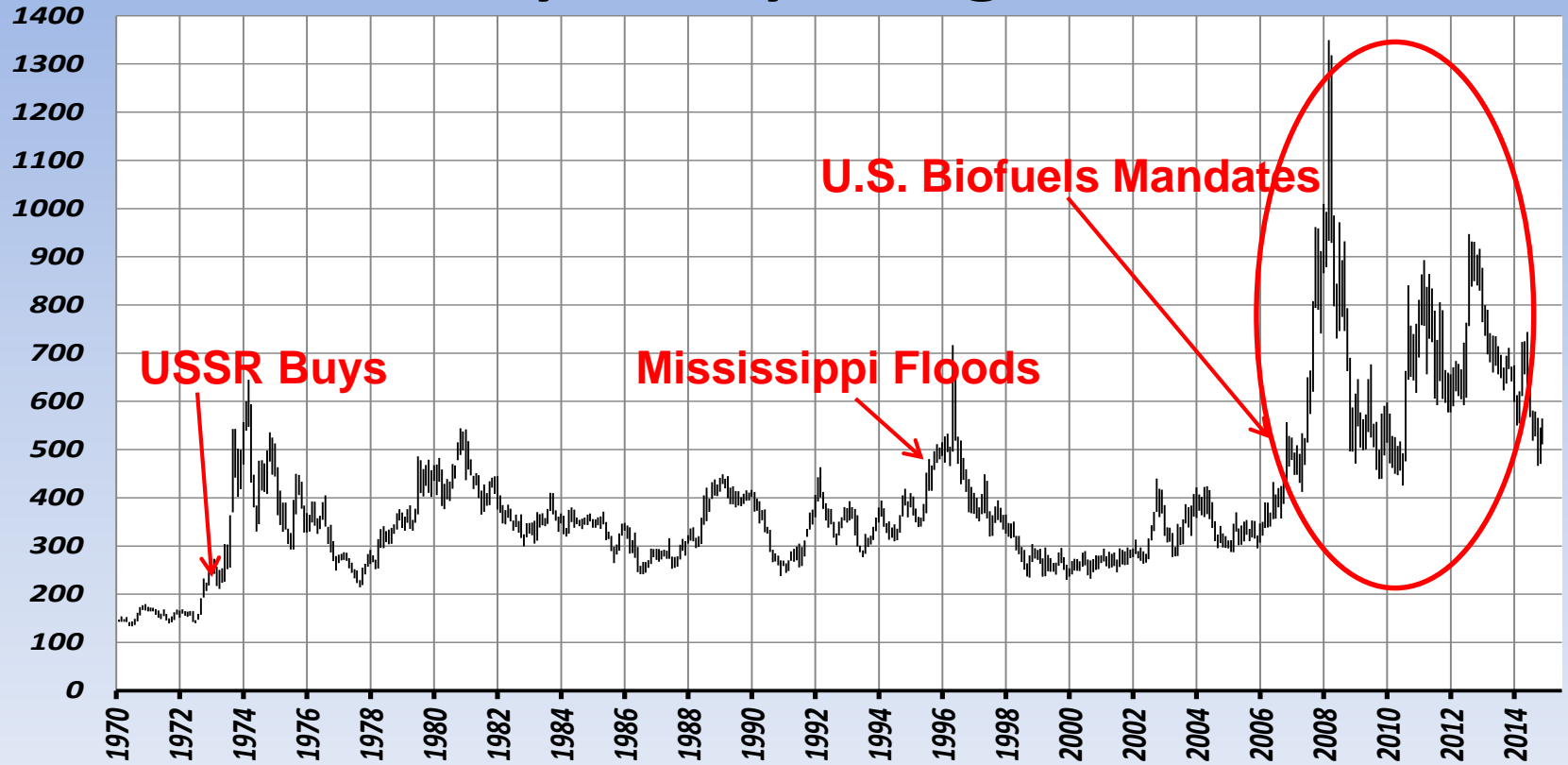




*with Mike
Krueger*

mike@themoneyfarm.com

Monthly Nearby Chicago Wheat



Longest Bull Market in History

Why?

- Demand growth accelerates
 - Population growth
 - Middle class expands rapidly
 - Diets improve **FOREVER**
- Ethanol takes 40% of U.S. corn production
- Biofuels takes excess vegetable oil
- Crop production problems

Longest Bull Market in History

Why?

- **Commodities became an “investment” class, attracting huge amounts of cash**
- **Commodity funds became a new “demand” category**
- **Futures markets adapt to new demand**
 - **E trade replaces open outcry**
 - **Trading hours greatly expanded**
 - **Daily trading limits greatly expanded**
 - **We create extreme volatility**

Wheat - COT - Futures Only

Open Interest

Number Of Contracts



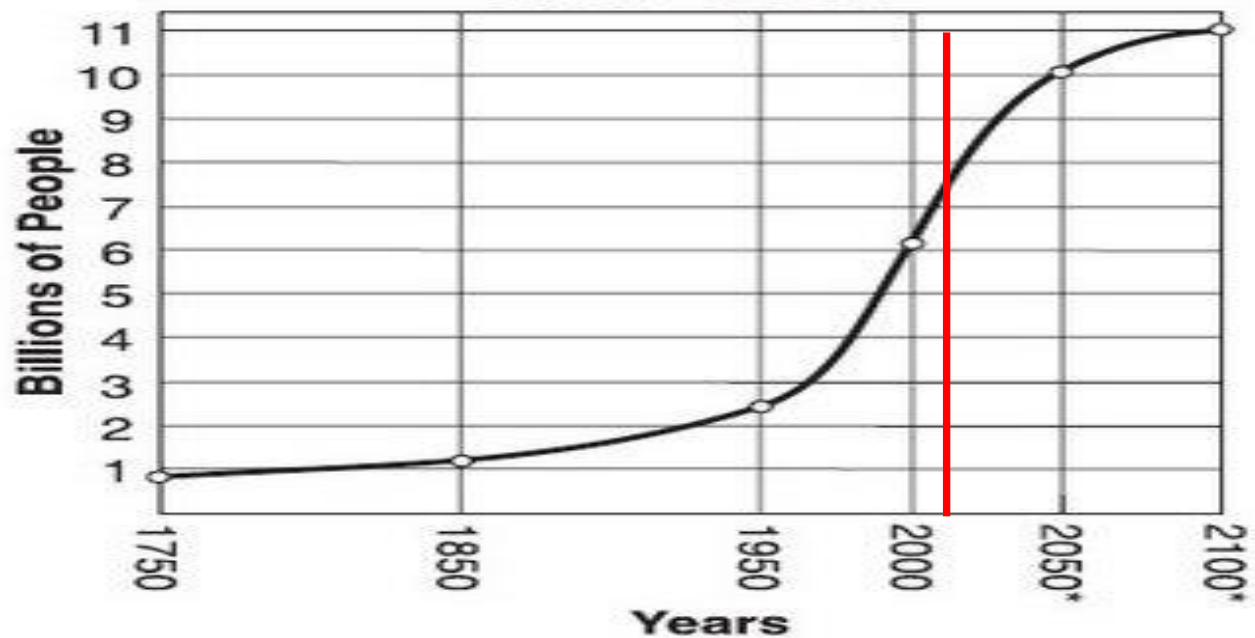
The Hightower Report | Source: CFTC

Max: 562,198 (2/8/2011) - Min: 23,153 (12/31/1986) - Most Recent: 393,780 (11/17/2015)

The 9 Billion People Problem



World Population Growth 1750—2100*



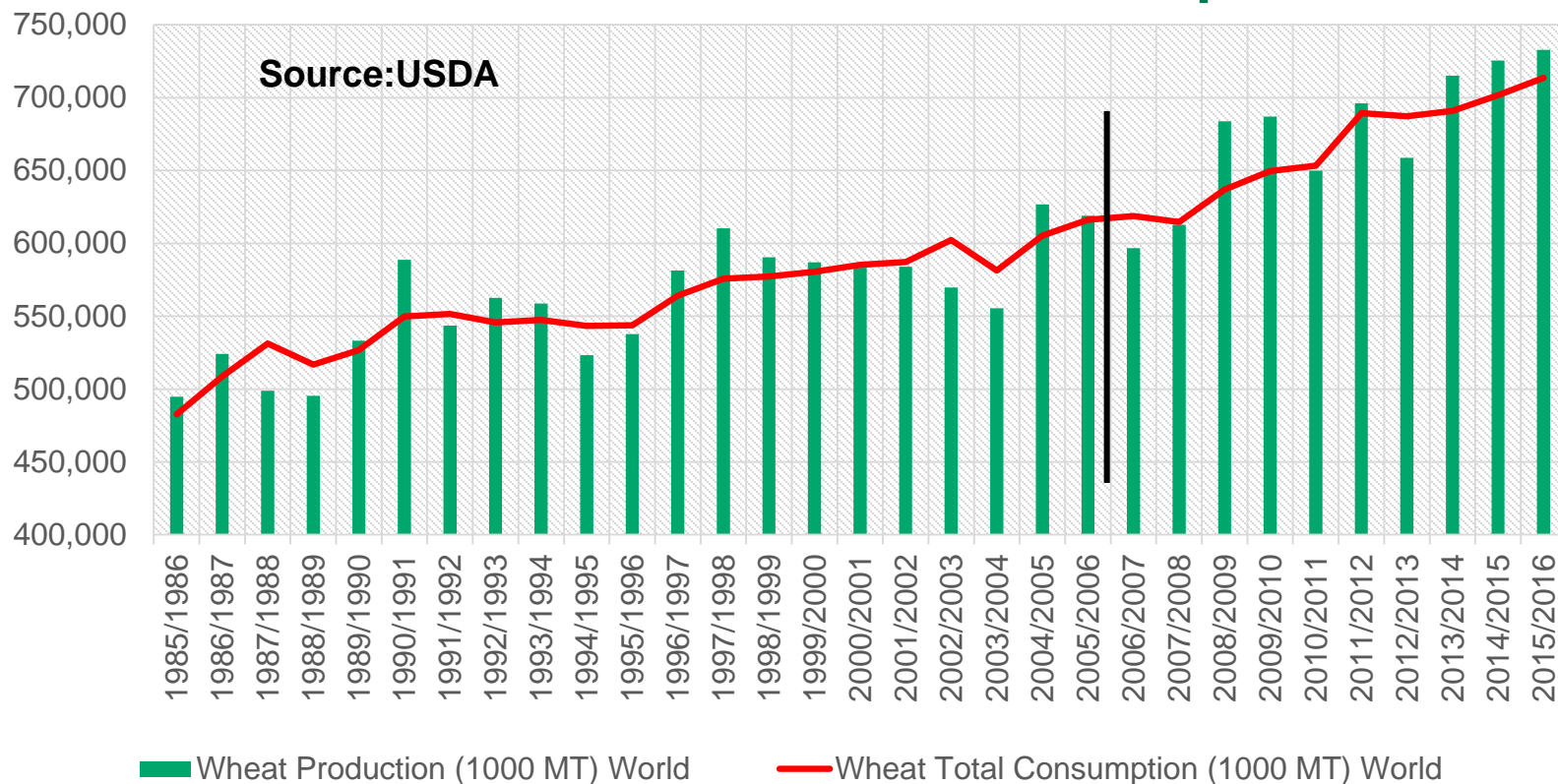
*estimated

Source: United Nations (adapted)

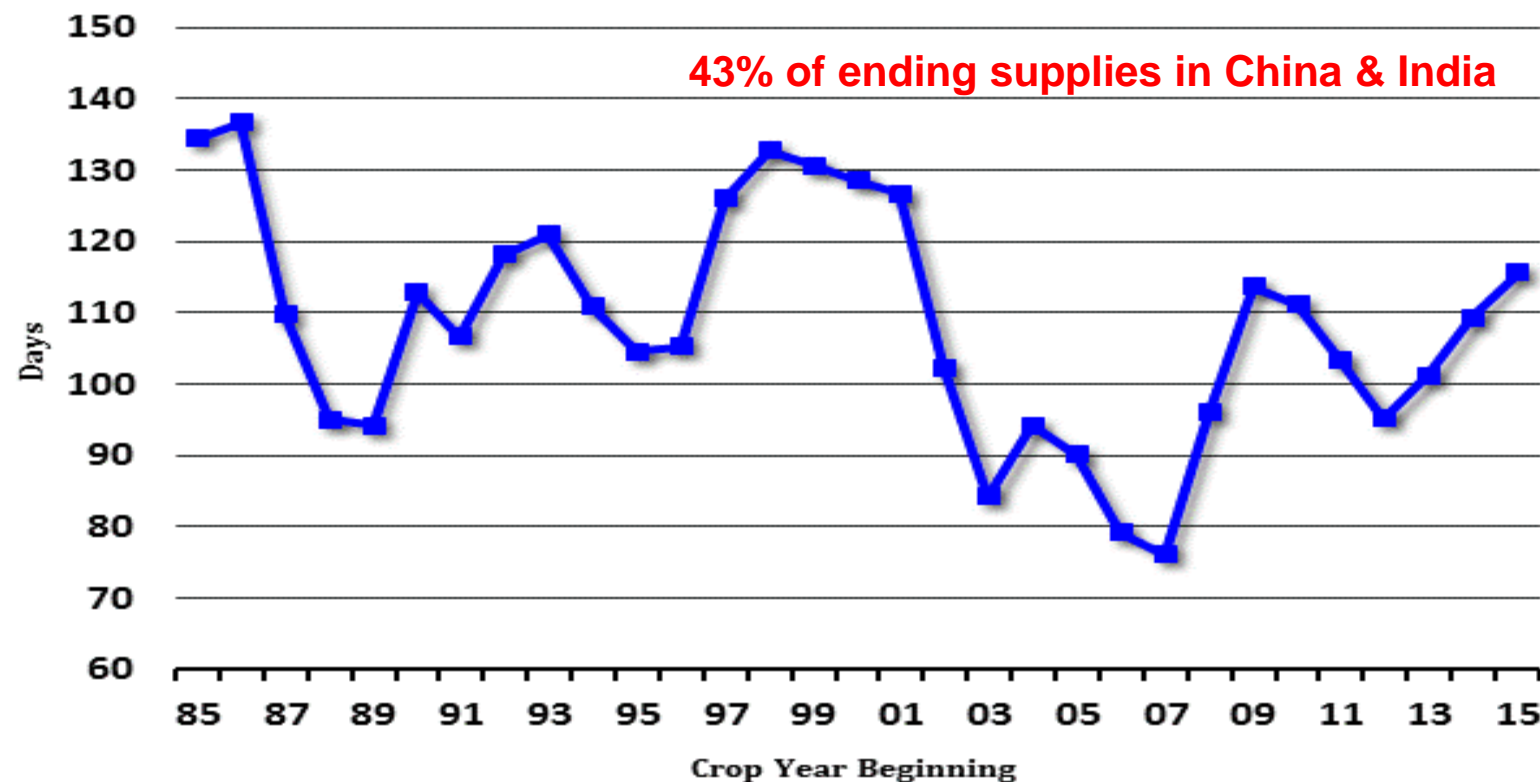


**There are more people living inside
this circle than outside of it.**

World Wheat Production/Consumption



World Wheat - Days of Supply

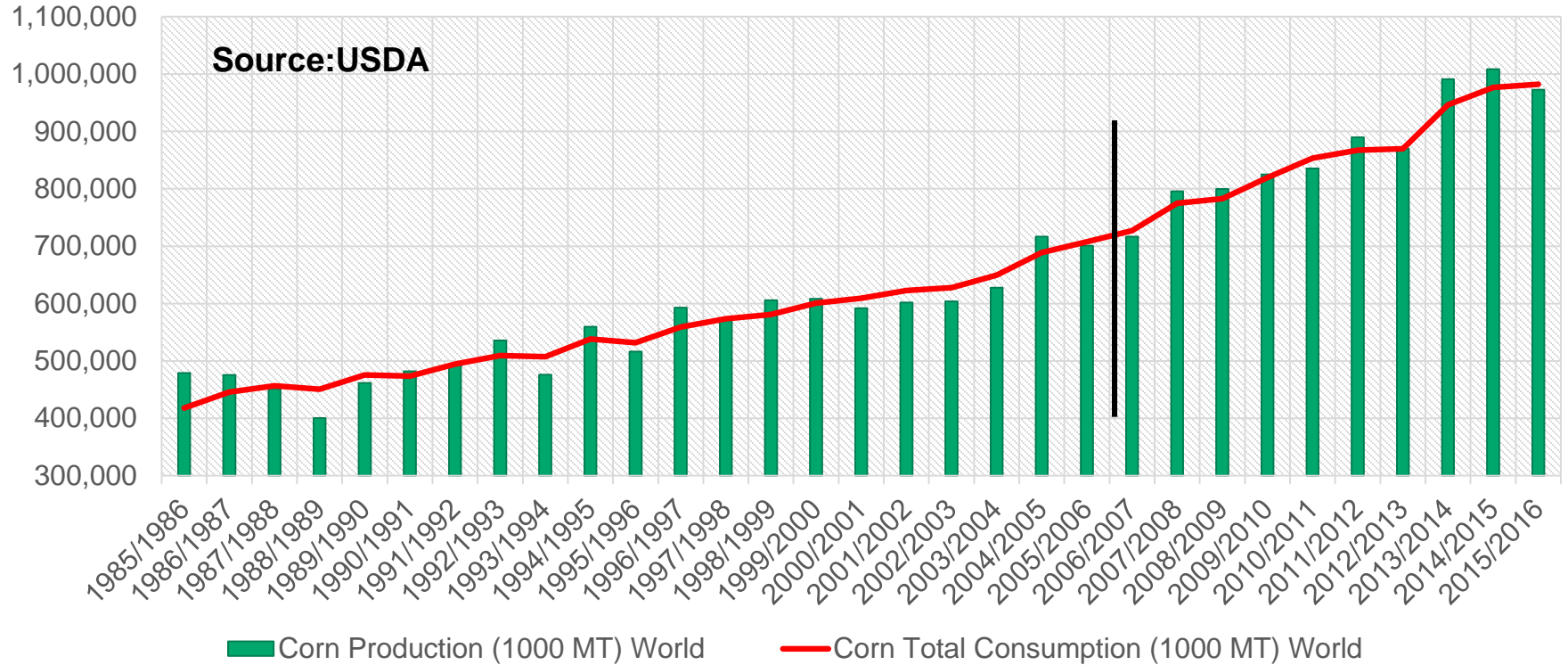


Most Recent: 115.65 As Of 11/10/2015

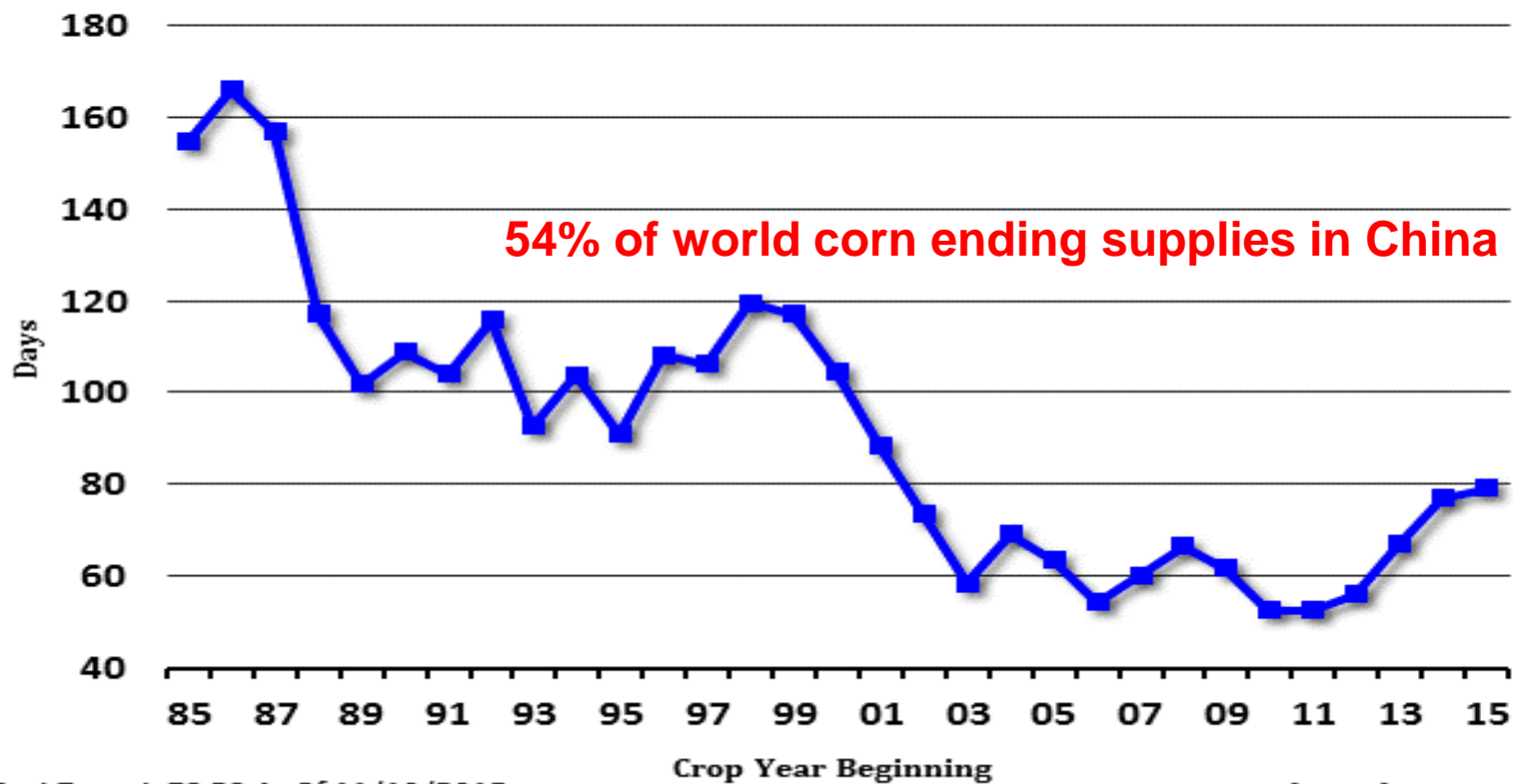
Crop Year Beginning

The Hightower Report

World Corn Production/Consumption



World Corn - Days of Supply

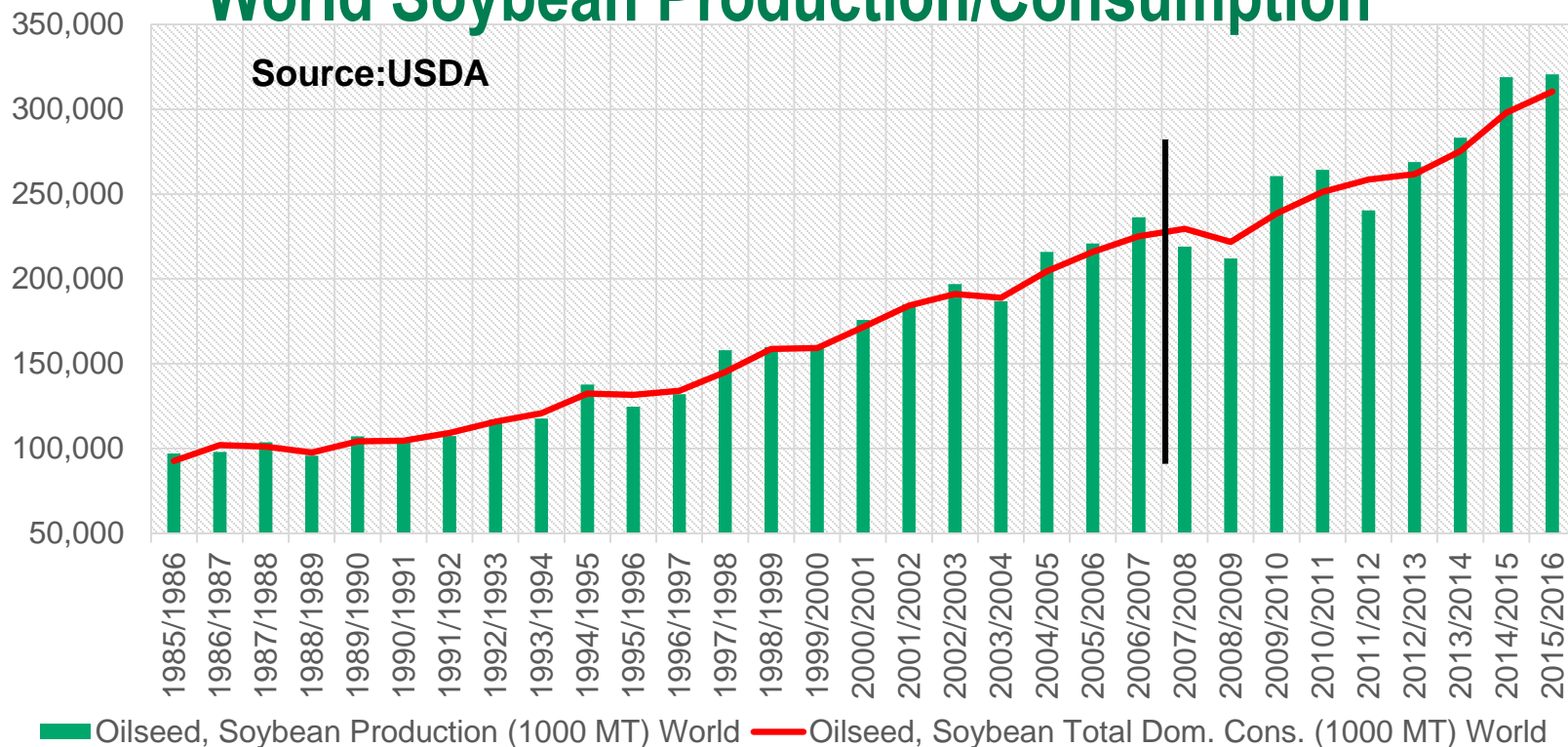


Most Recent: 79.29 As Of 11/10/2015

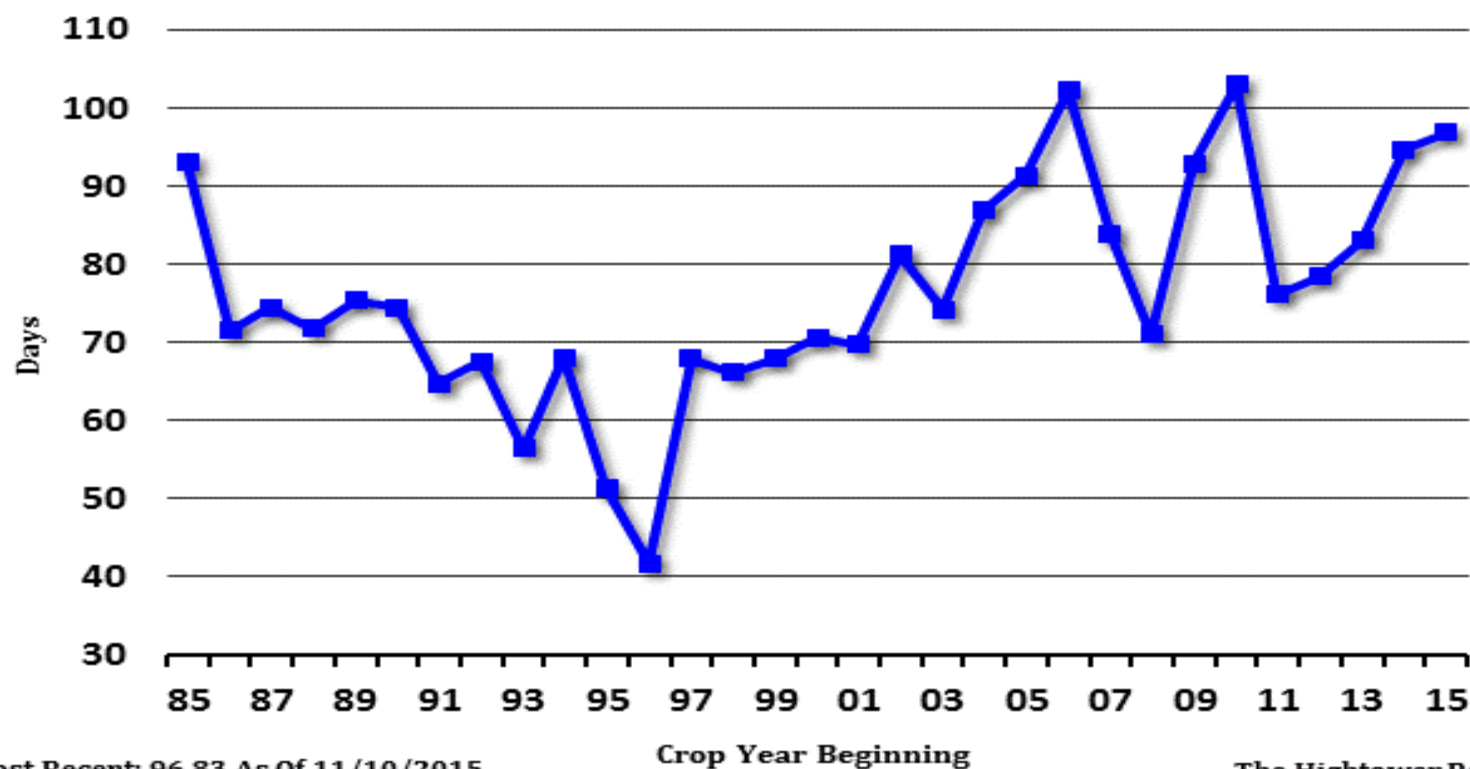
The Hightower Report

World Soybean Production/Consumption

Source: USDA



World Soybean - Days of Supply

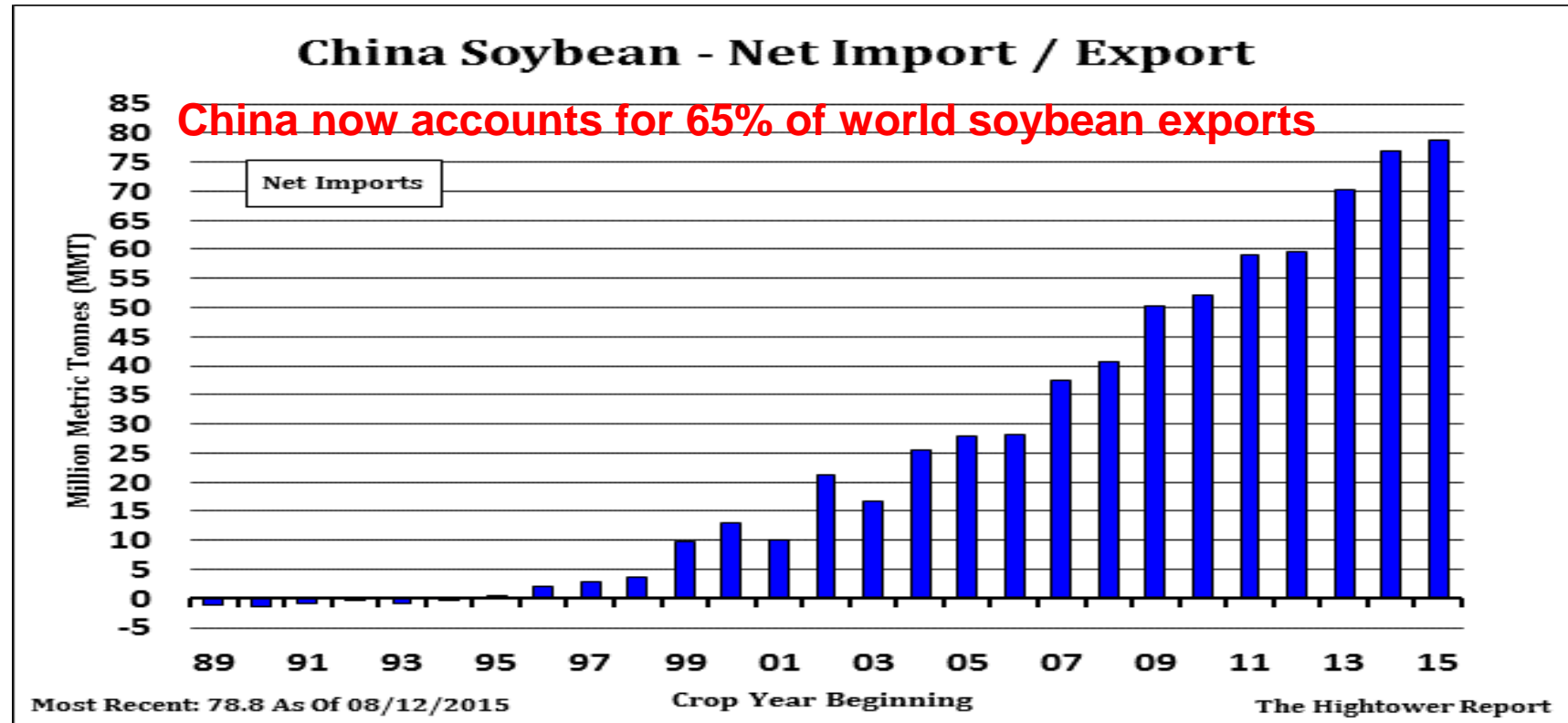


Most Recent: 96.83 As Of 11/10/2015

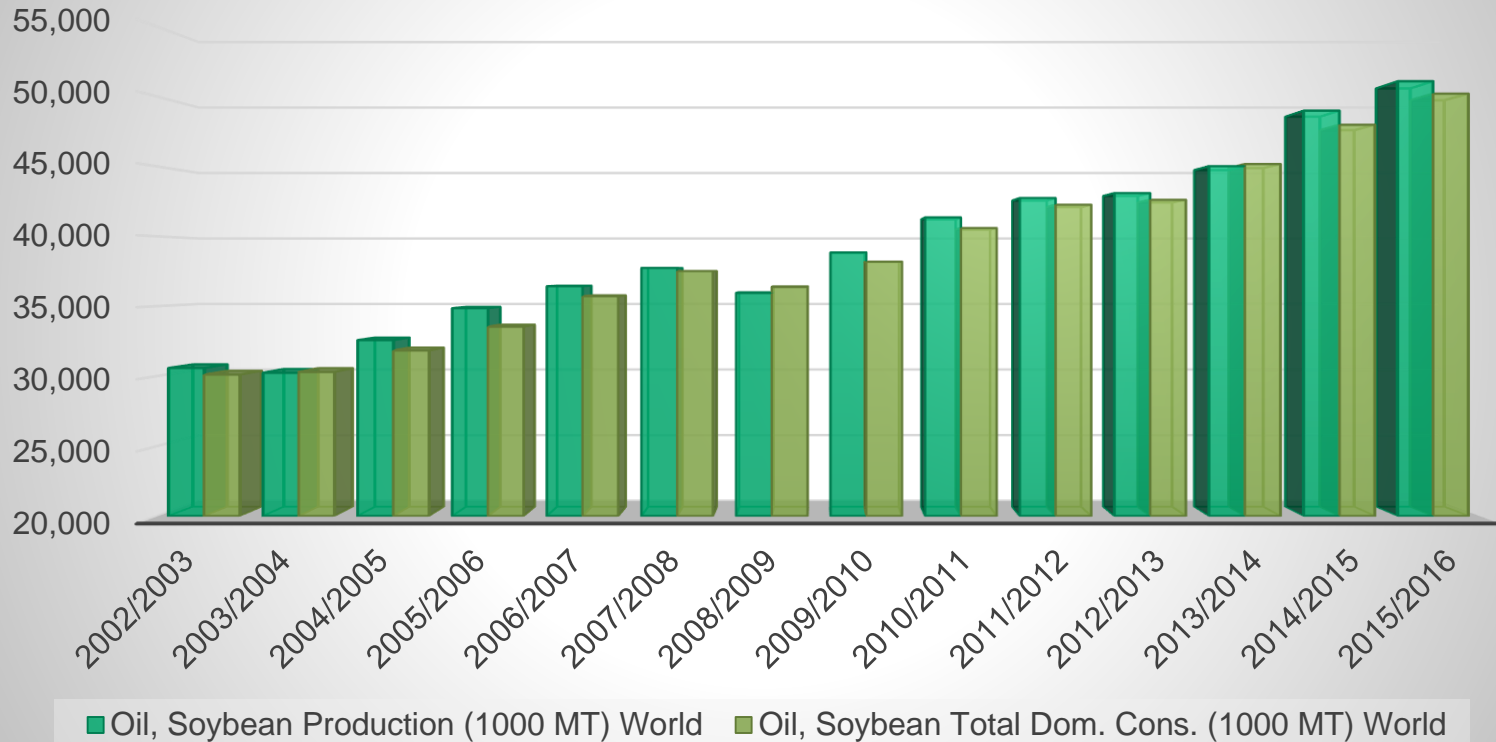
Crop Year Beginning

The Hightower Report

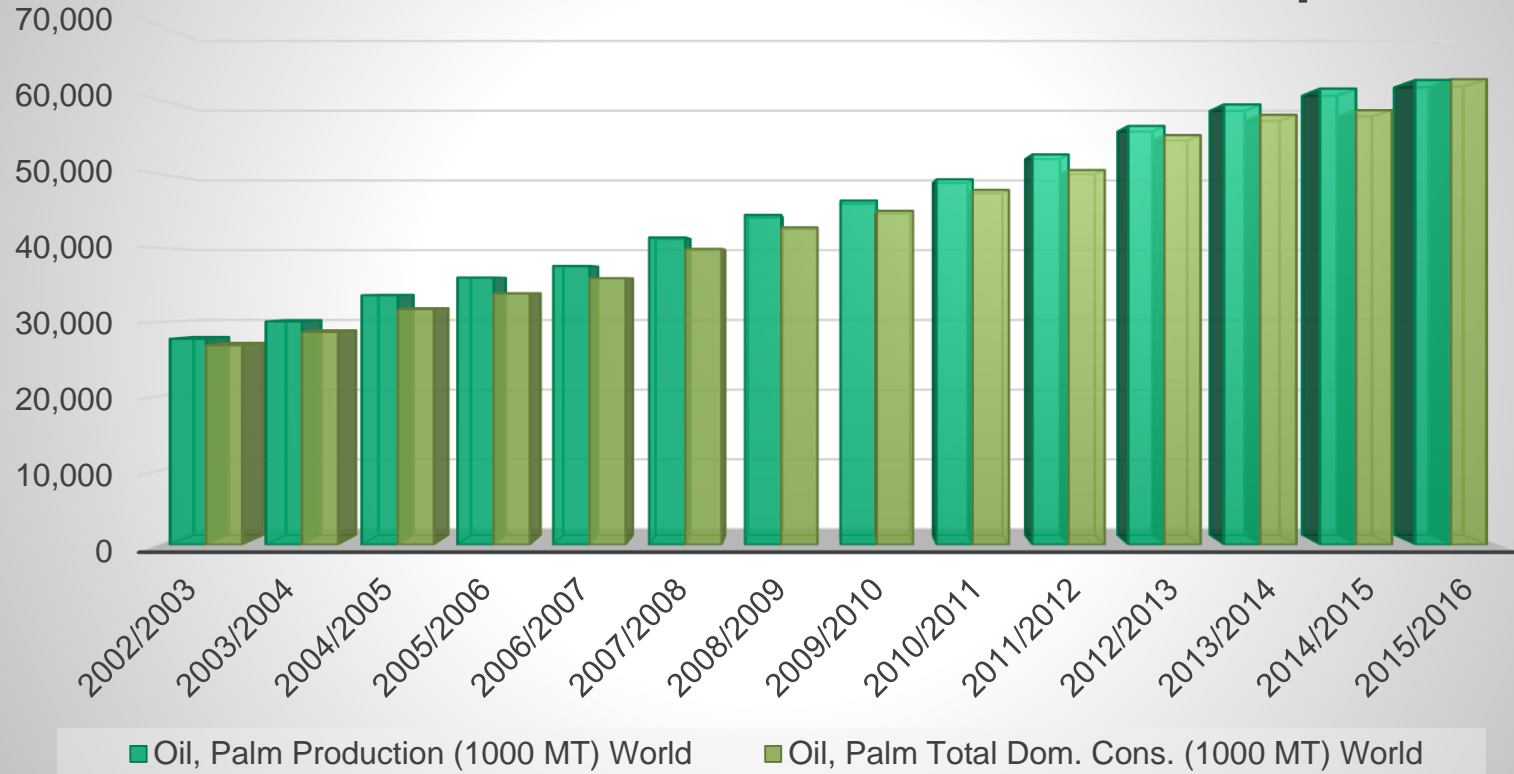
The China Syndrome



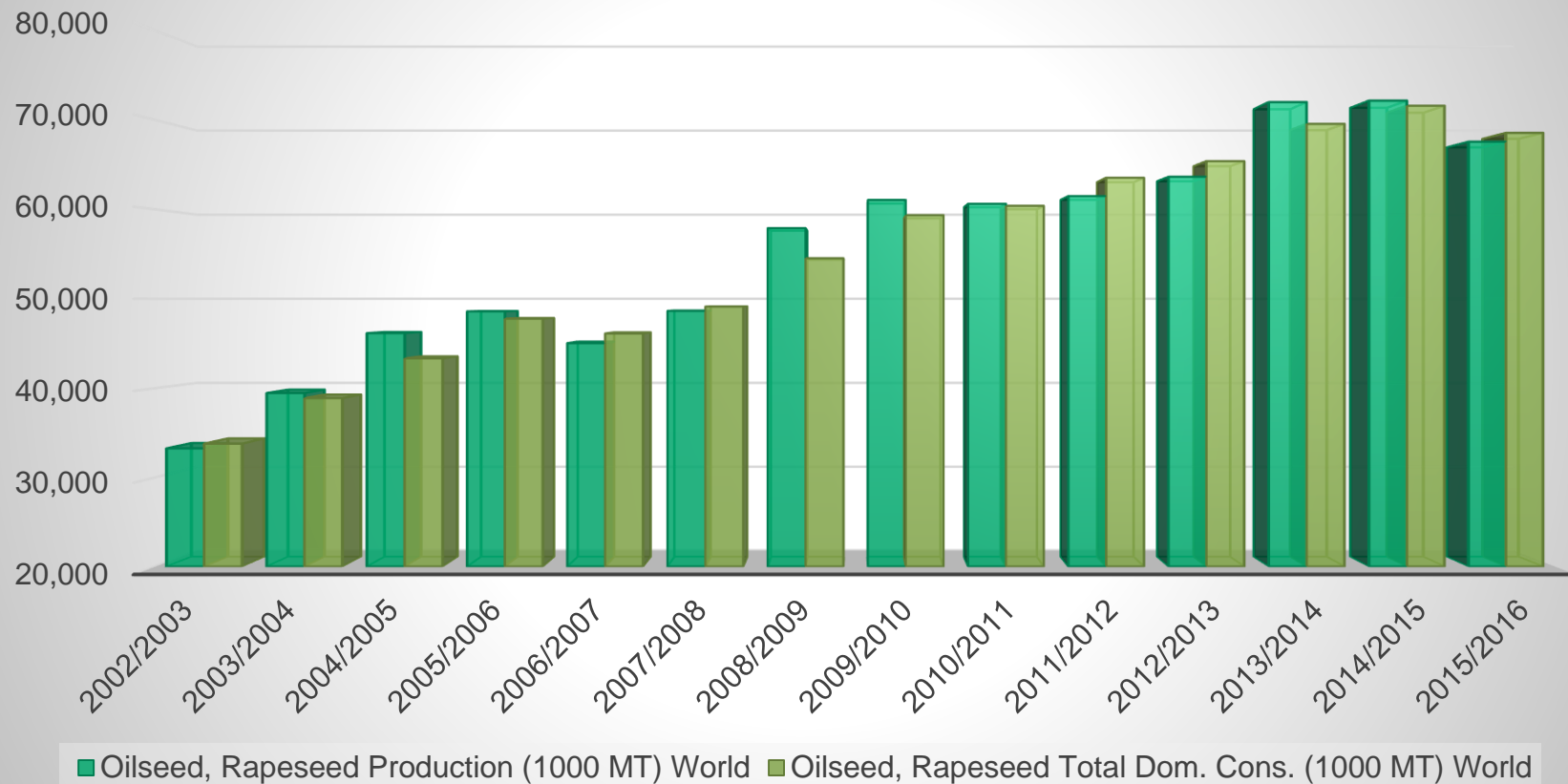
World Soybean Oil Production/Consumption



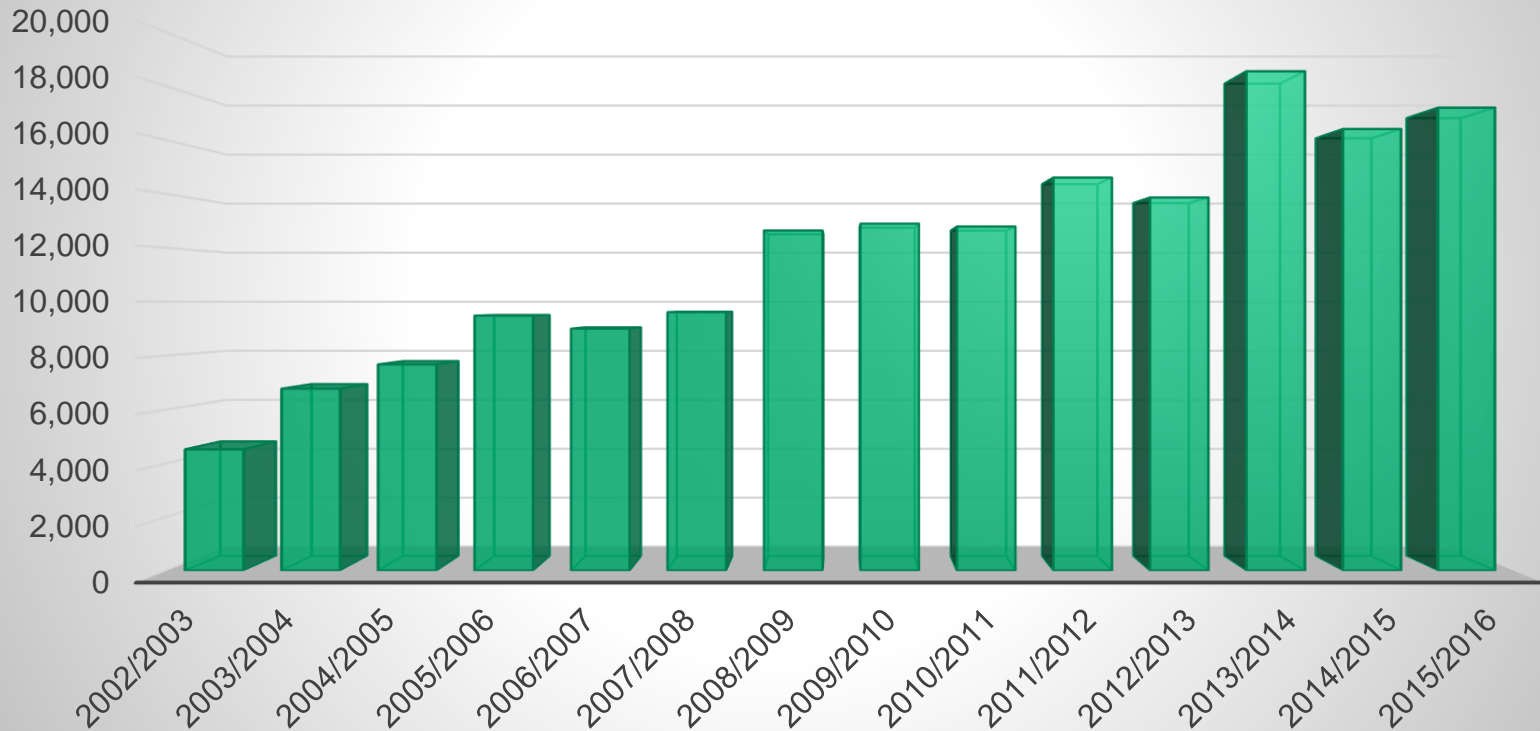
World Palm Oil Production/Consumption



World Rapeseed Production/Consumption



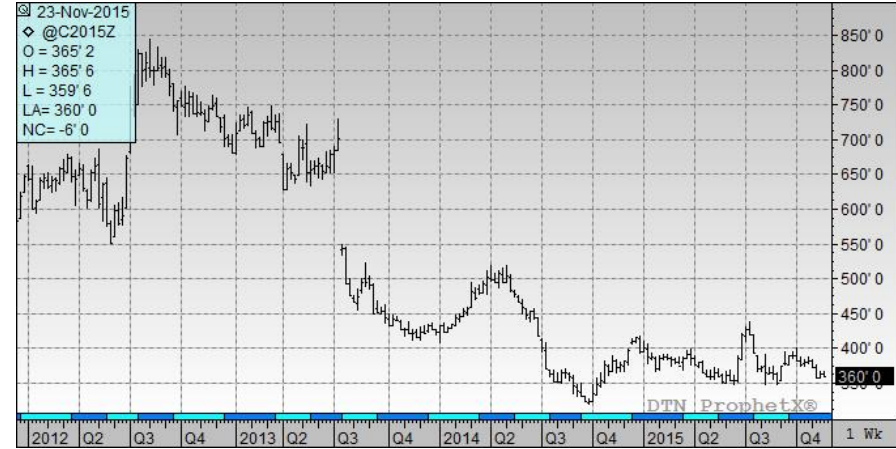
Oilseed, Rapeseed Production (1000 MT) Canada



There Has Been No Demand Destruction

**There Has Been Three Consecutive Record World
Crops**

Wake Up Call!



**Will Low Prices Allow the
Investment in Ag to
Continue?**

High Prices Brought Huge Investment to World Agriculture

Introduction of “high tech” ag

- Precision farming
- Use of drones

Ongoing research in biotech seed/crops

Big increases in crop inputs to enhance yields

- Expensive biotech seed
- More intensive use of fertilizers and fungicides

Soaring land values

More land in production

High Prices Brought Huge Investment to World Agriculture

Major Expansion in Commercial Agriculture

- **New & Upgraded Export Facilities**
- **Significant investment in:**
 - **Fertilizer**
 - **Seed**
 - **Chemicals**
- **Ocean Fleet Newer & Bigger**
- **Improvements in rail shipping**
- **New canals (Panama, Suez)**
- **More People/Bigger Staffs**

High Prices = Big Margins

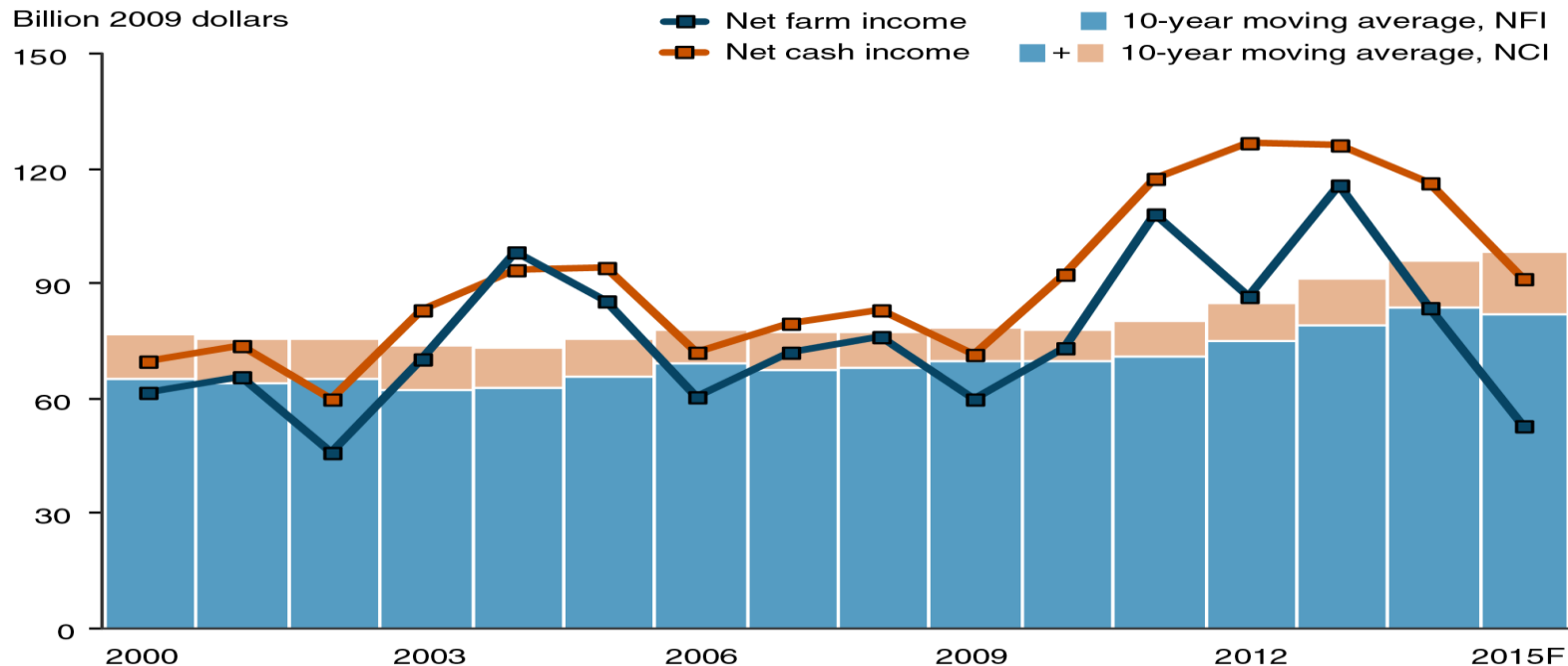
Every level spent too much

Low Prices = Narrow Margins

Life is Changing

Net farm income (NFI) and net cash income (NCI), inflation adjusted, 2000-2015F

Billion 2009 dollars



F = Forecast. Values are adjusted using the chain-type GDP deflator, 2009=100.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of August 25, 2015.

French farmers stage 1,000-strong tractor protest in Paris (AP, Sep 3)



Brazil Farm Client Comment

NO MONEY, NO CREDIT, NO RAIN!

The Next Market Factors

- **January 12th USDA Reports**
 - **“Final” 2015 production**
 - **Winter wheat acres**
 - **Quarterly stocks**
- **U.S. Biodiesel program**
- **Palm oil production (El Nino)**
- **Brazil/Argentina crop weather through March**
- **Shift from El Nino to La Nina?**

The Strongest El Nino in Decades Is Going to Mess With Everything

Bloomberg News

by Brian K Sullivan

October 21, 2015 — 5:25 PM CDT *Updated on* October 22, 2015 — 8:39 AM CDT



■ The Marina Bay district shrouded in smog in Singapore, on Sept. 24, 2015. Photographed by Nicky Loh/Bloomberg

Strongest El Nino in 50 to 100 Years

Mild North America winter (yahoo!)

Finally some rain for California (not a drought buster)

Too much rain in southern Brazil & too dry central & north

Argentina should be good – but now dry

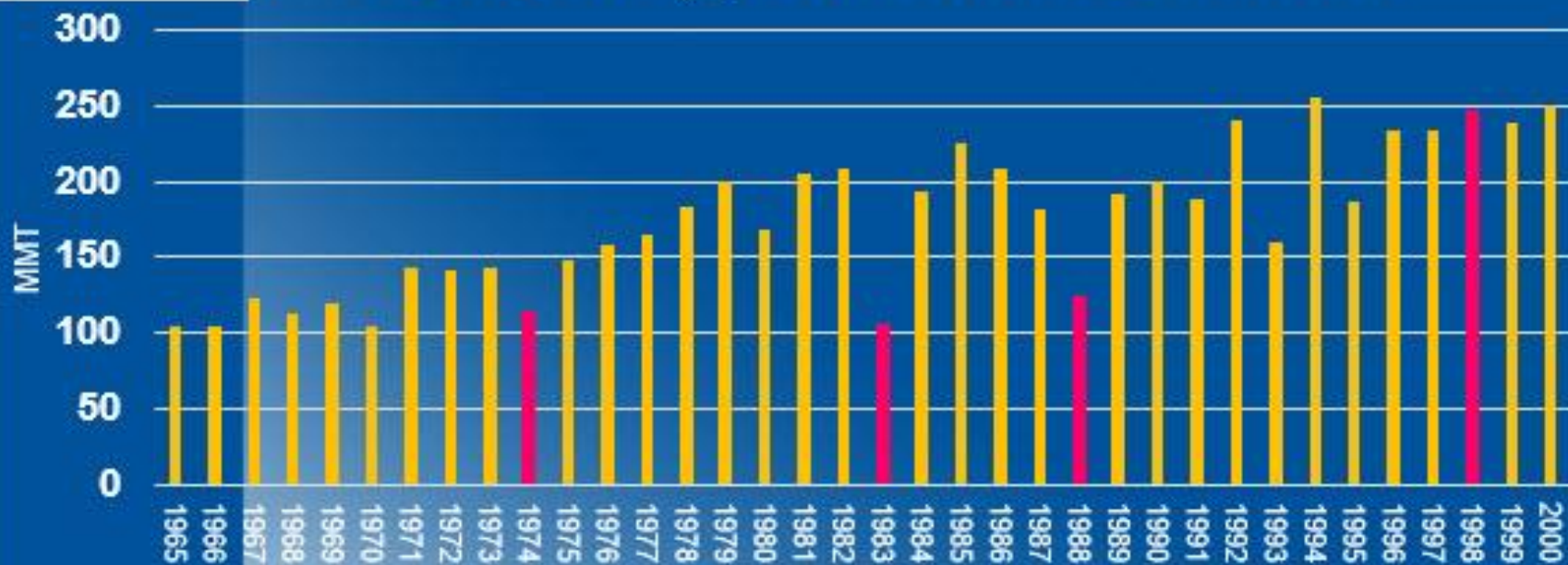
Too dry in eastern Australia Too dry in Southeast Asia

(reduced palm oil production)

**Below normal Indian monsoon (impact on ground nut and
pulse crops?)**

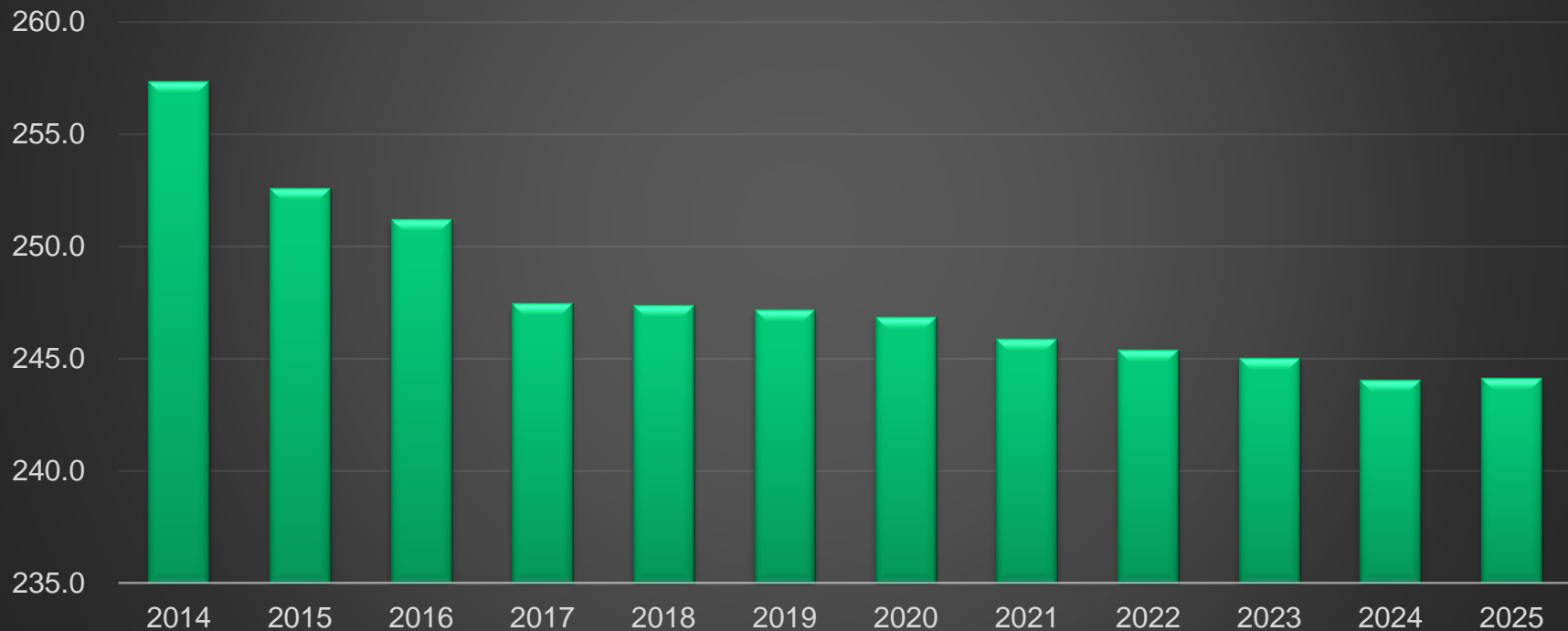
**Some predicting rapid collapse of El Nino by spring and that
could mean 2016 Corn Belt drought?**

La Niña Summers Following an El Niño Winter



Source: USDA

Preliminary USDA Baseline Acreage Projections for Eight Major U.S. Crops (million acres)



What does it all mean?

Planted area & crop inputs will be reduced – that will impact production

Margins at every level will stay very tight in this “low price environment”

Demand will continue to **expand, especially with low prices, cheap freight and, in many areas, low interest rates**

Asia, Southeast Asia, China are the critical markets – that’s where population and incomes continue to rise

We are still only a production problem away from a return to higher prices led by corn first, wheat second and the soy complex third



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