

GOOD MORNING: 08/29/17 Farm Direction - VanTrump Report

1 message

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"Faster, faster, faster, until the thrill of speed overcomes the fear of death..." – Hunter Thompson

Just a reminder, this is the last week to get on board with "early-bird" pricing for our annual conference in Kansas City on December 6th. We've got the best line-up of speakers and analyst we've ever had, which should make for interesting conversation and dialogue with friends, producers and ag executives all across the country. You can learn more by clicking [HERE](#). Lots of great folks involved!

TUESDAY, AUGUST 29, 2017

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Morning Summary: Stocks are under pressure this morning as traders try to better understand the latest missile launch by North Korea. In an unprecedented act, North Korea fired a missile over Japan, which ultimately landed in the Pacific Ocean off the coast of Hokkaido. Once the missile flew past Japan, some early reports were worried it could be headed for U.S. territory. Remember, North Korea had threatened earlier this month to fire a missile toward the U.S. territory of Guam, with Trump warning he'd retaliate with "fire and fury." Military officials said the latest missile flew in the air for about 14 minutes, traveling 1,678 miles and reaching an altitude of about 342 miles. To hit Guam, a missile from North Korea would need to travel about 2,175 miles. Minutes after the missile was launched, residents in northern Japan received a text message urging them to seek shelter in a strong structure or a basement. Many Japanese citizens were actually awoken by sirens and messages from the government telling them to take cover. Japan has now called for an emergency meeting of the UN Security Council, as the missile launch is an obvious violation of UN resolutions. The trade is now looking to see how the U.S. will react to the situation, as just last week U.S. officials reconfirmed that they would honor the Japanese defense pact 'without reservation' and would help to protect Japan regardless. Other news of interest continues to circulate around Hurricane Harvey, where floodwaters are likely to rise, with forecasts for another +10 to +20 inches of rain in the coming days. From data and reports I've seen circulating, the hurricane at one point had shut down -2.5 million barrels a day of oil refining capacity, and close to -500,000 barrels per day of oil production was shut off in the Gulf of Mexico. There are also worries that the heavy rains and flooding may move more into Louisiana and disrupt even more refineries. Gasoline prices have moved up on ideas of nearby supply shortfalls, so don't be surprised to see higher prices at the pump this holiday weekend. Economic data today is fairly light with just the S&P CoreLogic Case-Shiller Home Price Index and Consumer Confidence scheduled for release. President Trump is scheduled to visit Texas today to survey the destruction left behind by Hurricane Harvey, but with the latest escapades from North Korea, who knows? Once things simmer down, Trump and the rest of the leaders in Washington will try to tackle tax-reform, health care and infrastructure spending. There will also be a ton of attention and headlines starting next week surrounding the possibility of a government shutdown, the debt ceiling, and if the U.S. will default on a small portion of debt. Lots to think about as we head into the end of summer holiday break.

Amazon Officially Owns Whole Foods: Amazon has officially sealed the deal with Whole Foods, and the promised price cuts are already hitting grocery stores. Employees estimate that more than 300 items were being discounted, ranging from everything from organic milk to spring water to organic avocados. Tomato sauce, organic meat and organic large eggs were all at lower price points as of Monday. According to Bloomberg, Amazon cut food prices as much as -43%. They

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have also put their voice-activated electronic assistant, Echo, on sale in stores for \$99.99. Amazon's \$13.7 billion purchase of Whole Foods has the grocery industry very concerned. Nicknamed "Whole Paycheck", Whole Foods may now be able to attract more mainstream customers with these massive price cuts. Many analysts believe Amazon will reshape the supermarket industry as they tap into both their massive customer base and logistical expertise. (Source: Bloomberg, New York Times)

U.S. Is Seriously Considering Arming Ukraine: Kurt Volker, the newly appointed US envoy to Ukraine, says the Trump administration is "seriously considering" whether to change its position and deliver lethal weapons to Ukraine. His comments in Kiev came after Jim Mattis, U.S. defense secretary, last week spoke in favor of arming Ukraine as he stood alongside President Petro Poroshenko on the 26th anniversary of the country's independence from the Soviet Union. Mattis accused Russia of seeking to "redraw international borders by force." Volker also sent a warning to Moscow, saying U.S.- Russia relations could be "crippled" unless a solution is found in the Ukraine crisis. The U.S. wants Russia to comply with the Minsk accord that was aimed at bringing peace to eastern Ukraine and remove Russian forces from within Ukraine's borders. Arming Ukraine soldiers with defensive weapons is something Russia would strongly object to. Russia maintains that arming the Ukraine soldiers would destabilize Ukraine even further. Ukraine is also interested in joining NATO, another highly controversial issue for Russia as they do not want the International body on their doorstep. All sanctions against Russia are expected to stay in place until Russia stops supporting the separatists who want to see Ukraine be reabsorbed by the Soviet Union. Fighting between Kyiv's forces and Russia-backed separatists has killed more than 10,000 people since April 2014.

Hurricane Harvey Drives Up Gas Prices Nationwide: About one quarter of oil refining capacity in the Gulf Coast has been taken offline, according to Oil Price Information Service (OPIS). That equates to about 2.5 million barrels per day, or more than a tenth of the nation's capacity of about 18 million barrels per day. The Corpus Christi shipping terminals responsible for importing and exporting oil and refined products are also closed. And if the ship channel between Port Arkansas and Arkansas Pass is badly damaged, observers say it could take weeks for products to leave South Texas refineries, even if the plants are not much impacted. As Hurricane Harvey roared into Texas, gas prices shot up across the country. At \$2.37 yesterday, this was four cents higher than last week and the largest one-week national prices surge seen all summer. To help alleviate the tight and potential shortage of supply, the Environmental Protection Agency (EPA) announced over the weekend that it will waive environmental standards on gasoline for select counties in Texas. It is still too soon for the market to know how badly damaged energy infrastructure is from the storm, but the coming days will offer more insight into how long recovery and restoration may take. AAA also warned that the market could take a hit as tanker ships may not be able to travel across the Gulf of Mexico. At the same time, traders are concerned that Harvey may move into Louisiana and cause damage to refineries there. Experts say 30% of U.S. refining capacity could be taken offline if the storm does move toward Louisiana. Industry insiders warn that the disruptions could result in tight global gasoline supplies. (Source: The Wall Street Journal, OilPrice.com, Bloomberg)

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