

GOOD MORNING: 11/15/17 Farm Direction - VanTrump Report

1 message

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

Wed, Nov 15, 2017 at 7:10 AM



"It doesn't make sense to hire smart people and then tell them what to do; we hire smart people so they can tell us what to do." — Steve Jobs

WEDNESDAY, NOVEMBER 15, 2017

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Morning Summary: U.S. stocks continue to pullback as traders talk about higher valuations and recent weakness in crude oil prices and overall energy demand, hence some uncertainty about overall global growth. Oil prices are down another -1% this morning and off a bout -5% from their recent highs, having sold off following a report from the International Energy Agency that warned the rally in prices could be short-lived and forecast global demand for this year and next will be weaker than many had been expecting. Traders are anxious to see the U.S. Energy Information Administration's weekly inventory report, which showed an increase of +2.2 million barrels the week before last. A report from the American Petroleum Institute yesterday showed that inventories rose even more last week, estimating a gain of +6.5 million barrels. Other economic data on the calendar today includes the Consumer Price Index, Retail Sales, Empire State Manufacturing, Atlanta Fed Business Inflation and Business Inventories. Additionally, two Fed officials are scheduled to speak - Chicago President Charles Evans and Boston President Eric Rosengren. Fed Chair Janet Yellen made some notable comments while participating in a European Central Bank panel. Yellen said that individual speeches from committee members, mainly before a policy decision meeting, can be a "challenge" for the Federal Reserve. She also said investors were asking for more information than central bankers could give in an uncertain economic climate. Turning to Washington, investors are a bit more nervous about the future of tax reform following reports that Senate Republicans will likely include a repeal of the Obamacare mandate that requires Americans to have health insurance coverage or pay a penalty on their taxes. It's a highly unpopular rule with conservatives, but it could make passing the bill more difficult. Democrats are likely united in their opposition to repealing the mandate, which means the GOP can only afford to lose two votes from their own party members. The full House is expected to vote on their bill Thursday, and overall the GOP aims to have a complete plan passed and signed by President Trump by yearend.

Foreclosures Drop To Lowest On Record: According to data from the New York Fed, which published its quarterly report yesterday, Click [HERE](#). Sales of distressed homes are at a 10-year low, and prices are charting new highs in many metros. But here's another way to measure how well housing is performing: in the third quarter, the number of Americans who had a new foreclosure added to their credit report was the lowest back to at least 1999, arguably even before the housing bubble started to inflate. Also keep in mind that "creditworthiness" is high. The median credit score of Americans taking out new purchase mortgages was 760 in the third quarter, up from 754 the prior quarter and well above the lowest point of the subprime bubble years, which was 707 at the end of 2006. (Source: MarketWatch)

Producer Prices Stronger Than Expected: A strong and welcome price gain for services fed an unexpectedly strong producer price report for October where the headline +0.4% gain exceeded expectations for a gain of just +0.1%. The gain holds at +0.4% when excluding food and energy and falls to +0.2% when excluding trade services. Trade services jumped +1.1% in October on top of September's +0.8% increase. Gains here hint at wide and emerging price traction in the wholesale economy in what perhaps is a harbinger for price gains at the consumer level. Legal services and health care showed special traction in the month. Food also showed traction, up +0.5% on gains for vegetables, while energy, reflecting a drop back for gasoline, was flat. Year-on-year rates are improving with overall producer prices up +2.8% and up +2.4% for ex-food and

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Full MARKET Outlook

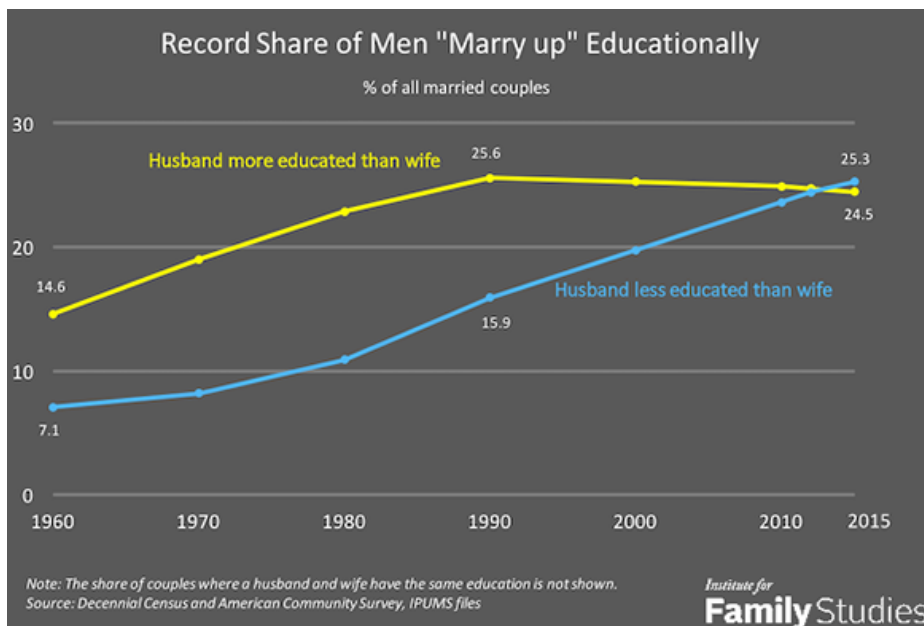


On hand will be several leading markets analysts and traders providing their insight and opinions on both short-term and long-term ag prices and outside investment ideas. You do not want to miss this

ex-energy. The results point to upside risk for today's CPI report where analysts only expect a +0.1% gain. (Source: Econoday)

Fed Openings and Possible Appointees: The White House is said to be considering Mohamed El-Erian for the position of vice chairman of the Federal Reserve, a source confirmed to CNBC. Mohamed El-Erian, is the former Pimco CEO and current chief economic advisor at Allianz. In addition to the El-Erian appointment, the White House is considering the nomination of Michelle Bowman, a Kansas banking regulator, for another Fed governor appointment, according to Dow Jones. The report said the administration is looking for someone with monetary policy experience to guide the central bank. Trump has three openings on the seven-member Fed board of governors — four if Yellen decides not to stay on after her term at the helm expires. On top of those vacancies, the critical New York Fed president's position also is open. (source: CNBC)

A Record Share Of American Men Are "Marrying Up": Good news for American men: A record 25% of husbands are now married to wives who have more education than they do. This has reversed a long-term trend since the 1960s when it was much more common for a husband to have more education than his wife. The shift happened mostly after 1990 when the share of husbands who were better educated than their wives started to fall. During the same period, young women surpassed men in college enrollment and graduation rates. The pattern of the husband "marrying up" educationally is more pronounced among newlyweds. In 2015, 32% of newlywed women married a spouse whose education level was lower than theirs. In contrast, 20% of newlywed men married a spouse with less education. With the rising share of couples in which one partner has more education than the other, the share who have similar education levels has been falling. In 1960, 78% of couples were in this group, but by 2015, the share had dropped to a record low of 50%. Even though overall, wives have more education than their spouses today, men are still the primary provider in a majority of marriages. In 2015, more than 7-in-10 married men (73%) had a higher income than their spouse, although the share was down from 91% in 1960. During the same period, the share of married women who out-earned their spouses rose from 6% to 25%. (Source: Institute For Family Studies)



Weather continued to disrupt corn harvest this week, notably in the eastern Corn Belt, particularly Indiana and Ohio. Minnesota is also lagging on harvest progress, running about 10 days behind average. On the Plains, mild, breezy weather generally favors late-season fieldwork, including summer crop harvesting and final winter wheat planting efforts. For the second day in a row, high temperatures should top 70 degrees F as far north as western Nebraska, promoting some additional growth of late-planted winter wheat. In the South, dry weather prevails, except for a few showers along Florida's east coast. Autumn fieldwork activities include winter wheat planting and cotton, peanut and soybean harvesting. Mostly dry weather will prevail through week's end across the High Plains, lower Southeast, and Desert Southwest. For much of the week, mild weather should cover the western and central U.S. Mid to late week rainfall could reach 1 to 2 inches in parts of the Midwest, with precipitation changing to snow showers downwind of the Great Lakes after colder air arrives. The 6 to 10 day calls for below normal temperatures from the Mississippi River eastward, while warmer than normal weather will prevail from the Pacific Coast to the High Plains. Meanwhile, near to below normal precipitation across most of the country should

year's event.

Economic & Ag Forecast

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Dennis Gartman
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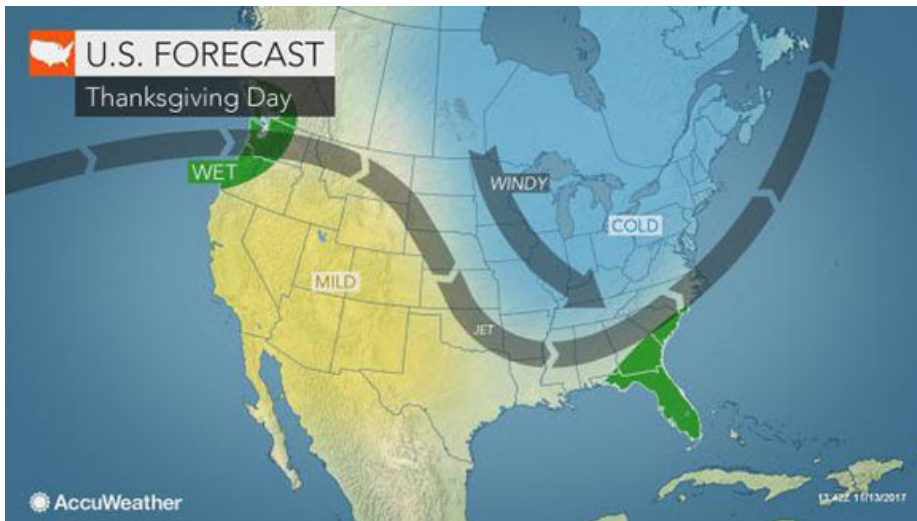
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contrast with wetter than normal conditions in northern and central California, northern New England, and the Northwest.

Thanksgiving Outlook Forecasting Brutal Cold Across Midwest: A re-surfing cold air may trigger frequent snow in the Great Lakes and help spin up a storm along the East Coast around Thanksgiving Day. Following a storm and shot of cold air that will sweep across the northern part of the nation into this weekend, there is the potential for very cold air with a punishing wind to take root over the Midwest and Northeast during the long Thanksgiving weekend.



Corn continues to post lower-lows as the trade adjust to the most recent USDA data. The graphic I included below, which shows the recent U.S. November ending stock estimate of 2.487 billion bushels is the highest we've seen for a November report. Interestingly, last years November number was also extremely large. If you look at price, we traded down to \$3.31 towards the end of November, then moved higher towards \$3.80 by mid-February, eventually pushing to near \$4.00 in the front-end of the market by early-July. I would like to think this year we can hold the \$3.20 to \$3.30 area, then start to climb higher out of the hole into 2018 on weather uncertainty in South America. Bears believe they might have the ability to push the market down a bit further than last year, some sources thinking we could actually challenge \$3.00, especially if the USDA yield continues to get stronger and demand is deemed to be a bit too optimistic into the January report. In other words ending stocks push north of 2.5 billion bushels and South American weather offers up no real widespread complications. As both a producer and a spec, I suspect a slight bounce on oversold conditions is possible, but I still think there is ultimately more downside risk.

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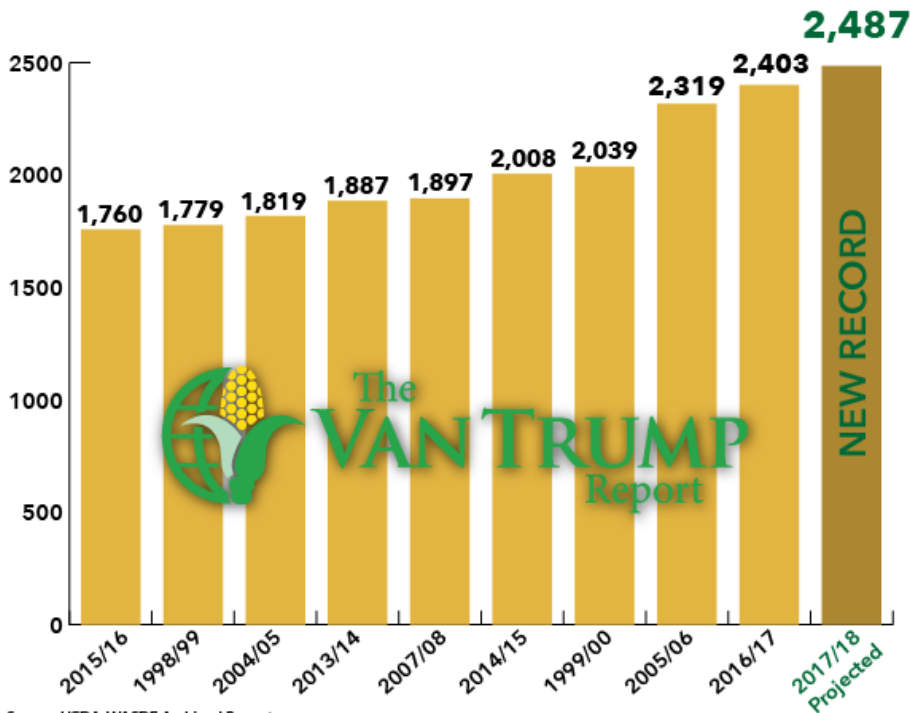
Today In History



1806, Pike's Peak -
Approaching the Colorado foothills of the Rocky Mountains during his second exploratory expedition,

Lieutenant Zebulon Pike spots a distant mountain peak that looks "like a small blue cloud." The mountain was later named Pike's Peak in his honor. Pike's explorations of the newly acquired Louisiana Territory of the United States began before the nation's first western explorers, Lewis and Clark, had returned from their own expedition up the Missouri River. Pike was more of a professional military man than either Lewis or Clark, and he was a smart man who had taught himself Spanish, French, mathematics, and elementary science. When the governor of Louisiana Territory requested a military expedition to explore the headwaters of the Mississippi, General James Wilkinson picked Pike to lead it. Although Pike's first western expedition was only moderately successful, Wilkinson picked him to lead a second mission in July 1806 to explore the headwaters of the Red and Arkansas Rivers. This route took Pike across

Top 10 Historical November Corn Ending Stocks (in million bushels)



Source: USDA, WASDE Archived Reports

Soybean bears continue to talk about U.S. "weather risk" coming out of the market while South American weather continues to show some improvement. Traders today will be monitoring the latest NOPA crush data, which most suspect will be very similar to that of last year. Bears are wanting to argue that U.S. export demand is slowing to some degree and that burdensome stocks both here at home and in South America will continue to keep a lid on most rallies. From a technical perspective, the bulls are hoping the market can hold nearby psychological support down between \$9.50 and \$9.60 per bushel vs. the JAN18 contract. Rallies to the upside look to remain limited. I'm staying extremely patient, thinking there's still more room to the downside. Outside of South American weather, I'm also keeping an eye on crude oil prices and headlines surrounding global growth.

present-day Kansas and into the high plains region that would later become the state of Colorado. When Pike first saw the peak that would later bear his name, he grossly underestimated its height and its distance, never having seen mountains the size of the Rockies. He told his men they should be able to walk to the peak, climb it, and return before dinner. Pike and his men struggled through snow and sub-zero temperatures before finally taking shelter in a cave for the night, without even having reached the base of the towering mountain. Pike later pronounced the peak impossible to scale. The remainder of Pike's expedition was equally trying. After attempting for several months to locate the Red River, Pike and his men became hopelessly lost. A troop of Spanish soldiers saved the mission when they arrested Pike and his men. The soldiers escorted them to Santa Fe, providing Pike with an invaluable tour of that strategically important region, courtesy of the Spanish military.

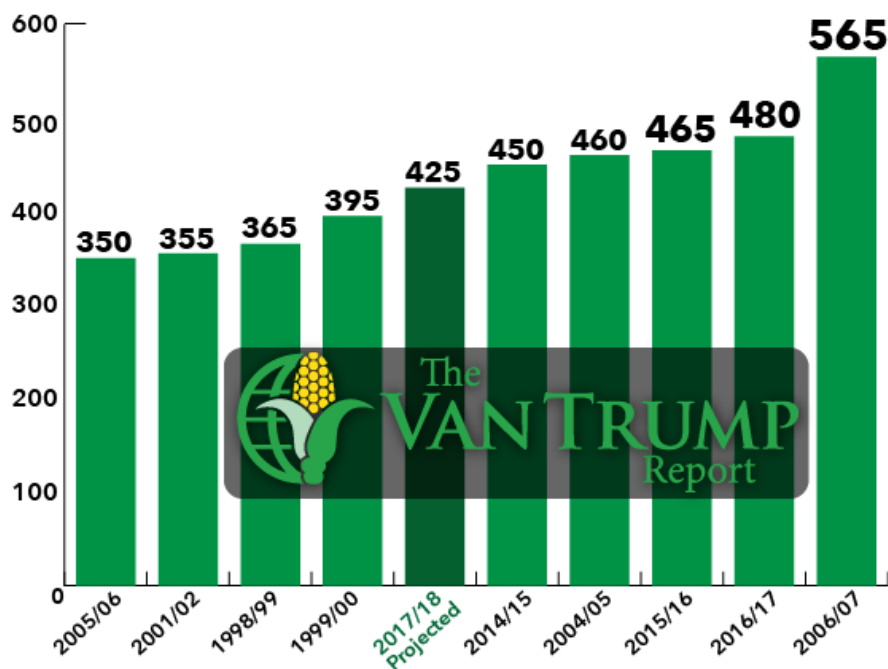


1867, Stock Ticker - The first stock ticker is unveiled in New York City. The advent of the ticker ultimately revolutionized the stock market by making up-to-the-minute prices available to investors around the country. Prior to this development, information from the New York Stock Exchange, which has been around since 1792, traveled by mail or messenger. The ticker was the brainchild of Edward Calahan, who configured a telegraph machine to print stock quotes on streams of paper tape (the same paper tape later used in ticker-tape parades). The ticker, which caught on quickly with investors, got its name from the sound its type wheel made. Calahan worked for the Gold & Stock Telegraph Company, which rented its tickers to brokerage houses and regional exchanges for a fee and then transmitted the latest gold and stock prices to all its machines at the same time. In 1869, Thomas Edison, a former telegraph operator, patented an improved, easier-to-use version of Calahan's ticker. Edison's ticker was his first lucrative invention and, through the manufacture and sale of stock tickers and other telegraphic devices, he made enough money to open his own lab in Menlo Park, New Jersey, where he developed the light bulb and phonograph, among other transformative inventions. The last mechanical stock ticker debuted in 1960 and was eventually replaced by computerized tickers with electronic displays.



1956, Elvis - Love Me Tender, featuring the singer Elvis Presley in his big-screen debut, premieres in New York City at the Paramount Theater. Set in Texas following the American Civil War, the film, which co-starred Richard Egan and Debra Paget, featured Elvis as Clint Reno, the younger brother of a Confederate soldier. Originally titled The Reno Brothers, the movie was renamed Love Me Tender before its release, after a

Top 10 Historical November Soybean Ending Stocks (in million bushels)



Source: USDA, WASDE Archived Reports

Wheat remains in a sideways channel near the recent contract lows. Bulls are hoping some recent weakness in the U.S. dollar might help make U.S. wheat exports a bit more attractive. On the flip-side, bears aren't giving it much attention and continue to believe near record global supply and cheap wheat overflowing in the Black Sea region is enough to keep the rallies limited. There's also a bit of a headwind being created by EU production estimates inching themselves higher. I personally remain a longer-term bull, on hopes of seeing a non-traditional headline shake the bears from there more traditional fundamental perspective. I also think there could be a bit of a bullish story brewing in regard to upcoming U.S. production. Acres are going to be at or near all-time lows and the crop could go into dormancy in less than ideal condition. As I've mentioned on several occasions during the past few months, I certainly understand the bearish argument, but would personally have trouble navigating the position should the market turn against me.

song of the same name that Reno sings during the film. Presley, who became one of the biggest icons in entertainment history, sang in the box-office hit Love Me Tender as well as the majority of the 33 movies (31 features and two theatrically released concert documentaries) he made in his career. Elvis Aaron Presley, who was born on January 8, 1935, in Tupelo, Mississippi, began his music career with Sun Records in Memphis in 1954. In March 1956, he released his first album for RCA, Elvis Presley, which went to the top spot on Billboard's pop album chart and launched him on his way to superstardom. In late March of that same year, Presley had his first Hollywood screen test, for a movie called The Rainmaker. He failed to get the role, which went to Burt Lancaster, and instead began shooting Love Me Tender that August. Soon after, on September 9, 1956, Elvis made the first of three appearances on The Ed Sullivan Show and the popular variety show received record-breaking ratings. In November 1957, Presley's third film, Jailhouse Rock, opened in theaters across the United States. The movie, which is considered by many critics to be one of his best, contains the now-iconic "cell block" dance production number, choreographed by Elvis and set to his song "Jailhouse Rock."

Upcoming Events

Wed. 11/22 - Minutes From 11/1 FOMC Meeting Released

Thurs. 11/23 - Thanksgiving - Markets Closed

Tues.-Wed. 12/12-12/13 - FOMC Meeting

Tues. 12/12 - USDA Supply and Demand

Mon. 12/25 - Christmas - Markets Closed

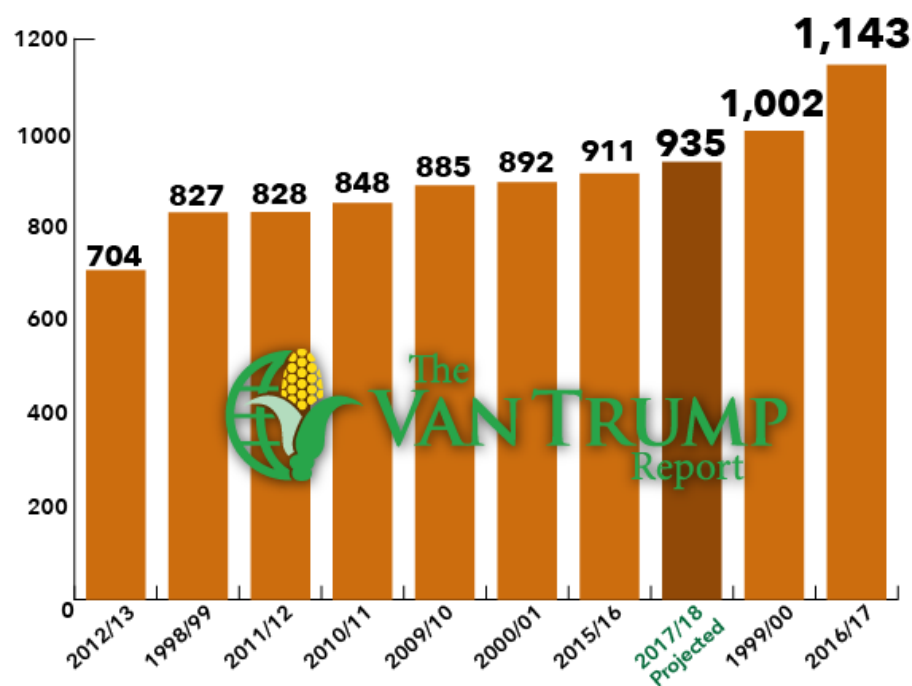
Mon. 1/1 - New Year's Day - Markets Closed

Fri. 1/12 - USDA Supply and Demand

Thurs. 2/8 - USDA Supply and Demand

Kevin's Song of the Week

Top 10 Historical November Wheat Ending Stocks (in million bushels)



Source: USDA, WASDE Archived Reports



WHAT I'M LISTENING TO:



Blackberry Smoke "One Horse Town"

About the Report



My goal at "The Van Trump Report" is to help readers better identify the moving parts and dynamics associated with the financial markets, geopolitical events, economics, media and culture that is currently influencing and shaping the direction of the agricultural markets. I like to believe I "Challenge the Traditional" and encourage our readers to think outside the box.

I use story telling techniques that are written in an easy to read format to help convey my current thoughts about business, markets, technology, weather, sports and life. I also like to include links, filter the noise, and pass along in-depth research and information that I believe could challenge your current thought process and help you make more informed decisions. In addition I include valuable lessons I have learned from other traders, executives and investors, along with an occasional inspirational piece about life, family and faith.

What I do not do in "The Van Trump Report" is give specific financial advice or tell individuals how to invest or how to specifically hedge. Remember, this information is being read by hedge fund managers, bankers, CEO's, and Ag leaders around the globe, therefore it's NOT tailored to fit your specific individual needs. For specific investment or hedging advice please seek the help of a licensed representative that can better understand your particular situation, individual needs and overall risk tolerance. This information should ONLY be used for educational and entertainment purposes.

My family and I would like to thank you again for your support!

Kevin Van Trump

What Others Are Saying

"I am a recent subscriber to Kevin's newsletter, but I'm a long-time reader of many other high-profile marketing services. I am particularly impressed with the thorough manner in which Kevin evaluates every economic aspect, both nationally and internationally, that

> **Egypt Reinstates Ergot Ban In Wheat Imports:** An Egyptian court on Tuesday effectively reinstated a ban on wheat imports containing even trace levels of the common grain fungus ergot, a lawyer who raised the case told Reuters, potentially reopening a longstanding row over import rules that has disrupted trade. Egypt, the world's largest wheat importer, issued a decree last year permitting wheat imports with up to 0.05 percent ergot, a common international standard. The court on Tuesday ruled the decree was invalid, potentially restoring a zero tolerance standard that led to boycotts of state grain tenders last year after traders said it was impossible to guarantee. (Source: Reuters)

> **There's More Farmland In The World Than Was Previously Thought:** There's more agricultural land in the world than previously thought, and India rather than the U.S. or China is now believed to have the biggest acreage of any country, according to new study from the U.S. Geological Survey. Global cropland totals 1.87 billion hectares (4.62 billion acres), 15 percent to 20 percent higher than earlier estimates. India has the largest cropland of any country at 444.30 million acres, compared with 414.64 million in the U.S. and 408.22 million in China. Russia ranks fourth, while South Asia and Europe are labeled "agricultural capitals of the world," as cropland accounts for more than 80 percent of some countries in those regions. In comparison, only about a fifth of land in U.S. and China is dedicated to growing food. (Source: Bloomberg)

> **Russia's Ag Ministry Pegs Wheat Crop At 82MMT:** The 2017 wheat crop in Russia will amount to 82 million metric tons, says the country's ag minister. This compares to last year's crop of 73.3 MMTs. The Ag Ministry forecasts this year's gross crop of all grains at a record 130 MMT against 120.7 MMT last year. (Source: UkrAgroConsult)

> **JBS Profit Falls 64%:** Brazil's JBS S.A. posted a net profit of BRL323 million (\$98.5 million) in the third quarter, down -64% from the same period a year ago, driven down by the company's adhesion to a tax debt settlement program in Brazil. Excluding effects of the tax debt settlement program, JBS would have reported a BRL 1.9 billion (\$579 million) net profit, the company reported. The company's net revenue remained

practically stable in relation to what was reported a year ago, at BRL41.1 billion (\$12.5 billion). (Source: MeatingPlace)

> Wilmar Profits Down 6% On Tropical Oils, Sugar Segments: Singapore's Wilmar International Ltd posted a 6 percent fall in third-quarter net profit as stronger performance in its oilseeds and grains division was offset by lower results in the tropical oils and sugar businesses. The company, whose biggest shareholders include U.S. agricultural trader Archer Daniels Midland Co, reported a net profit of \$370 million for the three months ended Sept. 30, compared with a profit of \$392.2 million for the same period a year ago. (Source: Reuters)

> Funds May Hold Record Bearish Grain Views: Speculators further increased their already massive net short stance on Chicago-traded grains last week, but they may have reached an all-time record in the days since. Combining net positions through Nov. 7 in CBOT corn and wheat, K.C. wheat, and Minneapolis-traded wheat futures and options, money managers notched their third most-bearish week ever with a net short of 349,922 contracts, according to data from the U.S. Commodity Futures Trading Commission. (Source: Reuters)

> NAFTA Negotiations Start Round 5 This Week: The fifth round of the NAFTA renegotiation is set to officially start on Friday in Mexico City, but negotiators will actually begin talks two days earlier, to squeeze in some technical meetings on Wednesday and Thursday. Don't expect ag to factor heavily into the two-day prelude; those meetings will feature discussions on textiles, labor, cross-border trade and intellectual property, according to a tentative schedule described to Pro Trade's Megan Cassella. The majority of the thorny issues will likely be put off until later in the round, which is scheduled to close out on Nov. 21. (Source: Politico)

> China's Oil Demand Will Peak In 2030: Oil demand from China's transportation sector will peak in 2030, and flatten thereafter, mainly due to falling gasoline demand for passenger vehicles that become more efficient and increasingly electricity-driven, the International Energy Agency said in its latest World Energy Outlook report Tuesday. The flattening of China's oil demand growth reflects its fundamental change from an industry-driven economy to one based on services and consumption. It also has major implications for Beijing's reliance on oil imports, energy security and the overall energy mix. Oil will still remain the backbone of China's transport fuel demand till 2030, growing by 3.3% per year on average, but its share will fall to just above three-quarters, from nearly 90% today, the IEA said. The remaining 25% of transport fuels will be biofuels, natural gas and electricity. (Source: Platts)

> S&P Declares Venezuela In Default: Venezuela's grand gathering with creditors Monday lasted all of 30 minutes and didn't produce anything of substance. To make matters worse, S&P Global Ratings declared the country in default while Fitch Ratings cited missed payments by the state oil company prompting a fresh selloff in the nation's bonds. The nation, home to the world's largest oil reserves, owed investors about \$200 million and failed to make those payments by the end of a 30-day grace period, S&P said in the statement. Investors in Venezuela's \$5 billion of bonds maturing in 2019 and 2024 can organize to demand that the nation immediately pay back all they're owed, and down the line, holders of the nation's other debt, which have cross-default provisions, could choose to do the same. (Source: Bloomberg)

> UK Banks Urged To Move Quickly: British-based banks looking to keep their access to the EU markets need to "move quickly," regardless of the "final outcome" of Brexit negotiations, according to European Central Bank Supervisor Daniele Nouy. She added that larger banks are making good progress but some smaller lenders appeared to be delaying their decision on whether to relocate to the EU. (Source: Reuters)

> Something "Very Unusual" Is Happening In Markets: Stocks are supposed to go up a lot and down by a lot. But lately, they've mostly been going up. The S&P 500 has not fallen by 3% to 5% for 12 months. The historical average is every 2 to 3 months on average, Deutsche Bank observed. If the current streak without a pullback that large continues for two more weeks, it would become the longest-such rally ever. Binky Chadha, Deutsche Bank's chief strategist, in a recent note to clients said, "We expect more regular (3%-5%) pullbacks to resume next year, exacerbated by positioning." These pullbacks historically happen when investors make outsized bets that stocks would rise versus bets that they would fall, when economic growth is so unexpectedly good that there's reason to believe it could worsen, and if there's an unexpected negative catalyst, he said. Traders are betting less on stock-market drops overall, although single-stock short interest has increased slightly, Chadha wrote. In addition, mutual funds are holding more US stocks now compared to recent scary episodes of this expansion including the China-led growth scare early last year and the oil-price collapse in 2014. (Source: Business Insider)

influences commodity prices. His analysis and conclusions are highly thought out and conveyed in layman's terms so that the reader can comprehend the numerous and often complex interrelationships that impact the markets. Kevin is a real attribute to the agricultural sector."

A.M., FDIC

"As a national federal farm policy administrator and commodity producer, I find it critical to keep updated with what is going on in the real world of agriculture and with the domestic and global markets. Of all the services I've have been privy to or have subscribed to over the past 20 years I've found in the past several months of engaging in your "Farm Direction" services to be the best perception and analysis of what is really happening in today's world. Not only here in the United States, but across the globe as well. US farmers need this type of help and information to assist them in their daily efforts. I commend you for a job well done. Please let me know if I can ever be of any help or assistance to you in the future..."

**L.T., Assistant Deputy Administrator
for Farm Programs USDA**

My Own Personal Truisms

"Not To Trade, is often considered a good trading decision..."

"First Rule of HOLES: When you are in one stop digging..."

"Every looser in Vegas, always walks away from the table thinking he could have done better, the winners on the other hand leave while on top..."

"Bulls make money, Bears make money, but pigs get slaughtered..."

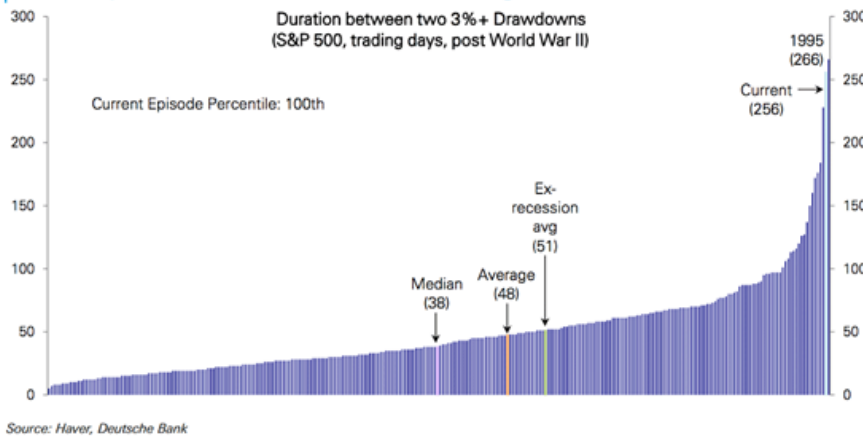
"The markets ability to remain irrational can often times last much longer than your ability to remain solvent..."

I'm more of a long-term player, therefore you will not see me give many short-term suggestions or trade ideas. One of my most important rules is that I always follow my long-term direction. Therefore, as long as I am "bullish" a market I will only play that particular market in one of three ways.

- Option #1 - Conservatively long.
- Option #2 - Aggressively long.
- Option #3 - Sitting on the sideline.

I never initiate a "short" position in a market that I am "bullish" longer-term, nor do I initiate a "long" position in a market I am "bearish" longer-term.

Figure 2: The duration of this equity rally without even a modest pullback has been very unusual and on track to be the longest since WWII



SOURCE: Deutsche Bank

BUSINESS INSIDER



FROM THE FIELD

Southeast Nebraska - We are getting some early fieldwork done after finishing up harvest last week. The high winds we had a few weeks back took the top end off yields. The winds did not hit us as bad as some guys that lost 50bpa to 80bpa depending on the variety. I think that we only saw 10bpa to 15bpa on the ground. Our whole farm average for corn was right at 250bpa. We are putting down anhydrous and dry fertilizer now as we strip-till. We will do this application then side dress with Y drops in the spring. Our bean crop did very well. The whole farm average will be north of 70bpa which we will take. We had a few fields make in the 80bpa range and even a couple over the 90bpa mark. There is a good chance we plant a few more bean acres next year with where prices are.

Eastern Colorado - This weather here over the past week has really been awful with foggy, drizzly days with no sunshine. There is a lot of corn in this part of the country, both at elevators and on the farm. I think that the corn stored in bags this year could be huge. The dryland corn yields have been unbelievable this year. We will normally budget for 70bpa to 80bpa yields on these farms but we are seeing 130bpa to 150bpa. We have not seen dryland numbers like these for quite a few years. The irrigated fields have much more variable this year, with some very poor and some tremendous. This area may have been a little too wet and cold early on. The planting for corn this year was a little late due to weather. I think that we had some varieties that just didn't perform well for whatever reason. After being wet this spring, when the water shut off, it did so in a hurry not having rains, getting dry. I do not believe the corn plant had a chance to root down before it got dry. We don't have a lot of beans but they were average making 50bpa to 55bpa across all farms.

Central Kansas - We have a few beans and corn left to harvest and should get the opportunity to finish by this weekend. We are dealing with enough moisture to keep us out of the field here. We had great temps in August but no moisture to go with it and that knocked yields down a bit compared to last year. Our beans only ranged from mid-30's to low 50's across all fields compared to last season's 60-70bpa. We also provide crop insurance and that business is getting very competitive. It was nice to have the Whole Farm Revenue added, allowing us to insure more than the traditional row crops.

Farm Direction

RECIPES

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A place to share intelligent thoughts...

CoBank Cautiously Optimistic About Grains Outlook: *The long-term outlook for grains and ethanol is one of "cautious optimism," according to a new report from CoBank's Knowledge Exchange Division. In the report, "2018-2020: Pressure on Grain and Farm Supply Sectors to Persist," the study's author Tanner Ehmke describes a scenario in which rising incomes across the world are expected to underpin global demand and create opportunities for U.S. exports in grains, oilseeds and ethanol. An expected tailwind might also come from weakness in the U.S. dollar, he explained. As global economies recover it could make U.S. exports more competitive, and rising valuations of currencies among major exporters like Brazil, Argentina, Russia, Ukraine, Canada, Australia and the European Union could be key in the development of the U.S. ag export program, he noted. Read more [HERE](#).*

Whole Food's Food Experts Predict Top Foods For 2018: *Earlier this week, Whole Foods practiced its hand at trend forecasting. The chain's global buyers and experts culled their data and surfaced a list of what they're predicting to be the top food trends of 2018. The Austin, Texas-based grocers are no strangers to the ebbs and flows of the market, so they wrangled a team of "seasoned trendspotters" and put together a mix of what they say could be next year's turmeric/rainbows/everything bagel spice. Read more [HERE](#).*

Elon Musk Will Soon Reveal Tesla's Much-Hyped Newest Vehicle...An All-Electric Semi Truck: *"A lot of people don't think you can do a heavy-duty, long-range truck that's electric, but we are confident that this can be done," Musk told Tesla shareholders at its annual meeting in September. Tesla Semi Truck unveil will be webcast live on Thursday at 8 p.m Pacific time. I'm told that Musk plans to have the vehicles hit the road by 2019. Click [HERE](#) to read more and see a segment of Musk's Ted Talk where he teased the audience with an image of Tesla's truck.."*

See How Mercedes Is Preparing For The Fourth Industrial Revolution: *In an era of great uncertainty and disruption for automotive manufacturers, Mercedes and its parent company Daimler are jumping in full throttle as leaders of the 4th Industrial Revolution. Not only are they designing new vehicles, but their services, influence in the transportation industry and factories are transforming to embrace the new opportunities and demands of their customers. Other companies should follow their lead to thrive in the new industrial revolution. Read more [HERE](#).*

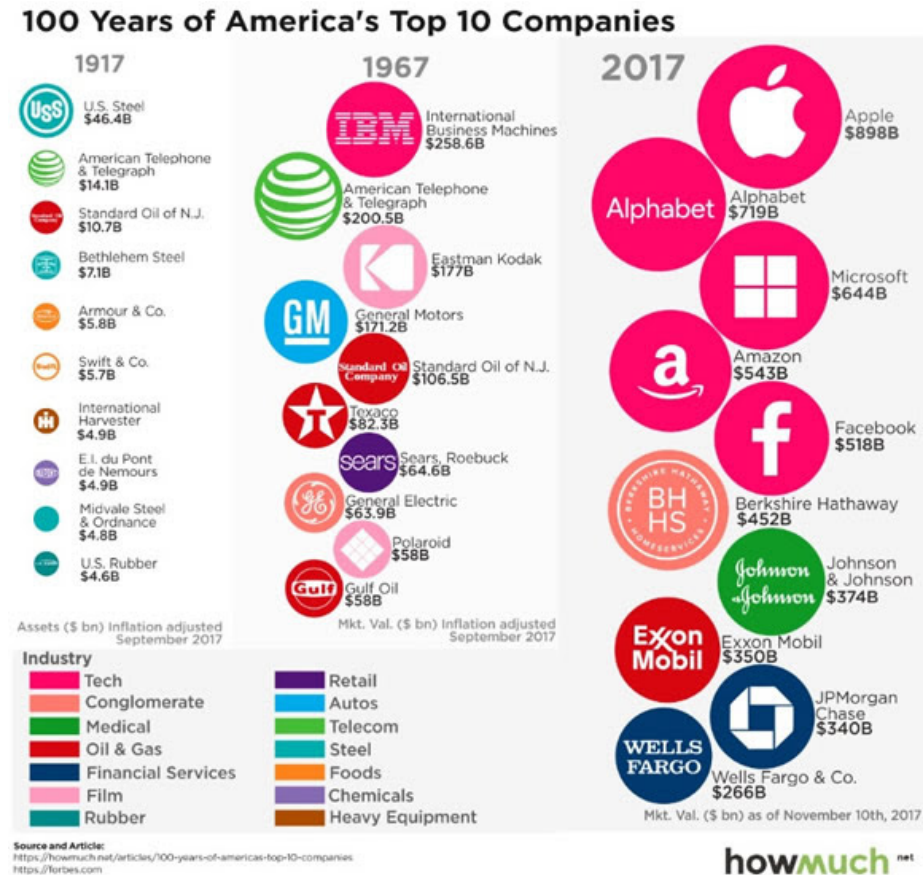
4 Ways To Train Your Brain To Be More Open-Minded: *The idea that opposites attract isn't entirely true. People prefer to hang out with people who are like-minded, according to research published in the Proceedings of the National Academy of Sciences. While this makes for easy-going relationships and conversations, it doesn't help to broaden your perspective or open your mind. To do those things, you have to purposefully take other actions. "Becoming more open-minded is actually a counterintuitive mental task," says John Brown, psychologist and organizational development consultant for EPIC Insurance Brokers & Consultants. "Our brains think in whole ideas, the famous cognitive psychologist Jean Piaget taught us. These whole ideas are called 'schema.'" Schema includes our life experiences, beliefs, social reinforcements, and physiological reactions. "To visualize schema, think of Venn diagrams," he explains. "When new information comes into our consciousness, we have to either fit it to our existing schema, or adjust our existing schema to fit the new information." Read more [HERE](#).*

Two Of The World's Largest Yellow Diamonds Up For Sale: *Two of the largest yellow diamonds ever offered for sale will be hitting the auction block in Geneva today. The pair of rocks, called the Donnersmarck Diamonds, total more than 185 carats and once belonged to French nobility. They are part of the collection of La Paiva, a 19th-century French courtesan turned countess, who was well known for her vast collection of fine jewels. That royal provenance, plus their size and unique hue, has Sotheby's projecting the fancy intense yellow diamonds will fetch anywhere from \$9 million to \$14 million. Read more [HERE](#).*

Half Of U.S. Adults Have High Blood Pressure Under New Guidelines: *New guidelines lower the threshold for high blood pressure, adding 30 million Americans to those who have the condition, which now plagues nearly half of U.S. adults. High pressure, which for decades has been a top reading of at least 140 or a bottom one of 90, drops to 130 over 80 in advice announced this week by a dozen medical groups. The change means an additional 14 percent of U.S. adults have the problem, but only an additional 2 percent will need medication right away; the rest should try healthier lifestyles, which get much stronger emphasis in the new advice. Poor diets, lack of*

exercise and other bad habits cause 90 percent of high blood pressure. Read more [HERE](#).

A Century of America's Top 10 Companies: Economists like to explain the constant churn of the economy as "creative destruction." It implies a silver lining when a single company breaks up—something better might take its place. An interesting way to think about this concept is by looking at historical examples of companies that have come and gone. The graphic below lays out the top ten largest companies according to Forbes in a historical sequence for 1917, 1967 and 2017. The size of the circle corresponds to the company's valuation adjusted for inflation to 2017 dollars. The circles are color-coded by industry. Read all the details and see a larger version of the graphic [HERE](#).



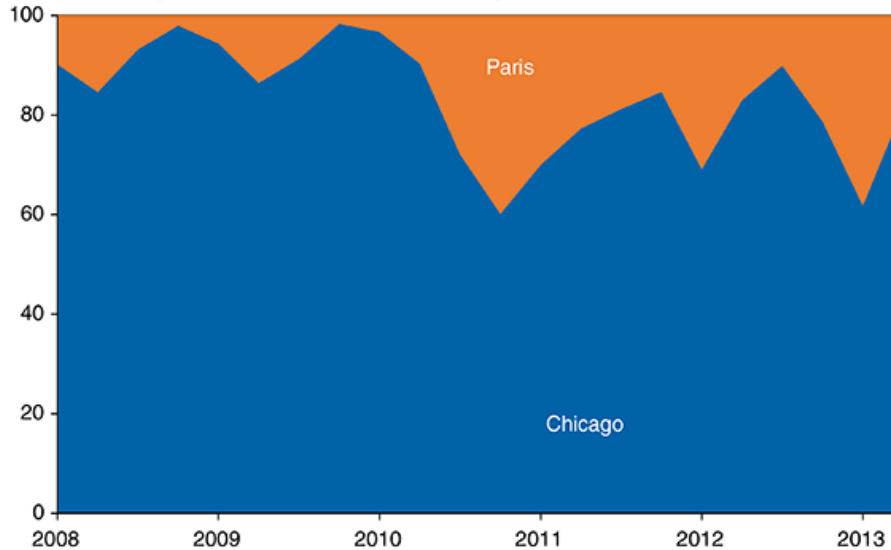
Is World Price Discovery For Wheat Shifting?

Until recent years, the U.S. had led the world in the pricing and trade of wheat. In the late 1970s and 1980s the U.S. share of world wheat exports was 40 to 45%. However, by the 2015/16 marketing year, this share fell to just 13% as a substantial share of world wheat exports shifted to Russia and Ukraine (collectively, the Black Sea region) and the European Union. These countries made up 44% of world wheat trade in 2015/16 with Russia surpassing the U.S. as the world's leading wheat exporting nation. At the same time, U.S. wheat futures prices are being supplanted by new price benchmarks that closely track supply and demand conditions in the Black Sea region and the EU. To be clear, the Chicago Mercantile Exchange Soft Red Winter Wheat futures contract is still the most active wheat futures market in the world, but futures trading volume has grown substantially for the Euronext Milling Wheat contract traded in Paris. Rising volume indicates to many inside the trade that a market may be gaining more importance for price discovery. A [new study](#) by economists at USDA Economic Research Service and Montana State University estimates the proportion of price discovery in the Chicago and Paris futures markets between 2008 and 2013. The study finds U.S. futures markets remain dominant in wheat price discovery, although the Paris market has grown more important since 2010, when major supply shocks in the Black Sea region culminated in Russia instituting a wheat export ban. Prior to August 2010, they believe 91% of information about the common value of wheat was first revealed in Chicago futures prices. After August 2010, the share dropped to 75%. It's not a huge

shift, but it is interesting to see how global markets are starting to gain more importance. I suspect as more computer algorithms and artificial intelligence trading platforms takeover and become more the norm, their 24-hour trading capabilities and ability to analyze headlines in micro-seconds from around the world, will make global markets more important in regard to price discovery. (Source: USDA, ERS - Amber Waves)

The Paris futures market has gained influence in wheat price discovery, but Chicago remains the leader

Quarterly average share of estimated price discovery (percent)



Source: Authors' calculations using data from CGQ, Inc.

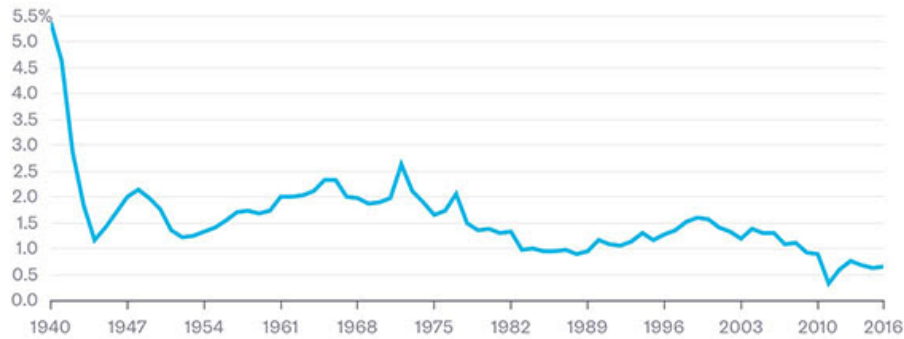
The Estate Tax, History and Debate

Here around the office we've been discussing and debating the Estate Tax. As most of you know, it's been in the headlines a lot as of late as leaders in Washington debate its future. We did a little historical research on the topic to help us get a better understanding and perspective to what many consider a terrible penalty. For what it's worth, many rich folks are actually divided on the subject. With some of our countries wealthiest actually in full favor of the tax. In fact, many who are in favor often reference Andrew Carnegie's rousing and still-famous defense of the estate tax back in 1889: "Of all forms of taxation, this seems the wisest. Men who continue hoarding great sums all their lives, the proper use of which for public ends would work good to the community, should be made to feel that the community, in the form of the state, cannot thus be deprived of its proper share. By taxing estates heavily at death the state marks its condemnation of the selfish millionaire's unworthy life." Remember, Carnegie was one of our nations wealthiest when he made those comments. But what many in the media fail to report is that these comments were made during a period when our nation needed to raise money for the Spanish-American War. These comments were also made prior to any income taxes being levied by the federal government. Keep in mind, the "federal income tax" as we know it did not become law until 1913. Later that year, Congress enacted the Revenue Act of 1913, with the income tax ranging from 1% on income exceeding \$3,000 to 7% on incomes exceeding \$500,000. Shortly thereafter we need more money to increase military spending in order to defend ourselves and our allies during World War I. At the time, adding an estate tax seemed less controversial than expanding the income tax. Therefore in 1916 our modern day Estate Tax was put in play. The modern estate tax was temporarily phased out and repealed by tax legislation in 2001. This legislation gradually dropped the rates until they were eliminated in 2010. However, the law did not make these changes permanent and the estate tax returned in 2011. "But late in 2010, before that clause took effect, Congress passed superseding legislation that imposed a 35 percent tax in 2011 and 2012 on estate in excess of \$5 million. Like the 2001 legislation, the 2010 legislation had a sunset clause so that in 2013 the estate tax would return to its 2001 level. But then on New Year's Day 2013, Congress made permanent an estate tax on estates in excess of \$5 million at a rate of 40 percent." As of late the amount we are taxed upon after death has varied year by year: In 2014 and 2015 it was an estate in excess of \$5,340,000; In 2016 it was an estate in excess \$5,450,000 (effectively \$10.90 million per married couple) would have to pay the estate tax. Because of these levels, it is estimated that only the largest 0.2% of estates in the U.S. will pay the tax. In other words, of the 2.6 million people who will probably die this year in the United States, there will be only about 5,000 tax returns that will owe estate taxes. It's also interesting to see just how small the estate and gift tax revenue is as a percentage of federal revenue. Hence,

another reason I believe the tax should be eliminated. I could understand the argument of being in favor of the Estate Tax, if like our forefathers we weren't already paying a heavy amount of income tax on the money or assets that is again being taxed. At the same time, I also understand the opposite side of the argument and the need to try and dilute income inequality and slow dynasty-building. It will be interesting to see how leaders in Washington play this hand. It certainly has a large impact on farming families across out nation, so we will continue to monitor closely.

Not a Money Gusher

Estate and gift tax revenue as a percentage of federal revenue



Source: White House Office of Management and Budget

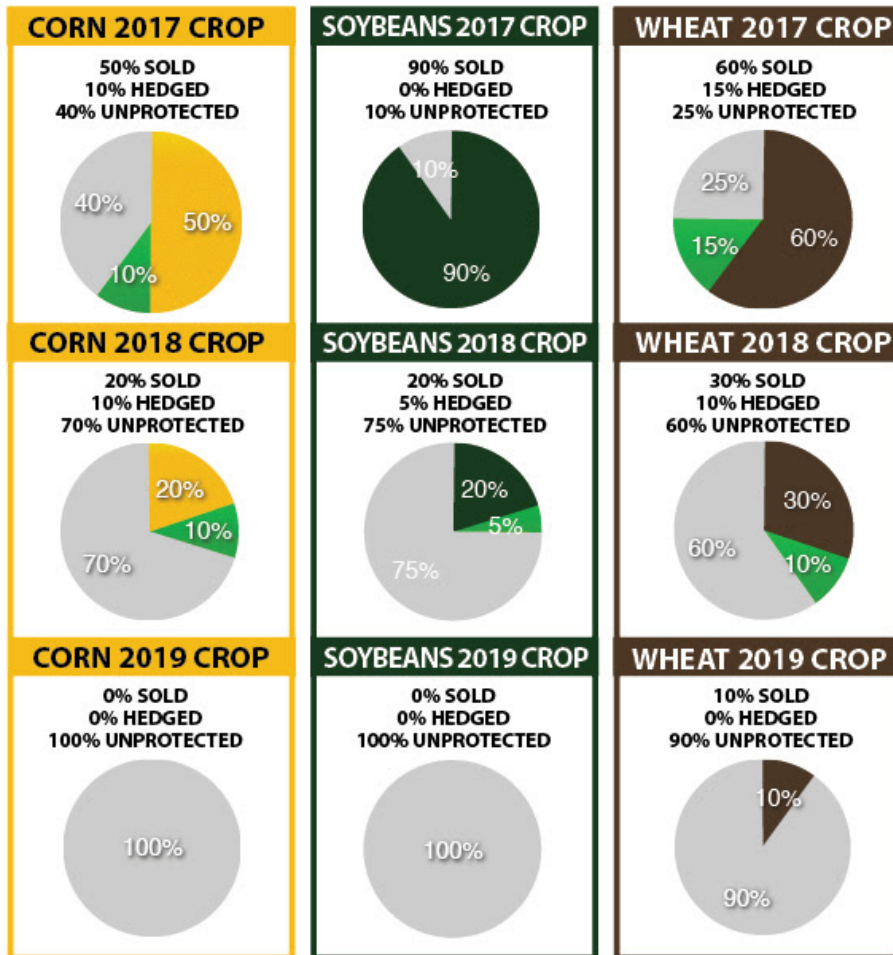
Bruce Springsteen's Broadway Hit Highlights Noble Prize Winning Economic Theory

Broadway has a new box office hit on its hands and it comes from a rather surprising source. Bruce Springsteen, aka 'The Boss', launched a one-man show in early October. It was originally scheduled to run 8 weeks but proved to be such a smash hit, it was extended by and extra 10 weeks, to February 3, 2018. When tickets went on sale on August 30, they almost immediately sold out. And of course, some of those inevitably began showing up on secondary-market sites like StubHub for prices well beyond their face value. The average retail price for tickets from the box-office was \$503 but I've seen ticket prices via resellers reported as high as \$9,000. They are commanding such a steep price due to several factors. For starters, Bruce Springsteen is by-and-large considered an American music treasure so the tickets were naturally in high demand. The format of the show is like nothing Springsteen has ever done though. It is just him, his guitar and a piano. Part of the show is him performing his music, part of it is him just telling stories. Obviously, it's a once-in-a-lifetime experience. However, the theater he chose for the performances only has 960 seats and the show only runs five nights a week. Including the added shows, that's only enough seats for a little over 86,000 people - a fraction of the legion of Boss fans across the globe. Planet Money correspondent Kenny Malone pointed out something very interesting about this Springsteen show - If a fan could sell their ticket for double the face value, around \$1,000, but they do not, it's essentially the same as paying \$1,000 to see the show because they're giving up that money. Of course, that amount could be much higher, but for some fans, no amount of money in the world could convince them to sell. At the same time, they would not be willing to pay those elevated prices in order to secure a new ticket. Robert Thaler, a professor at the Booth School of Business, University of Chicago, studies just such behavior. Thaler won the Nobel Prize in Economics this year for studying the many irrational ways human beings deal with money. One such irrationality is called the "Endowment Effect." Thaler's most famous study involved participants who were given a mug then given the chance to turn around and sell the mug. They found that the amount participants required as compensation for the mug once their ownership of the mug had been established ("willingness to accept") was approximately twice as high as the amount they were willing to pay to acquire the mug ("willingness to pay"). Standard economic theory asserts that a person's willingness to pay (WTP) for a good should be equal to their willingness to accept (WTA) compensation to be deprived of the good. It's been proposed that the endowment effect is, in part, due to the fact that once a person owns an item, forgoing it feels like a loss and human beings are inherently loss-averse. Regardless of the economic theories and why prices for these tickets are so high, if you're in New York and have the opportunity, you might want to check out this Broadway hit. I included two videos that I feel are iconic for "The Boss". First is the always popular 80's hit video Dancing in The Dark, that features a young teenage Courtney Cox dancing on the stage (Click [HERE](#)). The other video is Bruce Springsteen singing an amazing unplugged version of his hit song "Born in the USA" in front of a giant crowd in Washington DC. (Must See Click [HERE](#)) (Sources: NPR, Wikipedia, Fortune)





CASH SALES & HEDGING TOTALS



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