



"People forget how fast you did a job -- but they remember how well you did it." - **Howard W. Newton**

MONDAY, JANUARY 30, 2017

Morning Summary: Market insiders are bracing for a wild week ahead as three major central banks, including the U.S. Fed, Bank of Japan (BOJ) and European Central Bank (ECB), all hold meetings and deliver their latest monetary rhetoric. We also have some important inflationary data, monthly employment numbers and another wave of fourth quarter earnings. Throw on top more uncertainty and negative headlines from the press surrounding President Donald Trump's latest changes in policy. I suspect the two-day Fed meeting and statement released afterwards on Wednesday will perhaps garner the most attention. There seems to be a lot more talk amongst the big-money players about the Fed's next few moves and commentary being much more important and relevant than it has been in the past several years. Keep in mind, not only is this the first FOMC meeting of 2017, a year in which the Fed has already talked about raising rates three times, but also the first official meeting under newly elected President Trump, where a lot of uncertainty is circulating in regard to how quickly the economy is going to respond. Many insiders up to this point had been discounting the Fed's recent more hawkish rhetoric, with most in the trade not looking for another rate hike until perhaps mid-June. Now all of a sudden it's starting to feel like that timeframe could be shortening, with another interest rate hike coming in perhaps the March or May meeting? Obviously a lot will depend upon the overall mood of the market, the employment picture, rate of inflation and strength of the economy. If things start to heat up faster than expected the Fed is definitely going to react with a more hawkish tone. Washington will also be a major key component, where the trade remains focused on what seems to be three large ticket-items: Deregulation; Tax Reform; and Infrastructure Spending... along with three key individuals who are leading the charge... President Trump; Speaker of the House Paul Ryan; and Senate Majority Leader Mitch McConnell. It seems like Ryan is going to be able to get most things through the House as the Republicans hold a fairly substantial majority of the vote, currently 240 vs. 193. On the flip side, it looks as if it will be much tougher to push things through the Senate, especially when you consider the Republicans hold only a 52 to 48 majority and some of those Republican Senators like Lindsey Graham, John McCain, Rand Paul, Susan Collins and a few others have openly expressed their disagreements with President Trump and several of his teams policies. In other words perhaps some of the bigger shifts in political change might not happen as quickly and as easily as many inside the market are currently forecasting. From what I understand President Trump worked straight through the weekend, completing his first official conversations with Russian leader Vladimir Putin

and Germany's Angela Merkel. Reports circulating report Trump and Putin spoke on the phone for an extended period of time about many important global issues including the Middle East, the Israeli-Palestinian conflict, nuclear non-proliferation, the Iran nuclear program and North Korea. It is said they also discussed the Ukraine crisis and how the U.S. and Russia can mutually work to restore a better long-term relationship with one another. Both U.S. and Kremlin sources further indicated that the two leaders agreed on a need to "unify efforts" against the "destruction of ISIS and other terrorist groups in Syria." The meeting with German Prime Minister Angel Merkel is reported to have also gone well, despite what many suspected would be major wrinkle after President Trump signed an executive order on Friday temporarily banning travelers from Syria, Iraq, Iran, Libya, Somalia, Sudan and Yemen from entry into the U.S.. Remember, Germany is the country that claims to be bearing the brunt of the refugee crisis in the Middle East and is looking for other nations around the world to step up and start taking a bigger responsibility. It will be interesting to see how our relationship with Germany plays out in regard to the refugee crisis? Washington will also be in play again mid-week as Trump announces his selection for the Supreme Court on Thursday. We also have newly appointed U.S. Defense Secretary General Mattis scheduled to be in South Korea and Japan later in the week. Fourth quarter corporate earnings are equally as busy this week with over four-hundred companies reporting, including the likes of Amazon, Amgen, Apple, Chipotle, Conoco Phillips, Eli Lilly, Exxon-Mobil, Facebook, Harley Davidson, Merck, Pfizer, Philip Morris, Phillips 66, Royal Dutch Shell, UPS, Valero and Visa. Bottom-line, it's going to be an extremely heavy week of headlines, stay belted in as the volatility could get a bit more extreme... Despite the larger waves, I'm still not looking for a major significant pull back anytime soon. Money is still aggressively moving!

U.S. Special Forces Soldier Killed In Yemen: *A heart-felt acknowledgement of a U.S. service member that lost his life in Yemen over the weekend. A US special forces soldier was killed and three others injured in Yemen in the most significant antiterrorism operation launched since Donald Trump was sworn in as president. The US launched the ground offensive against jihadis based in central Yemen, marking an escalation of Washington's campaign against al-Qaeda in the war-torn country. A US aircraft crash-landed and was destroyed in the pre-dawn raid on an al-Qaeda in the Arabian Peninsula, or AQAP, base near Baydah, a town in rugged territory north of the port of Aden. The U.S. said 14 al-Qaeda fighters were killed in the firefight, with no civilian loss of life, and that the commandos captured information that will probably prove useful in preventing terrorist plots. Our condolence and sincere gratitude to this young man and his family.*

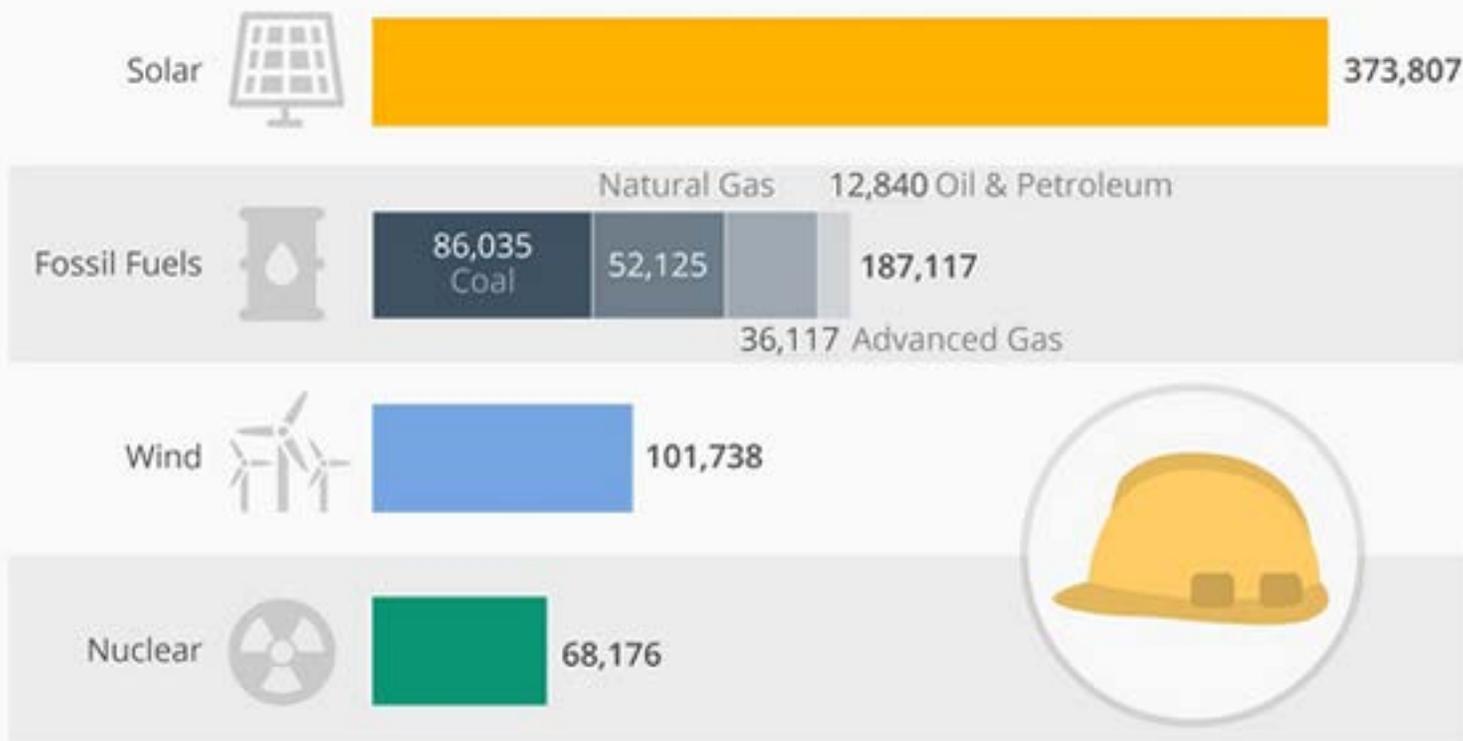
Could We Be Starting To Slow? *The biggest economic report last week had to be the first estimate of fourth-quarter U.S. GDP, which showed the U.S. economy grew at an annualized pace of just +1.9%, compared to the +3.5% reading in the third-quarter. The slowed expansion was said to be due to a wider trade deficit. For the full year, the U.S. grew at just +1.6%, compared with +2.6% in 2015, marking the weakest performance since 2011. Housing data for December also came in significantly weaker - New Home Sales plunged -10.4% to a much lower than expected rate of only 536,000. One thing cited for holding sales back was a big jump in prices, where the median climbed +4.3% to \$322,500. That amounts to a year-on-year gain of +7.9%. Existing Home Sales also took a step back, falling -2.8% to an annualized rate of 5.490 million. The*

sluggish sales there are equated to exceptionally low supplies, with total inventories now at just 3.6 months, down from 3.9 months in November. The good news economically is the fact consumer spending remained strong, increasing a solid +2%. Additionally, business investment also increased, notably increasing equipment purchases for the first time in five quarters. Personally I don't think things are slowing down all that much. Some bigger players may have temporarily hit the "pause button" wanting to see how things play out with Trump and potential social unrest, but I suspect as time move on the economy is going to start gaining even more momentum.

Surprising Data About The Solar Industry: Renewable energy has made impressive strides in the U.S. in recent years. According to a new report from the U.S. Department of Energy, solar power employs more people than electricity generation through coal, oil and gas combined. Last year, solar power accounted for 43 percent of the Electric Power Generation sector's workforce while fossil fuels combined employed 22 percent. Around 374,000 people were employed in solar energy, according to the report while generation through fossil fuels had a workforce of just over 187,000. The solar boom can be attributed to construction work associated with expanding generation capacity. The report states that the employment gap is actually growing with net coal generation decreasing 53 percent over the last 10 years. During the same period of time, electricity generation through gas expanded 33 percent while solar went up by an impressive +5,000 percent. (Source: Statista)

More Workers In Solar Than Fossil Fuel Power Generation

Employment in energy generation by source in the U.S. in 2016



Weather has been and will continue to be generally cold and dry over the next few days across much of the nation. However, exceptions over the weekend included snow showers downwind of the Great Lakes; weekend rain showers across southern Texas and Florida's peninsula; and a return to mild weather across the nation's mid-section. On the Plains, a dry weather pattern is in place. However, gusty winds are affecting the northern and central Plains, while a variable snow cover remains in place in most areas from Nebraska northward. In the Corn Belt, mostly cloudy, breezy conditions are in place and despite a turn toward cooler weather, fields and feedlots remain muddy in much of the central and eastern Corn Belt. Looking ahead, mild weather should dominate the nation's mid-section early this week. Notably, temperatures should top 70 degrees F on the southern Plains. In Argentina, the weekend saw dry and hot weather return to key growing areas of Cordoba, Santa Fe and northern Buenos Aires. However, this shouldn't be hot enough to be a big concern for any reproductive crops, especially as soil moisture is still high following early season rains. In central Brazil, crop areas may see weather improve the outlook for second crop corn, but current rain will also delay the harvest of early soybeans and early corn. Mostly favorable conditions are in effect for crops in southern Brazil at this time.

February Continues Temperature Patterns We Have Seen All Winter: *The pattern that has been prevalent this winter will likely continue into February, but with the focus of the northern cold farther east and the focus of the southern warmth farther west than what we have observed over the last couple of months. That is a slight shift from what we have experienced so far this winter, but the overall trend that we have seen this winter of colder northern tier, warmer southern tier is expected to persist through February. Looking further out into the current Spring outlook, mild temperatures in portions of the southern U.S. are expected to prevail through the spring as well, while colder than average conditions are not currently anticipated to continue in the northern U.S.*

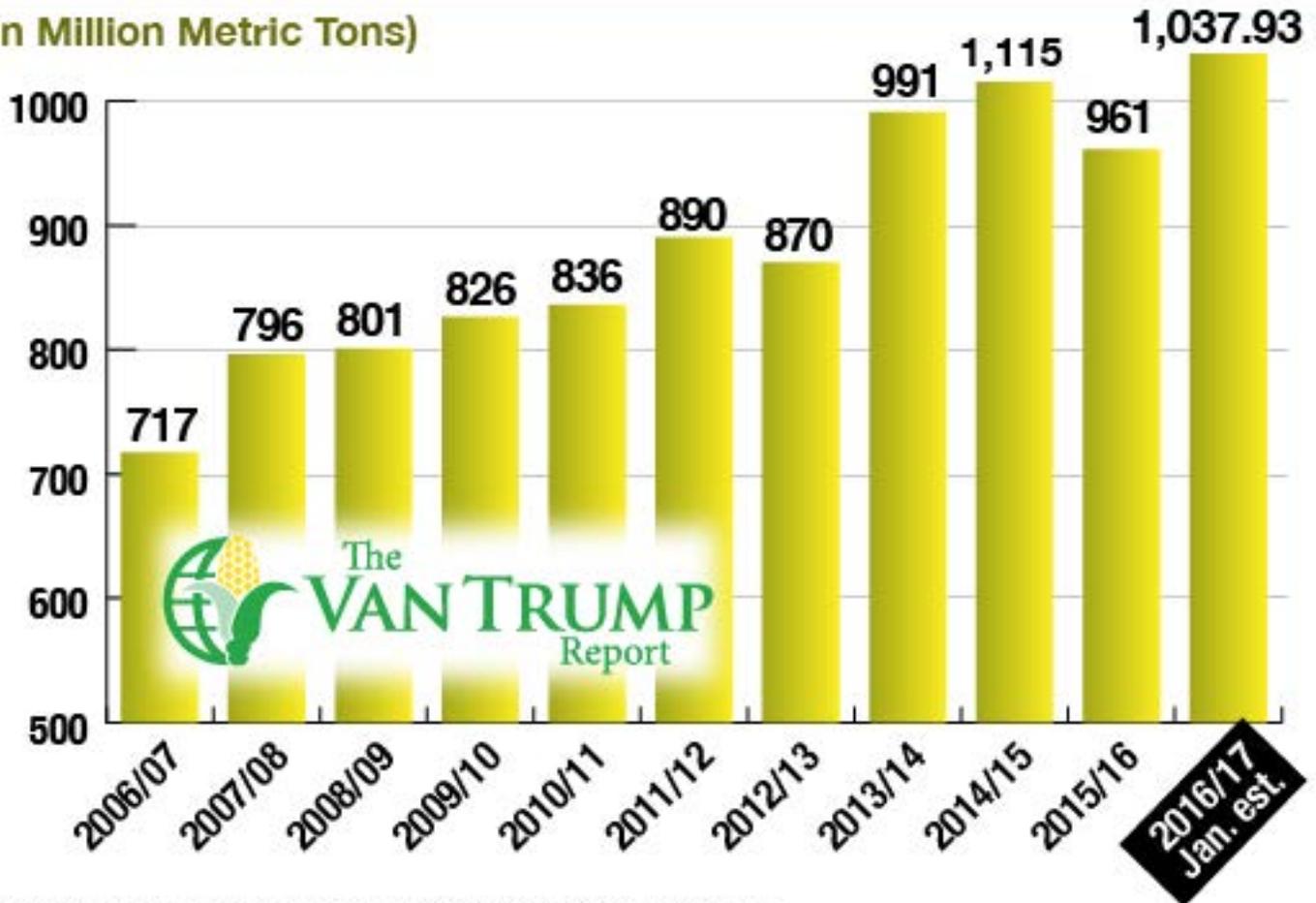


Corn bears have used a somewhat improved South American weather forecast and tension among U.S. and Mexican leaders as an opportunity to question the need for higher prices. Not only have there been negative headlines and questions about TTP and NAFTA, but also negative headlines surrounding the recent hike in Chinese ethanol and DDG tariffs. Here at home domestic demand remains extremely strong, with both exports and ethanol continuing to impress. In fact several inside sources believe the USDA is still a bit too conservative with their overall demand estimate. As both a producer and a spec I'm staying patient, thinking the market has very little room nearby to work itself aggressively higher or lower. I recently reduced a bit more new-crop price risk, as I felt the numbers penciled to a slight profit and that I was starting to fall behind in relationship to the clock and my overall 2017 marketing goals and objectives. From more of a spec perspective there's just a ton of "what if's" in the market and I don't think we are going to move a whole lot until the trade knows a few more details about South Americana weather, particularly the extent of complications in Argentina and how the weather plays itself out in regard to second-crop corn production in Brazil. There's also the unanswered questions surrounding new trade policy coming out of Washington and how many corn acres U.S. producers will ultimately plant in 2017? As I've mentioned several times, I would like to reduce the risk on another 10% between now and late-March or perhaps mid-April. Meaning I really only have two bullets (5% each) to fire off during the next 60 to 90 days. I'm staying patient despite the more obvious bearish global fundamentals that continue to circulate.

A Look Inside The Numbers: *Our friends over at Iowa State University Extension and Outreach recently released their ["Estimated Costs of Crop Production in Iowa - 2017"](#) I encourage everyone to read the information in full-detail. I thought it was particularly interesting to compare last years profitability estimate for corn vs. this years numbers. The overall takeaway is that current new-crop prices are bit better, while the variable cost in 2017 is down by almost -\$50 per acre, and cash-rents are also down. In other words, while most all farmers were looking at a significant per-acre loss at this time last year, some are clearly now able to pencil in a profit for 2017. Unfortunately meaning a significant cut in corn acres might start to be more heavily debated. I suspect the question or over/under will be if total U.S. planted corn acres will fall below 90 million in 2017?*

World Corn Production

(in Million Metric Tons)



Source: Data updated with January 12, 2017 WASDE numbers

Soybean prices are under pressure this morning and the old-crop MAR17 contract has now given back roughly -50 cents from its mid-January high. The main topic of fundamental debate continues to circulate around South American weather, where some are arguing more widespread improvement this weekend. I personally still think there is market risk, with some forecasters calling for another round of warm weather and heat for most of Argentina, while the central and northern parts of Brazil could see some harvest delays due to heavier rains. There's also starting to be a bit more talk inside the trade about possible problem areas in the northeastern portion of Brazil. I was on a conference call this weekend where folks were saying some of the larger producers in those parts were less than satisfied with weather conditions this growing season. I'm not certain about absolute specifics, but again I believe it adds more evidence to my belief that we've seen the USDA's high-water mark for South American soybean production. Moving forward I suspect they have to start trimming production estimates. The bears argue that regardless, production in South America this year will still be much better than last year and that producers here at home are going to follow it up by planting a fresh new record number of U.S. soybean acres. I suspect the bears will also continue talking about concerns surrounding possible trade wars as Washington looks to renegotiate. Let's also keep in mind China is on a week-long holiday vacation so demand headlines could be somewhat limited. The bulls will try and battle the wave of bearish rhetoric by arguing that the Chinese simply can't go without

U.S. soybeans and that in the end, following the Trump renegotiations, perhaps the U.S. comes out in a much better position? The bulls will also be looking to convince the trade that production, quality and logistical problems in Argentina are possibly worse than the trade has given credit. There's also the more compelling macro data that's been circulating, whereas many larger investment banks are forecasting a more positive and overall bullish landscape for commodities in the weeks and months ahead. Hence the possibility of a more resurgent U.S. and Chinese economy could provide some additional bullish interest for the funds. Remember, both Citi and Goldman recently reiterated their overall positive stance towards "commodities" by saying they will more than likely be supported in the next few months by a global rebound spanning the U.S., Europe and China. As a spec I have to imagine the more traditional fundamentals, which are leaning bearish based on simple "supply and demand" numbers, will continue to work against the trade, but any bigger breaks in price may be viewed at as buying opportunities for the longer-term macro leaning bulls who appear to be looking for increased commodity exposure. As a producer, I still like the thought of having somewhere between 40-60% of our new-crop production price risk removed at profitable levels. I think beyond that it's worth taking a more "wait-and-see" approach.

Wheat bulls appear to remain heavily outnumbered by the bears. The funds continue to hold a strong bearish grip on the market as there remains very little fresh or new in the headlines. Weather here in the U.S. can arguably be called a non-event. The bulls want to talk about dry-conditions in several areas that could eventually become a more pressing concern or the lack of snow-cover in some parts that could leave the crop exposed to winter-kill complications. Unfortunately the bears aren't buying the worries, deeming them more as long-shots rather than favorites. There's also very little in the way of fresh global weather concerns. There's been a few headlines surrounding areas in southern Russia and parts of Ukraine, but nothing significant enough to shift the overall flow of the fundamentals. Global stocks are near record levels and domestic surplus here in the U.S. is also burdensome. Yes, exports here have arguably improved, but we still play second-fiddle to the world's low-cost providers, who seem to be running into very few production problems. Until this very basic fundamental changes it will be tough to convince the bears we need higher prices. Remember, when a market deems itself as "oversupplied," its primary job becomes finding ways to reduce production. If the weather doesn't reduce production then the market will grind prices low enough to force people from planting. Hence the reason U.S. winter wheat acres are the lowest we've seen in over 100-years. The world continues to look to the U.S. to cut production. As a producer I rewarded the recent rally by reducing a bit more new-crop price risk, fearing the oversupplied fundamentals will again start to float to the top. As a spec however I'm swimming against the current, believing as the U.S. reduces its production and the world becomes more reliable on alternative low-cost providers, the odds of a major hiccup are being increased. I believe the longer-term risk-to-reward favors the upside.



> Cattle On Feed Up Slightly: *Cattle and calves on feed in the U.S. for feedlots with capacity of 1,000 head or more totaled 10.6 million head on Jan. 1, 2017, only slightly above Jan. 1, 2016. Trade expectations were for a reduction of -1%. The most surprising number from the report was placements in feedlots during December. USDA reported the total at 1.80 million head, +18% above 2015. The trade had only expected an +8% increase. Marketings of fed cattle during December totaled 1.79 million head, +7% above 2015. This was in line with the trade's pre-report estimates.*

> Brazil Stands To Benefit From New U.S. Trade Policies: *Brazilian grain and meat exports stand to benefit from two major announcements this week in Washington. Exiting TPP and Renegotiating NAFTA Create An Ideal Scenario For Brazilian Exports is the headline of Notícias Agrícolas article featuring a 34-minute interview with Cerealpar analyst Steve Cachia. "TPP won't have a direct influence on our agribusiness, but in case there is retaliation on the part of participating countries, a trade war could begin creating market space for Brazil given that uncertainty. Mexico could also end up being an important destination, because it is the world's second-largest consumer of corn. Threatened by the possible construction of a border wall dividing the two countries, (Mexico) could open its doors to other countries. In conclusion, Cachia says Brazil needs to be more aggressive on the trade front showing the world what it has to offer. "Demand is strong and world population is only growing, creating an ideal scenario for a surge in our exports." (Source: Notícias Agrícolas)*

> Ag Industry Concerned About Border Wall Action: *The nation's two leading farm-member groups are concerned about President Trump's order to begin building a wall on the border with Mexico and how that will affect undocumented ag workers that harvest fruits and vegetables and other crops. American Farm Bureau's Kristi Boswell tells Agri-Pulse there is a lot of anxiety on the ground. The AFBF does support border security and Boswell says she hopes it's a step toward moving the debate forward. Zack Clark with the National Farmers Union tells Agri-Pulse they support border security but it must be in concert with visa reform that meets the needs of U.S. producers. For years, farm groups have been asking Congress to reform the nation's immigration policy to help farmers legally hire more foreign workers. The current H-2A guest worker visa program is criticized for being too slow and inadequate to meet agriculture's labor needs. (Source: Brownfield Ag News)*

> WTO Says \$1 Trillion Global Trade Treaty About To Come Into Force: *A trade accord that will boost global exports by \$1 trillion should come into force within two weeks, the head of the World Trade Organization said on Thursday, just as the rhetoric of U.S.*

President Donald Trump clouds the outlook for global trade. The Trade Facilitation Agreement (TFA) will have a major impact on poorer countries, because it standardizes and simplifies customs procedures, slashing the time, cost and complexity of taking goods over borders. "In the WTO's history, it is the biggest agreement we ever reached," WTO Director-General Roberto Azevedo told Reuters in an interview. The United States, European Union, China and Japan were among the early adopters, although big and rich countries have less to gain since their customs procedures are already at high levels. There's been no word from the Trump administration as to whether they plan to reexamine the treaty.

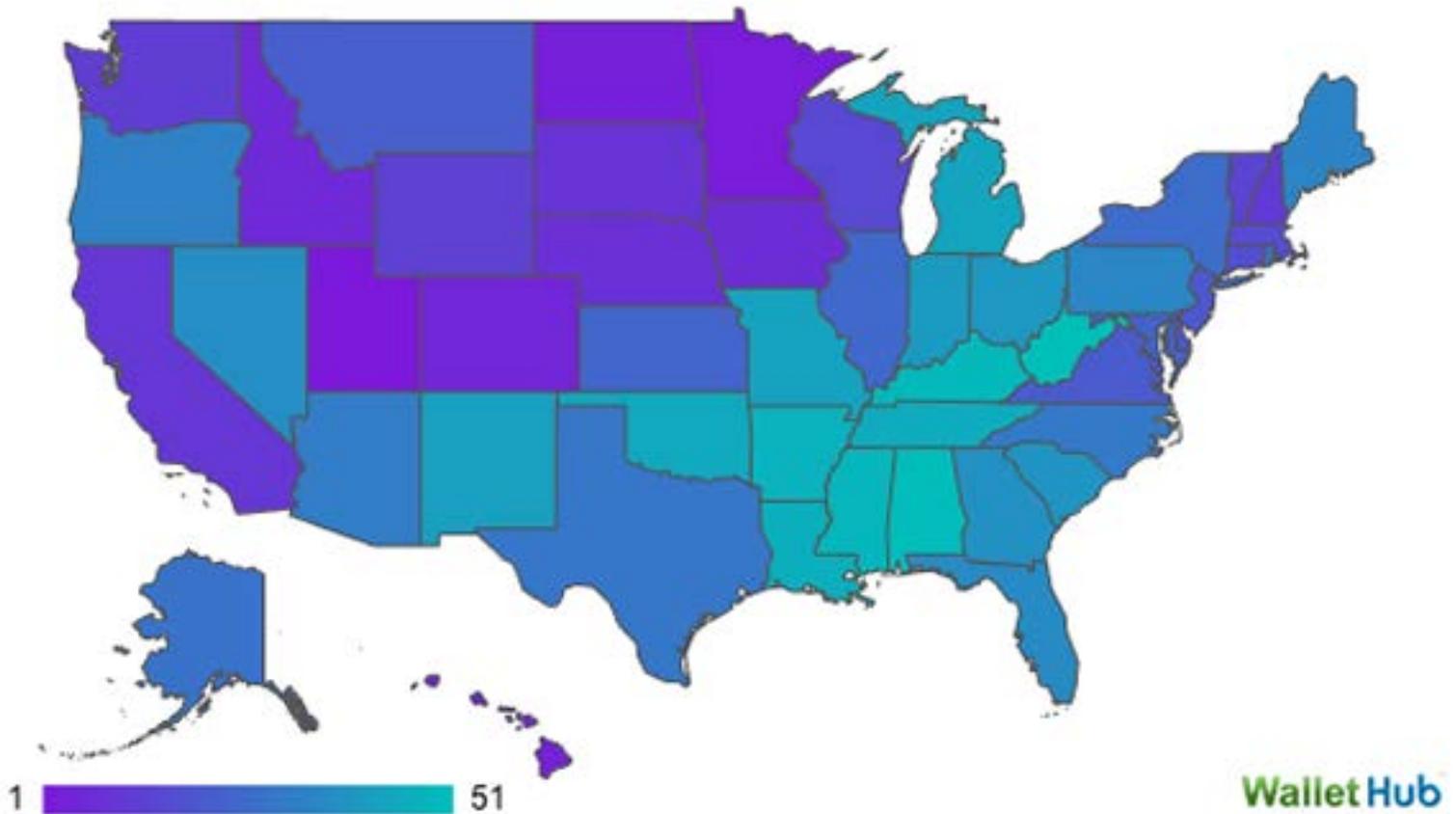
> Japan Plans Butter Imports To Secure Stable Supplies: Japan will import 13,000 tonnes of butter in the next fiscal year that starts on April 1 to secure stable supplies, the Ministry of Agriculture, Forestry and Fisheries said. The government also plans to import 13,000 tonnes of skim milk powder. The imports reflect declining domestic output of raw milk due to a decreasing number of dairy farmers as Japan's population ages and young people move away from rural areas. (Source: Reuters)

> Federal Judge Blocks Part Of Trumps Temporary Immigration Ban: A federal judge on Saturday blocked part of President Donald Trump's temporary immigration ban, ordering authorities to stop deporting refugees and other travelers stuck at US airports. Since that first decision, three other courts have issued their own rulings, putting a halt to deportations for those detained at airports across the country. Despite the rulings, there appears to be some uncertainty surrounding the judicial orders. The New York Post reports that some customs agents have ignored the orders, and have not allowed access to detainees. In New York, two Iraqi nationals sued the federal government after they were detained at John F. Kennedy International Airport, and 10 others were detained as well. There had been some debate whether green card holders should be even allowed to board international flights. It was decided by the Department of Homeland Security they could fly to the US and would be considered on a case-by-case basis after passing a secondary screening. As of Saturday afternoon, Customs and Border Protection continued to issue the same guidance to airlines as it did Friday, telling airlines that fly to the US that green card holders can board planes to the US but they may get extra scrutiny on arrival, according to an airline official.

> 2016's Happiest States In America: Can money truly buy happiness? Most people might be inclined to say no, based on moral principles. But some researchers beg to differ, suggesting that money can indeed contribute to happiness — but only up to a certain dollar amount. According to their findings, life satisfaction, one of the two main components of happiness, increases as income rises — to a maximum of \$75,000 a year. Beyond that figure, money makes little difference in a person's overall contentment with life. Reinforcing those findings are the annual results of a Gallup-Healthways poll measuring global well-being. According to Gallup-Healthways, "People who make more money tend to report higher positive emotions." But income isn't the only determinant of personal happiness. Apart from financial security, a pleasant state of being also depends on other factors, such as one's physical health, personal purpose and social connectivity. WalletHub's analysts considered all of these elements to determine which states are home to the happiest Americans. In the map below, the darker purple indicates the happiest states, while the other end of the blue spectrum shows those with a less happy population. Utah, ranks number 1, followed by Minnesota, North Dakota, Hawaii and Colorado. At the bottom of

the rankings are Arkansas, Mississippi, Kentucky, Alabama and West Virginia. (Source: [Wallet Hub](#))

Main Findings



East central Illinois - *I will be planting 90% beans versus a 50/50 rotation per usual this year on our 1200 acres. I have gone so far as to sell all my 2017 crop for \$10 having placed puts on 1/3 of the them. I have a neighbor going all beans as well and we are hearing the same story as we travel throughout the state. A big reason is that they pencil for us much better than corn as our yields have risen at a better percentage to corn the last three seasons. We have gone from near 70bpa to over 73bpa with some fields producing 80. We feel we can plan on a \$65 an acre profit running beans vs. uncertain corn numbers.*

Northeast Arkansas - *I farm 3000 acres with 85% being beans and the rest being rice.*

The beans struggled a bit down here during a stretch of very warm nights last summer but yields were still 55 - 65bpa. Arkansas has a lot of ground suited for rice production. Dad used to grow cotton but as many down here know that hasn't worked out well the last 10 years. We grow long and medium grain rice. The medium grain will go to Kellogg down the river while the long heads to an elevator down the road. A lot of us are fighting pigweed down here as it has become resistant to many chemicals over the last 2-3 years.

North central Iowa: I have been discussing a bit about planting beans in a diamond pattern vs trying to plant 15" rows by double passing. I plant 30" rows, and at about 140k pop. When I'm done, I usually have a couple bags left in the boxes and dump them back in seed bags. Then if I remember, I just dump them in with a load going to town that fall. Non-treated beans, of course. Sometimes I forget to dump the leftover seed, and it just gets burned or thrown in the dumpster. Wondering what negative - if any - would happen if I just started in a corner and planted these beans in a diagonal pattern until the boxes ran empty. I guess the pop for that area would be around 280k, but not sure if that would really hurt me for a couple acres.



U.S. Ethanol Exports To China Poised To Collapse With 30% Tariff: US ethanol exports to China, which were at an all-time high in 2016, are likely to dry up in the coming year thanks to a 30% import tariff, according to industry sources. China was one of the top buyers of US ethanol in 2016. The US exported a total of 678.1 million liters of ethanol to China through November, according to US Census Bureau data. Nearly 100% of that volume was fuel-grade ethanol at 677.7 million liters. But with the higher tariff, exports to China are unlikely. China announced December 23 that it would adjust tariffs on several imports, including ethanol. Ethanol imports received a tentative 5% tariff in 2016, but the 2017 tariff has been restored to 30% as of January 1, according to China's ministry of finance. News of the tariff immediately stifled exports to China. Some cargoes for late in the first quarter were canceled and sources said nothing is currently booked to go to China. Read more from [Platts](#).

Landowners Get Another WOTUS Win: Landowners scored a victory when a federal district court ruled against the Army Corps of Engineers for incorrectly claiming jurisdiction over private property. The Corps had claimed a piece of property owned by Hawkes Co., and used by Hawkes to harvest peat, was a "waters of the United States" (WOTUS), which requires a federal dredge and fill (404) permit under the Clean Water Act. In March 2016, several agricultural groups filed an amicus brief with the U.S. Supreme Court to support Hawkes' private property rights and argue that jurisdictional determinations should be reviewable by courts. In a resounding victory, the Supreme Court ruled unanimously in favor of Hawkes, setting a precedent that landowners may challenge the Corps' jurisdictional determinations. The case was then remanded back to the district court for a final

decision on the facts, which found the Corps failed to prove that a WOTUS was present on Hawkes' land. Read more about the ruling from [Feedstuffs](#).

China's Birthrate Still Dangerously Low After Launching Its Two-Child Policy: *China's birthrate is too low and needs to rise as the nation faces serious challenges, including a shrinking labor force and rapidly aging population, the government said in a blueprint outlining population policies up to 2030. The State Council proposed measures ranging from taxation incentives to introducing paternity leave to boost birth rate, but demographic experts said the cost would be huge. The proposals were raised in a population planning document released on late Wednesday. The document came after authorities relaxed the one-child policy over a year ago to allow couples to have two babies. The relaxation of the policy, which was described by critics as brutal, helped drive up the number of births to 18.46 million last year, the biggest annual increase since 2000, according to China's family planning commission. But the number fell short of previous expectations of at least 20 million new babies under the two-child policy. Read more from [Business Insider](#).*

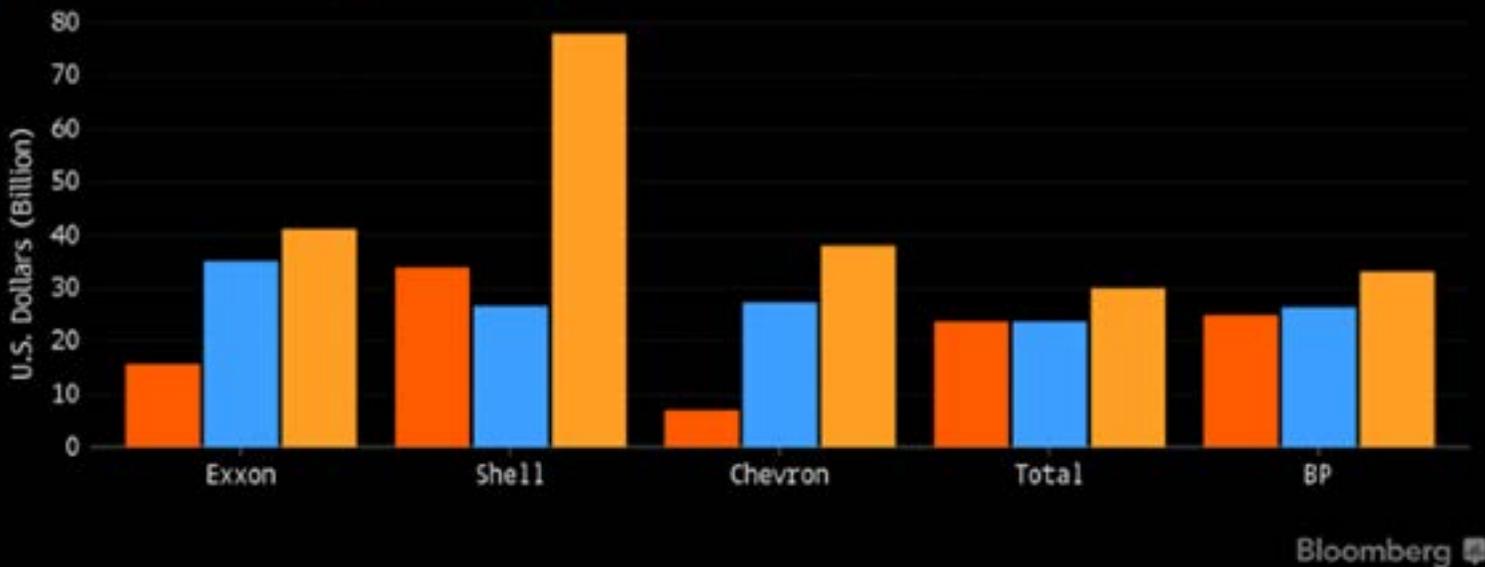
The Biggest Myths In Investing: [Pragmatic Capitalism](#) has started posting a ten part series titled "The Biggest Myths In Investing" that offers up some pretty impressive insights. Author Cullen Roche has the first three up right now. A little excerpt from the first installment - "Investing myth numero uno is, ironically, about the very word we use to describe what we do when we're "investing". Interestingly, most of us are not actually "investing" when we buy stocks and bonds. We are actually just reallocating our savings. This sounds mundane and perhaps even unimportant, but I think it has important ramifications for how we construct our portfolios." I urge everyone to check out what he has posted so far, and check back in for the rest of the series.

Oil Supermajors' Debt From the Crude Collapse May Have Peaked: *Surging debt dogged the world's largest oil companies during crude's collapse. Now, sweeping cost cuts and rising prices have combined to lessen the need to borrow. Since prices began to sink in 2014, the five "supermajors" more than doubled their combined net debt to \$220 billion. That may be as bad as it gets. At \$50 a barrel, they can balance their books and pay dividends without borrowing for the first time in five years, according to analysts at Jefferies International Ltd. All of the drillers will probably report profit growth in the next two weeks. As the price of oil declined, producers saved billions of dollars by shedding jobs, renegotiating supplier contracts and canceling projects. BP Plc has said it plans to keep at least 75 percent of its cuts, and other companies have expressed similar sentiments. That strategy, combined with oil's recovery, are allowing the majors to generate cash again, a key focus for investors heading into earnings season. Read more from [Bloomberg](#).*

Burgeoning Debt

Debt rose as companies borrowed to plug cash shortfalls and pay dividends

As of end March 2014 Dec. 2015 Sept. 2016



Bloomberg



Mexican Stand Off Creating Concerns for Ag

The recent war of words between U.S. leaders and Mexico has some in the ag community sitting on the edge of their seat. Not only could an eventual trade war be sparked, but the massive depreciation as of late in the Mexican peso is causing concern. Remember, The United States is Mexico's largest agri-food trading partner, buying 75 percent of Mexican exports and supplying 73 percent of the country's imports in this category. In 2012, Mexico accounted for 13.4 percent of U.S. agricultural exports and 15.9 percent of imports, as defined and categorized by USDA. Between 1993 (the last year prior to NAFTA's implementation) and 2012, U.S. agricultural exports to Mexico expanded at a compound annual rate of 9.1 percent, while agricultural imports from Mexico grew at a rate of 9.9 percent. Roughly two-thirds of U.S. agricultural imports from Mexico consist of beer, vegetables, and fruit. These imports are closely tied to Mexico's historical expertise in producing alcoholic beverages and a wide range of fruit and vegetables, along with favorable climates whose growing seasons largely complement those of the United States. For example, many produce items that the United States does not grow in winter are grown by Mexico in winter. Below are a few of the other key components and numbers that have been floating around: (Source: [USDA Economic Research Service](#); and [Mexico Trade & FDI](#))

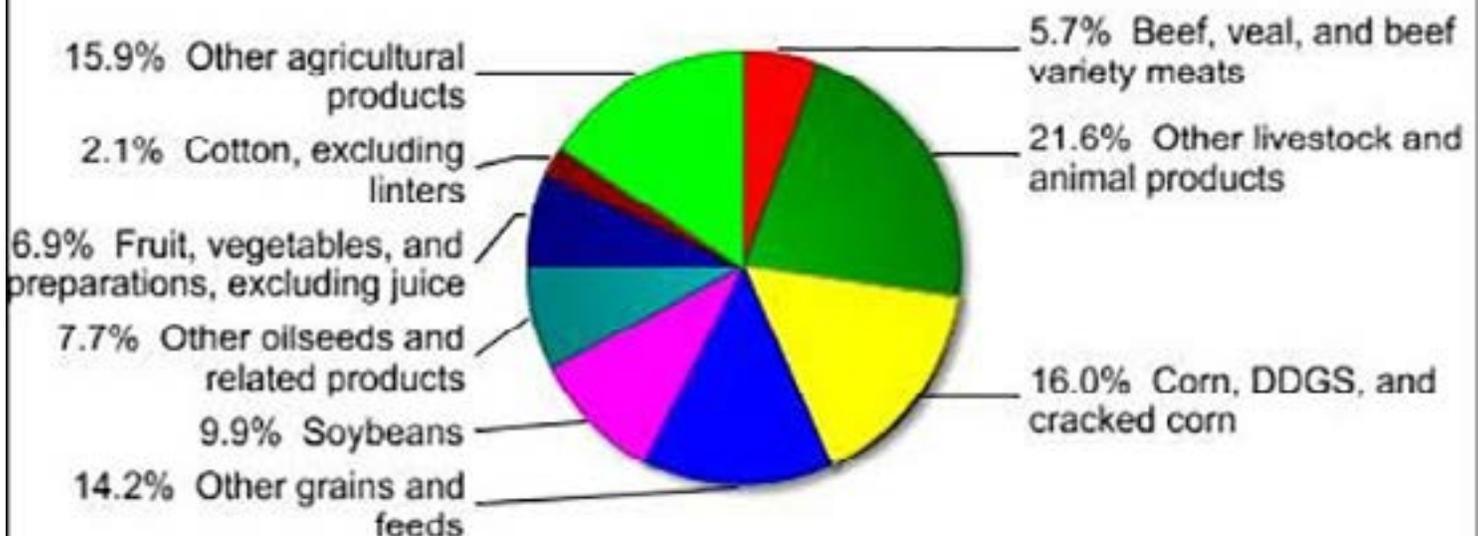
- **Livestock:** Mexico is the largest foreign destination for U.S. exports of pork, poul-

try (broilers, other chicken, and turkey), and dairy products (skim milk powder and cheese). Mexico is the third largest export market for U.S. beef, after Japan and South Korea.

- **Crops:** In the past few years the U.S. has exported about 450 to 550 million bushels of corn to Mexico. This has been somewhere between 25-30% of total available corn exports. We tend to export somewhere between 5% to 6% of our available soybean exports to Mexico.
- **Energy:** From what I understand we export somewhere between 700,000 and 900,000 barrels of U.S. ethanol to Mexico. Somewhere between 200,000 and 300,000 barrels of crude oil. U.S. pipeline exports of natural gas continued to grow in 2016, and they have doubled since 2009. Almost all of this growth is attributable to increasing exports to Mexico, which have accounted for more than half of all U.S. natural gas exports since April 2015. In August, the United States exported 4.2 billion cubic feet per day (Bcf/d) of natural gas to Mexico via pipelines. U.S. daily pipeline exports to Mexico through August 2016 are at a yearly average of 3.6 Bcf/d, 25% above the year-ago level and 85% above the five-year (2011-15) average level. Growth in Mexico's domestic electricity market has largely driven the country's increasing natural gas usage. Because of the availability and affordability of U.S. pipeline natural gas, Mexico is meeting its growing electricity demand with generation from new natural gas-fired plants.

*Below are a couple of charts from the USDA that provide a general overview of what we export to Mexico and what we import from Mexico.

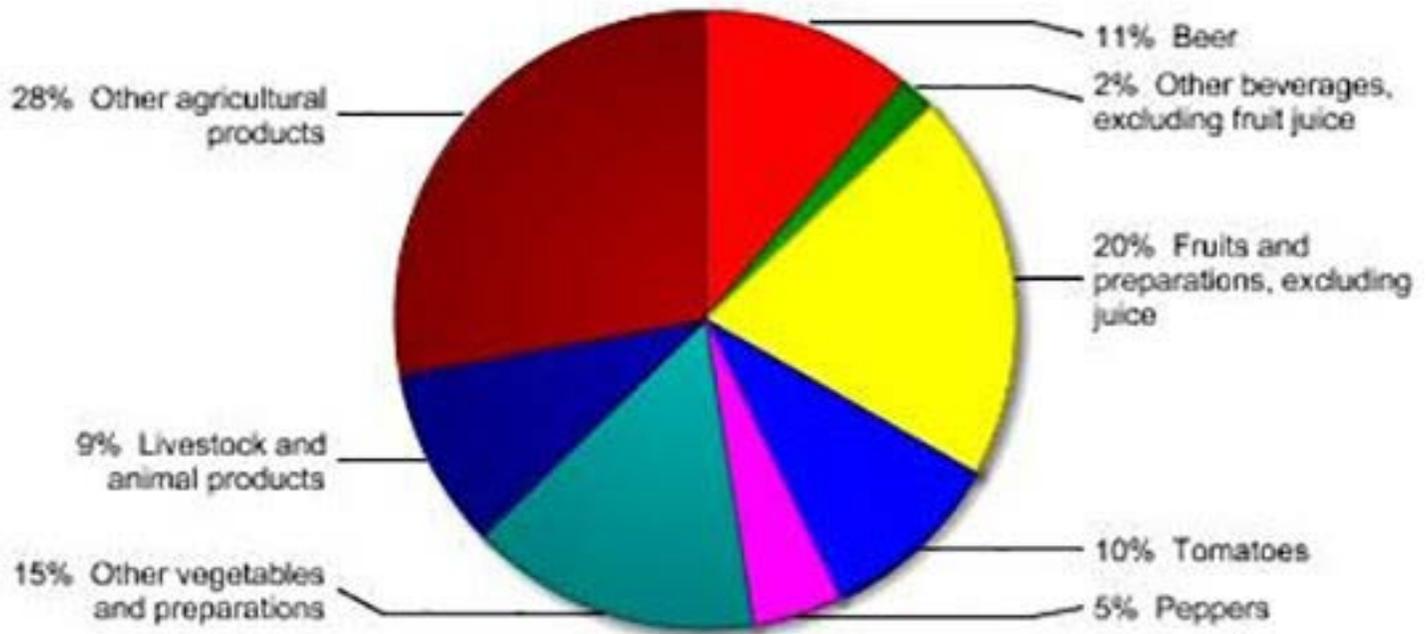
Grains, oilseeds, meat, and related products made up about three-fourths of U.S. agricultural exports to Mexico in 2012 1/



1/Data are for calendar year 2012, when U.S. agricultural exports to Mexico equaled \$18.9 billion. DDGS=distiller's dried grains with solubles. Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, Global Agricultural Trade System.



More than three-fifths of U.S. agricultural imports from Mexico consisted of beer, fruit, or vegetables in 2012 1/



1/Data are for calendar year 2012, when U.S. agricultural imports from Mexico equaled \$16.4 billion.

Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service, Global Agricultural Trade System.



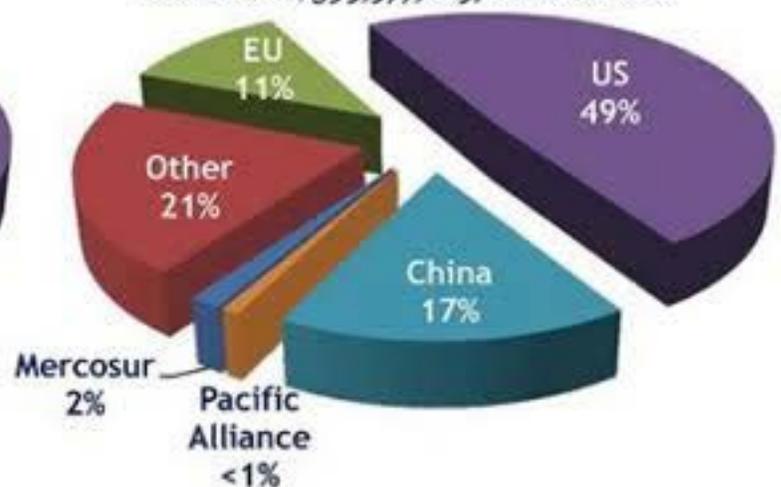
MEXICO'S EXPORT TRADING PARTNERS 2014

Share of US\$397,657,693,586 FOB value



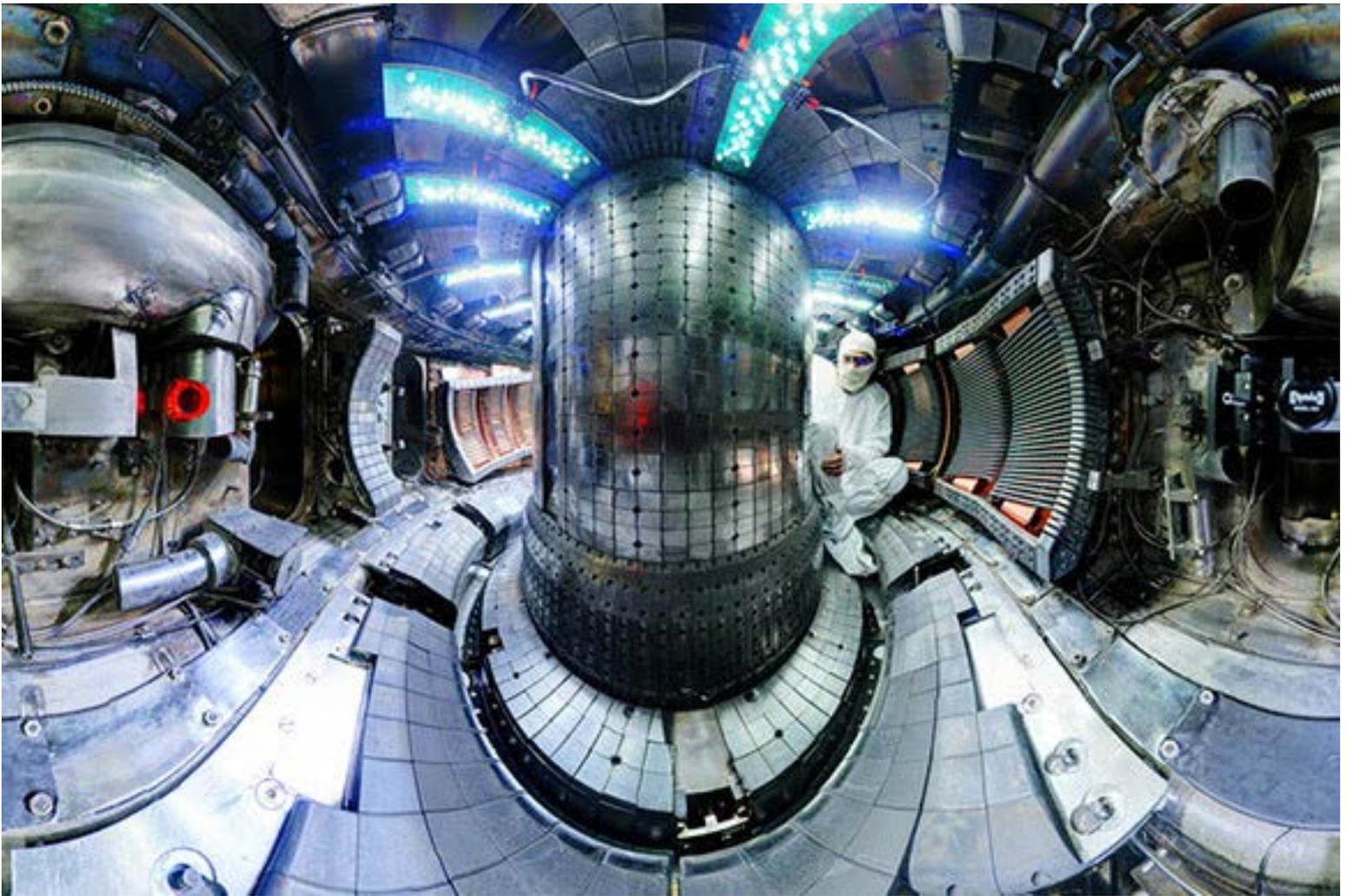
MEXICO'S IMPORT TRADING PARTNERS 2014

Share of US\$399,977,209,601 FOB value



Another Step Towards Creating Limitless Energy on Earth

An almost limitless supply of clean energy has been brought one step closer to reality after a team in the U.S. set a new record for nuclear fusion. By smashing the previous record for plasma pressure -- one of the key components of the fusion process -- engineers and scientists have nudged the process further along the road towards a viable source of energy production. While using nuclear fusion to power homes and businesses may still be a ways off, the work proves that the burning of star-like fuel can be achieved and contained using the current approach. The research is being carried out at the "MIT Plasma Science and Fusion Center" in Cambridge, Massachusetts wherein they pushed the pressures up by a record breaking 15%. Nuclear fusion works on the same principle as the reactions inside the sun's core. By using intense heat, magnetic fields and pressure, hydrogen atoms are fused together to create heavier atoms of helium, releasing energy in the process. With a volume of just one square meter, the temperature inside the reactor reached more than 63 million degrees Fahrenheit with trillions of fusion reactions taking place each second. They achieved the pressures using MIT's custom Alcator-C Mod Tokamak reactor, which uses intense magnetic fields to contain the reaction within a fixed volume. Aside from the pressures involved, which are seen as a significant technical challenge, the main hurdle for fusion reactors is the energy they need to get the reactions going. Super-heating gasses to reach a plasma state producing the pressure to boost the reactions and generating the intense magnetic fields to contain it requires millions of watts of power -- far more than the reactions themselves currently produce. In order for this process to be an economically viable, the output has to be vastly increased beyond the input. Other groups outside the U.S. are looking to push the energy producing capacity of the technology even further, such as the ITER reactor currently under construction in France. From what I understand this will be the largest reactor ever built and will be 800 times the volume of MIT's reactor. Engineers hope to push pressure 1 to 2 times even higher than at MIT once the reactor is fully operational. Bottom-line, the pressures achieved by the MIT scientists is a monumental achievement and validates that they have the right approach that could lead to practical -- and hopefully -- limitless fusion energy. The findings were recently presented at the International Atomic Energy Agency Fusion Energy Conference in Kyoto, Japan. I also believe increasing technology is pushing further in this direction. If you'd like to learn more about this incredible process you can watch a video and take a [360 degree tour of the Alcator C-Mod](#) from MIT. How incredible it is that scientists, physicists, engineers and students from all over the world are working together on recreating a star-like process in order to better harness more efficient energy. Technology is clearly transforming the energy sector. (Source: [MIT News](#))



What You Might Not Know About The Beatles and Their Last Performance

The last time all the members of the Beatles ever performed together happened on this day back in 1969 atop the roof of Apple Corps in London. I always considered myself a fan of the Beatles and an avid listener of their music. In fact I've read several books that have tried to explain their massive success and worldwide popularity. For me I believe it's an unexplainable mix of both art and science. They were incredibly savvy with some of their strategy, but perhaps more importantly they were extremely blessed in the way of talent and timing. Making for a recipe that many in the world had never had the chance to taste. Below are just a few interesting facts surrounding the Beatles and that famous final performance.

Location: *The final performance was held on the roof of Apple Corps Ltd, a multimedia corporation founded in London in January 1968 by the members of the Beatles to replace their earlier company. Its chief division is Apple Records, which was launched in the same year. Their Apple headquarters in the late 1960s was at the upper floors of 94 Baker Street. In 2010, Apple Corps ranked #2 on the Fast Company magazine's list of the world's most innovative companies in the music industry, thanks to the release of The Beatles: Rock Band video game and the remastering of the Beatles' catalogue.*

Poor Conditions: *From what I've heard the band almost didn't take the stage as it was only 45 degrees and the wind was whistling. There's also talk there were a bit nervous as it was their first live performance in over two-years when they played to packed house at San Francisco's Candlestick Park. Lennon and Harrison were constantly complaining about their hands being too cold to play the chords. In fact those on the*

roof reported that Apple Corps exec Ken Mansfield held a constant stream of lit cigarettes so they could warm his fingertips. To ward off the winter chill, Lennon borrowed Yoko Ono's fur coat, while Ringo donned his wife Maureen's red raincoat. The cold gusts also had havoc on the studio microphones. In need of a quick shield to minimize wind noise, tape engineer (and future Pink Floyd cohort) Alan Parsons was dispatched to find some women's pantyhose to place over the mic's.

The Actual Concert: While 21 minutes of the concert made it into the final *Let It Be* film, the actual performance was twice as long. During the 42-minute set, the Beatles played "One After 909," two complete versions each of "Don't Let Me Down," "Dig a Pony" and "I've Got a Feeling," and three versions of "Get Back" — plus various incomplete takes, including a line from the Irish folk song "Danny Boy."

What About The Cops? The West End Central Police Station is located at 27 Savile Row — mere feet from Apple headquarters. The authorities obviously must have heard the loud rock music wafting down the street. Windows rattled, floors shook, and horns blared from the resulting traffic jams. If they wanted to, the police could have walked over and shut things down before the first song was over. Instead, they let the concert continue for 42 minutes. It was only when the noise complaints began to flood in from stuffy local businesses that they felt compelled to act. Because the concert was cut short by the police, fans have spent decades theorizing what other songs — if any — the Beatles might have performed had they continued. Some eagle-eyed rock scholars have noticed equipment in the background of the Apple roof set that went unused, including an extra keyboard, a lap-steel guitar and what appears to be an acoustic-guitar microphone positioned by McCartney. Were folksy songs like "Two of Us" originally in the mix? Was McCartney going to try out some of his piano-based ballads like "Let It Be" and "The Long and Winding Road"?

Lennon Needed Cue Cards: John Lennon always had a problem with lyrics. Wanting to get things reasonably correct, McCartney and the other Beatles asked assistants to kneel just out of view of the cameras and fans and hold up a lyric sheet for Lennon, who still managed a memorable flub during "Don't Let Me Down," singing something like, "And only reese we got the blotchy-koo."

A Special Guitar For Harrison: The Telecaster that Harrison played throughout the rooftop concert was custom made for him by master builders Roger Rossmeisl and Philip Kubicki as a gift from Fender. The company was launching a new line of all-rosewood guitars, and presenting the prototype to a Beatle was good publicity. After many hours of labor, the guitar was flown to England in its own seat and hand-delivered to Apple headquarters.

The Sounds You Hear From The Beatles: Although *Abbey Road* was the final album to be recorded by the four Beatles, *Let It Be* was the last to be issued in May 1970, weeks after the group's split made headlines around the world. The black-trimmed cover gave it funereal quality, and fans anxiously studied to the parting message from the foursome that defined the Sixties. As "Get Back," the last track, draws to a close, the sound of John Lennon's voice can be heard: "I'd like to say thank you on behalf of the group and ourselves, and I hope we passed the audition." It was a self-effacing remark made at the end of the rooftop show, poking fun at the many auditions the band failed over the years. It was also a humble nod to the band's unprecedented success

— and, inadvertently, the perfect Beatles epitaph.

Concert Shot By Secret Son Of Orson Welles? *Having worked with the Beatles on their recent promotional videos for "Hey Jude" and "Revolution," American filmmaker Lindsay-Hogg was the logical choice to direct their rooftop gig. He arranged an army of cameras to capture the moment from all angles, sending a crew into the street, the adjacent building, and the Apple reception area — not to mention the five cameras on the roof itself. The result is some of the most iconic concert footage in history. Film prowess may be in his blood. In his 2011 autobiography, Lindsay-Hogg revealed that he believes himself to be the only son of cinema giant Orson Welles. His mother, actress Geraldine Fitzgerald, publically denied the rampant rumors, but she allegedly acknowledged the truth to family friend Gloria Vanderbilt. When Welles' oldest daughter supported Lindsay-Hogg's claim, he submitted to a DNA test. The results were inconclusive.*

Beatles Weren't The First To Perform On NY Rooftop: *The Beatles racked up many firsts over the course of their career, but they were not the first band to hold an unauthorized concert on a metropolitan rooftop. That distinction goes to Jefferson Airplane, who climbed to the top of midtown's Schuyler Hotel on December 7th, 1968 and surprised the city with cries of "Hello, New York!" Lacking permits, they would only make it through one song — a blistering version of "The House at Pooneil Corners" — before the NYPD threatened arrest for noise disturbance. The band went peacefully, but their friend, actor Rip Torn, was busted for harassing an officer and taken away in a cruiser*

Click [HERE](#) or screen shot to see last video of The Beatles singing "Don't Let Me Down"



CASH SALES & HEDGING TOTALS

CORN 2015 CROP

100% SOLD
0% HEDGED
0% Cash Remaining



SOYBEANS 2015 CROP

100% SOLD
0% HEDGED
0% Cash Remaining



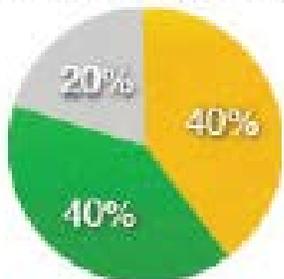
WHEAT 2015 CROP

100% SOLD
0% HEDGED
0% Cash Remaining



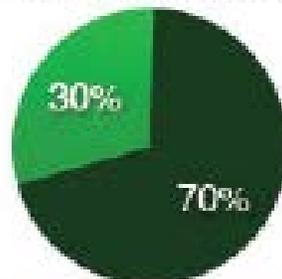
CORN 2016 CROP

40% SOLD
40% HEDGED
20% UNPROTECTED



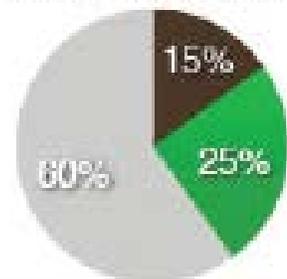
SOYBEANS 2016 CROP

70% SOLD
30% HEDGED
0% UNPROTECTED



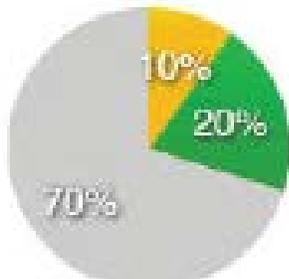
WHEAT 2016 CROP

15% SOLD
25% HEDGED
60% UNPROTECTED



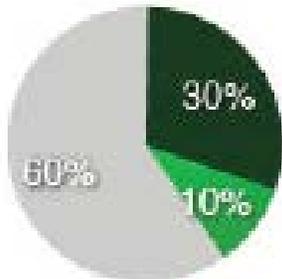
CORN 2017 CROP

10% SOLD
20% HEDGED
70% UNPROTECTED



SOYBEANS 2017 CROP

30% SOLD
10% HEDGED
60% UNPROTECTED



WHEAT 2017 CROP

10% SOLD
10% HEDGED
80% UNPROTECTED

