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GOOD MORNING: The Van Trump Report 2-19-20

1 message

The Van Trump Report <reply@vantrumpreport-email.com>

Wed, Feb 19, 2020 at 5:31 AM

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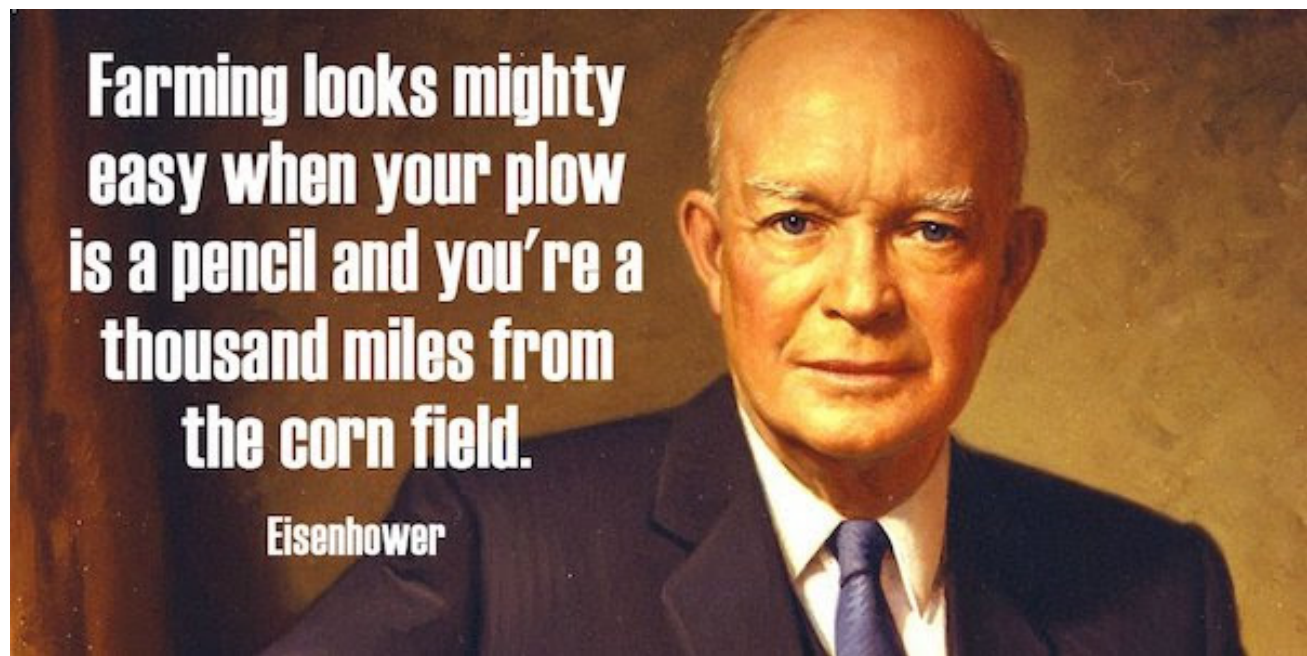
"If you want to succeed you should strike out on new paths, rather than travel the worn paths of accepted success." - **John D. Rockefeller**

Wednesday, February 19, 2020[Printable Copy](#) or [Audio Version](#)

Morning Summary: Stock market bulls might becoming a bit more uncertain as Apple, one of America's largest companies, warned the coronavirus outbreak will deliver a hit to its first half performance. There's also a bit more worry on Wall Street as presidential candidate Bernie Sanders rises in many Democratic polls. Larger investors and money-mangers tend to hate change and seem comfortable with a more moderate candidate. On the flip side, bulls are pointing to perhaps more global monetary easing, more economic stimulus and lower interest rates...all tools that could help facilitate improved global growth and offset the negative fallout from the coronavirus. Personally, I've banked some of the early-2020 profits, narrowed my scope and diversification and will be patiently looking for opportunities to add to a few favorites on any significant breaks. Today, investors will be closely watching the American Petroleum Institute's weekly crude inventory report, which traders look towards as a guide ahead of the official government figures. Last week the API reported a weekly build of +6 million

barrels of crude. The Energy Information Administration will report its figures on Thursday, a day later than usual due to Monday's federal holiday. Oil prices have recovered somewhat over the last week with oil bulls still holding out hope that OPEC+ members will agree to deeper production cuts. The oil cartel's next meeting is scheduled for March 5. The average price of U.S. unleaded gasoline is currently around \$2.44 per gallon which is about a dime lower than last month but about a dime higher than last year. I should note, the Dallas Federal Reserve yesterday said it expects the U.S. oil and gas sector to cut capital spending by -10% to -15% in 2020, citing lower global demand forecasts. The bank also believes 2020 will be a year of consolidation and cost cutting for U.S. energy service companies, noting that some have already announced restructurings and layoffs. Other economic data due out today includes Housing Starts, which are expected to take a step back in January to an annualized pace of 1.42 million, compared to December's 1.608 million. U.S. corporate earnings scheduled for release today will include Adidas, Cheesecake Factory, Dish Network, Hyatt Hotels, Jack in the Box, Owens Corning, and Zillow.

Just Saying...



China's Economy Likely Running at 40%-50% Capacity: *The biggest question for the global economy right now is how quickly the world's second largest economy can get back to anything like normal operations while it's battling the coronavirus outbreak that has killed at least 2,000 people and sickened tens of thousands in mainland China. China's economy was likely running at just 40%-50% capacity last week, according to a Bloomberg Economics report. About the same number of trips by planes, trains, automobiles and boats was taken in the run up to the Lunar New Year this year compared to last year, but the fall off since the outbreak began has been stark. On average, there's only about 20% as many trips being taken each day, meaning millions of people still haven't traveled back to work. And with long-distance buses only allowed to operate at 50% capacity to reduce the*

risks of viral transmission, that backlog will take a long time to clear. Although some companies, especially large state-owned industrial firms and those making medical equipment, have ramped up output, demand for electricity is still well below where it should be at this time of year. Along with anecdotal reporting from across China's vast east-coast manufacturing heartland, the power numbers suggest much of the nation's industrial capacity remains idle. A survey of 109 American manufacturing companies in and around Shanghai showed that although almost 70% were operating last week and more than 90% expected to be back by this week, 78% of firms said they didn't have sufficient staff to run a full production line. As for consumer spending, Alibaba Group Holding Ltd, the first major Chinese technology corporation to report results since the epidemic emerged in January, said the virus is undermining production and has changed buying patterns, with consumers pulling back on discretionary spending, including travel and restaurants. Even if people do want to spend, many shops are shut, and online and offline retailers are facing logistical problems to supply customers. (Source: Bloomberg)

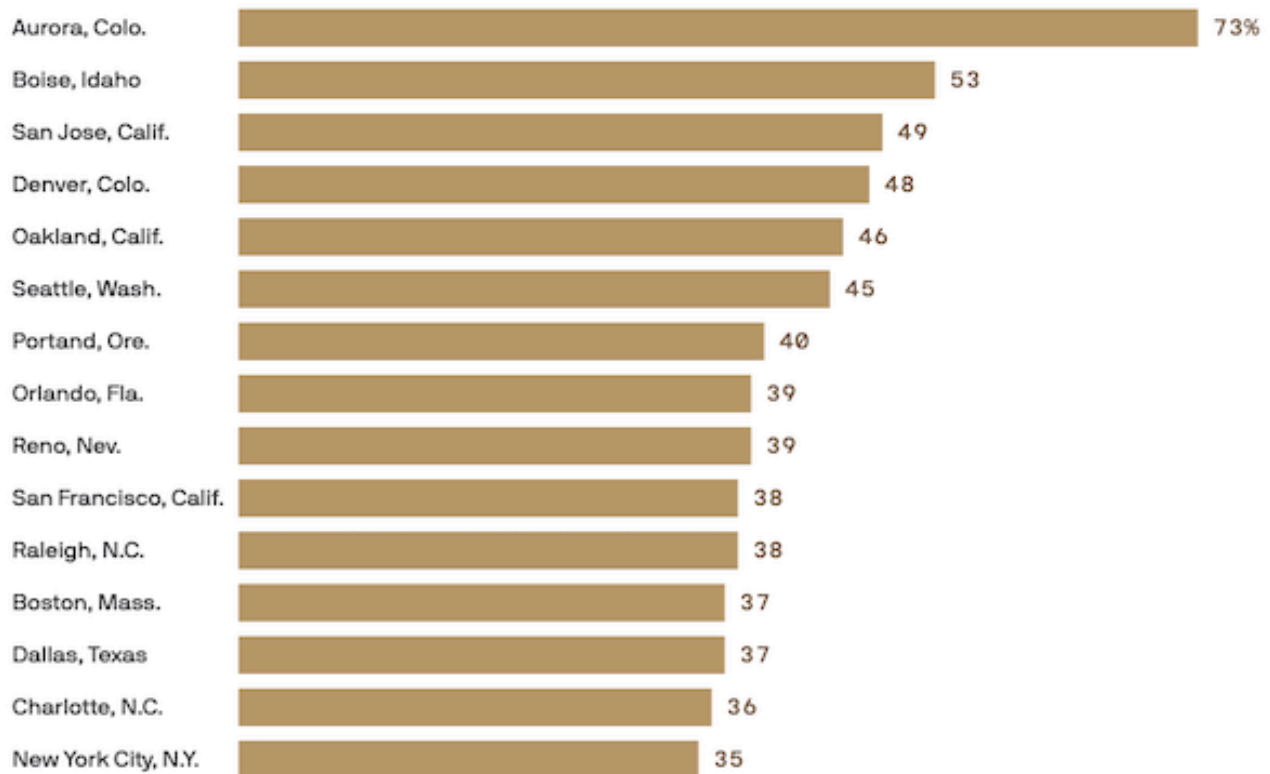
Mobile Web Traffic Surging: *Mobile adoption around the world is having a significant impact on the web's traffic. According to a new report from SimilarWeb, out today, mobile web traffic has jumped 30.6% since 2017, while desktop traffic dropped 3.3%. But it's not just the numbers that are changing. Mobile visitors also behave differently from their desktop web counterparts, staying on pages for shorter periods of time, for example, which is impacting core metrics web publishers today track. Across platforms, the overall time spent on websites has dropped by 49 seconds from 2017 to 2019, the report found. (Source: TechCrunch)*

Virgin Galactic Shares Have Skyrocketed +160% in 2020: *Shares of Richard Branson's Virgin Galactic are up a stunning 160% so far in 2020. The latest surge is due to optimism about the company's plans to launch a commercial space service. Virgin Galactic announced last week that it relocated its SpaceShipTwo suborbital plane, also known as VSS Unity, to its commercial headquarters in New Mexico. That brings the company one step closer to eventually launching paying passengers into space. With shares up nearly +200% since going public last October, investors are clearly excited about the potential for Virgin Galactic (SPCE), even though it is currently unprofitable and is expected to continue losing money this year and in 2021. The company is set to release its fourth quarter results after the closing bell on February 25, which will be its first since going public. With Virgin Galactic's stock doing so well, some are wondering if Jeff Bezos and Elon Musk would consider taking Blue Origin and SpaceX public. SpaceX has already indicated it could spin off its Starlink internet unit. (Source: CNN)*

Where Average Rents Rose the Most Over the Last Decade: *PropertyClub, an apartment rental service, used Zillow data to calculate which cities saw the greatest percentage rent increases between 2010 and 2019. It's not surprising that New York, Seattle and San Francisco saw sizable median rent increases, but surprisingly are not at the top of the list.*

The very top of the list features a few cities that you might not have expected to see - Aurora, Colorado, and Boise City, Idaho, actually saw the biggest jumps. Aurora, part of the Denver metropolitan area, saw rental rates spike +73%, jumping from \$1,190 in 2010 to \$2,060 in 2019. Meanwhile, Boise went from boasting a median rent of \$865 in 2010 to \$1,326 in 2019. San Jose saw the biggest jump in absolute numbers, and it's the only city on the list to see median rents increase by more than \$1,000 over the past decade, going from \$2,217 in 2010 to \$3,300 in 2019. Zooming in to a regional level, cities located in the Western region saw the most accelerated rent growth over the past ten years, followed by the Northeast, the Midwest region, and lastly the South. The full report is available [HERE](#).

Cities with highest increase in median rent, 2010–2019



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Tweets of the Day













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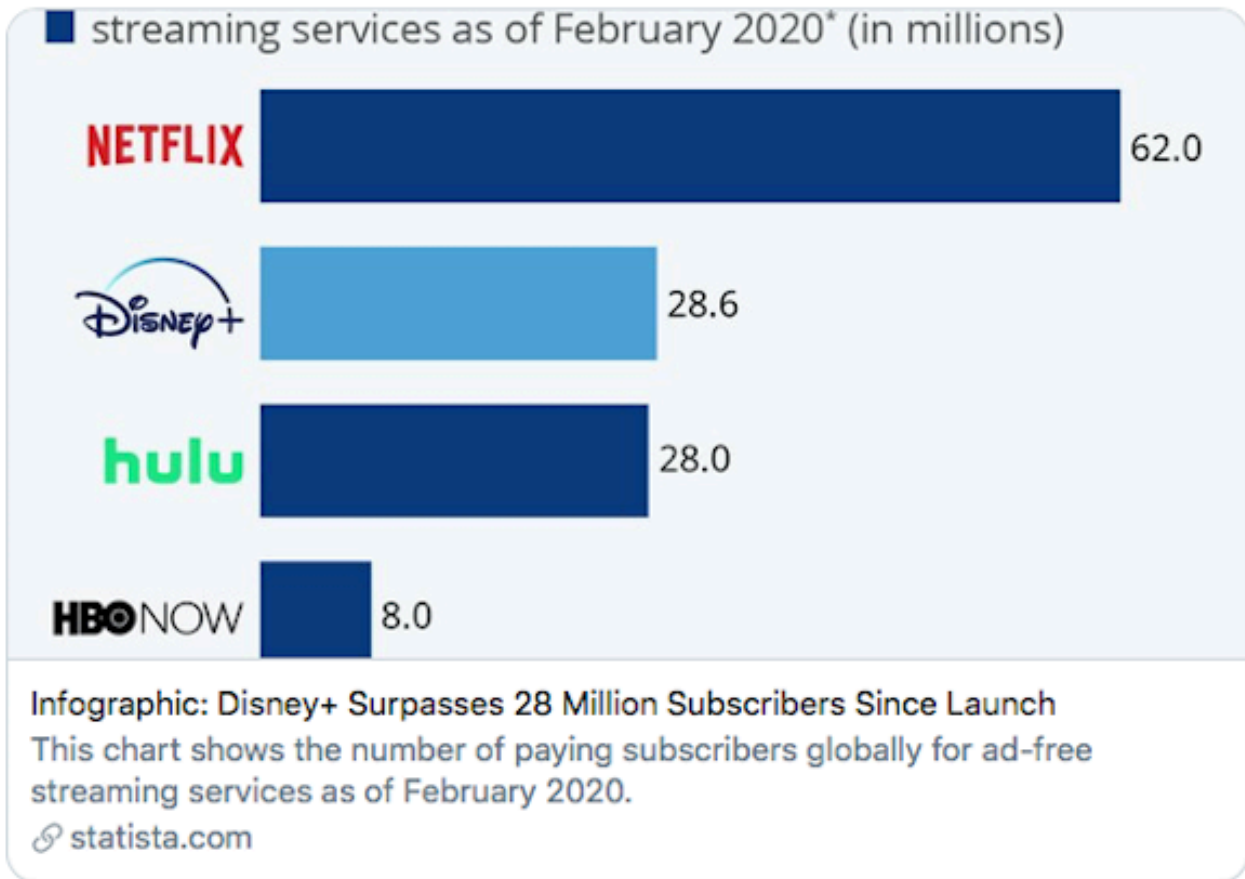
Bloomberg moves past Biden in the betting markets,
Sanders with his biggest lead yet...

via [@PredictIt](#)

Who will win the 2020 Democratic presidential nomination?					
Contract	Latest Yes Price	Best Offer			Best Offer
 Bernie Sanders	43¢ 2¢+	43¢	Buy Yes	Buy No	58¢
 Michael Bloomberg	18¢ NC	19¢	Buy Yes	Buy No	82¢
 Joe Biden	17¢ 4¢+	19¢	Buy Yes	Buy No	82¢
 Pete Buttigieg	14¢ 4¢+	13¢	Buy Yes	Buy No	88¢
 Elizabeth Warren	7¢ NC	8¢	Buy Yes	Buy No	93¢
 Andrew Yang	6¢ NC	7¢	Buy Yes	Buy No	94¢
 Hillary Clinton	5¢ NC	5¢	Buy Yes	Buy No	96¢
 Amy Klobuchar	3¢ NC	3¢	Buy Yes	Buy No	99¢
25 More Contracts ▼					



#Netflix still has a huge lead in the streaming world at 151.6m subscribers, but #DisneyPlus had a strong start in the US adding over 28m users since November. Full story by @mariamzzarella





Troy Homan
@simply_gary



I have a 53' x 102" step deck with 10' ramps.... Any creative ideas to load and unload this without dying?
[#WarmThoughts](#)





Jana Waller
@skullboundtv

I've had a lot of questions about what handgun I shot my mountain lion with. It is the Desert Eagle .429 from @kahrfirearms . The cartridge is based on the 50 AE necked down for .44 mag projectiles. The result is faster bullet with more energy at the muzzle. W/ Vortex 3MOA site.





Joel Koskan
@joelkoskan



My first vehicle ever. Restoration is finally complete.





Katherine Hess CCA
@K84IAST8



10 months this past weekend and loves to steer! He's going to be bummed when he finds out his dad's tractors have autosteer. [#farmkid](#) [#borntodrive](#) [#johndeeregreen](#) [@JohnDeere](#) [@MachineryPete](#)





ActionComplete
@ActionComplete



#Happiness is easy when we let go of the things that don't matter.

#quotes #inspiration



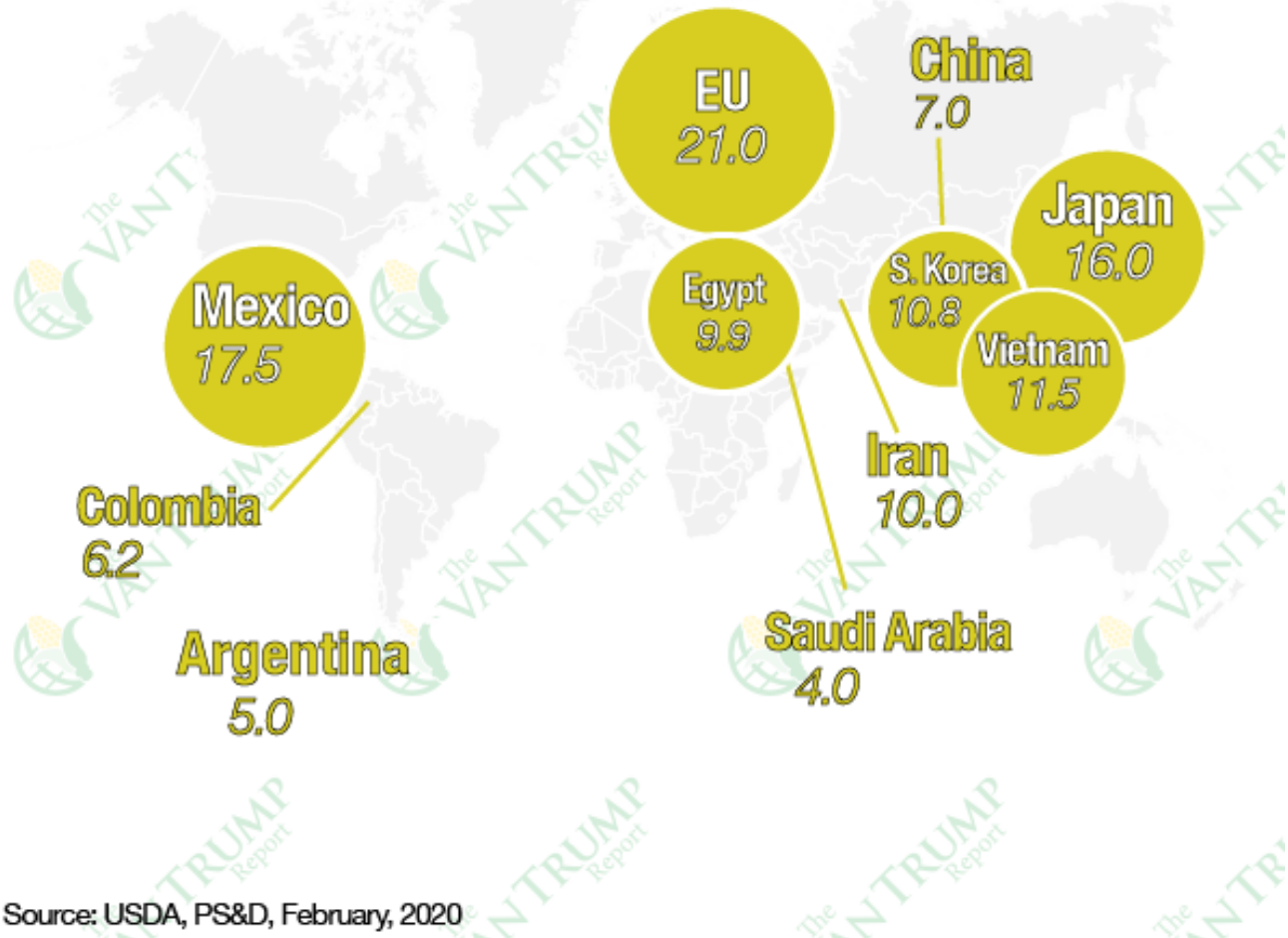


Corn traders are eager to see tomorrow morning's USDA Ag Outlook numbers. Most inside the trade are looking for U.S. planted corn acres to jump up to between 94 and 95 million vs. 89.7 million planted this past season. Technically, I continue to hear strong debates that this market is trapped in a longer-term range between \$3.50 and \$4.15 per bushel. Both bulls and bears are able to push that range 25 cents on either side. Bull's sight U.S. weather uncertainties, and eventual heavy Chinese buying as a reason to believe prices could ultimately push to \$4.40 per bushel. Bears say Chinese demand may eventually happen but probably in small doses and increasing U.S acres could ultimately push U.S. ending stocks to +2.5 billion bushels and prices sub-\$3.30 per bushel. As a spec, I'm wanting to be a buyer but at the lower end of the range. As a producer, I have around 50% of our estimated new-crop risk already removed via hedged and priced bushels. My goal is to get another 20% to 30% of our production priced between now and the new-crop harvest. I'm hoping the U.S. growing season and more optimistic Chinese headlines will allow for that opportunity. I encourage all producers to build a well thought out plan that not only includes price triggers but also some time guidelines and boundaries.

2019/20 Global Corn Importers

Total Global Imports 167.9

(in Million Metric Tons)



Source: USDA, PS&D, February, 2020

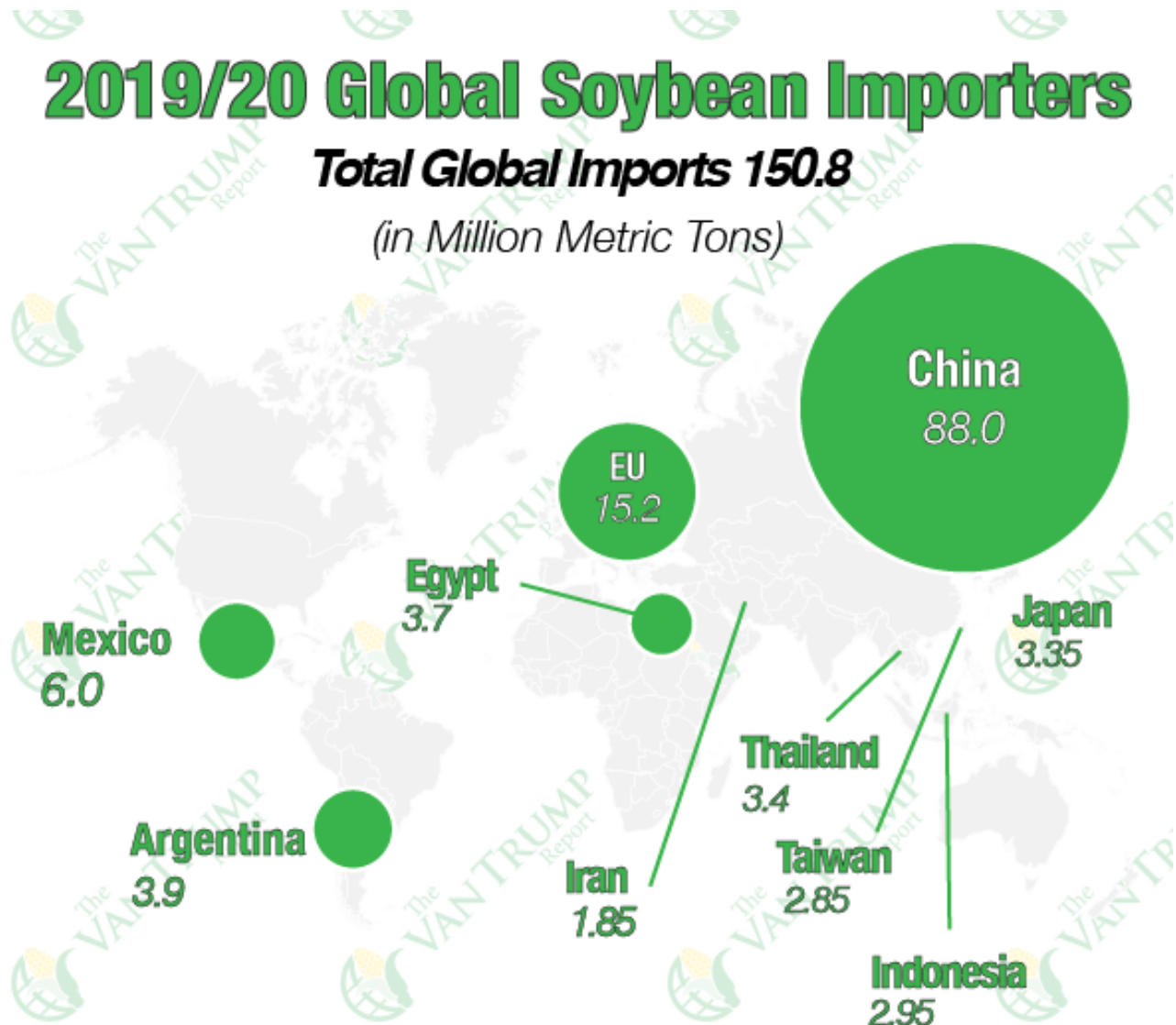
Soybean prices continue to chop around ahead of tomorrow's USDA Ag Outlook data. Bulls have rallied prices back +25 cents from the early-February low on hopes of tighter U.S. stocks and increased U.S. buying by Chinese importers. Bulls were also happy to see stronger than anticipated NOPA crush numbers, in fact, a record U.S. crush for the month of January. Bears point to continued worries inside China surrounding coronavirus, livestock being culled, meal demand in China wavering, and crush facilities inside China operating at limited capacity as workers and transportation remain limited in several parts of the country. Bears also point to crop production estimates for both Argentina and Brazil getting larger and not smaller. At the same time, the strength of the U.S. dollar and devaluation of the Argentine and Brazilian currency make South American new-crop supplies more

attractive in the global marketplace. Traders are now eager to see the USDA's early outlook for U.S. new-crop soybean acres. Most inside the trade seem to be looking for an acreage number of around 84 million vs. 76.1 million planted this past season. Bulls will argue this 84 million acre number could work its way lower as corn currently pencils a bit better. On the flip side, bears believe wet fields and any type of difficult spring could bring more U.S. soybean acres as producers opt to make the switch... Stay tuned! As a producer, I'm keeping hedges in place and staying patient believing better marketing opportunities are ahead. As a spec, I got shook out of my bullish position on the early coronavirus headlines but would consider again being a buyer on a deeper break in price. Keeping my eye on weather and Wuhan...

2019/20 Global Soybean Importers

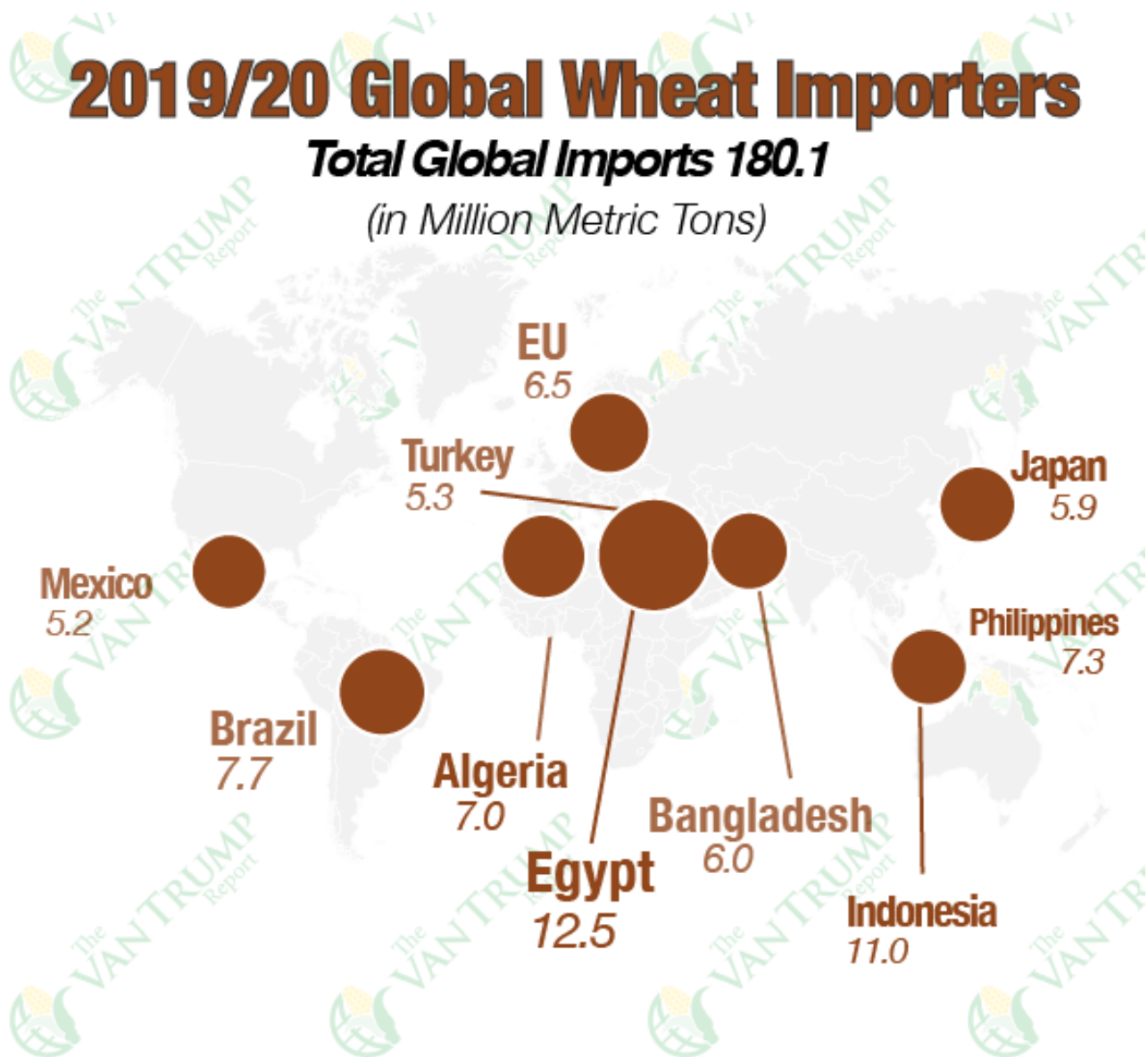
Total Global Imports 150.8

(in Million Metric Tons)



Source: USDA, PS&D, February, 2020

Wheat bulls are trying to break the recent downhill slide. Yesterday's big bump higher might still be somewhat of a mystery. Many traders tried to explain it as a combination of the Australian crop being downgraded, locust problems becoming much more worrisome in parts of Asia, and probably most importantly Chinese buying of U.S. wheat seeming a bit closer. I could also argue a few global weather headlines have become more interesting. Bears still point to near-record global surplus, a U.S. dollar that is pushing to new multi-month highs and continued fear and uncertainty surrounding global economic growth. As both a producer and a spec, and as I've said on several occasions, I think this market can again make a run or retest the recent highs. I just think it's going to take some additional time, more widespread weather worries here in the U.S., and confirmation of increased Chinese buying. I'm staying patient with a longer-term bullish tilt.



Source: USDA, PS&D, February, 2020

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> NOPA Crush Sets New All-Time January Record: *The National Oilseed Processors Association (NOPA) reported January crush of 176.940 million bushels, topping the previous all-time record of 175.4 million bushels set in October 2019. Soybean stocks were reported at 2.013 billion lbs., a 21-month high and up from 1.757 billion lbs. in December, and 1.549 billion lbs. the same time last year.*

> GAO to Review Tariff Relief Payments: *The U.S. Government Accountability Office (GAO) is opening a review of President Trump's \$28 billion bailout for farmers harmed by his trade war amid allegations that the money was mismanaged and allocated unfairly. The investigation came at the request of Senator Debbie Stabenow, a Michigan Democrat, who has been vocal in her concern that the aid program was biased, providing more funds to southern states that voted for President Trump and favoring large and foreign agriculture companies over small farms. Stabenow asked GAO to determine three things: how the payments would have been distributed if USDA abided by the same limits included in the 2018 farm bill; what measures the department is using to prevent waste, fraud and abuse; and whether USDA's formula for calculating payments reflect all the actual trade damage to specific commodities, or if another model would be better. Stabenow also asked what criteria could be used to ensure that the farmers most vulnerable to going out of business are prioritized. The USDA has defended its program, noting that Midwestern states like Iowa, Illinois and Minnesota have received the bulk of the aid and that foreign-owned companies like JBS USA — which qualified for the commodity purchase portion of trade aid —*

support American ranchers. (Source: New York Times, Politico)

> Bayer Ends Partnership with Tillable after Twitter Backlash: *A social media backlash in the U.S. over data sharing concerns has forced Bayer's digital farming business to end a partnership with Tillable, a start-up linking landowners and farmers. Bayer's Climate Corporation and Tillable felt the full force of "ag Twitter" when many farmers raised concerns about data sharing between the two after the farmland rental platform sent marketing letters to landowners saying they could help them secure higher rents. While both companies, which announced their partnership in October, took to Twitter to deny individual claims or concerns from farmers that Tillable had used Climate Corp's data, some farmers said on the social media platform that they would end their subscription with the Bayer unit. Climate Corp eventually announced that it had pulled out of the partnership. Mike Stern, chief executive of the Climate Corporation, in a statement said that "we have not, do not and will not share or sell our customers' personal information or farm data with any third-party platform partners without customers' consent". Corbett Kull, Tillable chief executive, said there was "a great deal of confusion" over the partnership, adding that the start-up would never have had access to Climate Corp's data unless farmers granted it. (Source: Financial Times)*

> A Good Time to Sell and Buy Land? *The co-founder of an online auction site says increased and steady land values combined with lower interest rates makes it a good time to both sell and buy land. Mark Stock with BigIron Realty says this scenario doesn't happen often. "Interest rates are down almost a full percent if not a little more than it was year-over-year," he says. "So a \$1.2 million purchase on a 30-year-note will save that buyer a little over \$340,000 during the life of that loan." He tells Brownfield, right now it's a sellers' market and that isn't likely to change anytime soon. "There is not a lot of land for sale," he says. "Land is still being held in pretty tight hands." He says there are also options available for farmers to generate additional revenue without selling their farmland. For example, Stock suggests utilizing leases and auctions to sell hunting rights for each season on land that is wooded and can be used for hunting. Listen to the full interview at [Brownfield Ag](#).*

> Searching for Grain's Next Big Demand Driver: *The world's grain bins overfloweth — even after a third straight drought-ravaged wheat crop in Australia and a historically wet and delayed planting season in the U.S. Corn Belt that reduced corn and soybean output in 2019. Barring an unforeseen jolt in supply and/or demand, it's going to stay that way for a while. That was Dan Basse's central message to the delegates at the Global Grain Conference in November in Geneva, Switzerland, who warned that unless new demand drivers are discovered, grain prices will remain depressed. Basse has faith in the world's farmers to deliver high output, even in the harshest growing conditions. "My worries are based on the day that they do too good a job, that farmers produce too much grain and in*

some cases those farmers will be producing themselves out of business," he said. In a letter from the editor, World-Grain says that in such an environment, a search for new industrial uses of grains should be one of the industry's top priorities. Read more [HERE](#).

> YieldStreet Partners with BlackRock to Offer High-Yield Investments:

YieldStreet, a digital platform that offers alternative investments to the masses, is attempting to broaden its appeal with a new fund created with BlackRock, the world's biggest asset manager. For the last five years, New York-based start-up YieldStreet has been giving its users access to a category of deals that had previously been the domain of institutions like hedge funds or billionaires' family offices. The investments — usually private loans in the real estate, shipping, legal or art finance sectors — offer potentially higher returns than say, the typical Vanguard bond fund. But the \$1.3 billion in transactions YieldStreet has crowdfunded so far have always been individual deals, meaning users didn't have access to an all-in-one diversified fund. That's why YieldStreet created the Prism fund, which will contain a mix of the company's relatively esoteric investments along with corporate and sovereign debt managed by BlackRock. The fund has targeted a 7% annual distribution rate, paid out in quarterly increments, and 1.5% in management fees and administrative costs, according to documents viewed by CNBC. Read more [HERE](#).

> Fidelity Investments Says Average Retirement Account Balances at Record High:

Fidelity Investments says it has a record number of retirement accounts containing \$1 million or more, and that the average amount of money in all the accounts it manages has reached record highs. Fidelity manages about 25% of the country's retirement accounts, like IRAs and 401ks. The biggest reason savings are up? Because the stock market is up, according to Meghan Murphy, vice president at Fidelity Investments. "Just in the past year, so in all of 2019, the growth that we saw in balances, 81% of it was due to market activity," Murphy said. But what about the rest? More employers are automatically enrolling their employees into a basic retirement fund. They're also automatically increasing their employees' contribution each year. But that's where the buck stops with the employee, because the rate of employers offering to match contributions has remained flat. And according to Ben Carlson of Ritholtz Wealth Management, just half of U.S. businesses offer retirement plans at all. "It is increasingly expensive to run one of these plans," he said, adding that people should aim to save a total of between 15 and 25 times their annual spending, which is getting harder to do before age 65. (Source: Marketplace)

> The Price of Wine is Dropping Fast: *The price of wine is expected to drop to its lowest levels in five years thanks, in part, to a surplus of California grapes. Combined with a decreased demand for wine, drinkers can expect to get better value for every drop they drink this year. The cheaper prices may even last up to*

three years. Rob McMillan, founder of Silicon Valley Bank's Wine Division and author of the annual State of the Wine Industry report, predicts U.S. wine consumers will enjoy the "best wine retail values in 20 years." Vineyards in Northern California began planting thousands of acres of new vines in 2016, and with more efficient harvesting methods, it has led to more bountiful harvests of grapes. According to Jeff Bitter, president of Allied Grape Growers, wine shipments had grown predictively for nearly two decades until 2015. "The slowdown in growth has caught the industry by surprise." Read more [HERE](#).

> Scientists Have Figured Out How to Grow Breast Milk in a Lab: Last week, a five-month-old startup called Biomilq announced that it had succeeded in growing two key components found in human milk—lactose and casein—from mammary cells in a bioreactor. They're looking for a solution to a widespread problem: Breastfeeding is linked to healthy development in children, but the majority of mothers aren't able to breastfeed for some, if not all, of the recommended six months. Formula, made with nonhuman proteins that can be harder for babies to digest, is an imperfect alternative. Biomilq's founders, Leila Strickland and Michelle Egger, say mothers feed infants formula out of necessity rather than preference. Strickland is a cellular biologist who had difficulty breastfeeding her own two children when they were born prematurely, while Egger is a food scientist that became interested in the idea after spending a summer working with the Gates Foundation researching plant-based protein sources for lower-income countries and recognizing the challenges for nutrition in infants. Read more [HERE](#).

> How to E-Scout for Public Land Whitetails: This time of year, chasing big whitetails couldn't possibly feel further away. That doesn't mean your downtime between deer and turkey season should be wasted though. If you want to capitalize on the long offseason, now is the perfect time to download the onX app, put your virtual boots on the ground, and start e-scouting. Studying maps and digitally scouting new hunting ground is a surefire way to get a head start on next hunting season. By putting in the work now and eliminating unproductive earth months in advance, you'll be one step closer to success come November. Read more from [The Meat Eater](#).

> New Set of Maps Charts the Worlds Oldest Companies: At a time when the average company on the S&P 500 only survives for two decades, it's surprising to see that there are companies that have existed for centuries around the world. The oldest company still operating today is in Japan. It's a construction firm called Kongo Gumi that dates to 578 and has specialized in building temples for 14 centuries. Today, though the company has been bought by a construction conglomerate, temples still account for 80% of its business. This is one fascinating insight from a series of maps published by the British publication Business Financing, which lays out the oldest companies still in existence in each country.

In the United States, for instance, the oldest company still running is the Shirley Plantation in Virginia, formed in 1613. The farm grew tobacco, which was then shipped throughout the colonies and to Europe. The company that created the maps, Business Financing, says that beyond the dates and finances, they found fascinating stories that illuminate the histories of each continent. Check it out [HERE](#). (Source: Fast Company, Business Financing)






Northeast North Dakota - *We were able to get all our corn out of the ground on our farms in the Red River Valley. Yields were less than average which come in at 170 bpa for corn and low 40's for the beans. Beans were a challenge this year with yields in the thirties thanks mostly to very wet conditions. We did make some decent sales on corn and got rid of all our beans. There is a good amount of stubble that we need to tackle and hopes are that we get a quick and lasting thaw. I'm seeing a lot of uncertainty for some guys trying to figure out their production plan this season and who still need to buy their seeds. I'm also seeing guys having to tap their land assets to keep things going. I don't see how those just renting are making it with land prices holding strong. There are some acres going for \$200, mostly from guys putting money to work from other asset sales. For the most part it's \$120-\$150.*

Central Missouri - *Things really went well for our operation. We farm on some hilly ground and it handled the wet conditions like a champ, pushing us past our 10-year APH of 190. In my opinion, our no-till management is really showing the benefits as we just don't have the weed pressure we used to. I believe that is the major component to seeing the yields we have been lately. Now, 200 bpa is what our new objective will be. Traded in the 6-year old planter for a new one. I've always felt the planter is my most important tool after picking the right seed. When I'm not farming I'm in the crop insurance space and I'm hearing a lot of misinformation regarding this year's coverage on flooded acres from 2019. Despite what you might be hearing, you can get coverage on those acres this year if you had it last year. What's in question is whether or not the RMA will rerate areas not ready by March 15th. If they do, you may have higher premiums but you can still get coverage. We are seeing a spurt of consolidation from guys getting out of the business and the acres are ranging from \$5,500 all the way up to \$9,700.*

North Central Iowa - *The basis is tight at the local ethanol plant and continues to be through all of old crop corn. We saw about 1/4 inch of rain Monday which wasn't much but enough to wet the ground. Surprisingly, the fertilizer prices are still dropping. We are getting ready for calving right now. The planting will be here before we know it. This time of year everything comes on quick.*

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: Looking at my face, I'm no more than six. Look at the rest of me and I'm 21. You'll see my twin and me in Las Vegas. Say my name and you'd be uttering a threat. What am I?



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What You Need to Know About Growing Hemp in 2020

USDA in late January closed the public comment period on its interim final rule for hemp production but there remains a great deal of confusion about the guidelines as the 2020 growing season quickly approaches.

Many growers viewed 2019 as an "educational opportunity" on many fronts. And a lot of those lessons were quite painful, like the destruction of crops that exceeded THC levels. There has also been a problem with bankruptcies across the industry, including end-users and extractors that remove CBD oil from the plants, leaving farmers with contracts empty-handed. What's more, the market is currently oversupplied which has pushed prices down significantly. This is a particular problem with CBD, which the FDA prohibits from being used in food. That whole side of the industry is yet another regulatory minefield.

Current USDA rules require that hemp crops don't exceed a total THC content of 0.3%. Hemp contains THCA, an acidic compound, and delta-9 THC, a neutral compound. When exposed to heat or light, THCA converts to delta-9 THC, the main psychoactive component of the cannabis plant. Researchers disagree on what causes THC levels to rise above the allowable limits on hemp plants grown from seeds that are supposedly low-THC, but THC levels are known to fluctuate based on weather and other factors over which farmers have no control. Critics of the limit are pushing to have it raised to 1% but the USDA recently said that it's not possible because of the way it's written into the Farm Bill. One Kentucky lawmaker has advised producers to only grow what they can afford to lose.

Most domestic hemp producers in 2019 operated under the 2014 Farm Bill rules, which outlines provisions for the USDA to eventually approve specific state-submitted plans for regulating the production of Industrial Hemp. For 2020, the USDA has approved six states' plans and is reviewing a dozen more, including the plan for Montana — the top hemp-growing state in 2018 with 22,000 licensed acres, according to nonprofit Vote Hemp. Ten states are still drafting their plans to submit to USDA, while the agency directed Connecticut, Oregon, and Tennessee to make changes to their plans. Three states still prohibit hemp cultivation: Idaho, Mississippi and South Dakota.

Many states have opted to operate their 2020 hemp production seasons under the 2014 pilot program. By choosing to extend their current rules, these states

effectively withdrew their requests for approval from the USDA for this season.

Most states remain concerned about the regulatory burden that the USDA's rules place on their agriculture departments. The stringent sampling protocols in the USDA's rules require law enforcement to visit all farms within a 15-day window before harvest, which makes hemp programs very expensive for states to operate. Colorado said many of the rules are "unnecessary, burdensome and may potentially have a devastating impact" on the industry, citing everything from a lack of seed-breeding guidance to the fact that the USDA didn't set up a system to document hemp for interstate transportation.

After issuing its hemp production rules in October, the USDA initially said that farmers in areas that have legalized hemp production but opted out of regulating it could apply for federal licenses. The form lists no application or licensing fees and requires only that interested growers submit a federal background check. According to the USDA, the license application process is open for the entire year in 2020, though the agency could take up to 60 days to approve licenses for farmers. Licenses are valid for three years. In subsequent crop years, the USDA will accept license applications from Aug. 1 to Oct. 31.

Producers who live in states that will host a hemp production program – or in states where hemp production is not legal – are not eligible for a license under the USDA. New Hampshire is the first state that has decided against hosting a state hemp production program, making individual producers eligible to apply for production licenses under the USDA's authority.

There is some good news for those in the space, as this year the Federal agriculture officials have introduced two crop insurance programs for hemp. I'm told both are designed to protect farmers growing the new commodity from damage during natural disasters, and should provide a much-needed safety net for hemp farmers. If you are interested in learning more about the deadlines and limitations on who is eligible for the Multi-Peril Crop Insurance and Noninsured Crop Disaster Assistance Program, click [HERE](#).

Growing hemp is without a doubt is a challenge even without the rules and regulatory headwinds. Producers thinking about introducing the crop to their own operations need to do their homework. The best starting point looks to be your own state's ag department. The Hemptopia website offers handy links to approved state programs [HERE](#). You also might want to check out the National Hemp Association's website, which is packed with useful information and links to other resources as well. Click [HERE](#). (Sources: Hemp Industry Daily, National Hemp Association, USDA, Politico)



WHAT THE USDA HEMP PRODUCTION RULES DO (AND DON'T DO)

The interim final rule:

Outlines provisions for the U.S. Department of Agriculture (USDA) to approve plans submitted by states, territories and American Indian tribes for the domestic production of hemp.

Establishes a federal plan for producers in states, territories and American Indian tribes that do not have their own USDA-approved plan.

Clarifies THC levels to be total delta-9 THC concentration of not more than 0.3% on a dry weight basis.

Includes provisions for maintaining information on the land where hemp is produced, testing levels of delta-9 THC, disposing of plants not meeting necessary requirements, licensing requirements, and ensuring compliance.

Allows for the interstate transportation and shipment of hemp.

Requires samples from flower material to be taken within 15 days prior to the anticipated harvest of hemp plants by a federal, state, local, or tribal law-enforcement agency or designated person for delta-9 THC testing.

Requires that laboratories report the measurement of uncertainty as part of any hemp test results and include a definition of an "acceptable hemp THC level" to account for uncertainty in test results.

Provides that states and institutions of higher education can continue operating under the authorities of the 2014 Farm Bill, though this extension expires in October 2020.

The interim rule does not:

Include a seed certification program, because the same seeds grown in different geographical locations and growing conditions can react differently.

Prohibit the interstate commerce of hemp; no state or Indian tribe may prohibit the transportation or shipment of hemp produced in accordance with the federal interim final rule or the 2014 Farm Bill.

Allow for the exportation of hemp. Instead, USDA will rule on this later.

Limit the U.S. Food and Drug Administration's authority to ban the sale of CBD in foods, drugs and cosmetics.

Costco... One of Retail's Greatest Success Stories!

Amid the stories of the "retail apocalypse", one company that seems to be immune from falling store sales is wholesale club Costco. In fact, you might even say Costco is thriving. In its latest earnings results, the company reported same-store sales growth of +5.1%, which seems like a miracle in the current environment of struggling retail stores. They are also one of the few retailers that has not announced a mass of store closings.

Investors have been paying attention. Costco Wholesale (COST) has been one of the top-performing large-cap stocks over the past two years, more than doubling over that period from less than \$160 in late-2017 to just below the \$320 level recently. The company has delivered consistently solid results, reporting average growth of +23% in the past three quarters. Moody's Vice President Charlie O'Shea

in a recent interview even commented on how consistent they are, "The performance has been so predictable and so solid."

Costco's history goes back to 1976 when Sol Price opened the Price Club in San Diego and spawned the retail warehouse club concept. The first Costco was opened by James Sinegal and Jeffrey H. Brotman in 1983 in Seattle. In 1993, the two companies merged after Price declined an offer from Walmart and its Sam's Club stores. They originally named the new company PriceCostco but rebranded as Costco in 1997.

Price stepped away from the company shortly after the merger to pursue his PriceSmart operation, which is now the largest operator of membership warehouse clubs in Central America and the Caribbean. He passed away in 2009 and remains a legend in the retail world. In fact, Sam Walton of Walmart said he "borrowed" as many ideas from Price as from anybody else in the business. He even borrowed from the name of Price's first retail venture, FedMart. After dining with Price in 1983, Walton hatched his idea for Sam's Club.

James Sinegal, Costco's longest-serving CEO, has credited Price for his own success, calling Price his mentor and the person that taught him to be "tough" in business while also adopting a sense of social responsibility toward his employees. Sinegal got his start bagging groceries at Price's FedMart company in 1955, eventually working his way up to executive vice president in charge of merchandising and operations.

The other main player, Jeffrey Brotman, was actually an attorney before founding Costco with Sinegal. He served as chairman until his death in 2017.

Costco's business model is pretty simple - they sell goods for as cheap as possible to people that buy a membership. The bulk of their products are the types of goods you find at a typical supermarket but in massive quantities that are stacked to the ceiling. Some of the items are only available for a limited time. A lot of their goods are on their private Kirkland label, which in itself is an amazing success story. Kirkland accounted for 27.5% of company sales in 2018, bringing in \$39 billion in sales. To put that into perspective, that's more than every major department store's TOTAL annual sales that year. They also carry a mishmash of other goods that range from books and art to jewelry and hot tubs.

Costco also has a range of other niches that are more specialized, like Costco Auto, Costco Travel, and Costco Optical. They all operate on the same premise, though, of buying these goods and services in bulk, then offering them to their members for cheaper prices than competitors.

Some have described their mission of delivering the lowest price possible as

"uncompromising," in that they are willing to take a loss on something in order to deliver that promise. One famous example is Costco's rotisserie chickens, which sell for \$4.99. They are dead set on that price not going up. When a bird flu outbreak prompted higher prices for ready-to-cook chickens in 2015, Costco took a \$30 million to \$40 million profit hit to keep its rotisserie prices steady. They even opened their own chicken processing plant in Nebraska in order to help keep costs low and better control their supply chain.

The company isn't in the news very often but that seems to be mostly because they are just really, really steady and methodical. They also have a super simple mission statement that they seem to stick to religiously:

"Costco's mission is to continually provide our members with quality goods and services at the lowest possible prices. To achieve our mission we will conduct our business with the following Code of Ethics in mind:

Obey the law

Take care of our members

Take care of our employees

Respect our vendors

If we do these four things throughout our organization, then we will realize our ultimate goal, which is to reward our shareholders."

It's also worth noting that Costco seems to have a great company culture with employees that genuinely seem happy to work there. A lot of credit has been given to Sinegal for that, who had 29 years of hands-on experience working his way up in the retail space before starting the company. It was named the number one company to work for in 2018. Today, Costco is the world's second-largest retailer after Walmart and ranks #14 on the Fortune 500 rankings of the largest U.S. corporations by revenue. (Sources: RetailDive, Comparably, Benzinga)







Rags to Riches

I've always loved hearing and learning about how today's millionaires and billionaires made it happen, especially those rags to riches stories. An article written by Erin McDowell and titled "20 rags to riches stories that will blow your mind" was recently sent my direction. Below are my top-10 from the article and their short inspiring stories. Never Give Up!

Halle Berry Slept in a Homeless Shelter: *Years before Halle Berry won an Oscar, she slept in a homeless shelter. A struggling actress desperately wanting to make it in Hollywood, the star sought out cheaper housing alternatives. She says, however, that her struggles during her early acting career made her stronger in the end. In an interview with People, Berry said, "It taught me how to take care of myself and that I could live through any situation, even if it meant going to a shelter for a small stint."*

Sarah Jessica Parker's family couldn't afford electricity or birthday presents: *Long before Sarah Jessica Parker landed the iconic role of New York writer Carrie Bradshaw on HBO's Sex and the City, she was just a small-town girl from Nelsonville, Ohio. According to an article by Finances Online, SJP went through a point in her life where her family rarely celebrated birthdays, holidays, or other family occasions. One of nine children, Parker*

remembered times when the family couldn't afford to pay for electricity or their phone bill. Sarah Jessica Parker is reportedly now worth more than \$100 million.

Ed Sheeran dropped out of school and slept in subway stations: *Ed Sheeran is now one of the biggest names in music, but he started off as a struggling artist in London's bustling music scene. Sheeran dropped out of school at age 16, when he moved to the metropolitan area to attend music school and play local gigs. The singer would often spend nights sleeping in the London Underground train stations or on top of heating vents outside Buckingham Palace. Once, while playing a gig at a local homeless shelter, he met a drug-addicted prostitute named Angel. Sheeran was so moved by her story that he dedicated his song "The A Team" to her. This song would become one of Sheeran's first breakout singles, catapulting him into the spotlight. Sheeran now sells out stadiums across the globe and has a net worth of \$110 million.*

Celine Dion grew up in a poor family as one of fourteen children: *Celine Dion grew up in Canada as the youngest of fourteen siblings. Her family went through hard times trying to support Dion and her siblings. Eventually, Dion realized her musical abilities and began performing at small local events. She went on to climb to the top of the charts with hits like "My Heart Will Go On" and "It's All Coming Back To Me Now." As her fame rose, so did the star's net worth. She is currently valued at a whopping \$800 million.*

Multi-billionaire Kenny Troutt's racehorse just won the Triple Crown — but before that, he was the poor son of a bartender: *Before he was one of the world's richest people, Kenny Troutt paid his way through Southern Illinois University by selling insurance on the side while he attended classes. The son of a bartender, Troutt grew up in a poor family. However, after graduating from college, he would go on to found the long-distance phone company Excel Communications. In 1996, twelve years after he founded the company, he took it public. In 1998, Kenny Troutt sold Excel Communications to Teleglobe in a \$3.5 billion deal. He took the money he made from the deal and reinvested the profits in stocks, bonds, and racehorses. He currently owns WinStar Farm in Versailles, Kentucky, which has brought forth a Kentucky Derby winner. Troutt now has a net worth of \$2.4 billion.*

John Paul DeJoria sold Christmas cards and newspapers to help support his family: *Before he was the mastermind behind shampoo giant John Paul Mitchell Systems and Patron Tequila, John Paul DeJoria was just a first-generation American trying to make it. After his German and Italian*

parents divorced when he was two, he turned to selling Christmas cards and newspapers to help support his family — all before he turned 10 years old. After taking a job in a Redken factory, DeJoria became intrigued with the shampoo industry. He took a \$700 loan from the company and invested it into his own brand, John Paul Mitchell Systems. Going door-to-door selling his product, DeJoria slept in his car, hoping his product would capture buyers' attention. It did — the company is now worth over \$900 million annually. DeJoria has a net worth of \$2.6 billion.

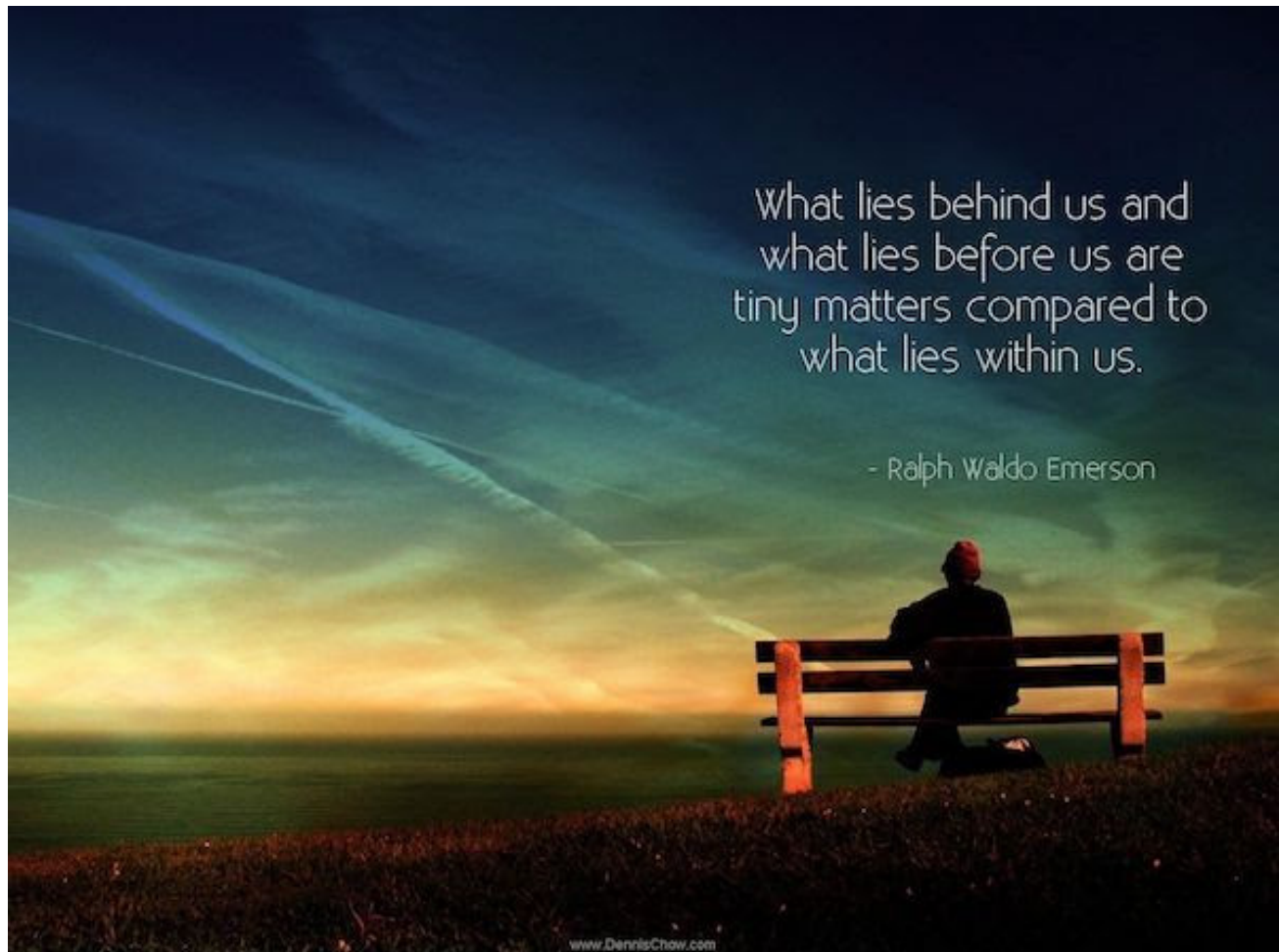
Starbucks' Howard Schultz grew up in the projects of Brooklyn: *Schultz grew up the son of a truck driver who barely made enough money to make ends meet. Despite growing up in a poor family, he was athletically talented and earned a football scholarship to the University of Northern Michigan. After graduating with a degree in communications, Schultz worked for Xerox. However, everything changed when he stumbled upon a small coffee shop called Starbucks. He loved the coffee so much that he went on to become their chief executive in 1987 after leaving Xerox. With Schultz's help, Starbucks soon grew from a small coffee company with 60 stores to a money-making giant with over 16,000 outlets worldwide. Howard Schultz's current net worth is \$4.1 billion.*

Leonardo Del Vecchio used to be a factory worker: *Now a multi-billionaire, Leonardo Del Vecchio grew up as the child of a widowed mother who struggled to make ends meet. To earn a living, Del Vecchio went to work in a factory making molds for auto parts and eyeglass frames, where he ended up losing part of his finger in an accident. At the young age of 23, he opened his very own molding shop. That eyeglass frame shop would become Luxottica, which now manufactures brands like Ray-Ban and Oakley. Leonardo Del Vecchio's current net worth is \$21.2 billion.*

Francois Pinault was teased in school for being poor: *Pinault dropped out of high school in 1947 after he was teased by his classmates for being poor. He then started working at his small family business. Soon, he started growing the business and began buying up smaller firms and flipping them for large payouts, causing others to criticize his "ruthless" work ethic. He went on to start PPR, a luxury goods group that sells brands like Gucci and Stella McCartney. Once the richest man in France, Francois Pinault's current net worth is undeniably impressive. He is calculated to be worth \$34 billion.*

Sheldon Adelson delivered newspapers before he became a multi-billionaire: *Though Sheldon Adelson now has a net worth of a whopping \$37 billion, he came from humble beginnings. Adelson grew up the son of a cab driver in Dorchester, Massachusetts. At the young age of 12, Adelson got his first taste of making money by delivering newspapers around his*

neighborhood. A Forbes profile of the billionaire claims that after dropping out of the City College of New York, Adelson "built a fortune running vending machines, selling newspaper ads, helping small businesses go public, developing condos, and hosting trade shows." After losing a majority of his money in the recession, Adelson earned most of it back and now owns Las Vegas Sands, the largest casino company in the world.



The American dream of rags to riches is a dream for a reason – it is hard to achieve; were everyone to do it, it wouldn't be a dream but would rather be reality.

Robert Fulton

quotezany

**"PEOPLE THINK I'M JOKING
WHEN I SAY THAT WHOEVER
EXPERIMENTS THE MOST IN
LIFE WINS. BUT I'M NOT..."**

— TAI LOPEZ

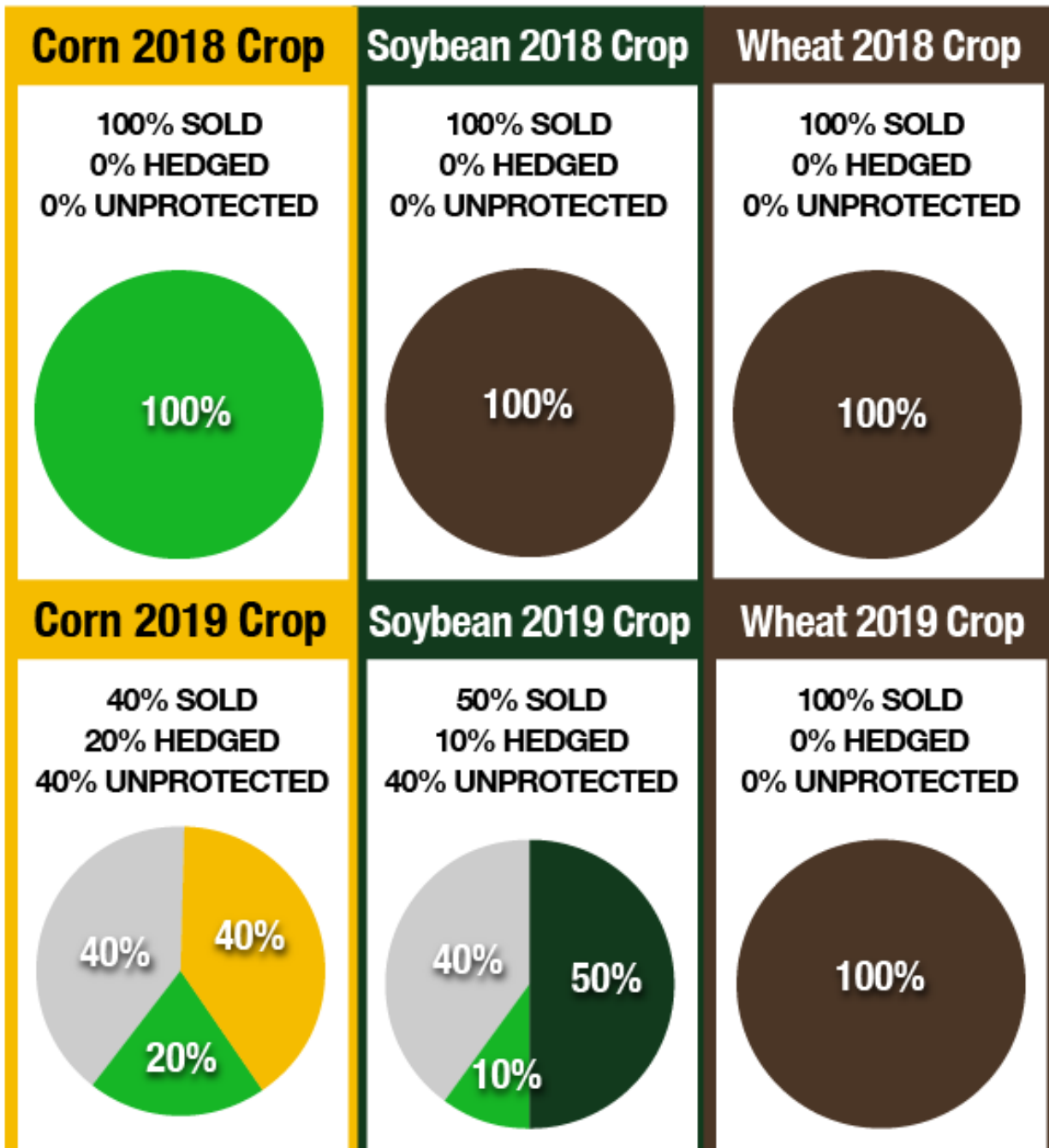


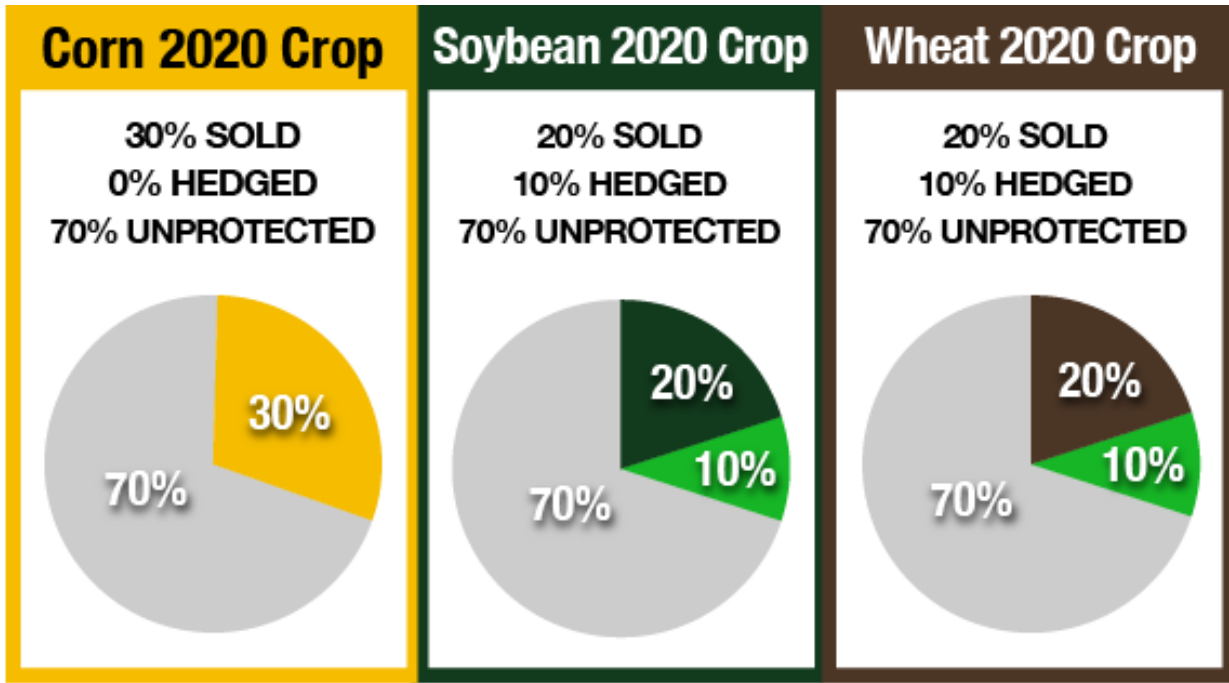
"If we wait until we're
ready, we'll be waiting
for the rest of our
lives."
- Lemony Snicket

ANSWER to riddle: A die.

CASH SALES & HEDGING TOTALS

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