

GOOD MORNING: 05/07/19 Farm Direction - Van Trump Report

1 message

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

Tue, May 7, 2019 at 7:42 AM



"Remember, history is always written and disseminated by the victors." - Dan Brown

TUESDAY, MAY 07, 2019
[Printable Copy](#) or [Audio Version](#)

Morning Summary: Stock traders are focused exclusively on one headline... Chinese trade negotiations! The market was able to rally back a bit yesterday on talk that the Chinese delegation was still coming to Washington this week in an effort to advance negotiations. After the market closed however, there were continued reports that top Chinese trade official, Premier Liu He, did not get on the plane bound for Washington. We've now heard he may be making the trip later in the week, just depending on how things play out. There just seems to be a lot of mixed reports about who is coming and who is not coming from the Chinese team. At the same time comments from top U.S. trade representative Robert Lighthizer are circulating and the market seems very uncertain. Lighthizer said, over the course of the last week we have seen some erosion in commitments from China and that they were in fact reneging and pulling back on some of their previous commitments. He said that President Trump wants to see a deal with real structural change, and that's just not where we are right now. Lighthizer also said, he doesn't want to speculate on the timing of a potential deal and that the USTR will probably put out an official notice at some point today about the increase in tariffs to 25% on \$200 billion of Chinese goods. U.S. Treasury Secretary Steve Mnuchin is also saying similar remarks, in that China has moved away from their previous language in the proposed agreement. Mnuchin also says there were communications over the weekend that moved the agreement substantially backwards and that the entire economic team is unified in recommending to President Trump that the U.S. go ahead with increasing tariffs if there is not an agreement by Friday. I should note, the VIX, otherwise known as the fear index, spiked +20% yesterday, which has many traders and large money-mangers taking notice and on the edge of their seat...Stay tuned!



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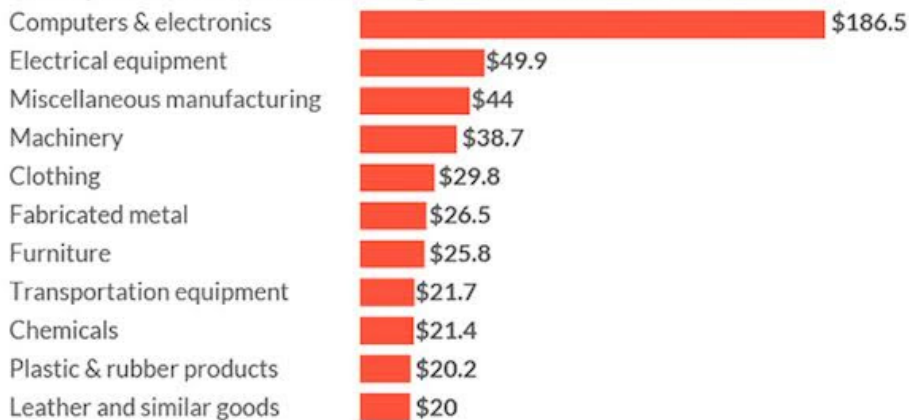
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Today In History

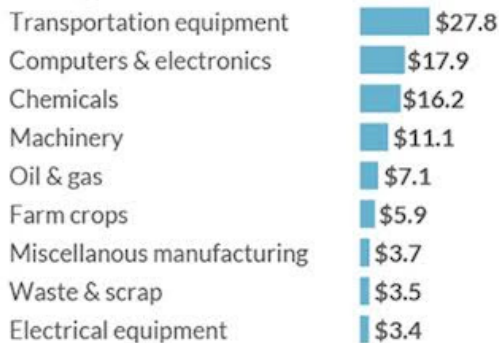
1763, Pontiac's Rebellion Begins -
Pontiac's Rebellion begins when a

U.S. and China trade standoff: What's at stake

U.S. imported record \$539 billion in goods from China in 2018, in billions



U.S. exported \$120.3 billion in goods to China in 2018, in billions



Source: U.S. Census

Presidential Approval Rating Higher than Most Think: *Despite what is often reported in the media, the most recent Gallup survey showed a 46% approval percentage, a high for Trump's presidency and better than either Presidents Reagan or Obama at this point in their first term. Republican approval for President Trump was reported at 91%; while 12% of Democrats approve of the President. You have to imagine, if the Chinese trade deal falls apart and the stock market tumbles, so will the Presidents approval rating. You can see the details of the survey at [Gallup](#)*

One Thing Both Democrats and Republicans Agree Upon: *Glenview Capital Management's Larry Robbins told listeners at this years Sohn Conference, "Democrats and Republicans agree on one thing in life and that is that drug prices are too high." Robbins went on to say, the average American health care cost will exceed average annual income within 14 years. On the health-care front, Robbins likes HMO stocks Cigna, Humana, and UnitedHealth Group but political risks turn him off of the pharma space. This is certainly a perspective worth considering.*

Amazon Can Already Ship to 72% of US Population Within a Day: *Amazon is already capable of offering same-day and next-day delivery to 72% of the total U.S. population, including over 95% of households in 16 of the wealthiest and most populated states, according to RBC Capital Markets. Keep in mind, the change won't come cheap as the company said it's planning to spend \$800 million during this quarter alone to expand one-day shipping. In addition, RBC also noted that 15 U.S. states still don't have access to Amazon's same-day or next-day delivery, so the company will have to spend more heavily to reach those areas. I suspect retail stores will continue to take massive blows with Amazon's new same-day delivery because one of the biggest reasons people shop at a physical store is due to the immediate need to get a product. By shortening delivery time to one day, Amazon changes the game even more by offering huge value for convenience. In addition, most retailers like Walmart and Target are just now starting to offer two-day shipping and now will be forced to spend more on improving their logistics infrastructure to try and keep pace with Amazon. It's crazy how many steps ahead Amazon is when it comes to logistics. (Source: CNBC)*



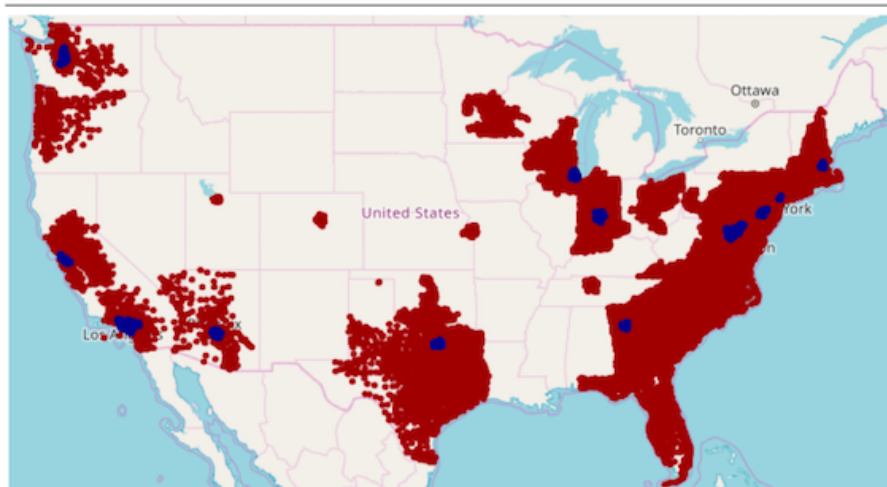
confederacy of Native American warriors under Ottawa chief Pontiac attacks the British force at Detroit. After failing to take the fort in their initial assault,

Pontiac's forces, made up of Ottawas and reinforced by Wyandots, Ojibwas, and Potawatamis, initiated a siege that would stretch into months. As the French and Indian Wars came to an end in the early 1760s, Native Americans living in former French territory found the new British authorities to be far less conciliatory than their predecessors. In 1762, Pontiac enlisted support from practically every Indian tribe from Lake Superior to the lower Mississippi for a joint campaign to expel the British from the formerly French lands. According to Pontiac's plan, each tribe would seize the nearest fort and then join forces to wipe out the undefended settlements. In April, Pontiac convened a war council on the banks of the Ecorse River near Detroit. It was decided that Pontiac and his warriors would gain access to the British fort at Detroit under the pretense of negotiating a peace treaty, giving them an opportunity to seize forcibly the arsenal there. However, British Major Henry Gladwin learned of the plot, and the British were ready when Pontiac arrived in early May, and Pontiac was forced to begin a siege. At the same time, his allies in Pennsylvania began a siege of Fort Pitt, while other sympathetic tribes, such as the Delaware, the Shawnees, and the Seneca, prepared to move against various British forts and outposts in Michigan, New York, Pennsylvania, Maryland, and Virginia. On July 31, a British relief expedition attacked Pontiac's camp but suffered heavy losses and were repelled in the Battle of Bloody Run. Nevertheless, they had succeeded in providing the fort at Detroit with reinforcements and supplies, which allowed it to hold out against the Indians into the fall. The major forts at Pitt and Niagara likewise held on, but the united tribes captured eight other fortified posts. At these forts, the garrisons were wiped out, relief expeditions were repulsed, and nearby frontier settlements were destroyed. In the spring of 1764, two British armies were sent out, one into Pennsylvania and Ohio under Colonel Bouquet, and the other to the Great Lakes under Colonel John Bradstreet. Bouquet's campaign met with success, and the Delawares and the Shawnees were forced to sue for peace, breaking Pontiac's alliance. Failing to persuade tribes in the West to join his rebellion, and lacking the hoped-for support from the French, Pontiac finally signed a treaty with the British in 1766. In 1769, he was murdered by a Peoria Indian while visiting Illinois. His death led to bitter warfare among the tribes, and the Peorias were nearly wiped out.



1965, "Satisfaction" Comes to Keith Richards - In the early morning hours of May 7, 1965, in a Clearwater, Florida, motel room, a bleary-eyed Keith Richards awoke, grabbed a tape

Exhibit 13: Same-day/1-day Amazon coverage in 2014 (in blue) vs. 2018 (expanded coverage areas in maroon)



Source: RBC Capital Markets, RBC Elements, Amazon website

Exhibit 10: Percentage of households covered by same-day or 1-day Amazon delivery, 2018

Connecticut	100.0%	Oregon	86.8%
Delaware	100.0%	Minnesota	74.0%
District of Columbia	100.0%	Wisconsin	72.3%
Florida	100.0%	Illinois	72.0%
New Jersey	100.0%	Nevada	71.3%
Georgia	100.0%	Washington	70.6%
North Carolina	100.0%	New York	66.9%
South Carolina	100.0%	Ohio	66.3%
Indiana	99.9%	Oklahoma	45.2%
Rhode Island	99.9%	Colorado	40.4%
Virginia	99.9%	Utah	35.0%
New Hampshire	99.9%	Kansas	31.3%
Massachusetts	99.6%	Kentucky	25.6%
Maryland	98.2%	Tennessee	21.8%
Arizona	95.7%	West Virginia	13.7%
Texas	95.3%	Missouri	10.3%
California	94.6%	Iowa	3.1%
Pennsylvania	88.9%	Michigan	2.2%

Source: RBC Capital Markets, RBC Elements, Amazon website, Census Bureau

recorder and laid down one of the greatest pop hooks of all time: The opening riff of "(I Can't Get No) Satisfaction." He then promptly fell back to sleep. "When I woke up in the morning, the tape had run out," Richards recalled many years later. "I put it back on, and there's this, maybe, 30 seconds of 'Satisfaction,' in a very drowsy sort of rendition. And then it suddenly—the guitar goes 'CLANG,'" and then there's like 45 minutes of snoring." It wasn't much to go on, but he played it for Mick Jagger later that same day. "He only had the first bit, and then he had the riff," Jagger recalls. "It sounded like a country sort of thing on acoustic guitar—it didn't sound like rock. But he didn't really like it, he thought it was a joke... He really didn't think it was single material, and we all said 'You're off your head.' Which he was, of course." With verses written by Jagger—Richards had already come up with the line "I can't get no satisfaction"—the Stones took the song into the Chess studios in Chicago just three days later, on May 10, 1965, and completed it on May 12 after a flight to Los Angeles and an 18-hour recording session at RCA. It was there that Richards hooked up an early Gibson version of a fuzz box to his guitar and gave a riff he'd initially envisioned being played by horns its distinctive, iconic sound. Though the Stones at the time were already midway through their third U.S. tour, their only bona fide American hits to date were "Time Is On My Side" and the recently released "The Last Time." "Satisfaction" was the song that would catapult them to superstar status. Forty years later, when Rolling Stone magazine ranked "Satisfaction" #2 on its list of the "500 Greatest Songs of All Time," it put the following historical perspective on the riff Keith Richards discovered on this day in 1965: "That spark in the night...was the crossroads: the point at which the rickety jump and puppy love of early rock and roll became rock."



1994, The Scream Recovered

- On May 7, 1994, Norway's most famous painting, "The Scream" by Edvard Munch, was recovered almost three months after it was stolen from a museum in Oslo. The fragile painting was recovered undamaged at a hotel in Asgardstrand, about 40 miles south of Oslo, police said. The iconic 1893 painting of a waiflike figure on a bridge was stolen in only 50 seconds during a break-in on February 12, the opening day of the 1994 Winter Olympics in Lillehammer. Two thieves broke through a window of the National Gallery, cut a wire holding the painting to the wall and left a note reading "Thousand thanks for the bad security!" A few days after the theft, a Norwegian anti-abortion group said it could have the painting returned if Norwegian television showed an anti-abortion film. The claim turned out to be false. The government also received a \$1 million ransom demand on March 3, but refused to pay it due to a lack of proof

FARM TANK

Tweets of the Day

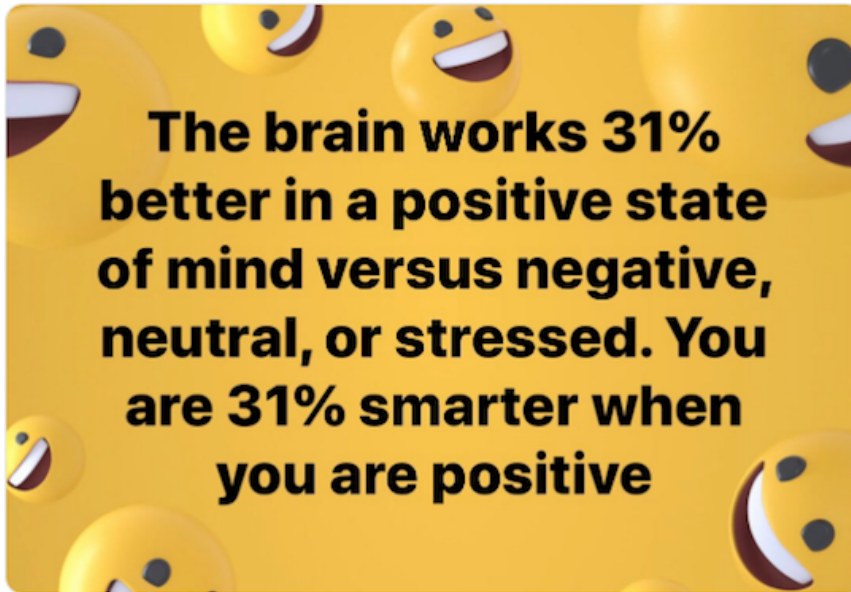




Steve Burns
@SJosephBurns

Following

#TuesdayMotivation



World Economic Forum ✓
@wef

Following

Here's what is in store for the meat industry in [#India](#) [wef.ch/2GnGjzu](#) [#food](#)



that the demand was genuine. Eventually, police found four pieces of the painting's frame in Nittedal, a suburb north of Oslo, and what may have been a cryptic messages that the thieves wanted to discuss a ransom. Finally, in January 1996, four men were convicted and sentenced in connection with the theft. They included Paal Enger, who had been convicted in 1988 of stealing Munch's "The Vampire" in Oslo. Enger was sentenced this time to six-and-a-half-years in prison. He escaped while on a field trip in 1999, and was captured 12 days later in a blond wig and dark sunglasses trying to buy a train ticket to Copenhagen. In August 2004, another version of "The Scream" was stolen along with Munch's "The Madonna," this time from the Munch Museum in Oslo. Three men were convicted in connection with that theft in May 2006. Police recovered both works in August with minor marks and tears. Yet another version of "The Scream" remained in private hands and sold on May 2, 2012, for \$119.9 million, becoming the most expensive work of art to sell at auction. Munch developed an emotionally charged style that served as an important forerunner of the 20th century Expressionist movement. He painted "The Scream" as part of his "Frieze of Life" series, in which sickness, death, fear, love and melancholy are central themes. He died in January 1944 at the age of 81.

Upcoming Events

Thurs. 05/09 - Export Sales, Jobless Claims

Fri. 05/10 - USDA Supply/Demand, Crop Production

Sun. 05/12 - Mother's Day

Mon. 05/13 - Export Inspections, Crop Progress

Wed. 05/15 - NOPA Crush, Retail Sales

Thur. 05/16 - Export Sales, Jobless Claims

Mon. 05/20 - Export Inspections, Crop Progress

Wed. 05/22 - Cold Storage

Thurs. 05/23 - Export Sales, Jobless Claims, New Home Sales

Fri. 05/24 - Cattle on Feed, Durable Goods

Mon. 05/27 - Memorial Day, Markets Closed

Tues. 05/28 - Export Inspections, Crop Progress

Thur. 05/30 - Jobless Claims, GDP Q1

Fri. 05/31 - Export Sales, Personal Income



Rocky Ormiston

@rockormiston2

Following

#plant19 continues with a corn and cotton side by side. @Veenstra680 #DB90 20in and #DB80 30in @JohnDeere #teamtracks



American Farm Bureau

@FarmBureau

Following

#DidYouKnow that 36% of U.S. farmers are women and 56% of all farms have at least one female decision maker? #WomenInAg



Women Count in Agriculture

The Agriculture Department's just-unveiled Census of Agriculture revealed that 36% of U.S. farmers are women and 56% of all farms have at least one female deci...

fb.org

Kevin's Song of the Week

WHAT I'M LISTENING TO:



"Redneck"
Hardy

Kevin's Song of the Week

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



Classic Rock In Pics
@crockpics

Following

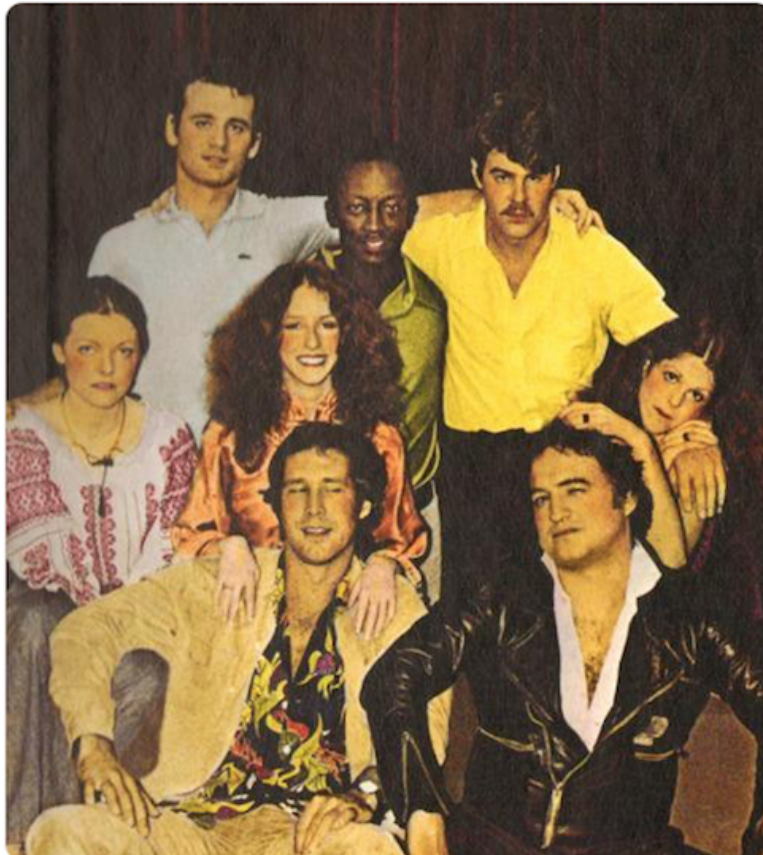
Overhead shot of Woodstock!! #Woodstock



History Lovers Club
@historylvrclub

Following

SNL Original Cast, 1975.



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 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.



ActionComplete
@ActionComplete

Following

What we fear doing most is usually what we most need to do.

~Tim Ferriss

#quote #inspiration #motivation

WHAT WE
— FEAR —
DOING MOST
is usually what we most
NEED TO DO

~Tim Ferriss~

Farm Direction
RECIPES

★ FAMILY ★
FAVORITES

-SENT IN BY OUR READERS-

Chocolate Fudge Layer
Cake with Caramel
Buttercream



CLICK TO SEE RECIPE

neuro mining



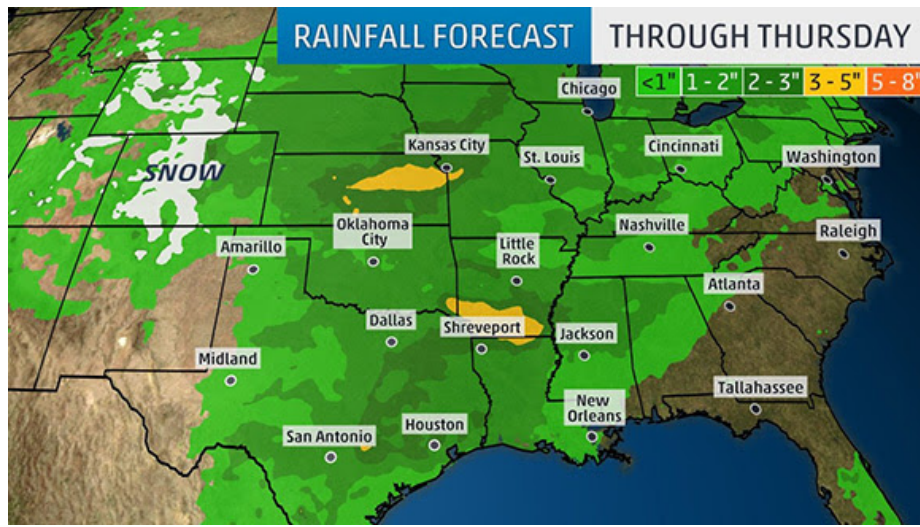
As we age, it gets harder and harder to create new neural pathways in the brain. It's the reason kids find it so easy to learn new things, but as adults it often gets more difficult. Doing brain teasers and solving riddles can be an important part of keeping our brain healthy. The more connections we can form, the better our brain will be. I hope this helps provide a little daily fun and exercise. The answer to each riddle or puzzle will be located at the bottom of the report.

TODAY'S RIDDLE:

What would you get if 120 rabbits took one step backwards at the same time?

Flood Threat Returns: The wet weather pattern that has been in place for much of this year continues this week as more flooding is likely in the Plains and Midwest. A widespread swath from Texas northward into the Midwest could see 1 to 3 inches of

rain through Thursday. Localized heavier totals up to 6 inches are possible in some areas, although it's a bit too early to pinpoint what locations may see the most excessive rainfall. Repeated rounds of rainfall on already-saturated ground will likely exacerbate the flooding potential. Soil moisture remains well above average in many areas in the Plains, Midwest and into the mid-Atlantic, so additional rainfall will only make matters worse. More than 250 river gauges are in at least minor flood stage, with more than 30 in major flood stage.

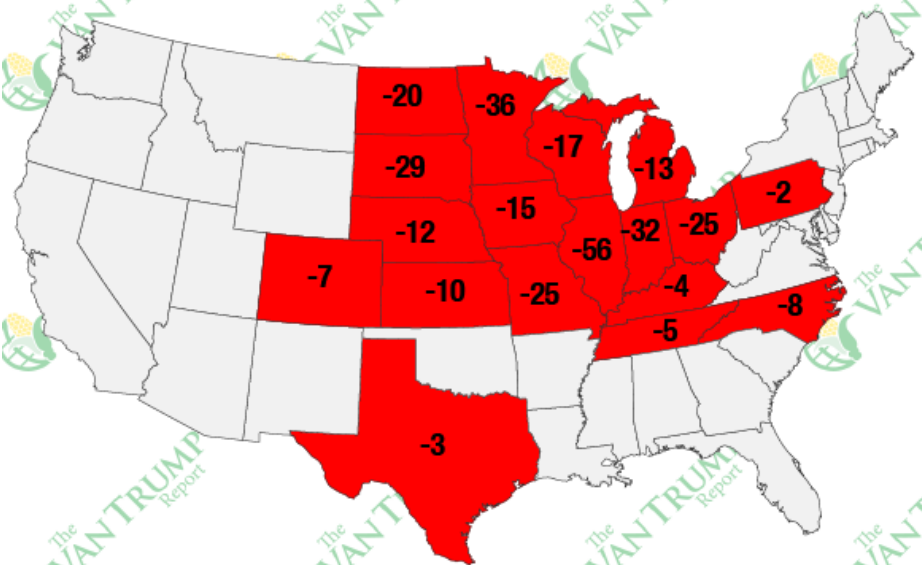


Corn prices are being pulled between bullish sentiment surrounding U.S. planting delays and weather complications and the bearish bets being placed on a massively larger South American crop (+30 MMTs compared to last year) and talk of slowing U.S. growth in demand. There's also the recent uncertainty surrounding Chinese trade negotiations. Bottom line, funds are holding a record bearish position as the South American crop production estimate continues to get larger and more questions are being asked about U.S. corn demand. Several sources inside the trade are thinking the USDA could make downward adjustments to their current corn export, feed and residual and ethanol estimates. I'm personally not sure they will make another cut to their ethanol estimate but I can certainly understand the bears argument for reducing the other two. On the flip side, bulls are thinking the weather complications and flooding across the Midwest will cause somewhat significant production hiccups and more than offset any setbacks in total demand. The USDA estimates that just 23% of the U.S. corn acres are now planted, which is exactly half of our traditional pace. Perhaps most concerning is the fact five of our largest production states are massively behind schedule. Keep in mind, Illinois, Indiana, Iowa, Minnesota and Nebraska make up roughly 48 million of our estimated corn acres, which is well over half of our total projected planted corn acres (estimated around 90 million). The USDA estimated that as of Sunday Illinois still had 90% of their corn acres left to plant; Indiana still had 97% of their corn acres left to plant; Iowa still had 64% of their corn acres to plant; Minnesota had 94% left to plant; and Nebraska had 65% left to plant. Remember, the market starts to get much more nervous and uncertain about acres planted after May 20th. With more rain in the forecast, it will be interesting to see how many acres are still be unplanted in two weeks? I'm also very interested in how many producers will continue to plant and simply elect to go with short-dated varieties? and if there will be a significant yield-drag? Lots of moving parts and lots of unknowns regarding weather and Washington. Technical support in the old-crop remains near \$3.50 per bushel. New-crop DEC19 support remains just above \$3.70 per bushel. Look for both to be challenged and taken out if U.S. and Chinese trade negotiations further deteriorate.

U.S. Corn Planted Pace

[week 18] May 05, 2019

Current Planted Pace vs. 5 year average for week 17



Corn % Planted Pace

State	2017	2018	5-yr avg	This Week	Change vs LW
Colorado	29	16	28	21	13
Illinois	65	74	66	10	1
Indiana	51	42	35	3	1
Iowa	52	40	51	36	15
Kansas	45	47	51	41	10
Kentucky	50	37	46	42	14
Michigan	10	14	16	3	1
Minnesota	35	9	42	6	4
Missouri	77	78	74	49	4
Nebraska	48	42	47	35	19
North Carolina	88	81	81	73	20
North Dakota	23	7	23	3	2
Ohio	46	23	27	2	0
Pennsylvania	26	9	19	17	12
South Dakota	32	6	29	0	0
Tennessee	77	65	70	65	24
Texas	77	81	73	70	5
Wisconsin	15	15	24	7	3
Total	47	39	46	23	8

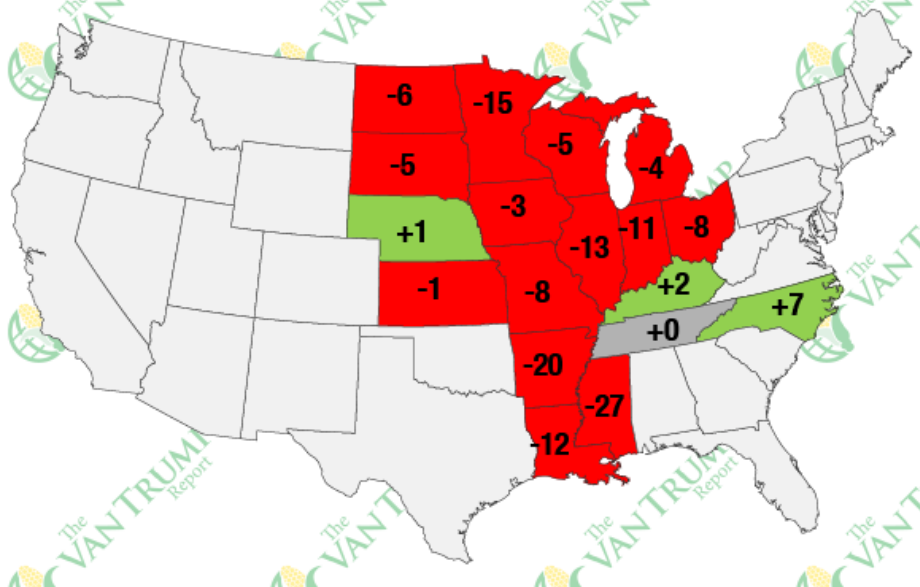
Soybean bulls are desperately hoping to hear that a trade deal with China has been reached by this Friday. Word on Wall Street is if nothing happens by Friday, U.S. trade representatives are prepared to tell President Trump to move forward with increasing tariffs and placing even more Chinese tariffs in play. This would create additional headwinds for the soybean market, with some arguing that prices will drop to the sub-\$8.00 level. Especially with African Swine Fever headlines continuing to run wild and ongoing uncertainty surrounding the virus. The trade took note of Tyson Food CEO Noel White speaking during a conference call yesterday. White said that ASF has taken 5% of the global pork supply out of the marketplace and that 150 to 200 million hogs in China have already been culled. White also might have spooked the trade a bit when he said, "The rate in which it has spread over the course of the last 12 months makes it very plausible that it could come to the United States." Obviously this not something bulls want to even consider knowing what it would mean to U.S. pork exports and

overall soymeal demand. Technically, it feels like nearby support in the JUL19 contract is somewhere between \$8.15 and \$8.30 per bushel. Support in the NOV19 new-crop contract is thought to be somewhere between \$8.30 and \$8.50 per bushel. Not that the trade is paying a ton of attention to U.S. planting as of yet, but we are certainly off to a very slow start. The USDA showed that just 6% of the crop is planted vs. the 5-year average of 14%. The trade is keeping a close eye on the pace in Arkansas, Illinois, Indiana, Minnesota, Mississippi, Missouri, North Dakota, South Dakota and Wisconsin. Below are some of the specifics. As a spec, I remain cautiously optimistic, but personally do not see this as a time to be making massive bullish bets.

U.S. Soybean Planted Pace

[week 18] May 05, 2019

Current Planted Pace vs. 5 year average for week 17



Soybeans % Planted Pace

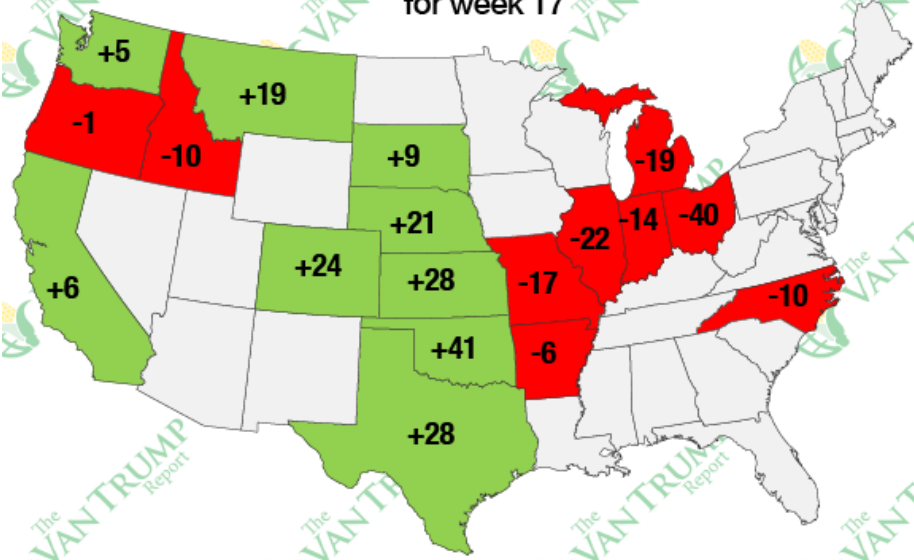
State	2017	2018	5-yr avg	This Week	Change vs LW
Arkansas	50	40	37	17	7
Illinois	14	29	16	3	0
Indiana	19	23	12	1	1
Iowa	9	12	11	8	5
Kansas	4	8	6	5	3
Kentucky	10	6	6	8	4
Louisiana	76	64	58	46	22
Michigan	1	6	6	2	0
Minnesota	4	1	15	0	0
Mississippi	74	53	54	27	7
Missouri	9	19	11	3	1
Nebraska	13	16	13	14	11
North Carolina	8	13	7	14	9
North Dakota	4	1	7	1	1
Ohio	16	8	9	1	0
South Dakota	5	1	5	0	0
Tennessee	8	7	9	9	6
Wisconsin	2	5	6	1	1
Total	14	15	14	6	3

Wheat prices continue to struggle and remain near their contract lows. The USDA confirmed what crop tour participants told us last week, conditions remain much better than last year but the crop is running a few weeks behind schedule. The USDA showed crop conditions for the second week in a row at 64% rated "Good-to-Excellent" vs. 34% rated "Good-to-Excellent" last year at this time. I should note, 3% of the "excellent" rating was shifted down to "good" in this weekly estimate. Meaning perhaps some of the wild weather is starting to take a little toll on the crop? The USDA also showed just 29% of the crop is "headed" vs. the 5-year average of 41% headed by this date. The crop in Kansas is actually running even further behind its traditional pace with just 14% headed vs. the 5-year average of 41% headed by this date. Illinois is about -23% behind its traditional pace; Oklahoma about -19% behind; Missouri about -15% behind. Spring wheat planting is also running well behind schedule at just 22% planted vs. the 5-year historical average of 49% planted by this date. Only 4% of the spring wheat crop is considered "emerged" vs. what's traditionally 19% by this date. Bulls continue to keep a close eye on freezing conditions in parts of Europe, particularly areas of France and Germany. Bears however are pointing to needed moisture in the forecast for parts of Canada, Ukraine, Russia and southern Europe. Net-net, the market sees no real global weather story or need for additional weather premium at this time. As I've said hundreds of times as of late, weather and Washington remains the primary driving force behind price. With global and domestic wheat supplies considered more than ample, it's going to take a significant story to shake the bears loose and let the bulls run for an extended period. Be very conservative if you're trying to pick a bottom...

U.S. Winter Wheat Conditions

[week 18] May 05, 2019

Current Good-To-Excellent Conditions vs. 5 year average
for week 17



Wheat % Good to Excellent

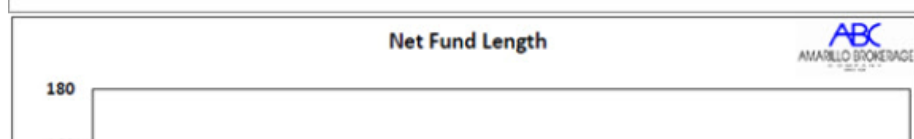
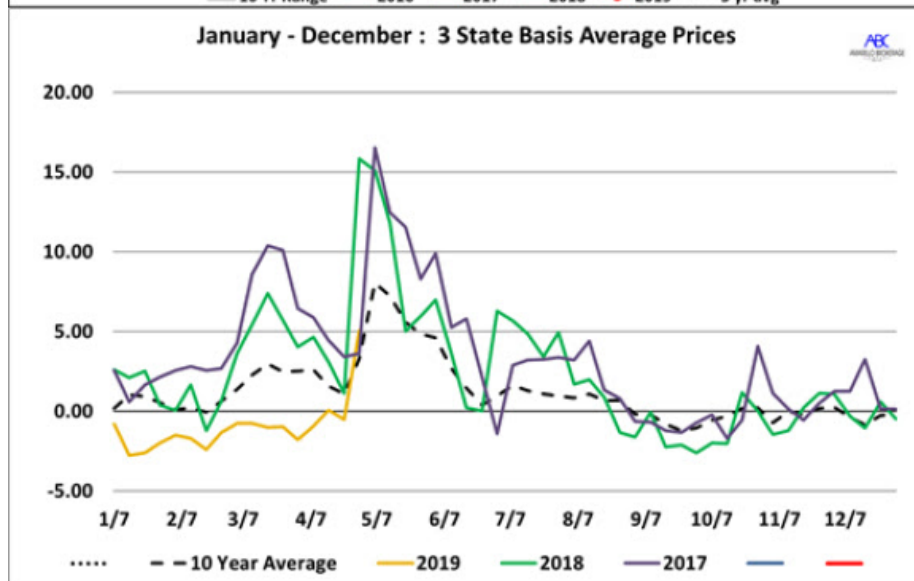
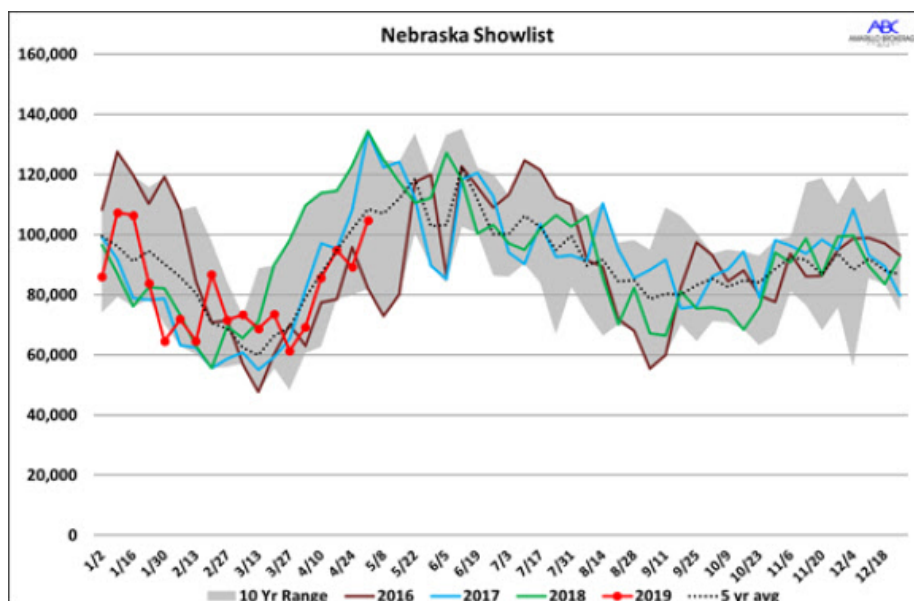
State	2017	2018	5-yr avg	This Week	Change vs LW
Arkansas	68	58	61	55	10
California	100	90	89	95	-5
Colorado	45	53	49	73	-3
Idaho	66	72	75	65	-1
Illinois	60	53	60	38	-6
Indiana	67	64	68	54	2
Kansas	43	14	30	58	0
Michigan	63	69	61	42	-2
Missouri	60	54	58	41	-1
Montana	69	54	62	81	3
Nebraska	36	61	50	71	3
North Carolina	62	75	63	53	1
Ohio	80	76	70	30	1
Oklahoma	49	9	33	74	-5
Oregon	96	81	66	65	0
South Dakota	52	30	48	57	0
Texas	40	16	35	63	2
Washington	80	83	64	69	1
Total	53	34	58	64	0

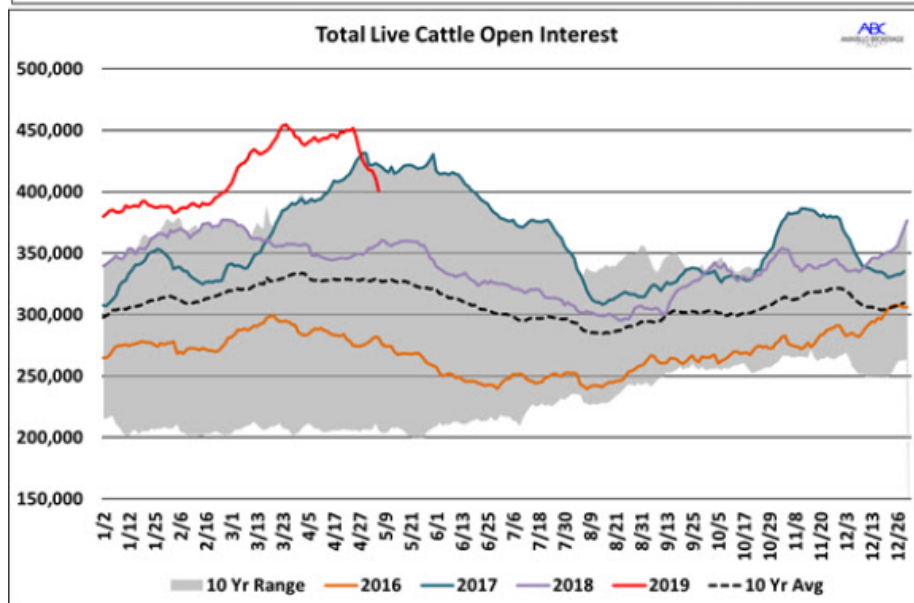
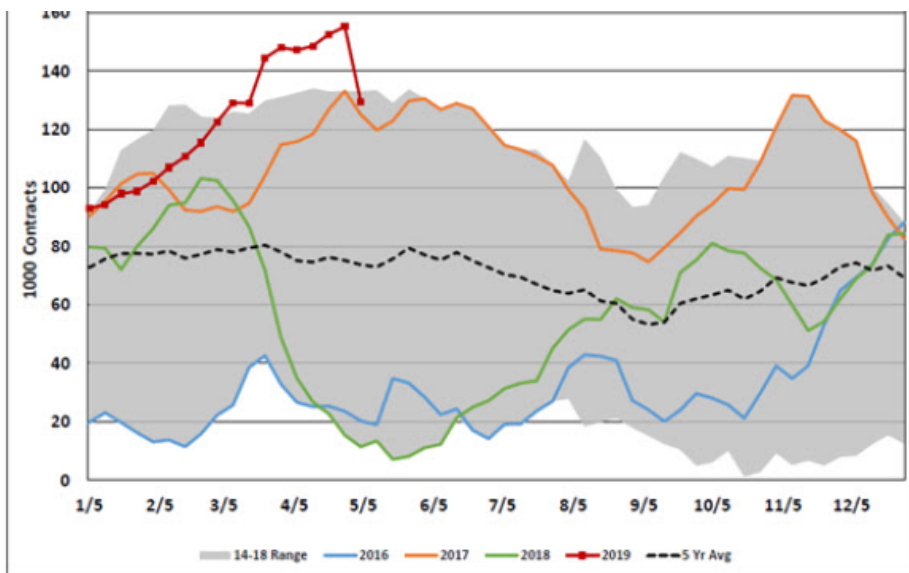
Cattle comments from our friends at [Amarillo Brokerage](#): Negotiated cash cattle prices were evenly lower last week with all feeding regions trading 2.00-3.00/CWT lower than the previous week. Numbers of cattle traded was massive as the totals came in north of 150,000 head. From a seasonal supply standpoint, we are beginning to see southern numbers tighten while the northern supplies are building in typical fashion for this time of year. As Jun19 LC takes over as spot, cash has held in much better than futures. The stronger basis has encouraged out front trading of cattle for May delivery in an effort to lock in what could be a waning basis setup for the summer. Formula/committed supplies remain very large and will continue to do so, this will further challenge negotiated cattle trade and exacerbate leverage at times.

The total cattle harvest for last week is estimated at 670,000 head. This harvest total is the largest since 2011 and near ten year records. As weights are nearing a seasonal

bottom and domestic beef production is essentially at record highs, it becomes necessary to think about the implications going forward. Higher beef prices have recently damaged some of the featuring and retail activity. The summer beef demand is certainly expected to move higher end product as well as grinds, but to what extent? The comprehensive beef report was released today and printed a decline of 2.59/cwt in price as well as slightly lighter volume. Typically, we would expect the comp cutout high to reach further into the summer but 2018 highs were put in this coming week. A beef market heading lower will pressure packing margins and potentially lead to smaller harvests in an effort to manage the slipping beef market.

Futures markets are experiencing continued weakness as a result of soft fundamental and technical outlooks. The large head and shoulders pattern developed on the daily Jun19 LC chart is at or very near the downside objective. Monday's price action opened sharply lower as concerns surrounding macros and trade sent ripples through most markets. Futures attempted a bullish reversal only to fail and close near lows for the session. The most recent COT report showed a massive reduction in the non-commercial length. One interesting nuance associated with open interest and long roll is the large liquidation in Jun, Aug and Oct19 LC has seemingly thrown off the expected roll from Jun19 LC into the deferred contracts. The front LC spread has actually widened on larger outright and roll volumes. We are potentially just a session or two from Jun and Aug19 LC open interest crossing and the front spread remains seasonally wide. The downside risk in futures prices remains a real concern for a variety of reasons. Technicians might point to an oversold and exhausted break as cause for a corrective rally. On the other hand there is a death cross forming in the spot FC contract and fresh move lows printed in the spot LC today.





> **Tyson Beats Profit Estimates on Swine Fever Fear:** Tyson Foods announced yesterday that quarterly profits beat Wall Street Estimates and projected the company could reap significant gains from the African Swine Fever spreading across Asia. The disease has been detected in China, Vietnam, Cambodia and other countries. China is expected to ramp up imports of pork from the U.S., Europe and Brazil to compensate for millions of pigs killed in the outbreak. Make no mistake, a decrease in global pork supplies would boost Tyson's pork business. Tyson said revenues rose to \$426 million or \$1.17 per share in the second quarter, up from \$315 million or 85 cents per share a year ago. (Source: Reuters)

> **Brazil Soybean Expected Exports Lowered:** Abiove, Brazil's soybean industry group lowered the country's bean exports due to the lowering of Chinese demand as ASF continues to affect markets. This comes at the same time the soybean crop's total production was raised 700,000 MT to 117.6 MMT. I'm told that exports were lowered by 2 MMT.

> **U.S. Beef Export to S. Korea Reach Record High in 2018:** In 2012, the U.S. and South Korea implemented their free trade agreement called KORUS, which reduced tariffs and non-tariff barriers. This helped sparked a huge increase in U.S. beef sales to S. Korea as the country received more than half of the increase in U.S. total beef export volume from 2017 to 2018 with 35% year-over-year growth. Further, South Korea received more than 20% of total U.S. beef export in 2018, reaching 638 million pounds

in 2018 and making the U.S. the largest supplier of beef to South Korea. (Source: USDA, ERS)

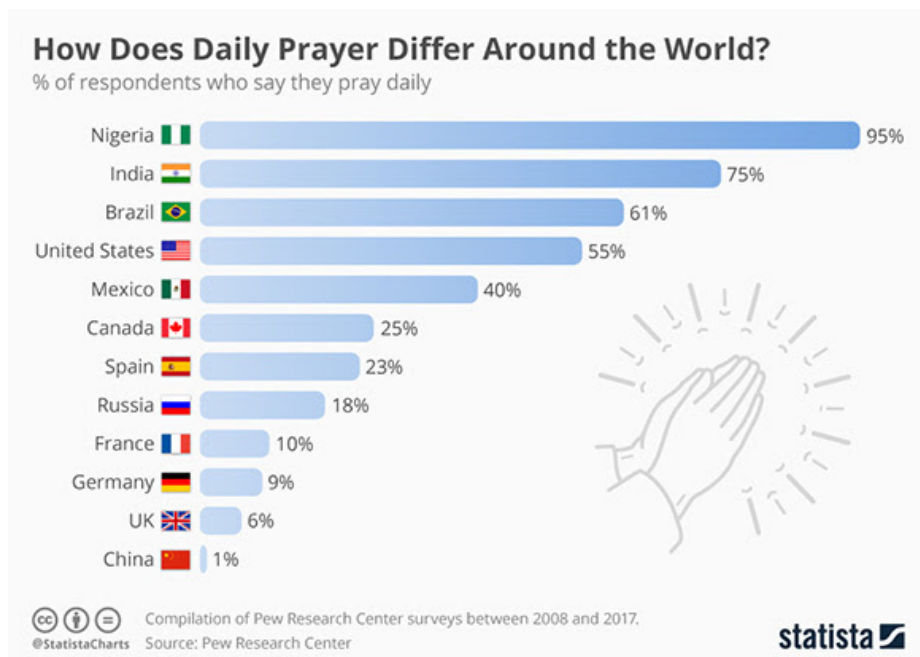
> South Africa Has Two More Outbreaks of ASF: Following reports of ASF earlier in the month, two more cases were detected in South Africa in April, its agriculture ministry said. I'm told the two additional outbreaks were detected in the central province of Gauteng, home to the city of Johannesburg, and Mpumalanga, a province in the north. From what I understand, the same virus was responsible for all three outbreaks.

> Sen. Pat Roberts Wants ERS To Move To Kansas City: USDA has named the three locations that are finalist in its bid to move ERS and the National Institute of Food and Agriculture out of D.C. -- the greater Kansas City area, multiple site in Indiana or the North Carolina research triangle. St. Louis and Madison, Wisconsin have been named runner-ups. Senate Ag Chairman Pat Roberts came out in support of moving the offices to Kansas City, highlighting its location in the middle of the country -- close to stakeholders -- should improve customer service and make efficient use of taxpayer dollars. Tim Cowden, president of the Kansas City Area Development Council, noted that the area is already home to more than 5,000 USDA employees and contractors and a dozen agency operations. (Source: Politico)

> Milk Producers Eligible For Refund: The old Margin Protection Program for dairy producers was recently overhauled in the new farm bill and rebranded as Dairy Margin Coverage. This new coverage has also made producers eligible to receive refunds for a portion of their insurance premiums paid under the old program.

> Worthwhile Read on Who Pays Tariffs in this Trade War: I understand that tariff-talk can be somewhat difficult to follow. Understanding the terms used and the who and the what can be difficult. I encourage you to read this quick explainer [HERE](#) from Reuters on who pays tariffs in the U.S.-China trade war. I believe it's a fair explanation of who is likely footing the costs of the trade war. (Source: Reuters)

> Prayer Around The World: I'm sure you knew this, but I thought it was interesting to see that Americans are largely more religious than their counterparts in wealthier countries -- that is -- when it comes to prayer. According to a Pew Research Center survey conducted between 2008 and 2017, people polled in the U.S. reported praying daily at a much higher rate than other wealthy countries. Particularly when compared to Europe, the U.S.'s daily religiosity comes as a drastic comparison; just over half of respondents in the U.S. said they pray daily, while similar countries register less than 10% of respondents who reported similar behavior. (Source: Pew Research, Statista)



Northeast North Dakota – *I feel like our window is for planting is closing in on us fast this year. We might start planting our lighter soil by Friday if it doesn't rain. We are low 40's and cloudy today and we need a little warmer weather before we can get into our heavier ground. We just feel like if being behind the normal corn planting pace doesn't rally corn then nothing will. I don't care what anyone says we are losing yield every day we are not able to plant here anyway.*

Westcentral Illinois – *I have never seen this much water running down the river in my short 15 years of farming. We have a field that has not been touched in 18 months because the water has never drained off. Last year we put soybeans on the field that was just flatten by a foot of standing water. The same field is now under 4 feet of water right now. We are within a foot, maybe a foot and a half from getting a couple of our bins flooded. The water is about to wash over our dam we build years ago that we didn't think would ever not be tall enough.*

Southern Indiana – *We finally got a little sunshine and dry weather Sunday and today, but it looks like we are in for another big rain the next several days. We still have water standing in the low spot and any fields that border creeks, but the tops were starting to turn gray. The weather man is calling for another inch of rain if not more. If the weather straightens up after this next rain we should be able to start field work by the 20th which is when we finished last year. This feels like a tough year to us but maybe the weather will straighten out shortly.*



BlueNalu Wants to Offer Third Alternative to Seafood Lovers: *While high-tech meat alternatives are grabbing a lot of headlines these days, Lou Cooperhouse is in a San Diego office park quietly forging plans to disrupt another more fragmented and opaque sector of the food industry: seafood. His company, BlueNalu, a play on a Hawaiian term that means both ocean waves and mindfulness, is racing to bring to market what's known as cell-based seafood --- that is, seafood grown from cells in a lab, not harvested from the oceans. I'm told, BlueNalu is aiming for serious scalability — a future where cities around the globe will be home to 150,000-square-foot facilities, each able to produce enough cell-based seafood to meet the consumption demands of more than 10 million nearby residents. But unlike Impossible Foods, BlueNalu is not creating a plant-based seafood alternative like vegan Toona or shrimpless shrimp. Instead, Cooperhouse and his team are extracting a needle biopsy's worth of muscle cells from a single fish, such as a Patagonian toothfish, orange roughy and mahi-mahi. Interestingly, the idea was compelling enough to prompt 58-year-old Cooperhouse to to abandon his lucrative consulting business and role as the executive director of the Rutgers Food Innovation Center, where he assisted scores of other start-ups (including Impossible Foods). Read more [HERE](#) on the new industry.*

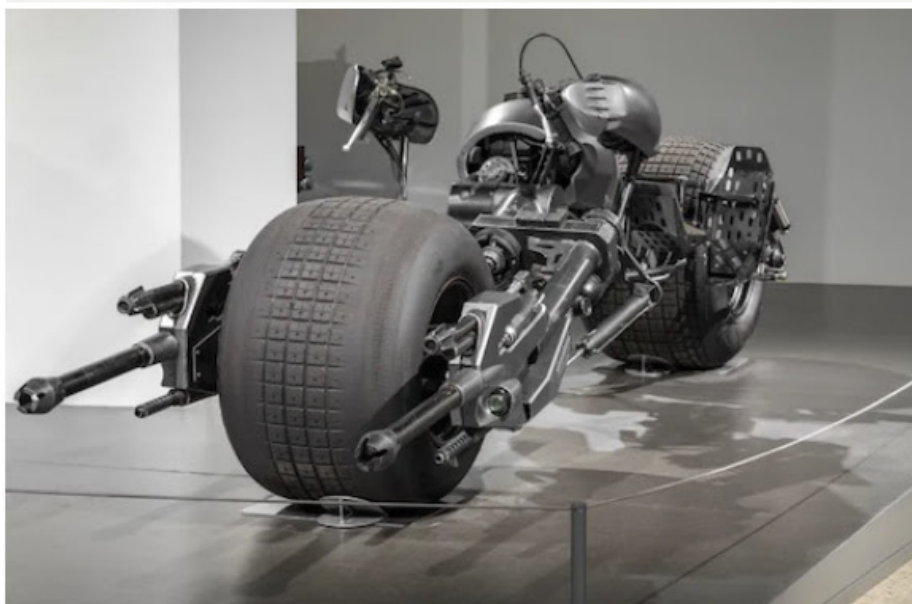
Time for Marketers to Look at the Senior Market: *Globally, 55-year-olds will outnumber 5-year-olds by 2020, and by 2050, the number of people aged 50 and older will rise to 3.2 billion, a twofold increase since 2015. In the United States, those 50 and older accounted for \$7.6 trillion of economic activity in 2015, almost half the country's gross domestic product. Worldwide, spending among older consumers could reach \$15 trillion next year. There are good reasons marketers should consider the 55+ gang as not only are people are living longer, but global birth rate is dropping, as well as baby boomers are aging. These trends underscore more than a demographic blip; they suggest a long-term pattern that will reshape the economy and society at large. According to Joseph F. Coughlin, founder and director of MIT's AgeLab, the aging of populations represents the most profound change that is guaranteed to come to high-income countries everywhere, and most low- and middle-income ones as well. Read more [HERE](#) on all the moving pieces surrounding this demographic shift.*

Air Force Successfully Tests New Laser Weapon: *U.S. Air Force officials announced last week that it had successfully used a ground-based surrogate for its laser weapons project, the Self-Protect High-Energy Laser Demonstrator (SHIELD), to shoot down multiple air-launched missiles during a test at White Sands Missile Range in New Mexico. I'm told the system is designed to eventually be mounted on aircraft, where it could serve as a sort of instantaneous point defense system shooting down inbound projectiles. From what I understand, the demonstration is an important step of the SHIELD system development, by validating laser effectiveness against the target missiles. However, the SHIELD system will be much smaller and lighter, as well as ruggedized for an airborne environment. I should mention, it's unclear under what circumstances the Air Force conducted this latest test, such as whether operators were given advance information on when and where the missiles would be launched, and at what range and under what conditions the surrogate laser managed to take them down.*

It's also unclear what types of missiles were involved. Documents previously released by the government suggest that the Air Force is currently doing Phase I low power ground tests, which would put the final product years away but is a precursor to flight testing. Read more [HERE](#) on our future weapons.

Battle of the Big Rockets: While SpaceX continues developing its Mars-bound Starship, Jeff Bezos-owned Blue Origin is getting ready to fly a heavy rocket of its own called the New Glenn. While both of these super-powerful launch vehicles epitomize the new commercial-driven space race, they both cover rather different visions of the future of exploration. After the successful completion last week of the New Shepard launch mission, talk is turning to what comes next for the firm. CEO Jeff Bezos first unveiled New Glenn in September 2016. The rocket marks a dramatic leap forward from New Shepard, which is only capable of suborbital launches. New Glenn will power heavy orbital launches, with a reusable booster to save on costs. It's part of Bezos' plan to foster a new space economy with more than one million people living and working in space, using Earth as their home anchor. SpaceX CEO Elon Musk has a markedly different vision. Fresh from launching the Falcon Heavy heavy-lift orbital rocket on its first commercial flight in April 2019, attention has now turned to a follow-up rocket designed to transport humans to Mars and beyond. Read more [HERE](#) on what to expect from the battle of the big rockets.

Your Favorite Movie Cars are Displayed at the Petersen Museum: If you're in or headed to Los Angeles and like cars, movies and video games, you should think about getting yourself down to the Petersen Automotive Museum to check out its new "Hollywood Dream Machines: Vehicles of Science Fiction and Fantasy" exhibit. I'm told there are over 50 cars from well-known movies that most of grew up watching as well as video games that will be exhibited, like the Audi RSQ from *I, Robot*, Bumblebee from *Transformers*, the DeLoren time machine from *Back to the Future*, the Tron Light Cycle from *Tron: Legacy* and the Batmobile from 1989's *Batman*. Click [HERE](#) to see the full list as well as more pics of autos from your favorite movies growing up.

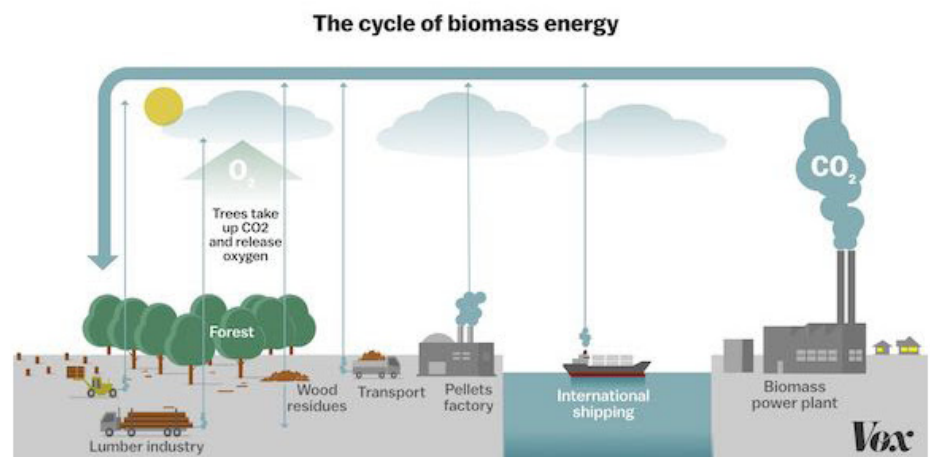




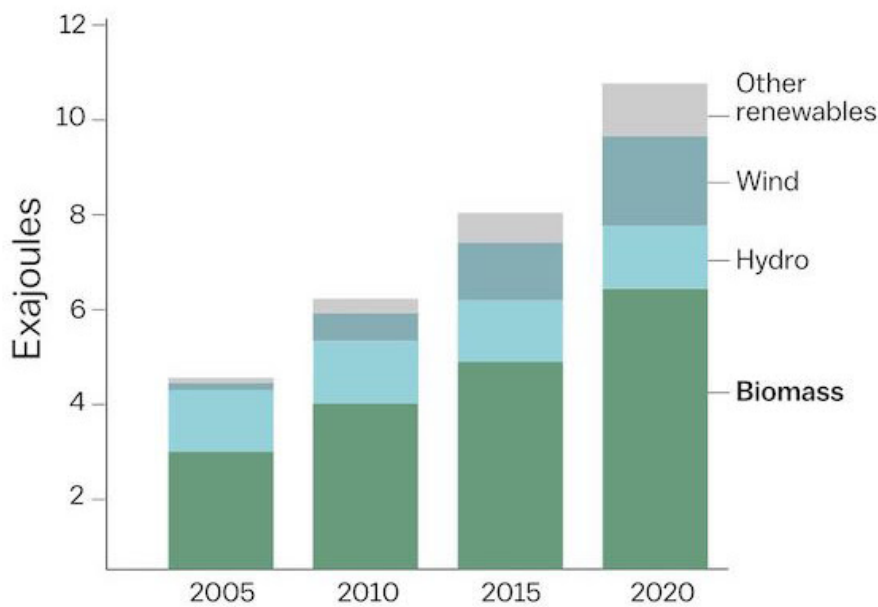
How America's Forests are Fueling the World's Appetite for Alternative Energy

Once merely a residential product fueling wood stoves and backyard smokers, wood pellets now power massive electric utilities in countries like the UK, where the government has subsidized the transition from coal and other fossil fuels to renewable energy sources. International trade in wood pellets, which is heavily influenced by EU climate change regulations, emerged in the late 2000s and has since grown rapidly. I was somewhat surprised when I learned the U.S. is actually the world's largest exporter of wood pellets, most of which are destined for the European Union. In fact, the wood pellets market is expected to exceed more than +\$20.0 Billion by 2023 growing at a CAGR of more than +14%. In 2013, four years after the EU published its omnibus "Renewable Energy Directive" and began promoting woody biomass as a so-called "carbon neutral" energy source akin to wind and solar, they quickly started exhausting their own domestic timber reserves, as a result the EU looked to the U.S. for more supply. Soon after the U.S. quickly became the largest exporter of wood pellets in the world. Concentrated primarily in the American Southeast, home to 40% of the country's private timberland and recognized as a global biodiversity hotspot filled with loblolly pines and cypress trees, is creating more revenue by the day. Between 2012 and 2016, annual wood pellet exports from the U.S. tripled, from 1.7 to 4.9 million metric tons. With new markets expanding in Asia and elsewhere, those numbers are expected to grow even larger. Understand, at its core, the argument for wood pellets is simple: "carbon neutral". Trees and other biological sources act as a carbon "garbage disposal", feeding off the CO₂, filtering it from the atmosphere and storing it in shoots and leaves and the soil itself. Scientists estimate U.S. forests currently offset 13% of the country's fossil fuel emissions. When the amount of carbon sequestered in this way is equal to the amount of carbon released, so called "carbon parity" has been achieved. So long as trees are replanted at the same rate they are harvested things should remain fairly balanced. I should note, by 2014, biomass accounted for 40% of the EU's renewable energy, by far the largest source. By 2020, it's projected to make up 60%, and it looks like the U.S. plans to start moving further in this direction as well. Several studies circulating show the EU burning wood in its former coal plants, and reducing carbon dioxide by 80% compared to the coal. As for the future prospects for the wood pellet industry, the main driver will be political policy, which seem to be clearly leaning that direction. I thought it as interesting to hear The American Lumber Industry as well as the US Industrial Pellet Association, say the pellet market is providing an excellent market for wood that would be cut anyway, but would otherwise just be left in a field to slowly evaporate, or be burned for waste. They are saying by further clearing dead and unused scrap wood left over for traditional cutting, they are actually improving the speed at which new trees can be replanted and regrown, providing a win-win for the

environment and the land owner. Those who have the land and have been thinking about tree farming, the window of opportunity has never been better. Diversifying into trees can make a lot of sense for the right land owner. By providing a new market to rural foresters who once depended on a dying pulp and paper industry, this might help to keep the land in trees rather than being cleared for alternative use. (Source: U.S. International Trade Commission, Vox, The Fern)



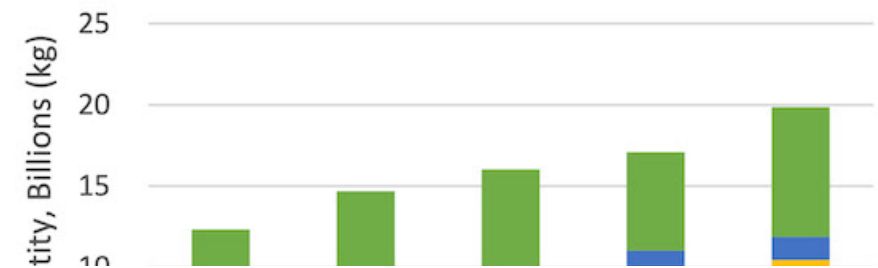
Europe's biomass energy production is growing fast

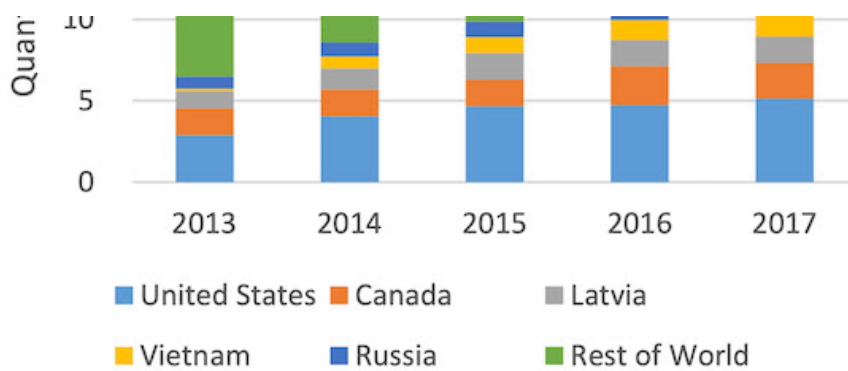


Source: NBCI

Vox

Figure 2: Global wood pellet exports by quantity (kg), 2013-2017
Source: Global Trade Atlas





Insights From Omaha: Berkshire Hathaway chiefs Warren Buffett and Charlie Munger answered hours' worth of questions during the company's annual meeting this past Saturday where nearly 40,000 gathered in Omaha, Nebraska to hear the duo's thoughts on a number of subjects. Below are some of the highlights and answers from questions asked at Saturday's meeting. You can read more highlights [HERE](#) and if you missed the 2019 Berkshire Hathaway letter to stockholders released in February, you can read it [HERE](#). (Source: Forbes; The Wall Street Journal)

Succession Plans: *Everyone is aware that Buffett is 88 years old and Munger is 95, so naturally that leads to questions regarding a succession plan. I'm told, Buffett has said there is a succession plan in place for whenever it is needed, but for now neither Buffett nor Munger has any plans to retire. I should mention, two longtime executives, Ajit Jain and Greg Abel, have been promoted to vice chairmen to help oversee Berkshire's businesses, and it appears one of them will likely eventually be Berkshire's next CEO. According to Buffett, both Abel and Jain have done a great job since they were promoted into the new roles in early 2018, and both earned about \$18 million last year. Jain oversees the conglomerate's insurance businesses while Abel oversees non-insurance business operations.*

Value Investing is Not Simply Buying a Cheap Stock: *The decision to buy Amazon's stock was just as much based on value investing principles as a decision to buy a statistically cheap stock. Value investing is about estimating and valuing future cash flows, not about how low a Price to Book or a Price to Earnings ratio is for a stock. You can pay too much for a wonderful business. There is a price where we could have paid too much for See's Candies and it wouldn't have worked out well as an investment. You can turn any investment into a bad deal by paying too much. What you can't do is turn any investment into a good deal by paying a cheap price. Our problem in finding investments as of late is that people are willing to pay higher prices than we are. Keep in mind that we are deep into a bull market, with high valuations and few bargains. Hence, the reason we are sitting on a ton of cash. Value investing is defined by estimating the intrinsic value of a business based on its assets and future cash flows and buying it with a big margin of safety relative to that value. That means that it can be completely consistent with value investing principles to invest in a stock with a high Price to Earnings ratio if one thinks that the value is much higher.*

Be Very Aware of Change: *If you take the hundred biggest corporations in the United States in, say, 1900, there is exactly one left alive [among the list of today's 100 biggest]. But that [turnover on the list] didn't happen because everything got weak. It happened because the competition and the change got so strong. Few companies remain dominant forever. You can think back to almost any period in history and find once-dominant businesses that have become greatly diminished over time. Kodak. Dell. Yahoo. Sears. General Electric. The interesting thing is that few would have been able to point to exactly what was going to cause these companies to become less relevant in advance. At the time it frequently seems like some of these businesses are unstoppable. And yet most companies have been stopped or at least severely challenged. You have to allow for unknown unknowns – whether it be technological change, regulation or changing consumer preferences. Studying a business's history is just the first step in company analysis and valuation – you then need to think through how things can change, and what factors have already started to deviate from the past. In the last two decades the pace of change has accelerated, and the durability of companies' competitive advantages has diminished. So you should be on guard against paying too much for seemingly entrenched companies and seek investment opportunities where there is plenty of margin of safety for the future to look somewhat worse than the past and for you to still generate an attractive rate of return on your investment.*

On Buybacks: *Berkshire repurchased about \$1.7 billion worth of shares during the first quarter of 2019, more than it repurchased in the second half of 2018 after the company's buyback plan was amended to allow for buybacks whenever Buffett and Munger agree the stock is trading at a discount to intrinsic value. So, while buybacks certainly took place at an accelerated rate, it's not quite the multi-billion-dollar buyback many investors wanted to see, especially with the company's cash hoard continuing to swell, it stands at \$114 billion. Buffett would defend the somewhat conservative rate by saying a company's cash hoard has absolutely*

nothing to do with buybacks, meaning the available cash would not make a difference in their approach to repurchase of shares.

On Socialism: Not being shy about his political views, and an outspoken Clinton supporter in 2016, when asked about his views on socialism, Buffett was quick to answer. He did first clarify his views were his own and not those of Berkshire Hathway, he then dismissed the notion of pure socialism. "I'm a card-carrying capitalist," Buffett said. He went on to say that he doesn't foresee the United States becoming a truly socialist country in the foreseeable future, although Buffett and Munger both emphasized that a country as rich as the U.S. needs to have strong social safety nets.

Becoming and Staying Relevant: Many experts believe Buffett and Munger have become a couple of the world's most successful investors and have been able to consistently stay at the top in large part because they realize they have to constantly change and evolve, not only individually but also at times their entire investing process. Where most others would prefer to rest on their laurels and stagnated models. It is incredibly humbling to see how these two people, the youngest of whom is well into his 80s, challenge themselves to learn and evolve each and everyday. It is this unquenchable thirst to learn and expand their circle of competence that makes Warren Buffett and Charlie Munger so amazing! It saddens me when I often here producers and individuals in the agricultural world tell me they don't need to change or evolve. This is how their daddy did it and his daddy did it and simply how things are done. From my perspective it's called being mentally lazy and not pushing yourself or challenging yourself to be the best you can be for future generations. I'm all about traditions and loyalty, but failing to innovate, failing to try new approaches, failing to learn new strategies is simply a recipe for failing longer-term. If you want to grow your business or farming operation you have to constantly be growing your circle of competency and challenging your previous perspectives.



Hope This Makes You Think a Bit Differently About Friends and Family!

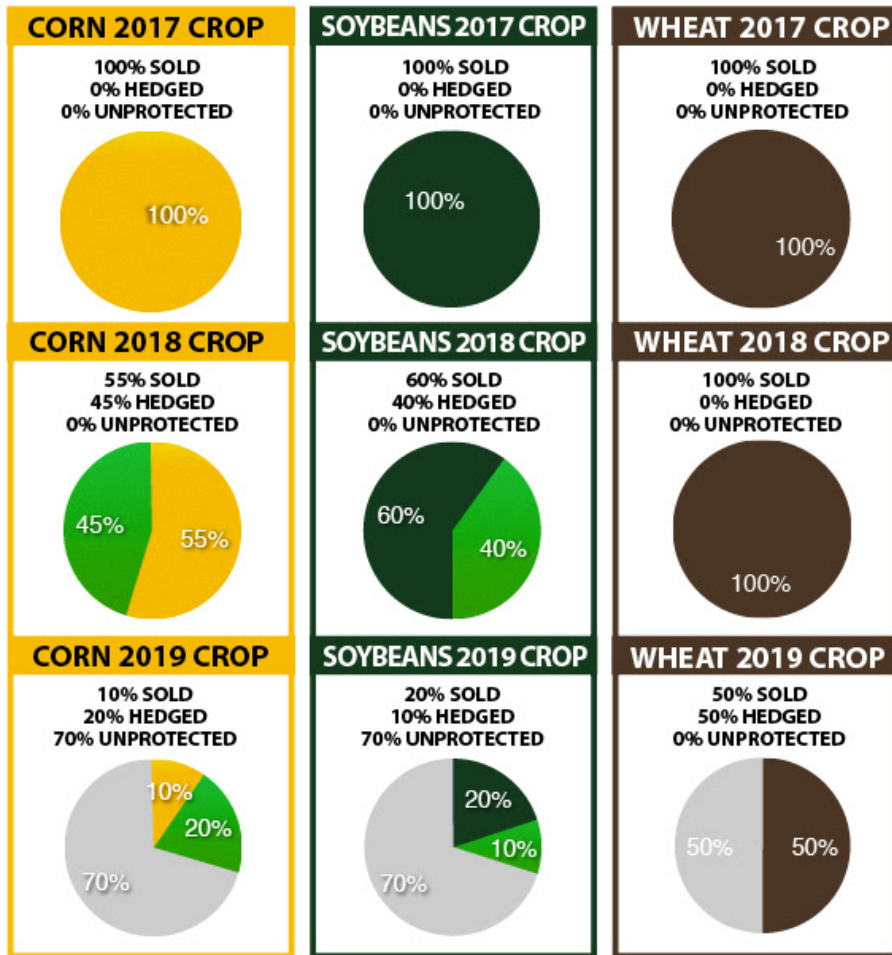
I have many friends who no longer speak to their cousins, brothers, sisters, mothers, fathers, children, grandchildren, etc... because something small blew up and morphed into something much larger. It deeply troubles me when I see this in families and always wish I could say something to help. This short 3 minute Goalcast video by Gaur Gopal Das is powerful. I hope it makes you stop and think and offers new perspective! Click [HERE](#)



ANSWER to riddle: A receding hair line.

CASH SALES & HEDGING TOTALS

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