



"Don't be afraid to change. You may lose something good but you may gain something better." - **Unknown**

FRIDAY, MAY 05, 2017

Morning Summary: Stock remain near their all-time highs. The Nasdaq is up over +15% year-to-date with the S&P 500 up over +7%. Crude oil on the other hand is trading at multi-month lows and is now down almost -20% year-to-date as U.S. production levels are nearing this of top producers such as Saudi Arabia and Russia. U.S. crude production now sits at around 9.29 million barrels a day, highest since the summer of 2015. With gasoline demand lower and strong supplies there's reason to believe prices at the pump may pullback in the next week or two. Today's economic highlight will be the April Employment Report, which is expected to show U.S. employers added +175,000 to +185,000 new jobs with the unemployment rate ticking up slightly to 4.6% from a previous 4.5%. Keep in mind that March payrolls only grew by 98,000, a disappointing number that many analysts attributed to temporary seasonal factors. If hiring does not indeed pick up from last month's level, it could raise some concerns about a softening economy. Average hourly earnings and the participation rate will also be an important part of the overall equation. If both are increasing, it would send a signal that the job market may be close to full employment, meaning adding new jobs is growing increasingly more difficult. In that case, a slower pace of new job growth will not seem as worrisome. Today also brings a slew of talks and panels that central bank officials are participating in, including Fed Chair Janet Yellen and Fed Vice Chair Stanley Fischer. Also on the schedule are San Francisco Fed President John Williams, St. Louis Fed President James Bullard, Chicago Fed President Charles Evans and Boston Fed President Eric Rosengren. Earnings slow down a bit today, with one of the main highlights being Berkshire Hathaway. The company hosts their annual shareholder meeting in Omaha, Nebraska, tomorrow (Saturday, May 6). Other earnings of note today included Cigna, Cognizant, Exelon, Moodys and TransCanada. Turning to next week, this Sunday's Presidential election in France is likely to have the most immediate impact on markets come Monday morning. Centrist Emmanuel Macron is currently polling ahead of right-wing candidate Marine Le Pen by some 20 points. But as Brexit proved in Britain and the election of Donald Trump as U.S. President, polls can get it wrong sometimes. It's important to be aware that a win by Le Pen will be widely viewed as the beginning of the end for the euro zone. Economic data in the U.S. next week will bring JOLTS and Wholesale Trade on Tuesday; Import-Export Prices and Atlanta Fed Business Inflation on Wednesday; and the Consumer Price Index, Retail Sales, Business Inventories and Consumer Sentiment on Friday. There are also seven Fed officials currently on the calendar. Earnings wise, the majority of U.S. bellwethers is behind us but there is still a good chunk of releases that investors are anxious to see, including Allergan, AMC Entertainment, Disney, Duke Energy, Electronic Arts, Enbridge, Macy's, Marriott, Nissan, Nvidia, Petrobas, Priceline, Subaru, Toyota, Tyson and Whole Foods.

It Is Berkshire Hathaway Weekend In Omaha: *Warren Buffet's Berkshire Hatha-*

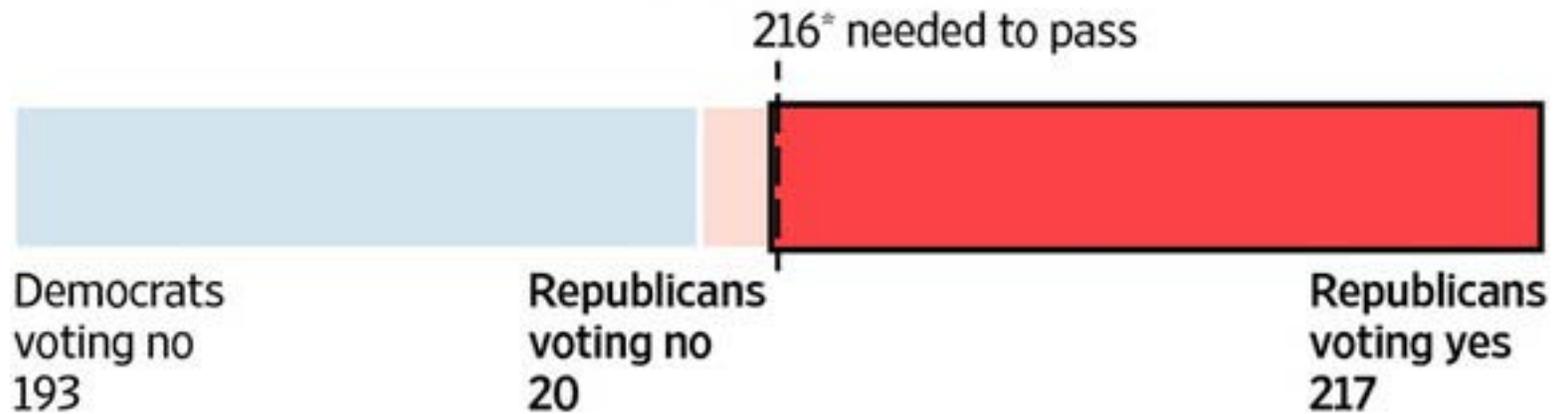
way holds their annual shareholder meeting this Saturday, an event that draws attendees and live streamers from across the globe. For the second year in a row, Yahoo Finance will stream the event, which will be available [HERE](#) starting at 9 a.m. CST Saturday morning. The shareholder meeting is always worth watching, even if you don't own a share of Berkshire stock - either the B shares (BRKB) that trade for \$165 or the A shares (BRKA) that never split and sell for a whopping price of around \$248,000! One of the big issues that investors are hoping might finally be addressed at this year's meeting is who will be the next leaders of Berkshire? Buffett will turn 87 in August and Munger is 93. The highlight of the annual meetings is the marathon Q&A session with Chairman and CEO Warren Buffett and his right-hand man Charlie Munger, where they freely share their unscripted views on the company, the markets, the administration, and whatever other topic may come up.

Bitcoin Prices Skyrocket: Bitcoin prices have more than tripled in the past year. A big portion of the strength is coming on the heels of Japan beginning to accept the cryptocurrency, which could see it accepted at up to 260,000 new stores by this summer. A year ago, one Bitcoin could be had for about \$450. Yesterday the cryptocurrency peaked at just over \$1,650 per.

House Passes Bill to Replace and Repeal Obamacare: "Yes, premiums will be coming down; yes, deductibles will be coming down, but very importantly, it's a great plan," said President Trump. The House bill would eliminate tax penalties for people who go without health insurance. And in place of government-subsidized insurance policies offered exclusively on the Affordable Care Act's marketplaces, the bill would offer tax credits of \$2,000 to \$4,000 a year, depending on age. From what I understand a family could receive up to \$14,000 a year in credits. The credits would be reduced for individuals making over \$75,000 a year and families making over \$150,000. The nonpartisan Congressional Budget Office said the first version of the bill would trim the federal budget deficit considerably. Opposing Democrats believe the proposed bill could leave thousands of Americans without healthcare. They also believe people with pre-existing medical conditions could eventually face higher premiums. It will be interesting to see if and what the proposed bill looks like after trying to pass through the Senate? I should also note that just before the House vote on Healthcare, the Senate gave final approval to a \$1.1 trillion spending bill that will finance the government through September. (Sources: The Wall Street Journal, Bloomberg)

Just Enough

The House narrowly passed a bill that represents the first step in Republicans' plan to repeal and replace the Affordable Care Act, with 20 GOP members voting against the bill.



Note: One Republican didn't vote *Due to four vacancies

Source: U.S. House of Representatives

THE WALL STREET JOURNAL.

Weather continues to see a slow-moving storm push across the Midwest, preventing field-work from the middle Mississippi Valley into the lower Great Lakes region. This storm will reach the Northeast by week's end, but not before it causes additional flooding throughout the eastern Midwest. In the southern Plains, a turn to more seasonal temperatures and less rain is likely to favor winter wheat after recent cold temperatures. Scattered rains during the 6 - 10 day period may again slow planting progress for spring planted crops. In the northern Plains, drier and warmer weather during this week is promising. This should help improve conditions for planting. In the Delta, recent heavy rains and cool temperatures have been stressful to early crop growth along with winter wheat. However, unfavorably dry conditions persist across Florida's peninsula. On April 30, statewide topsoil moisture in Florida was rated 73% very short to short. Over the weekend, warm, dry is expected to dominate the nation's mid-section. The NWS 6 to 10 day outlook for May 9 - 13 calls for the likelihood of near to above normal temperatures nationwide, except for cooler than normal conditions in the Northeast and Southwest. Meanwhile, near to below normal precipitation across most of the eastern half of the U.S. will contrast with wetter than normal weather in the Northeast and from the PNW to the High Plains.

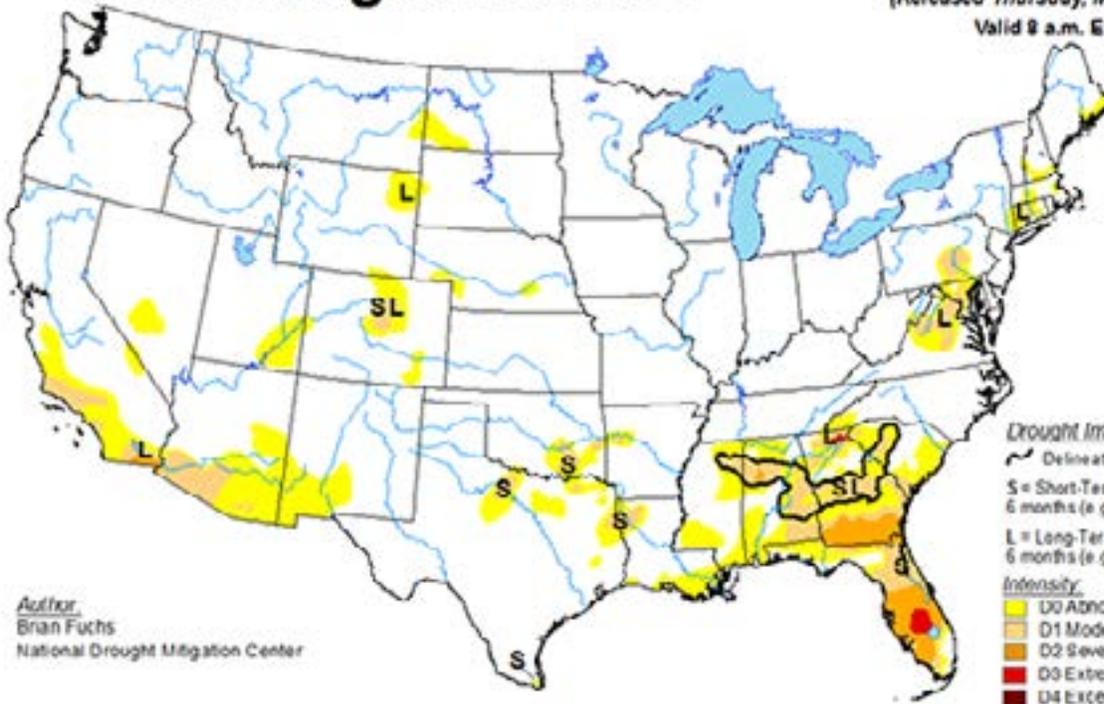
Recent Rains Erase Any Trace of Drought From Midwest: *Due to the huge amounts of rain over the past few weeks, the entire Midwest is now free of any abnormally dry conditions. This hasn't happened since May 2002. In fact, last week's storm brought 9 - 12 inches of rain to portions of southern Missouri and the entire Midwest recorded at least an inch of rain last week. Needless to say, drought is not an issue in the region. What a difference a month makes...*

U.S. Drought Monitor

May 2, 2017

(Released Thursday, May 4, 2017)

Valid 8 a.m. EDT



Author:
Brian Fuchs
National Drought Mitigation Center

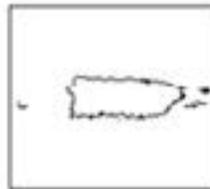
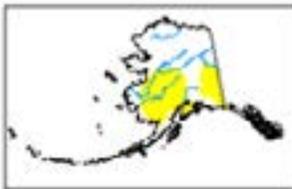
Drought Impact Types:

- Delimits dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



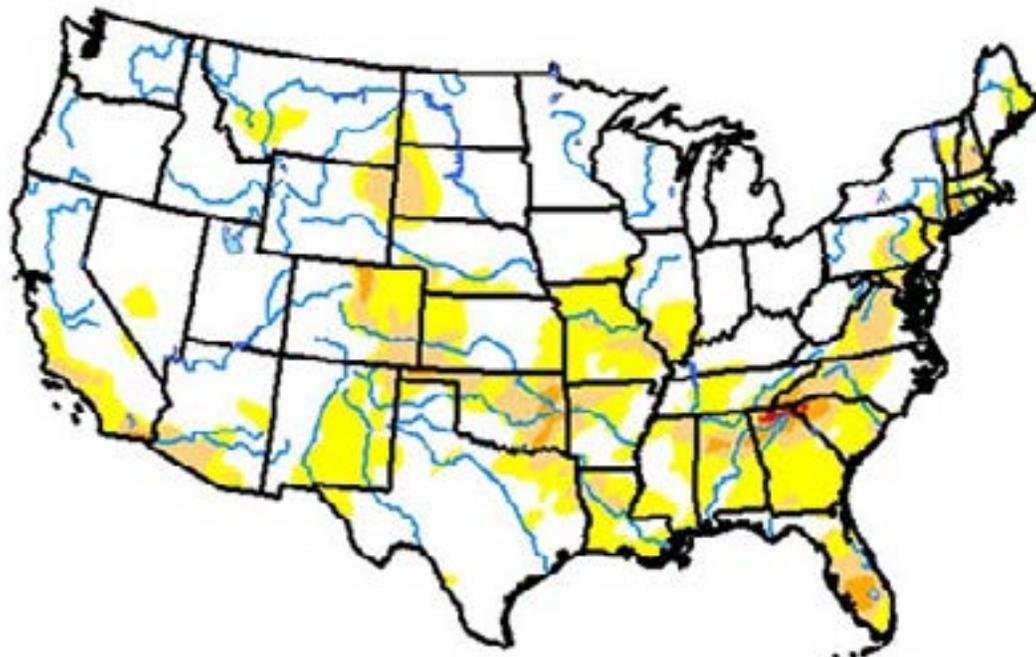
<http://droughtmonitor.unl.edu/>

U.S. Drought Monitor CONUS

April 4, 2017

(Released Thursday, Apr. 6, 2017)

Valid 8 a.m. EDT



Corn bears are talking about improved weather forecasts for many parts of the U.S. corn belt, along with less than ideal export demand. Even though weekly export demand was over 770,000 MTs, they were still down over -20% from the previous week. As for acreage, most in the trade suspect producers will get to between 46% to 50% of the U.S. crop planted by the end of this weekend. Yes, that's behind our traditional pace, but not nearly as bad as some had anticipated. Bulls are talking about more extreme weather complications, especially in areas of Arkansas, Missouri and southern Illinois and Indiana. Keep in mind several areas are reporting flooded fields and multiple levy breaks have been noted along the Mississippi River. Bulls are also talking about the extremely slow pace of harvest taking place in Argentina. From a technical perspective the JUL17 contract is looking for nearby support between \$3.50 and \$3.60 per bushel, with the new-crop DEC17 contract hoping to find heavy support in the \$3.74 to \$3.80 per bushel range. Keep in mind the DEC17 contract hasn't traded below \$3.74 per bushel since the end of last September. I suspect the market will be keeping a close eye on the "I" states this weekend. There's talk that producers in Iowa may get a good window of opportunity, where producers in Illinois and Indiana may be still be under the yellow flag. The extended forecast deeper into May looks much more accommodating, but the open on Sunday night could be exciting if the weather turns extreme... stay tuned.



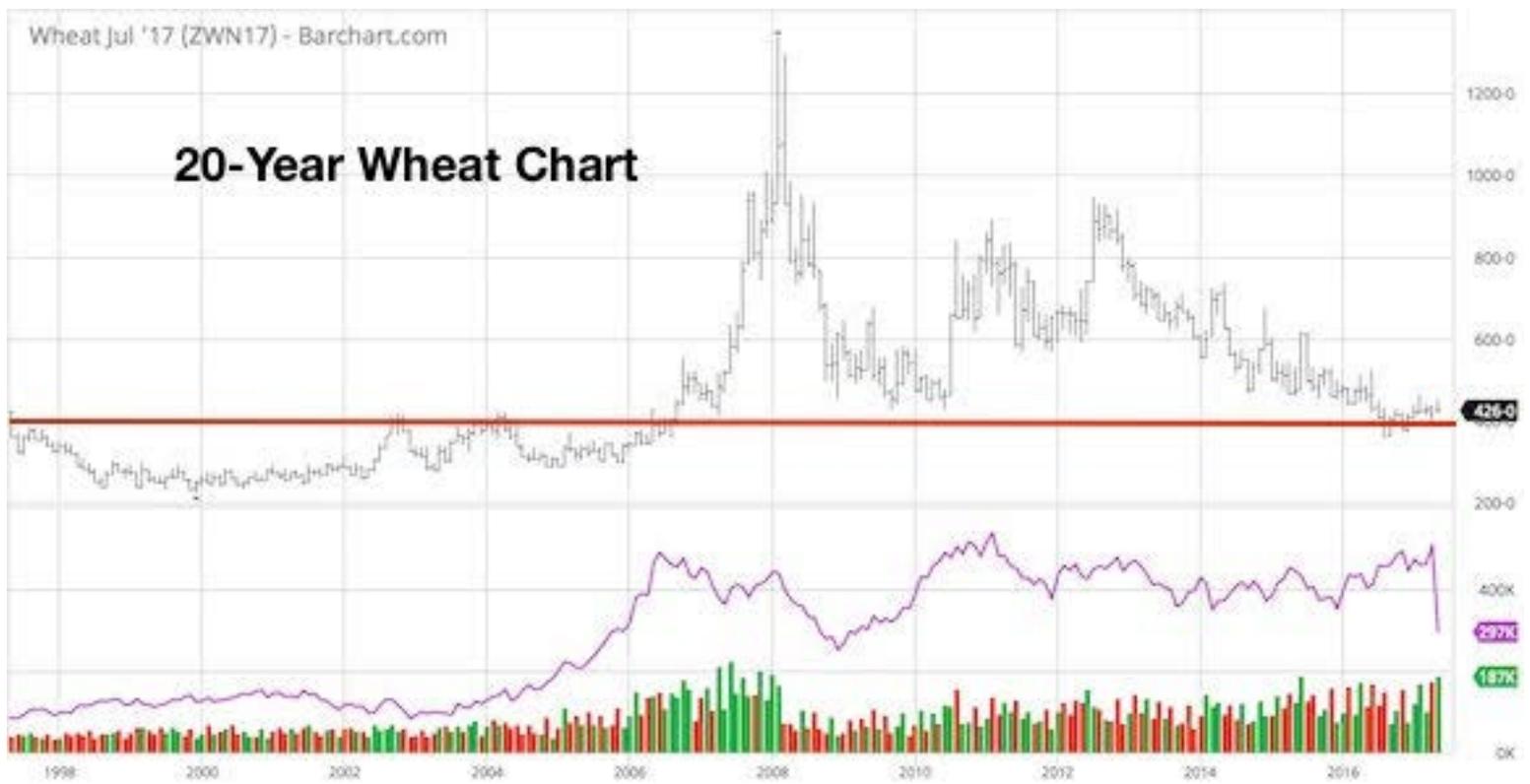
Soybeans traders are waiting to see next Wednesday latest monthly USDA crop report. Will gains in U.S. export demand be offset by a reduction in the domestic crush estimate? I'm already hearing talk of +600 to +700 million bushel ending stocks being possible later in the year. The trade is also wanting to know what will happen with planted acreage next year in South America? Something else of interest will be Monday's USDA planting progress. The bulls are pointing to the fact some key production areas have taken on heavy rainfall and many flooded fields are still couple of weeks from potentially being replanted. Meaning perhaps there could be more "preventive plant" acres than the trade had fore-

cast. The balance sheet is clearly burdensome but weather here in the U.S. remains a "wild-card". From a macro perspective things have clearly cooled with crude oil at fresh five month lows and gold dropping on thoughts of what appears to be a more dovish Fed. Technically the charts continue to show nearby support in the \$9.40 to \$9.50 range. Bulls are worried that a close below that level could open up the cellar door. As a producer I'm keeping hedges place. Don't forget we could be digesting changes to the biodiesel space next week, specifically in regard to imports from Argentina and Indonesia.



Wheat traders are digesting better than expected yields out of the Wheat Quality Council Tour through Kansas and neighboring states. From what I understand Kansas winter wheat production for 2017 is estimated at around 281.78 million bushels on a yield of 46.1 bushels per acre. Interestingly the yield average is down by about -5 bushels per acre compared to last year, but is still considered well above the five-year average. Keep in mind however total production estimated at 281.78 million is well below last years crop of 467.4 million bushels. I'm also thinking a lot of the recent crop damage has not yet been accounted for. There's also talk circulating that Oklahoma's crop could be 5 to 6 bushels per acre below last years yield. The outside macro markets have also provided a bit of pressure as crude oil prices tumble to levels not seen since late last summer. The Russian ruble has backpedaled a bit as of well making Russian wheat a bit more competitive. Despite the bears renewed interest in adding to short positions on the recent rally, I still remain optimistic in regard to longer-term price appreciation. I think the U.S. crop is going to be worse than many are forecasting and that some unforeseen geopolitical headlines could shake up the bearish side of the trade.

20-Year Wheat Chart



> Ag Secretary In Iowa Today: U.S. Secretary of Agriculture Sonny Perdue will travel to Nevada, Iowa today to tour Couser Cattle Company, give his first major farm policy speech, and host a farmer's town hall meeting. The facility tour kicks off at 9 a.m., with his speech scheduled to follow at 10 a.m.

> World Grain Stockpiles Seen Reaching 17-Year High: World stockpiles of the grain will reach the highest level in 17 years by the end of next season, according to the United Nations' Food & Agriculture Organization. Wheat stockpiles will rise +3.3% to 247.6 million metric tons at the end of 2017-18 season to the highest level since 2000-01, the FAO estimates. Inventories will increase despite world production declining -2.6% to 740 million metric tons. For soybeans, bigger-than-expected yields in Brazil and Bolivia mean global output will rise +10% to 346.1 million metric tons in the 2016-17 season. Global corn production forecast for 2017-18 was raised by +3.3 million metric tons to 1.054 billion tons. Abdolreza Abbassian, a senior economist at the FAO, said a U.S. snowstorm that sent wheat prices surging this week on concerns about crop damage will do little to stop global inventories piling up. "We don't think that what's happening in the U.S. will have a big impact on the global production and the global stockpile," Rome-based Abbassian said by phone. "You do need a few big and unexpected weather issues to see a sustained support to the markets." The FAO also reported that its gauge of food items fell -1.8% in April from a month earlier. All food commodities tracked by the organization declined, except

for meat. (Source: Bloomberg)

> EU Wheat Output Trimmed: *The European Commission trimmed its forecast for usable production of common wheat in the EU in the upcoming 2017/18 season to 141.9 million metric tons from 142.2 million a month ago. The reduced forecast was still well above last year's estimated output of 134.4 million metric tons. (Source: Reuters)*

> Mato Grosso Farmers Must Wrap Up Soybean Harvest Today: *Friday, May 5th marks the end of the soybean harvest season in the state of Mato Grosso. Under new rules which took effect for the 2016/17 growing season, all the soybeans in the state must be harvested by that date or farmers will face a fine. The 2017/18 soybean crop may start to be planted in the state on September 15th and planting must be completed by December 31st. The latest report from the Mato Grosso Institute of Agricultural Economics (Imea) indicated that very few if any soybeans are left to harvest in the state. In the past, the latest soybeans to be harvested were always safrinha soybeans planted after the first crop of soybeans were harvested, but the planting of safrinha soybeans in the state was expressly prohibited under the new rules. Farmers in the state must also adhere to the soybean-free period between June 15th and September 15th. During that period, no live soybean plants are permitted, either planted or volunteer soybeans that germinate by themselves. (Source: [Soybean & Corn Advisor](#))*

> Russia To Resume Wheat Exports To Turkey: *Russia will resume grain exports to Turkey within the next few days after resolving issues with Ankara that had been restricting supplies, Russian Deputy Prime Minister Arkady Dvorkovich said. Dvorkovich, speaking after President Vladimir Putin held talks with his Turkish counterpart Tayyip Erdogan in the Russian resort of Sochi, also said that some Russian restrictions on tomato imports from Turkey would remain in place "in some form" for the next three to five years. Turkey, traditionally the second largest buyer of Russian wheat after Egypt and the top buyer of its sunflower oil, imposed what Moscow regarded as prohibitively high import tariffs in March. (Source: Reuters)*

> Mexico Group Wants Ban on U.S. Corn Syrup If Sugar Is Taxed: *Mexico's sugar producers plan to urge the government to ban imports of U.S. high fructose corn syrup if a bilateral sugar dispute is unresolved and the Trump administration decides to reinstate anti-dumping duties. Juan Cortina, the president of the Mexican Sugar Chamber, said in a telephone interview that he is not optimistic an accord can be reached by June 5, the new deadline set for current talks. In the latest round of negotiations, the two sides failed on Monday to agree on conditions to keep Mexican imports free from tariffs. Mexico is the largest source of imported sugar for the U.S., with a forecast of 1.16 million tons for 2016-17 season ending Sept. 30, according to the U.S. Department of Agriculture. In recent years, Mexico imported as much as 1.6 million metric tons of corn syrup annually from the U.S. (Source: Bloomberg)*

> Global GMO Crop Area Increased +3% YoY: *Plantings of genetically modified (GMO) crops rebounded in 2016 from a decline the prior year, led by increased sowings in Brazil and the United States, according to an annual report released on Wednesday. Biotech crops were planted on a record 185.1 million hectares (457.4 million acres) last year, up 3 percent from the 179.7 hectares (444.0 million acres) planted a year earlier, said the International Service for the Acquisition of Agri-Biotech Applications (ISAAA), the group that released the data.*

> Pork Leads The Pack In Foodservice Growth: *Pork use in foodservice over the past six years has grown by more than double the rate for chicken, the next fastest growing protein by pound, the National Pork Board said, citing data from Technomic Inc. Pork use increased by 1.145 billion pounds, while chicken use grew by 515 million pounds. On a percentage basis, pork grew at three times the rate of turkey, at 3.6 percent versus 1.2 percent over the six-year period. From 2015 to 2017, the pork category in foodservice grew 0.8 percent to a total of 5.9 billion pounds, reflecting a volume increase of 114 million pounds over the 2013-2015 period. Driving pork growth are bacon, processed ham, breakfast sausage, ribs and pepperoni. The love of bacon shows no signs of slowing and represents the largest share of volume, at 20 percent, or 1.2 billion pounds, growing 4 percent since 2015.*

> Perdue Says New NAFTA Won't Be Worse For Farmers: *The Trump administration has yet to formally begin the process of renegotiating NAFTA, but Agriculture Secretary Sonny Perdue continues to show confidence in its ability to renegotiate a better deal for farmers and ranchers. "I can assure you that neither this president, nor [Commerce Secretary Wilbur] Ross nor I, are going to negotiate or accept a worse deal than we have it now," he told The Wall Street Journal.*

> Most Popular Foreign Language By Country: *It's hard work learning a language that's not your own, but it also opens up a whole world of opportunities. In the US, for example, demand for bilingual candidates more than doubled between 2010 and 2015. Which is probably why billions of people are trying to learn a second language. Of those, around 150 million are using the free language-learning app Duolingo. The app only covers 23 languages, but this map provides a snapshot of the most popular. English is far and away the most dominant, with a caveat: For some learners, English is the only language Duolingo offers with translation into their native tongue. English is the only course available to Thai speakers, for example. That doesn't change the fact of universal interest in English, though, which Duolingo notes is studied by 53% of its users. (Source: World Economic Forum)*





FROM THE FIELD

Northcentral Indiana - *Nothing is going on right now where we are. Things have been extremely wet and the temps are very cold. The bad thing is the extended forecast has four days straight of rain. The temperatures are trending cooler, with a chance of a frost tonight. I have gotten my corn planted for this year, with the early planted seed already emerged. I would think the corn out of the ground will struggle a little with the cold and the seed in the ground will sit in cold wet soil. We had a couple of inches last week and a chance for another inch and a half possible for later this week. The talk of replant has been mentioned around here. We have pretty sandy soil here so we can go here after rains quicker than some. We had great bean yields last year that made 63bpa. We are good with that considering our soil types and we seem to be in a nematode hotspot here. The corn struggled a little bit last year. We had somewhat of a localized drought that coupled with some hotter temperatures that knocked the yields down. In 2015 we had too much water, with some flooding that left fields with big spots with no production. That year made 173bpa but we only made 170bpa last year due to the weather issues. It was a little frustrating because guys pretty close to me had record yields. We have transitioned to no till this year which should be beneficial over the long run.*

Southcentral Minnesota - *We are not as wet as a lot of people around the country but it seems extremely cold for this time of year. We have had rains over the past week, with frosts most nights. We are hoping to get in the field if things warm up on Friday or into this weekend. I think if we get to the weekend we will have a five to seven-day window to get some things done. There has been quite a bit of corn planted over the last seven to ten days and most of those guys are nervous that replant could be in the cards. I think it all depends on seed quality and is we can get some sunshine to warm things up sooner than later. I have not planted anything yet and hope that we will still be ok getting everything in before May 15th. My fields are very well tiled and should drain off just fine giving us a chance to get going quickly. Even with all the rain we have no ponding or other standing water.*

Central Missouri - *We dodged a little bit of a bullet last night with the temperatures only getting down to 52 degrees compared to what they were calling for at 40 degrees. Over the weekend we got 5.5" of rain that came in pretty good doses so we are saturated here. We had two short windows to plant our corn and we were able to get it all in before the heavy rains. I hope that was the right thing to do. We should know by this weekend if we will have any major issues and have to replant. The wet soils are one thing but the combination with colder temperatures are concerning. At the best case scenario for getting back in the field looks to be 10 days before we can start planting soybeans. We will need some good drying days. We have a slight chance of rain mid-week then it looks like we have a decent window, 5 to 7 days long, with no rain in the forecast with temperatures up into the 70 degree range. If we get that, guys will get things done in a hurry.*

CROSSING WIRES

A place to share intelligent thoughts...

Dent To Crop Sowings From Low Prices Could Ignite Buying Wave: *Corn and soy prices have fallen low enough to halt sowings expansion, potentially laying the ground for buying pressure ahead, Bunge said, in comments which also termed a "big thing" U.S. plans to slap a duty on biodiesel imports. Soren Schroder, the chief executive of the crop trading giant, said that crop prices had dropped to levels which had "stopped the expansion in South America" in agriculture which has fuelled huge increases in world crop production. Brazilian area of corn and soybeans, for instance, has soared 47% over the past decade on a harvested basis, according to US Department of Agriculture data. "At current prices, we don't anticipate any additional acreage to come into production over the next year. And in the US maybe for the next cycle, we will have a reduction in acreage as well."* Read more [HERE](#).

Why Crooks Are Stealing the Grease From Your French Fries: *The prize for the caper was more than a ton of used restaurant grease. Two men busted by police near a strip-mall dumpster in Knoxville, Tennessee, were seen March 2 siphoning the gooey waste into barrels on their truck. In the weeks before then, 44 similar thefts had been reported. Stealing old vegetable oil that's been used to cook chicken nuggets and french fries sounds a little gross. But a black market for the golden gunk is growing as U.S. refiners process record amounts of grease to comply with government mandates for renewable fuels. Last year, 1.4 billion pounds (635,000 metric tons) were turned into biodiesel -- or 3.84 million pounds a day. Most restaurants hire waste handlers to get rid of oil after a few days of use. But the National Renderers Association, an industry group, says as much as \$75 million is illegally siphoned every year, much of it ending up in refineries. Biofuel prices have been shooting up, boosting the incentive for thieves who are getting bolder and craftier. With the arrival of warmer spring weather, licensed collectors are bracing for even more heists. Read more [HERE](#).*

How I Lost My Bet With Warren Buffett: *Ted Seides, managing partner for Hidden Brook Investment, just conceded a bet to Warren Buffet. "Nine years ago, Warren Buffett and I made a 10-year charitable wager that pitted the returns of five funds of hedge funds against a Standard & Poor's 500 index fund. With eight months remaining, for all intents and purposes, the bet is over. I lost. Warren discussed the bet in this year's annual letter to Berkshire Hathaway Inc. shareholders, explaining that the high fees active money managers charge create a headwind relative to low-cost passive alternatives. He is correct that hedge-fund fees are high, and his reasoning is convincing. Fees matter in investing, no doubt about it. It's just not the whole story. This "footnote" to his letter describes some of the additional investment lessons we can draw from our experiment."* Read more [HERE](#).

How Facebook Plans To Respond Faster To Online Incidents: *Following a series of violent videos uploaded or streamed to Facebook, the social network announced Wednes-*

day it will hire an additional 3,000 workers to its community operations team in an effort to respond to and remove such media faster. CEO Mark Zuckerberg announced the move in a Facebook post Wednesday morning. He stated that over the last few weeks, we've seen people hurting themselves and others on Facebook — either live or in video posted later. "It's heartbreaking, and I've been reflecting on how we can do better for our community." He went on to say that If we're going to build a safe community, we need to respond quickly. "We're working to make these videos easier to report so we can take the right action sooner — whether that's responding quickly when someone needs help or taking a post down." Read more [HERE](#).

Kids Love Fidget Spinners, Teachers Not So Much: Melissa Ferry is a big believer in the benefits of allowing students to use fidget toys in the classroom. She points to research indicating that playing with fidget toys — little gadgets, cubes, putties and spinners — is effective in improving concentration and focus in students with ADHD. She also has seven years' worth of anecdotal evidence that shows how beneficial they can be for some children. Her pro-fidget toy stance is a good thing for her students, now that the gadgets are all the rage among kids. Other students are not so lucky as their teachers have banned the toys. Some schools in Manchester, England, made headlines recently when they announced a fidget toy ban via text message, enraging parents of special-needs students in the process. Experts say fidgets can be successfully incorporated, but they must be accompanied by rules to minimize disruption. Read more [HERE](#).





Happy Cinco De Mayo... As Avocado Prices Skyrocket!

Guacamole has become a staple at many a summertime get together, but the classic dip will be more expensive than ever this year. Avocado prices have hit all-time record highs thanks to a global shortage. A box of the squishy green fruit from the top producing state of Michoacan, Mexico is about twice as expensive as last year, and the highest price on record going back 19 years. The shortage is the result of two main factors - lower production and higher demand. As Bloomberg explains, avocado trees are alternate-bearing crops, meaning they will produce a large crop one year and a smaller one the next. Mexico is the number one U.S. source for avocados, providing about 82% of U.S. demand, with California supplying the balance. California's crop is expected to be about -44% smaller this year, according to the state's avocado commission. The Mexican crop is also smaller this year, and March and April are usually the months that see the lowest output of the year. Peru is also an important avocado producer, but their crop has been decimated by heavy rains and flooding. On the demand front, growing consumer love for avocados in recent years has been pretty dramatic. American per-capita consumption was 6.9 pounds in 2015, versus 3.5 pounds in 2006, according to the U.S. government. There has also been a significant demand increase in Europe and China. In fact, avocado exports from Latin America to China are growing by about 250% a year, according to the Financial Times. Meeting that growing demand means less availability for the U.S., which is the number one importer of Mexican avocados. None of this is good news for those celebrating Cinco de Mayo on this Friday on May 5. The date of the Mexican Army's victory over French forces at the Battle of Puebla in 1862 has become a broader celebration of Mexican-American culture. It's also turned into one of the top occasions to consume guacamole in the U.S., besides the Super Bowl. (Sources: Bloomberg, Financial Times)



America's Bridges Need Billions In Serious Repair

America's infrastructure is in sad shape! The American Society of Civil Engineers (ASCE) released its quadrennial "Report Card" last month, giving the country's infrastructure an overall grade of D+, the same grade it received in 2013. The report defines a D grade as "The infrastructure is in poor to fair condition and mostly below standard, with many elements approaching the end of their service life. A large portion of the system exhibits significant deterioration. Condition and capacity are of serious concern with strong risk of failure." What's more, the estimated cost to fix it all has gone up by nearly \$1 trillion, from \$3.6 trillion in 2013 to \$4.59 trillion in the recent report. Bridges and roads in the U.S. earned grades of C+ and D, respectively. Believe it or not, the average age of bridges in the U.S. is 56 years! An estimated 9.1 percent of the nation's bridges — 56,007 total — are deemed to be structurally deficient. That's a rather terrifying fact when you consider some 188 million trips are made across American bridges on a daily basis. According to ASCE, poor road and bridge conditions cost the country \$160 billion in wasted time and fuel. What's more, the deficiencies can lead to deadly disasters. Since 2000, there have been bridge collapses in a dozen different states, the most recent of which occurred in Atlanta on March 30 when a section of I-85 failed due to fire. There have been over 200 casualties due to the bridge collapses since 2000, with 40 killed and 163 injured. In total, ASCE estimates it would cost about \$123 billion to bring the country's bridges up to par. Some experts point out that it will take more than just funding to fix the problems, though, arguing that bureaucracy is as big a roadblock as a lack of cash. Approval processes for some of the improvements can take a decade or longer, and those approvals could be needed from 18 or 19 separate federal agencies. A perfect example of the red-tape nightmare is illustrated by former President Obama's 2009, \$800 billion stimulus package. In the end, they were only able to spend 3.6% on transportation infrastructure. I suspect in the end we are going to continue to see heavy road contraction and bridge repair all across America for many more years. (Sources: Wall Street Journal, NY Daily News, ASCE)



What You Need To Know About The 143rd Kentucky Derby

This Saturday will mark the 143rd running of The Kentucky Derby which will begin at around 6:30 pm on NBC. The Kentucky Derby, which some call the greatest two minutes in sports, is contested over a one and a quarter mile track with the winner now receiving a whopping \$1.425 million. In order to earn one of the 20 spots in the starting gate, the thoroughbreds must travel along the "Road to the Kentucky Derby", a series of designated races at tracks across the country and around the world. It might interest you to know that it costs each owner a minimum of \$50,000 per horse and up to \$200,000 under special circumstances to just enter the Derby. As I understand it, this year's race is wide open and more than likely the winner will provide a nice payout for those who bet on the race. Some experts are saying while any horse in the field could win, it doesn't mean it's a bad group, but rather a very balanced and even group of contestants. More than half the field (11 horses) is listed at either 15-1 or 20-1, making it tempting to go with a longer shot. I thought I would pass along some insights on a few picks as well as provide some interesting facts surrounding the Derby that you might not know: (Source: Fox, USA Today, Kentuckyderby.com)

Derby Facts

- **Is There Anymore Room:** *The Kentucky Derby is one of the highest-attended sporting events in the world. Last year more than 167,000 fans packed Churchill Downs, and the average attendance over the last 10 years is 160,820. It's amazing to consider that only a few NASCAR stadiums hold more patrons.*
- **Winning Position:** *In Kentucky Derby history, no positions have produced more winners than those that start from the number 5 and 10 position, tied with nine overall. Being near the rail has been bad news. It's been 31 years since Ferdinand won from the number 1 position, and 39 years since Affirmed won from the number 2 position.*
- **It Takes Big Money To Play:** *The most expensive horse to win the race is Fusaichi Pegasus, who cost a cool \$4 million. Seventeen Kentucky Derby starters in the race's history sold for \$1 million or more at auction. Fusaichi Pegasus is the only winner from that group.*
- **Apollo's Curse:** *No horse has won the Kentucky Derby without racing the year prior as a 2-year-old since Apollo in 1882. This year Malagacy will try to end the "Curse of Apollo." I would say the odds are getting better for the curse to be broken.*
- **Longshot Payout:** *Derby winner Donerail (1913) won at record odds of 91-1. He paid \$184.90 for a \$2 win bet. Today that would be a little over \$4,500.*
- **Nice Tradition:** *The Kentucky Derby is the oldest continuously run major sporting event in the country. It's been run annually since 1875, as have the Longines Kentucky Oaks and the Clark Handicap also at Churchill Downs, in November.*
- **Mint Julip Anyone:** *Churchill Downs will serve over 127,000 mint julips over the race weekend. I suspect there's nearly as many Advil served as well.*

Who My Family Is Picking... *I think I'm taking "McCraken". From what I understand it's named for McCracken, Kansas, but there's no "C" in the horse name! Some folks don't like betting on horses that appear to have a typo in their name, but I make a ton of them each day so I find it only fitting:) Clay Whitham, the owner, said he was "dragged" on family outings when he was younger to the sprawling grounds of Centennial Race Track in Littleton, Colorado in the 1970s. His parents, Janis and Frank, were from the small town of Leoti in western Kansas. From what I understand the Whitham siblings are Barth, 60, the*

president and CEO of Enduring Resources in Denver, and Clay, 56; plus Kansas residents Jeff, 64; Stewart 63; and Jennifer Whitham-Jensik, 59. Frank Whitham, a banker and rancher, was killed in a 1993 private plane crash near Goodland, Kan. After that, Janis was listed as the sole owner of the thoroughbred business until 2014. Now 85, she still lives in Leoti, where the family owns the Whitham Farms Feedyard for cattle. Janis has been involved with thoroughbreds since she was a young girl, breeding horses with her sister, Donna, as they were being raised near Scott City, Kansas. "Whitham Thoroughbreds is a family-run activity, but my mother is still the boss," Clay said. "After (Frank) passed away, mom was firm and there never was any question that it was something she wanted to continue to do and continue to manage. "She really loves horses. She enjoys watching them run, too, but she gets just as much enjoyment out of going to the horse farm and seeing the babies and the mares. Since my father's accident, we've a little bit taken turns with trying to check on some things here and there for our mother. She's always invited our participation, and that makes it feel a little more special. ... This is her passion, and she's been pretty disciplined about making it work. To have that small of a broodmare band and run home-breds and have them be that competitive, it's been fun to watch her develop the talent." This is the first Triple Crown event for a Whitham horse. I'm pulling for them!

My wife is thinking about placing a bet on "Patch", the one-eyed horse that looks to be the feel good story of the race. Patch lost his eye due to an ulcer that never healed; he came out of his stall one morning with a swollen and tearing eye, his trainer has said, and no one knew why. The eye worsened and eventually had to be removed. Fittingly, and a somewhat eerily, the colt was already named "Patch"... perhaps it is meant to be?

Classic Empire (Favorite at 4-1 odds) - This colt won last year's Breeders' Cup Juvenile on his way to earning 2-year-old male champion honors. Interestingly only three other colts have won year-end honors since 2000 and gone on to win the Derby the following season. Classic Empire has the highest earnings of \$2.1 million among the horses expected to make the field, with five wins in seven career starts. He's coming off a win in the Arkansas Derby. Trainer Mark Casse has never won the Derby and neither has jockey Julien Leparoux. I'm told this horse has great genealogy as his sire Pioneer of the Nile was second in the 2009 Derby and he also sired 2015 Triple Crown champion American Pharoah.

Always Dreaming (5-1 odds) - Sorry I just can't bet on a horse named "Always Dreaming". I've had a few people work for me in the past that I said were "always dreaming" and they just could never get the job done, so I'm not willing to pay for another lesson. Many experts however believe this colt has the potential to be the first Derby favorite for trainer Todd Pletcher, who will have two other starters in the race. The dark bay colt prefers to run in the lead or close to it. His sire Bodemeister finished second in the 2012 Derby. It should be noted that he has three wins in five career starts and earnings of \$648,900. Pletcher and jockey John Velazquez have one Derby win apiece. I hear the main knock against the colt is that his two wins as a 3-year-old have come against lesser competition. Those who like him say he appears to be coming into his own after impressive five-length win in the Florida Derby.

McCraken (5-1 odds) - If the track is wet, as expected, and everything else holds, I think this could be the horse. The experts say he's one of the most respected horses in the field and has a good shot at winning. He had an injury a while back but is said to be

running back at full-speed. He has a strong pedigree and his trainer worked with former Derby winners "Unbridled" and "Street Sense's".

Irish War Cry (6-1 odds) - This is a cool name and the colt has had solid victories in Holy Bull and Wood Memorial. Irish War Cry will probably be one of the three or four top betting choices when the 20-horse Derby field leaves the starting gate, and deservedly so. The colt is a son of two-time Horse of the Year Curlin, who finished third in the 2007 Derby. I hear he has four wins in five career starts which should bode well at the window. The chestnut colt likes to press the pace. No New Jersey-bred horse has won the Derby since Cavalcade in 1934, and none has run in the race since Dance Floor took third in 1992. Trainer Graham Motion won the Derby with Animal Kingdom in 2011; jockey Rajiv Maragh has never won it.

Girvin (15-1 odds) - I was hoping this colt was named for the "Iceman", Hall of Fame hoop star George "Iceman" Gervin of the Spurs, but I think it's named after a small town in Texas. This colt topped the Derby leaderboard with 152 points earned in prep races. But the Louisiana Derby winner has a crack in his right front hoof that has compromised his training in the last week. Trainer Joe Sharp has used a special shoe, a hyperbaric chamber and therapeutic waters to get Girvin in shape to run on Saturday. Girvin has won three of four starts, with his only loss on turf. I understand his jockey is Hall of Famer Mike Smith, who has a reputation for winning big-money races. Smith has never ridden Girvin as he picked up the mount after Mastery, his top Derby contender, got hurt.

Gunnevera (15-1 odds) - The chestnut colt is said to be a real "closer" and will be ready to pounce if he gets set up by a strong early pace. His earnings of \$1.1 million are second-most on the Derby leaderboard. This is the first Derby starter for trainer Antonio Sano, who believe it or not has survived two kidnappings in his native Venezuela before moving to Miami. Jockey Javier Castellano, also from Venezuela, was just elected to racing's Hall of Fame and in search of his first Derby win. His best finish was fourth in 2013. The colt has four wins in nine career starts and finished third in the Florida Derby. His sire, Dialed In, won the 2011 Florida Derby and finished eighth in the Kentucky Derby.

Irap (20-1 odds) - This colt has an odd name that comes from an odd story. From what I understand one of Paul Reddam's unnamed babies who was being vanned to Ocean Breeze Ranch had just undergone "Interleukin-1 Receptor Antagonist Protein" therapy, more commonly known as IRAP, used to treat the effects of joint disease in horses. When he arrived at the farm, the van driver saw the word IRAP on the horse's papers and assumed that was his name, so he identified the young horse as Irap. When Reddam was told about the van's driver's mixup the next day, he got a kick out of it and said, "Why don't we just name him Irap?"

Looking at Lee (20-1 odds) - Experts say that given the right track conditions and setup, Lookin At Lee could be a nice superfecta filler at long odds in the Kentucky Derby, but anything more than that would be a Giacomo-style surprise. He weaved through traffic to nab third in the Arkansas Derby, and his performance in that race, along with his rallying second to Classic Empire in the Claiborne Breeders' Futurity last fall at Keeneland, appears to be his ceiling.

Practical Joke (20-1 odds) - After winning his first three starts last year as a 2-year-

old – including two Grade 1 stakes – Practical Joke has run competitively without a victory in three consecutive graded stakes against better competition. There’s a lot of talk about the distance of the Derby and if this colt can make the longer run.

Thunder Snow (20-1 odds) - *There’s a lot of buzz about the name, but I’m not betting on it. This colt was a confirmed late starter on April 29, and is shipped into Louisville from the Middle East as a definite “mystery horse,” although in terms of accomplishments, he’s among the top Kentucky Derby contenders with over \$1.62 million in earnings and three group stakes wins.*

Battle of Midway (30-1 odds) - *This is a cool name and the experts are saying this well-bred colt is highly talented but inexperienced. Based on his races in California, he appears to have the most upside among the horses who figure to contest the early pace in Derby 143. Something I’m not sold on is the fact Battle of Midway will be ridden by Flavien Prat, which will be his first time Derby mount. He’s a good jockey who’s currently ranked seventh in earnings for North American jockeys in 2017, but an inexperienced horse with a first time Derby jockey is tough for me to bet on.*

Patch (30-1 odds) - *A sleek, muscled, 3-year-old thoroughbred. At least, he looks like the other racehorses from the right side. On the left, where others have an eye, Patch has an empty, ping-pong ball-size socket. He’s only raced three times, making him the least experienced starter in the Derby field. But in his last two starts, Patch has posted triple-digit Equibase Speed Figures, and he held on well to finish a clear second behind Girvin in the April 1 Louisiana Derby. He’ll likely be part of the mid-pack group in the early stages of the Derby if he can secure a good spot from the far outside post position, and will need to make another large leap in performance to have a chance to win. There’s stamina in his pedigree on both sides, as his young sire Union Rags won the 2012 Belmont Stakes and his winning dam (mother) also produced Indiana Oaks winner Tiz Windy. Patch is from the family of champion filly Banshee Breeze, who racked up five Grade 1 wins at 1 1/8 miles or longer.*

Fast and Accurate (50-1 odds) - *This seems like a tough name to live up to. In the colts defense he is on a three-race winning streak, unfortunately they’ve all come on synthetic and true racing surfaces. In his only start on dirt he was beaten by 11 ¾ lengths.*

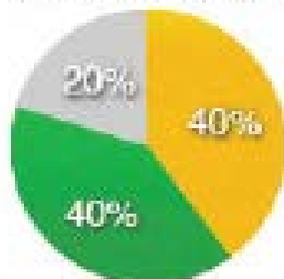


KENTUCKY DERBY

CASH SALES & HEDGING TOTALS

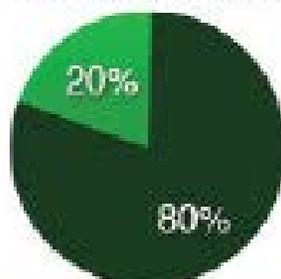
CORN 2016 CROP

40% SOLD
40% HEDGED
20% UNPROTECTED



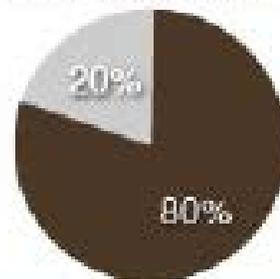
SOYBEANS 2016 CROP

80% SOLD
20% HEDGED
0% UNPROTECTED



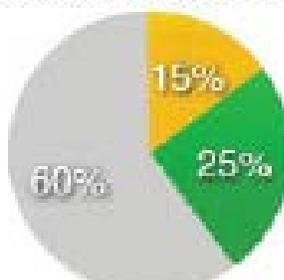
WHEAT 2016 CROP

80% SOLD
0% HEDGED
20% UNPROTECTED



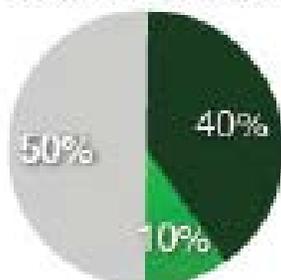
CORN 2017 CROP

15% SOLD
25% HEDGED
60% UNPROTECTED



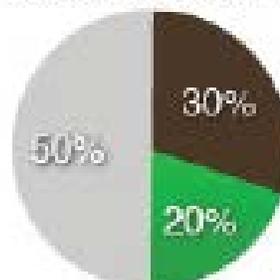
SOYBEANS 2017 CROP

40% SOLD
10% HEDGED
50% UNPROTECTED



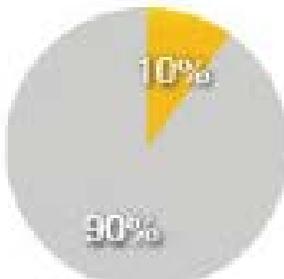
WHEAT 2017 CROP

30% SOLD
20% HEDGED
50% UNPROTECTED



CORN 2018 CROP

10% SOLD
0% HEDGED
90% UNPROTECTED



SOYBEANS 2018 CROP

0% SOLD
0% HEDGED
100% UNPROTECTED



WHEAT 2018 CROP

0% SOLD
20% HEDGED
80% UNPROTECTED

