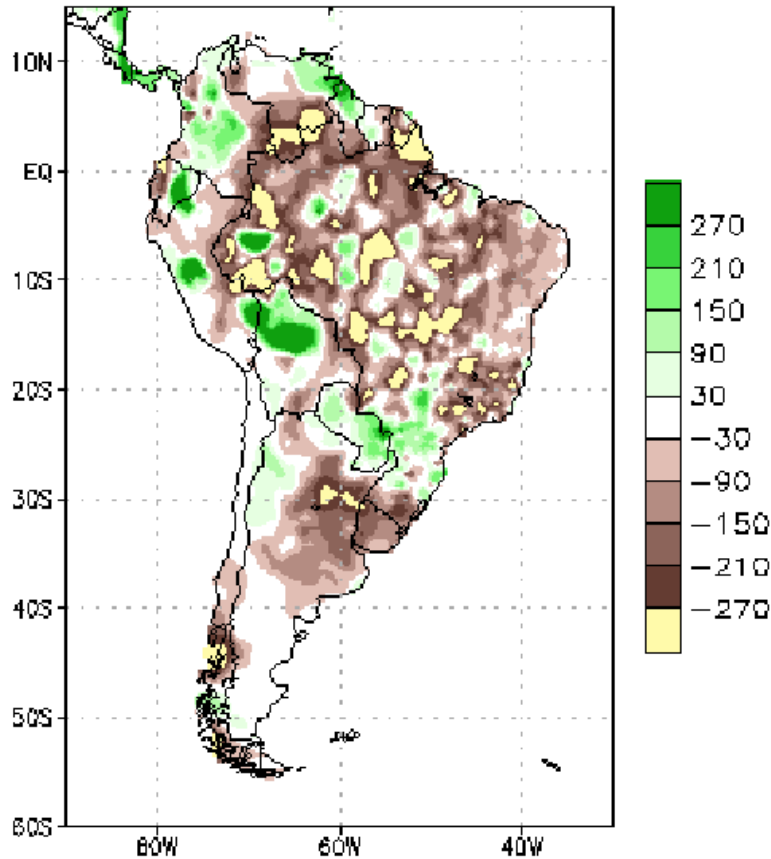


**1985, President Reagan** - In his State of the Union address, President Ronald Reagan defines some of the key concepts of his foreign policy, establishing what comes to be known as the "Reagan Doctrine." The doctrine served as the foundation for the Reagan administration's support of "freedom fighters" around the globe. Reagan began his foreign policy comments with the dramatic pronouncement that, "Freedom is not the sole prerogative of a chosen few; it is the universal right of all God's children." America's "mission" was to "nourish and defend freedom and democracy." More specifically, Reagan declared that, "We must stand by our democratic allies. And we must not break faith with those who are risking their lives — on every continent, from Afghanistan to Nicaragua—to defy Soviet-supported aggression and secure rights which have been ours from birth." He concluded, "Support for freedom fighters is self-defense." With these words, the Reagan administration laid the foundation for its program of military assistance to "freedom fighters." In action, this policy translated into covertly supporting the Contras in their attacks on the leftist Sandinista government in Nicaragua; the Afghan rebels in their fight against the Soviet occupiers; and anticommunist Angolan forces embroiled in that nation's civil war. President Reagan continued to

few days. Scattered showers should develop in central and southern areas later this week. In Brazil, heavy rain fell in northern areas of the country improving soil moisture but slowing soybean harvests in Mato Grosso. Heavy rains continue to favor the northern growing areas in Brazil this week.

**Dryness In Argentina Continues:** *We continue to see widespread moisture and vegetation stress across Argentina. Concerns continue over this dry pattern as many major soybean and corn growing areas are anywhere from 8 - 12 inches below normal rainfall. Below you can see a 90 Day total Rainfall Anomaly map as well as a South American drought map.*

Prop Anomalies (mm) 07NOV2017-04FEB2018



CPC Unified (gauge-based & 0.5x0.5 deg resolution) Precipitation Climatology (1981-2010)

defend his actions throughout his two terms in office. During his farewell address in 1989, he claimed success in weakening the Sandinista government, forcing the Soviets to withdraw from Afghanistan, and bringing an end to the conflict in Angola. Domestic critics, however, decried his actions, claiming that the support of so-called "freedom fighters" resulted only in prolonging and escalating bloody conflicts and in U.S. support of repressive and undemocratic elements in each of the respective nations.

#### Upcoming Events

**Tues.-Wed. 1/30-1/31** - FOMC Meeting

**Thurs. 2/8** - USDA Supply and Demand

**Fri. 2/16** - Farms and Land in Farms

**Mon. 2/19** - Washington's Birthday - Markets Closed

**Thurs. 2/22** - Cold Storage (month & annual)

**Fri. 2/23** - Cattle on Feed

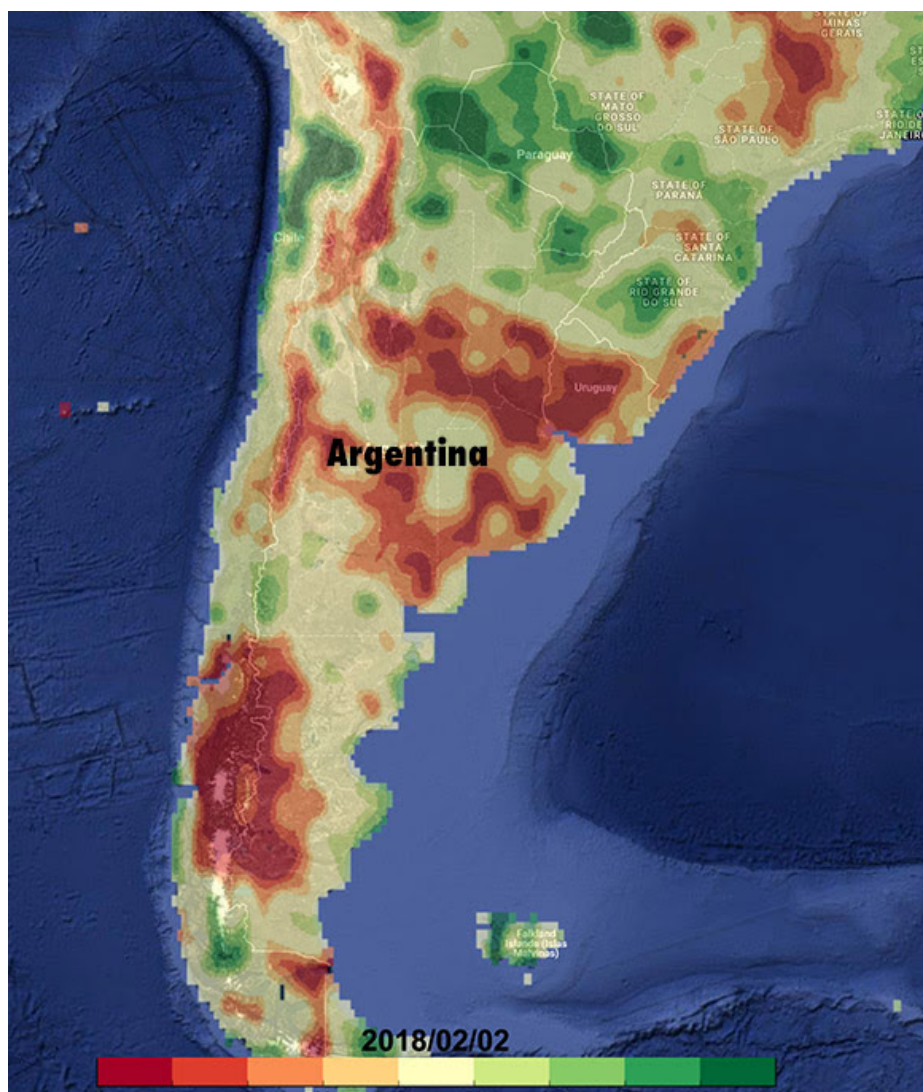
**Fri. 4/30** - Good Friday - Markets Closed

#### Kevin's Song of the Week



#### About the Report





## NEXT level THINKING



My goal at "The Van Trump Report" is to help readers better identify the moving parts and dynamics associated with the financial markets, geopolitical events, economics, media and culture that is currently influencing and shaping the direction of the agricultural markets. I like to believe I "Challenge the Traditional" and encourage our readers to think outside the box.

I use story telling techniques that are written in an easy to read format to help convey my current thoughts about business, markets, technology, weather, sports and life. I also like to include links, filter the noise, and pass along in-depth research and information that I believe could challenge your current thought process and help you make more informed decisions. In addition I include valuable lessons I have learned from other traders, executives and investors, along with an occasional inspirational piece about life, family and faith.

What I do not do in "The Van Trump Report" is give specific financial advice or tell individuals how to invest or how to specifically hedge. Remember, this information is being read by hedge fund managers, bankers, CEO's, and Ag leaders around the globe, therefore it's NOT tailored to fit your specific individual needs. For specific investment or hedging advice please seek the help of a licensed representative that can better understand your particular situation, individual needs and overall risk tolerance. This information should ONLY be used for educational and entertainment purposes.

My family and I would like to thank you again for your support!

*Kevin Van Trump*

### What Others Are Saying

*"I am a recent subscriber to Kevin's newsletter, but I'm a long-time reader of many other high-profile marketing services. I am particularly impressed with the thorough manner in which Kevin evaluates every economic aspect, both nationally and internationally, that influences commodity prices. His analysis and conclusions are highly thought out and conveyed in layman's terms so that the reader can comprehend the numerous and often complex interrelationships that impact the markets. Kevin is a real attribute to the agricultural sector."*

**A.M., FDIC**

*"As a national federal farm policy administrator and commodity producer, I find it critical to keep updated with what is going on in the real world of agriculture and with the domestic and global markets. Of all the services I've have been privy to or have subscribed to over the past 20 years I've found in the past several months of engaging in your "Farm Direction" services to be the best perception and analysis of what is really*

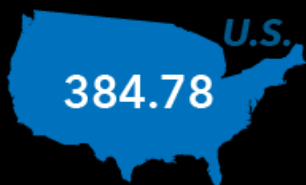
**Corn** bulls continue to point towards strong export and ethanol demand. There's also continued uncertainty surrounding total South American production. Most inside the trade seem to be thinking the USDA will trim their Argentine estimate, by how much who knows? Keep in mind, Informa recently cut its Argentine corn production estimate to 37 MMTs vs. the USDAs current projection of 42 MMTs. There seems to also be some debate surrounding the USDAs current estimate for Brazil. I personally side with the bulls, who seem to believe the USDA is currently a bit too high with their forecast. I'm thinking Brazil's second-crop acres could disappoint with not as many acres planted. Bears continue to focus on uncertainty surrounding NAFTA and other trade renegotiations. The latest headlines about China launching an investigation into U.S. sorghum being imported into their country is making the bulls in the market a bit more nervous. The fear is since we export a sizable amount of U.S. sorghum to China, if it starts to back up into the U.S. it could start competing more aggressively with other U.S. feed stock, specifically competing with corn used for feed. From what we are hearing, the sorghum investigation will go until February of next year and could be extended even further. I'm personally hoping the lack of U.S. sorghum into the Chinese market will force China to use more of their domestic corn, which might actually be their play... I'm staying a longer-term conservative bull.

# Top 3 Corn Producers

(in million metric tons)

2016/2017

2017/2018 proj.



-3.6%



-1.7%



-3.6%



Source: USDA, FAS, PS&D, 02/05/18

**Spring Crop Revenue Insurance Guarantees:** Remember these prices will update daily during the month of February as the price average is determined.

- **Corn \$3.92<sup>^2</sup>** (Avg. close of the DEC18 contract during Feb)
- **Soybeans \$10.01<sup>^4</sup>** (Avg. close of the NOV18 contract during Feb)

**Soybean** bears continue talking about Chinese buyers booking more cargoes from Brazil. There's also the recent headwinds being created by China announcing they were officially investigating anti-dumping allegations against U.S. sorghum exports. Bears argue it might be the first wave of retaliatory measures launched by the Chinese in response to recent tariffs placed on solar panels and washing machines coming from China to the U.S. Bottom-line, a trade dispute between the U.S. and China makes the soybean market extremely nervous. Keep in mind we also have uncertainty surrounding NAFTA trade negotiations. Meaning some insiders might start erasing and penciling in a lower U.S. export number. Bears are also pointing to record Canadian canola stocks now being reported by StatsCan. On the flip-side, bulls continue to point to South American weather concerns, believing overly wet conditions in parts of Brazil could substantially delay the harvest. There's also the continued talk of dry conditions across large portions of Argentina. Looking towards headlines coming later in the week, it feels like most sources inside the trade are thinking we will see a slight uptick in the USDAs latest ending stock number scheduled for release on Thursday. As for South American production, it continues to be heavily debated. There's talk that the Argentine crop could stabilize around 50 MMTs vs. the USDAs current estimate of 56 MMTs. Brazil's production forecast seems to be more of a wild-card with most looking for another slight bump higher. I suspect we are somewhere between 110 and 112 MMTs. As a producer, I continue to like the thought of reducing risk on the rallies. As a spec, I prefer betting on the bearish fundamentals, but respect the uncertainty still surrounding South American weather, hence I remain on the sideline, not wanting to get chewed up as the market searches for nearby direction.

happening in today's world. Not only here in the United States, but across the globe as well. US farmers need this type of help and information to assist them in their daily efforts. I commend you for a job well done. Please let me know if I can ever be of any help or assistance to you in the future..."

**L.T., Assistant Deputy Administrator  
for Farm Programs USDA**

## My Own Personal Truisms

"Not To Trade, is often considered a good trading decision..."

"First Rule of HOLES: When you are in one stop digging..."

"Every looser in Vegas, always walks away from the table thinking he could have done better, the winners on the other hand leave while on top..."

"Bulls make money, Bears make money, but pigs get slaughtered..."

"The markets ability to remain irrational can often times last much longer than your ability to remain solvent..."

I'm more of a long-term player, therefore you will not see me give many short-term suggestions or trade ideas. One of my most important rules is that I always follow my long-term direction. Therefore, as long as I am "bullish" a market I will only play that particular market in one of three ways.

- Option #1 - Conservatively long.
- Option #2 - Aggressively long.
- Option #3 - Sitting on the sideline.

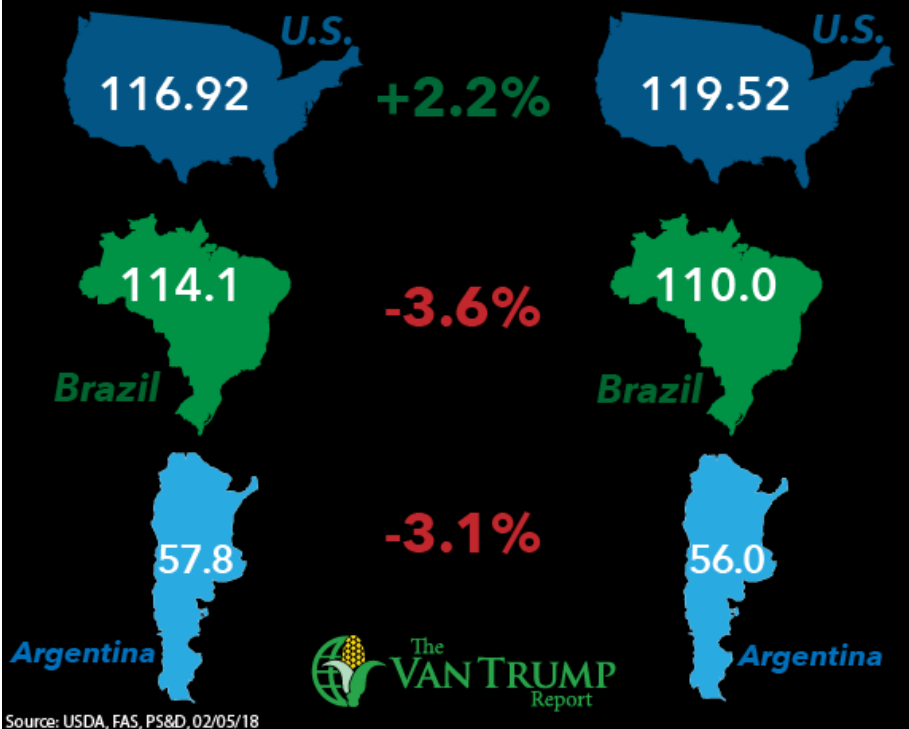
I never initiate a "short" position in a market that I am "bullish" longer-term, nor do I initiate a "long" position in a market I am "bearish" longer-term.

# Top 3 Soybean Producers

(in million metric tons)

**2016/2017**

**2017/2018 proj.**



**Wheat** bears are talking about a bit more moisture being added to the forecast for the southern Plains. There's also talk of increased snow cover easing some of the recent fears surrounding stress related to winter-kill. Globally there are a few more headwinds as the U.S. dollar stabilizes and the Russian ministry of agriculture official announced they will be releasing 500,000 MTs of old-crop wheat into the export market early this summer. Not that this is a large number, but there was hope that Russian exports were drying up and bearish headlines would be fading. I should point out that Russian wheat exports have actually slowed down for the third consecutive week, and are the lowest they have been since last summer. Keep in mind however, their export sales are still up over +30% compared to last years sales. Like we reported last week, most inside sources are attributing the slowdown to weather and logistical problems. Unfortunately, it sounds like they still have plenty of supply and will be aggressively competing during the next few months. The trade is also digesting further confirmation from StatCan that Canadian exporters will have plenty of supply to compete for global marketshare. As both a producer and a spec, I continue to keep a longer-term bullish tilt. But as I mentioned last week, if we can't generate or find fresh new bullish headlines the market could drift lower on traditional oversupplied fundamentals.

*Farm Direction*  
RECIPES

★ **FAMILY FAVORITES** ★  
-SENT IN BY OUR READERS-

**Breakfast Sausage Pot Pie**

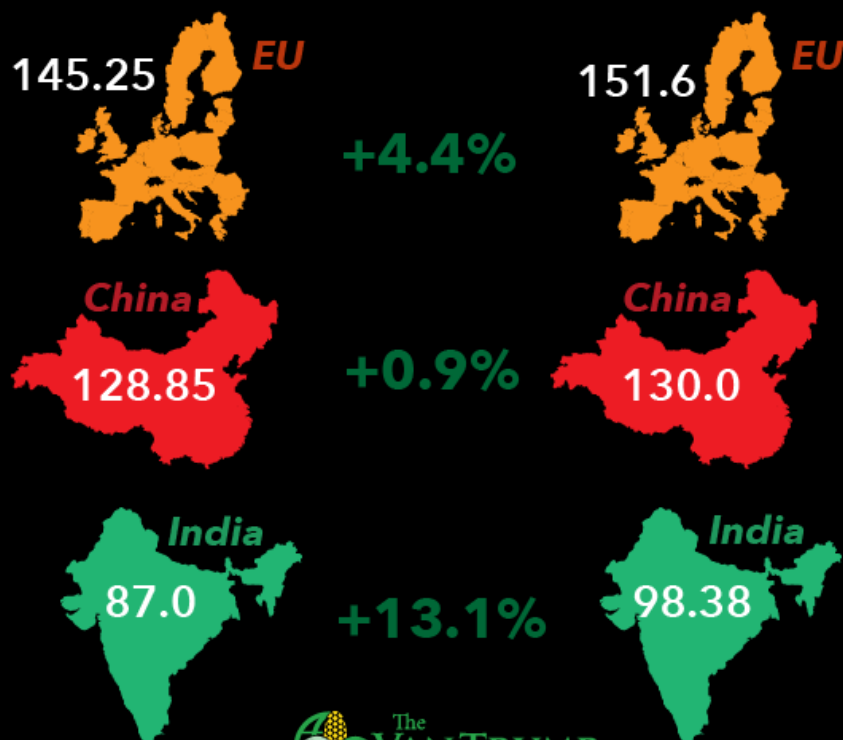
[CLICK TO SEE RECIPE](#)

# Top 3 Wheat Producers

(in million metric tons)

**2016/2017**

**2017/2018 proj.**



Source: USDA, FAS, PS&D, 02/05/18



**U.S. Ending Stocks 2017/18** (in billion bushels)

	Feb. Est.	Trade Avg.	Trade Range	Jan. USDA
Corn	???	2.467	2.402 - 2.547	2.477
Soybean	???	0.488	0.455 - 0.540	0.470
Wheat	???	0.988	0.937 - 1.014	0.989

**World Ending Stocks 2017/18** (in million metric tons)

	Feb. Est.	Trade Avg.	Trade Range	Jan. USDA
Corn	???	204.2	198.9 - 206.6	206.6
Soybean	???	98.3	97.0 - 99.5	98.6
Wheat	???	267.6	265.0 - 269.7	268.0

**South America Production** (in million metric tons)

	Feb. Est.	Trade Avg.	Trade Range	Jan. USDA



<b>Argentina Corn</b>	???	40.5	39.0 - 42.0	42.0
<b>Argentina Soybean</b>	???	53.8	51.0 - 56.0	56.0
<b>Brazil Corn</b>	???	93.3	87.1 - 95.0	95.0
<b>Brazil Soybeans</b>	???	111.5	110.0 - 114.0	110.0



**> StatsCan Reports Record High Soybean, Canola Stocks:** As of December 31, 2017, total stocks of canola, corn for grain, soybeans, oats, lentils and dry peas were up compared with the same date a year earlier. However, total stocks for wheat and barley were down at the end of 2017. Total soybean stocks increased +29.2% from December 31, 2016, to a record high 4.3 million metric tons, the result of a +58.8% rise in on-farm stocks. Meanwhile, commercial stock levels fell -4.0%, to 1.5 million metric tons. This overall increase was due to record soybean production in 2017, at 7.7 million metric tons. Canola stocks reached a record high 14.1 million metric tons as of December 31, 2017, up +5.7% from the same date in 2016. The gain in stocks reflects record canola production in 2017, at 21.3 million metric tons. On-farm stock levels rose +8.6% to 12.5 million metric tons. Meanwhile, commercial stocks fell -12.4% to 1.6 million metric tons. Total wheat stocks decreased -2.2% from December 31, 2016, to 23.6 million metric tons. (Source: StatsCan)

**> China Launches U.S. Sorghum Subsidy Probe:** China said it started a one-year anti-subsidy investigation into grain sorghum imported from the U.S., further fueling trade tensions between the world's two biggest economies. The Commerce Ministry said it has initial evidence that the U.S. government subsidizes grain sorghum, according to statement. The ministry said it will probe imports from January 2013 to October 2017 and while it aims to complete the inquiry by next February, it could potentially extend until August 2019. The latest spat comes days after U.S. President Donald Trump slapped tariffs on imported solar panels and washing machines, which Beijing called a "misuse" of trade measures. Trump also is considering whether to impose tariffs on imported steel and aluminum, while the U.S. Trade Representative's office is probing China's intellectual-property practices. (Source: Bloomberg)

**> U.S. Ethanol Exports To Brazil Surge On Wide-Open Arbitrage:** The combination of U.S. ethanol prices at 12-year lows and soaring prices in Brazil has opened a wide arbitrage to import anhydrous ethanol from the U.S. A large Brazilian trading company estimated that January to March the total volume of anhydrous imported from U.S. might reach 712,000 cubic meters. Estimates from S&P Global Analytics point to Brazilian imports from the U.S. of 650,000 cubic meters in the first quarter of 2018. After the January-March period imports from US were estimated by a source to drop to 120,000-140,000 cubic meters per month. Despite the open arbitrage, a logistical bottleneck might hamper the high volume expected to leave US ports. "It has not been easy to charter motor tankers and find terminal vacancy. The demand from other importers has been strong too," said a US exporter. (Source: Platts)

**> Sugar Glut Seen Extending Into Next Year:** Good crops in Europe and India will probably extend a global sugar surplus for a second year, according to ED&F Man Holdings Ltd. Supplies are likely to outpace demand again in the season that starts in October, Kona Haque, head of research at the London-based trader, said in an interview. That follows a glut of about 7 million to 8 million metric tons in 2017-18. Higher ethanol prices will prompt some millers in top producer Brazil to switch to the biofuel in the 2018-19 season that starts there in April. While that will help the market, it would not be enough to offset the surplus elsewhere. (Source: Bloomberg)

**> Russian Grain Stocks Up +16.3%:** According to the Russian State Statistics Service, farming, procurement and processing entities held 45.9 MMT of grain as of January 1, 2018, i.e. 16.3% more than on the same date last year, reports UkrAgroConsult. Wheat stocks are up 24.4% year-on-year at 14.77 MMT. Despite a record fast pace of grain exports from Russia, grain stocks in its exporting regions remain record high. So, roughly 10.08 MMT of grain was available in the Southern federal district as of January 1, 2018 (up 21.1% year-on-year), 12.03 MMT in the Central district (up 12.4%) and 9.29 MMT in the Volga district (up 31.4%). (Source: Black Sea Grain)

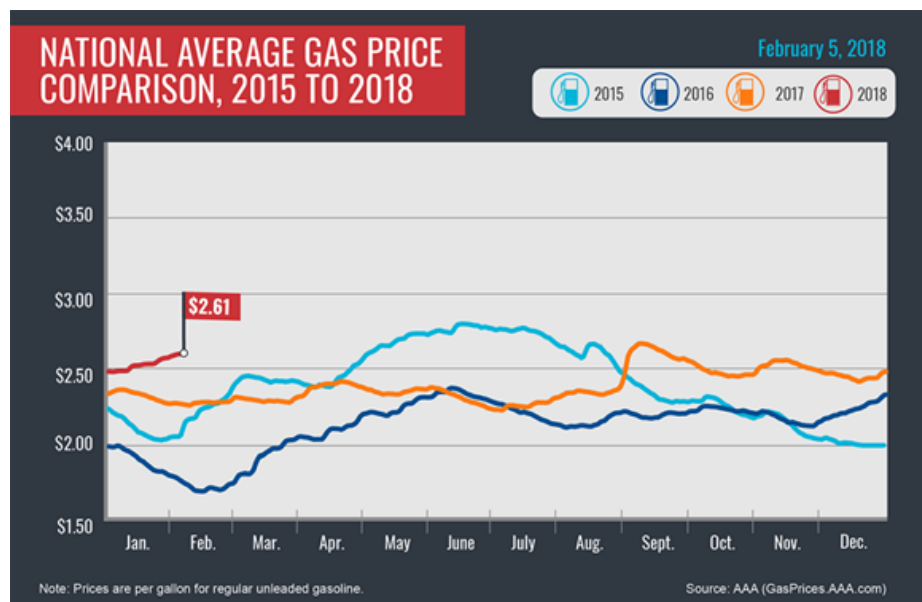
**> China To Make More Polluted Land Safe For Agriculture:** China will try to make around 90 percent of its contaminated farmland safe for crops by the end of 2020, and will also restrict development on a quarter of the country's territory, environment minister Li Ganjie said. Li said China would conduct a detailed investigation into soil pollution and launch pilot zones that would be used to test soil pollution prevention and treatment technologies, according to an account of a weekend meeting. A 2013 survey showed about 8 million acres of China's farmland - an area the size of Belgium - was deemed too polluted to grow crops, with estimated clean-up costs amounting to 1 trillion yuan (\$159 billion). (Source: Reuters)

**> ADM Said To Be In Advanced Talks To Buy Bunge:** Archer-Daniels-Midland Co. is in advanced talks to acquire commodity trader Bunge Ltd. according to people familiar with the matter. ADM and Bunge, which has a market value of about \$11 billion, could reach an agreement as early as this week, the people said, asking not to be identified because the deliberations are private. The takeover talks are ongoing and could still fall apart, while other bidders could still be interested in acquiring Bunge, the people said. ADM is scheduled to announce full-year earnings on Tuesday. The potential ADM-Bunge deal may trigger a bidding war as Glencore Plc made an approach last year to Bunge about a merger with its own agriculture unit. (Source: Bloomberg)

**> Bayer Offers New Concessions To Win Monsanto Takeover Approval:** Bayer has offered additional concessions to European regulators regarding its \$63.5 billion bid for U.S. rival Monsanto in an antitrust review that will now be extended to April 5. The proposed remedies "are very significant and we are confident they fully address the European Commission's concerns," Bayer said in a statement. The European Commission said that the deadline for it to conclude its antitrust investigation had been postponed to April 5 from March 12 previously. Bayer maintained it was still aiming to wrap up the deal "in early 2018". Both the EU Commission and Bayer declined to say what assets Bayer had offered to put on the block.

**> Bank Branches Closing At Record Pace:** The number of branches in the U.S. shrank by more than 1,700 in the 12 months ended in June 2017, the biggest decline on record, according to a Wall Street Journal analysis of federal data. Branch numbers fell again in the second half of 2017, according to related data submitted to bank regulators and reviewed by the Journal. That would add to the thousands of locations closed following the financial crisis, and is the longest stretch of closures since the Great Depression. Many of the closings were in big cities and surrounding suburbs, where branches were consolidated largely because of falling foot traffic. Others were in rural areas, where some large regional lenders are leaving town altogether. (Source: The Wall Street Journal)

**> Gas Price Trends Showing No Relief:** The national gas price average has increased for the sixth consecutive week, pushing the national average to \$2.61. That is 18 cents more expensive since prices started the upward trend in late-December and 3 cents more than last Monday. "Every motorist in the country is paying more at the pump year-over-year. At 18 cents, Utah is seeing the smallest increase and California is feeling the biggest increase at 52 cents compared to the same time last year. Strong demand coupled with steadily rising oil prices means filling up will continue to cost consumers more this month. In fact, the last time the national gas price average was this high, but under \$3/gallon in February was in 2010. On the week, U.S. consumer gasoline demand hit 9 million b/d. In 2017, demand did not reach this mark until early March, according to the Energy Information Administration (EIA).





# FROM THE FIELD

**Northern Iowa** - Things are getting extremely tight for guys like me that rent most of their ground. No one is coming down on cash rents as they know someone will step in and pay the prices. Some acres are still getting \$300. It just keeps my break-evens way to high causing hesitations on marketing the crop and putting us in a challenging spot. The yields were fine with corn hitting 200bpa and the beans in the upper 50's. If budgets were not so tight we would have added more to the crops in season and yields would have been better. We plan on planting more corn acres this year and hope for some great weather.

**Northeast Ohio** - We received a dusting of snow the other day but our temps are not to bad. We will wait to see how bad this La Nina will be. I don't farm a lot of acres but I believe I do right by the land and get the most out of them. Our corn saw yields around 210bpa and our beans reached the mid 60's. We have taken advantage of the lower anhydrous prices in our area by making our purchase. I own my land and have lower cost of production than most, which makes marketing crops a little easier in these challenging times. I'll be two-thirds corn and one-third beans this year.

**Southwest Iowa** - In 2017 we had good yields but right to our east the drought was more persistent seeing much worse production. Our crop yields were much better than expected which I think was a direct result of moisture profiles that were pretty much recharged early in the year. There is no doubt the genetics have improved yields. Along with that the cool weather in August allowed the corn to mature slowly and have a great grain filling stage of production. We did have only one day in late June that saw higher temps that caused the corn to roll up late in the day. Our corn yields made it up to 185bpa with very good test weights. The beans were a little bit of a disappointment because they looked very good early on and I thought that we could make 70bpa. This year's bean yields only made 54bpa. The rains that we usually need to finish the beans just didn't come. We missed all the moisture events late in the year.



## CROSSING WIRES

A place to share intelligent thoughts...

**Why Throw Darts When You Can Throw Axes:** *Flesher-Sonnier found the appeal of propelling rustic steel so intoxicating that she opened an entire bar devoted to it this past December. Nestled alongside trendy eateries in the Gowanus section of Brooklyn, you'll find Kick Axe, a 7,000-square-foot venue filled with 10 axe-throwing ranges, where flannel-wrapped patrons can flex their upper-arm muscles. The point is to hurl axes at bullseye targets within the confines of a cozy lodge setting. A fee of \$35 buys you 75 minutes. Read more [HERE](#).*

**Harley-Davidson Seeking Younger Audience With First Electric Motorcycle:** *Amid slumping sales, Harley-Davidson will attempt to attract younger riders by offering its first production electric motorcycle. The new bike, which has yet to be named, is expected to be available within 18 months. The Milwaukee motorcycle maker first dipped its toes in the EV world by touring the country a few years back with a concept electric motorcycle, the LiveWire, for riders and members of the media to take on test rides. Now they seem poised to go all-in on an EV. Read more [HERE](#).*

**Racehorse Big Data Unlocks the Formula for Human Superathletes:** *In 2013 Jeff Seder was consulting for a client who was looking to buy and sell race horses at a yearling auction. Ahmed Zayat — a prominent horse buyer, breeder, and better — had put a slew of horses for sale, but one that he'd put up for sale himself caught Seder's attention, prompting him to say, "Sell your house; don't sell this horse." Zayat took Seder's advice and bought his own horse at auction for \$300,000 — a meager sum in the world of Thoroughbred horses. That horse, unnamed at the time, was American Pharoah, who became the first Triple Crown winner in 37 years in 2015. Read more [HERE](#).*

**The U.S. Cannabis Industry Is Growing Insanely Fast:** *The legal cannabis industry is posting some eye-popping job-growth numbers. The total number of job postings for the cannabis industry increased by 445% in 2017, as a host of states — including Nevada and Massachusetts — legalized the plant for adult consumption. That's up from*



just 18% growth in 2016, according to a recent study from ZipRecruiter, a job-search website. Nine states and Washington D.C. have legalized cannabis, though it's considered an illegal, Schedule I drug at the federal level. Because of that trend, there are now more cannabis workers than dental hygienists in the U.S. Job growth in the cannabis industry is now outpacing some of the fastest-growing fields in the US, including tech and healthcare. Read more [HERE](#).

**Laser Scans Reveal Maya "Megalopolis" Below Guatemalan Jungle:** In what's being hailed as a "major breakthrough" in Maya archaeology, researchers have identified the ruins of more than 60,000 houses, palaces, elevated highways, and other human-made features that have been hidden for centuries under the jungles of northern Guatemala. Using a revolutionary technology known as LiDAR (short for "Light Detection And Ranging"), scholars digitally removed the tree canopy from aerial images of the now-unpopulated landscape, revealing the ruins of a sprawling pre-Columbian civilization that was far more complex and interconnected than most Maya specialists had supposed. The project mapped more than 800 square miles (2,100 square kilometers) of the Maya Biosphere Reserve in the Petén region of Guatemala, producing the largest LiDAR data set ever obtained for archaeological research. See a larger picture of the map and read more details [HERE](#).



### How The Other Musk Brother Is Trying To Shape The Future Of Food

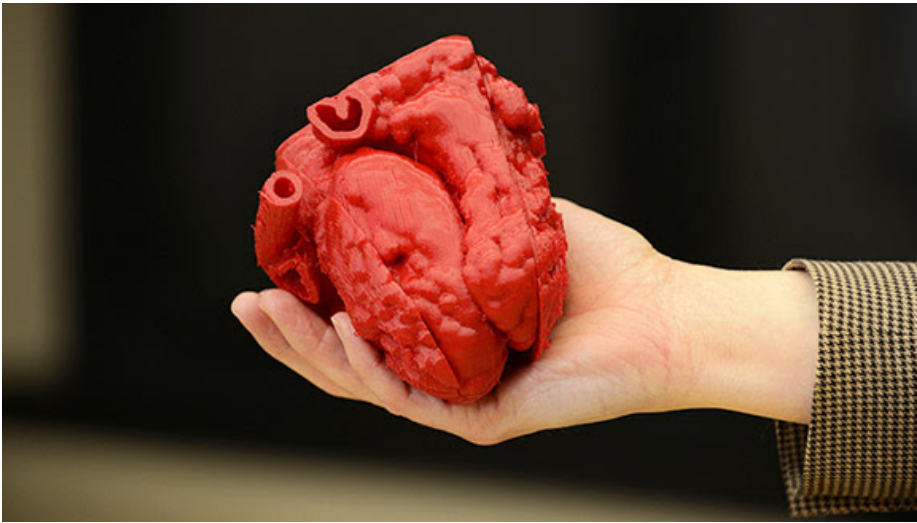
Kimbal Musk may not have the same name recognition his famous brother Elon has, but he is no less the visionary. While his brother's vision is pointed more toward Mars, Kimbal is very much focused on planet Earth. Specifically, he is passionate about fresh and local food. He owns a company called The Kitchen Cafe, which has a string of what they call "community restaurants" in Colorado, Chicago, Memphis and Indianapolis. He co-founded a farming accelerator called Square Roots in 2016. The project consists of 10 steel shipping containers that hold "indoor farms." Crops are grown vertically in a soil-free environment under LED lights. The farms were all run by "students" participating in a yearlong program that is designed to train them in urban farming. They also are given assistance in developing and executing a Farming Business Plan. Square Roots is currently working with its second group while most participants from the first class have gone on to start their own businesses. Musk also co-founded a non-profit called "Learning Gardens" that opened in 300 public schoolyards in U.S. cities. The concept is exactly like it sounds - literal gardens where kids learn how to grow vegetables and fruits. Musk just recently rebranded Learning Gardens to "Big Green" as they work to branch out into even more communities. The program says it reaches over 250,000 students across the country right now. They aim to expand that to over 500,000 students by 2020. The first part of this expansion will begin in Detroit where 100 urban schools will start their learning gardens this spring. Musk raised \$5 million to fund the expansion and estimates meeting their end goal will cost around \$25 million. Interestingly, Musk started off in finance, working for Scotiabank while in college. His

first entrepreneurial venture was a residential painting business he started in 1995. He then co-founded an online content company called Zip2 with brother Elon, which they later sold for \$307 million. He went on to invest in several other tech startups including his brother's X.com venture that famously merged with PayPal and was acquired by eBay for \$1.5 billion. Obviously, that big gamble gave Kimbal the means to do pretty much whatever he wanted, which happened to be attending the French Culinary Institute in New York City and focusing on his real passion - food. He lived near the World Trade Center when the 9/11 attacks occurred and spent six weeks volunteering as a cook for firefighters and others that were working through the rubble. That's when he says he finally realized the connection between food and community. Kimbal's Silicon Valley background and sensibilities does put him at odds with others in the food and farming business, but as much as they may not agree with his disruptive ideas, they don't seem to doubt his sincerity. In a recent article for Civil Eats, Garrett Broad, an assistant professor at Fordham University, pointed out that Musk could be an important bridge between the traditional and the disrupters. Musk insists that while he respects what technology can make possible, he is a cook at heart. His goal is to provide a healthier - and tastier - food future for kids. (Sources: New York Times, FoodTank, Business Insider)



### 3D Printers Creating New Human Hearts

Biotech startup BIOLIFE4D, located in Chicago, is working toward 3D printing human hearts that may one day be used in transplants. Each year, about 4,000 people are awaiting heart transplants in the U.S. but only about half of those patients actually receive them because of a lack of available donor organs. The medical community has long hoped that the development of 3D printing technology could perhaps solve a portion of this problem. BIOLIFE4D is looking to raise \$50 million in funding to launch such an effort. The company wants to combine several separate processes that have been developed as of late by researchers. A new heart would be created by first taking an MRI image of the patient's heart. That image would be used to direct a 3D bioprinter. The printer will be using an "ink" created from the patient's own cells combined with nutrients in a hydrogel. Stephen Morris, founding partner and CEO of BIOLIFE4D, explains that the printed heart would initially just be something that looks like a heart, but it's just individual cells in proper places. Those cells would know exactly how to assemble themselves, though, and within a few days will turn the bioprint into an actual beating heart. As the new heart was created with the patient's own cells, the issue of rejection is eliminated, which greatly increases the odds that the transplant will be successful. All of the steps in the creation of a bioprinted heart have been developed by researchers in places such as the Texas Heart Institute and John Hopkins University. After conversations with many of them, Morris realized that all of the processes necessary to create a viable human heart were there - someone just needed to connect all the dots. They aim to be printing mini-hearts within a year that could be used by pharmaceutical companies for drug testing. They will then move to creating working animal hearts before eventually printing transplantable human hearts. Heart disease is the cause of one in every four deaths in the United States. If BIOLIFE4D is successful in their efforts, it could revolutionize everything surrounding organ transplants, eliminating the problem of organ shortages and making the whole process much less dangerous for patients. The company has opened its Regulation A+ (Mini-IPO) offering offering to the public, selling shares on its website for \$10 per share, with a minimum investment of 25 shares. More information is available [HERE](#).



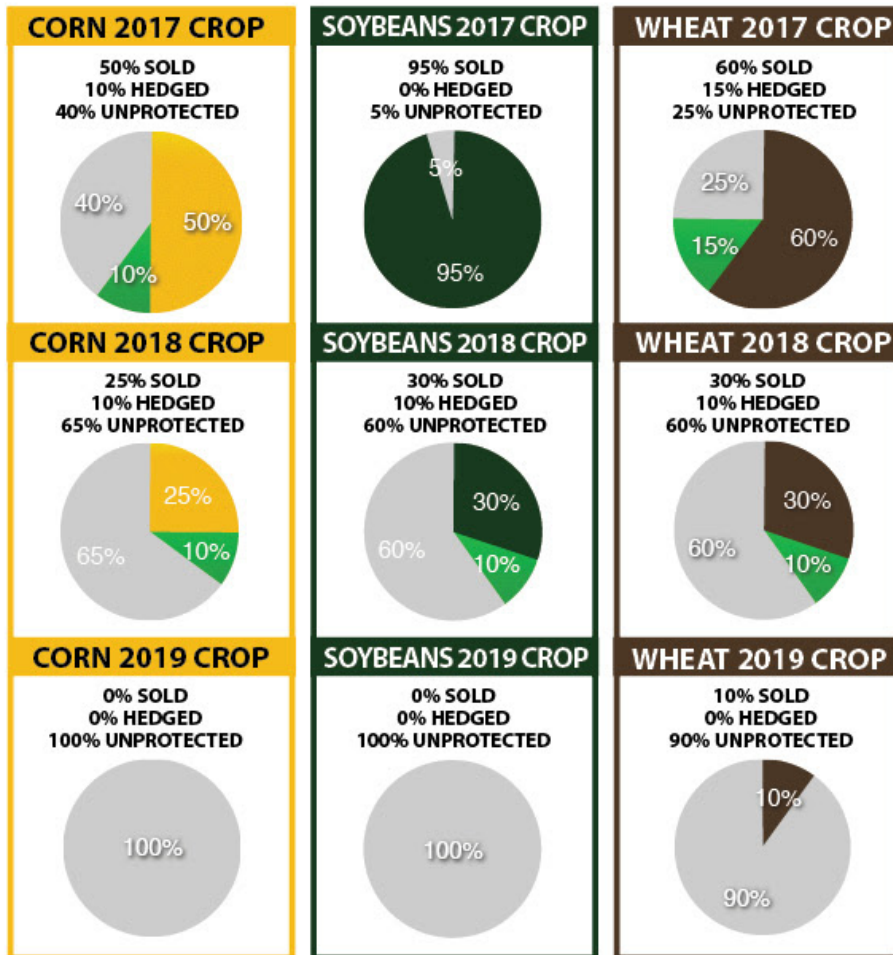
### **Lost "Ship of Gold" Treasure Set To Make Public Debut**

A huge cache of gold bars and coins is about to be shown to the public for the first time since it was discovered back in 1988. The total treasure is valued at more than \$50 million and is said to be the most valuable lost treasure in U.S. history. Along with 3,100 gold coins and 45 gold bars, around 80 pounds of gold dust was also recovered from the S.S. Central America, aka "Ship of Gold", which went down in 1857. The steamship was carrying bounty stemming from the California Gold Rush. The treasure has been undergoing a painstaking restoration with each piece being hand cleaned. As the gold sat about 7,000 below sea level for over 130 years, the grime and rust is quite heavy. The treasure has also been embroiled in a legal battle for decades. It was found by an expedition led by treasure hunter Tommy Thompson. In a bizarre twist, 39 insurance companies tried to lay claim to the treasure because they had allegedly paid damages on the lost gold in the 19th century. A court ruling in 1996 eventually granted ownership of 92% of the gold to Thompson and his recovery team. Thompson was later sued by investors who had helped finance the treasure hunt and excavation, claiming he failed to share the profits. He went into hiding in 2012 after skipping a court appearance. He took with him some 500 gold coins from the Central America treasure. The FBI finally tracked him down in 2015 and Thompson is now in prison. However, he has still not revealed where portion of the treasure is located. Thompson had also sold another portion of the treasure for about \$50 million, which was repurchased from those investors in 2014 by a group called the California Gold Marketing Group. The story of the S.S. Central America itself is also the thing of legend. Aside from the gold it was carrying when it left the Panamanian port of Colon on September 3, 1857, it also carried 477 passengers and 101 crew. The Central America was caught in a hurricane on September 1857 off the shore of South Carolina. Over the course of two days, the ship's sails were shredded and a leak along a major seal caused it to begin taking on water. Crew members and passengers alike formed a "bucket brigade" to fight the rising water, but it was a losing battle. Another ship wasn't spotted until September 12, and only 153 passengers managed to escape on life boats. A Norwegian ship later rescued fifty additional people from the water and three others were found a week later in a lifeboat. The lives of the other 425 people aboard the ship were lost. It was at the time the worst loss of life in the history of American navigation disasters. The gold loss was also enormous, so much so that it sent shock waves through the financial world and contributed to the Panic of 1857, which is considered the first worldwide economic crisis. The Ship of Gold treasure will be on exhibit at the February 22-24, 2018 Long Beach Coin, Currency, Stamp & Sports Collectible Expo. (Sources: Daily Mail, CoinDesk, Wikipedia)





## CASH SALES & HEDGING TOTALS



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