



Thursday, December 28, 2017

Tonight's Futures Closes:

<b>Mar 18 Corn</b>	<b>\$3.52</b>	<b>-1.75</b>	<b>Jan 18 Soybeans</b>	<b>\$9.4575</b>	<b>-9.75</b>	<b>Mar 18 CH Wheat</b>	<b>\$4.2775</b>	<b>-0.25</b>
<b>May 18 Corn</b>	<b>\$3.6025</b>	<b>-2.0</b>	<b>Mar 18 Soybeans</b>	<b>\$9.5675</b>	<b>-10.75</b>	<b>July 18 CH Wheat</b>	<b>\$4.5425</b>	<b>-0.25</b>
<b>July 18 Corn</b>	<b>\$3.69</b>	<b>-1.5</b>	<b>May 18 Soybeans</b>	<b>\$9.6775</b>	<b>-10.75</b>	<b>Mar 18 KC Wheat</b>	<b>\$4.2675</b>	<b>+1.25</b>
<b>Sep 18 Corn</b>	<b>\$3.765</b>	<b>-1.5</b>	<b>Jul 18 Soybeans</b>	<b>\$9.7875</b>	<b>-10.25</b>	<b>July 18 KC Wheat</b>	<b>\$4.5725</b>	<b>+1.25</b>
<b>Dec 18 Corn</b>	<b>\$3.855</b>	<b>-1.25</b>	<b>Nov 18 Soybeans</b>	<b>\$9.8125</b>	<b>-10.0</b>	<b>Mar 18 MN Wheat</b>	<b>\$6.19</b>	<b>-2.25</b>
<b>Mar 18 Oats</b>	<b>\$2.43</b>	<b>+0.25</b>	<b>Jan 18 Rapeseed</b>	<b>\$483.3</b>	<b>-6.2</b>	<b>Sep 18 MN Wheat</b>	<b>\$6.2725</b>	<b>-1.5</b>
<b>Mar 18 Meal</b>	<b>\$316.1</b>	<b>-2.4</b>	<b>Mar 18 Cotton</b>	<b>\$78.80</b>	<b>-0.15</b>	<b>Mar Dollar Index</b>	<b>92.300</b>	<b>-0.312</b>
<b>Mar 18 SB Oil</b>	<b>\$32.71</b>	<b>-0.56</b>	<b>May 18 Cotton</b>	<b>\$78.88</b>	<b>-0.04</b>	<b>Feb Crude Oil</b>	<b>\$59.87</b>	<b>+0.18</b>
<b>Feb 17 Cattle</b>	<b>122.250</b>	<b>+1.250</b>	<b>Dec 18 Cotton</b>	<b>\$74.25</b>	<b>+0.22</b>	<b>Feb Gold</b>	<b>\$1301.9</b>	<b>+5.9</b>
<b>Mar 18 Feeder</b>	<b>142.225</b>	<b>+0.500</b>	<b>Jan 18 Rice</b>	<b>\$1165.5</b>	<b>-13.5</b>	<b>Mar S&amp;P</b>	<b>2685.70</b>	<b>+0.30</b>
<b>Feb 17 Hogs</b>	<b>71.550</b>	<b>+0.525</b>	<b>Nov 18 Rice</b>	<b>\$1155.5</b>	<b>-17.0</b>	<b>Mar Dow Jones</b>	<b>24797</b>	<b>+9</b>

(Futures contracts highlighted in green were the bull leaders today; futures prices highlighted in red were the bear leaders today.)

March corn market blew its 6-day winning streak today finishing in the red. But it did find support at the 9-day moving averages (red line) for all contracts, and did close off of its daily low. This will be important support to finish the week/year tomorrow, with the big challenge sitting at the 50-day MA & downtrend line @ \$3.55 1/2!

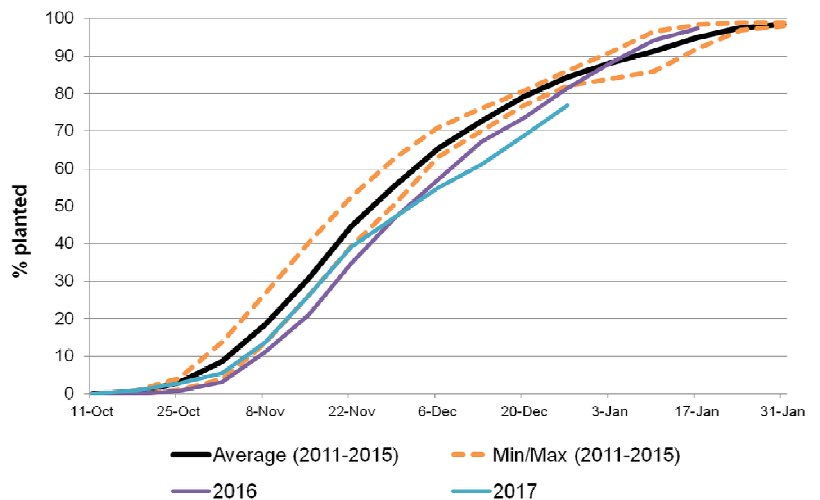
Wheat also came back from an early deficit to post small gains in the KC market, small losses in CHI & MIN. It's likely that frigid temperature concerns got a few shorts to cover in KC wheat.

March cotton basically took a deep breath today after posting a new contract high yesterday. This contract still looks overbought, with the RSI near 74 and stochastics starting to form a topping action.

The biggest loser continues to be soybeans. Despite a slow planting pace in Argentina, along with a dry weather forecast, Brazilian crops are mostly very good, and US exports continue to struggle. Tomorrow's Weekly Export Sales Report might give soybeans their direction heading into the long weekend. FYI - January soybeans traded to within 14 cents of their August low this afternoon.



Soybean Planting Pace in Argentina

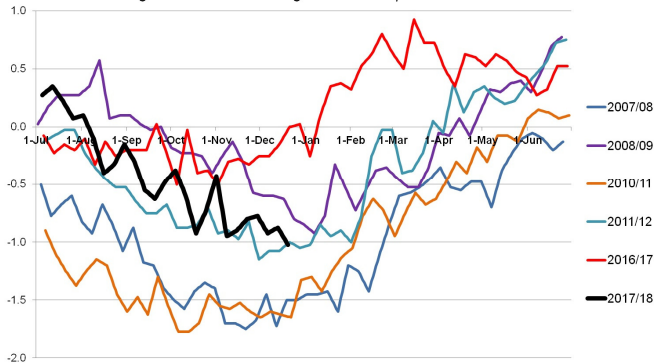


Data source: Argentina Ministry of Agriculture

@kannbwx

Weekly sea surface temperature anomalies\* (°C)

Average of the four Niño regions in the equatorial Pacific Ocean



\*2017/18 through Dec. 23, 2017

Data source: NOAA/Climate Prediction Center

@kannbwx

Bulls may not want to look at this picture, but do sea surface temps look similar to those from 2011-12?

From Bloomberg's Karen Braun: "Soybeans are 78% planted in Argentina as of Dec. 28, up from 71% a week ago. Still record slow and behind last year's 84%."



**Newsletter Rewind: Diversified Services' Leigh Lamb** brought this back to my attention. This is the back page of the October 2017 DCIS *Revenue Management Update*. I had some time in early October to think about the year ahead, and where I really felt producers needed to focus the hardest (marketing) as we finished the 2017 crop year and started to plan for 2018. Almost three months later I still think everything in this letter makes a lot of sense. Check it out.

## Revenue Management Update

### Risk Management in 2018

Harvest isn't wrapped up yet, but we all need to be planning how we'll manage risk in 2018. Here are my thoughts about getting on the offensive next year instead of playing defense again.

1. **Take advantage of subsidized revenue insurance.** This is always #1 on the risk management list. No other business in America has a program that allows it to protect a majority of their revenue, with someone else paying nearly half the premium. Take advantage of it.
2. **Sell grain when you want, not when you have to.** This is a huge deal, folks! It's a major difference between farmers that are profitable & those that are not. Those producers that recognize early their storage deficiency – their inability to merchandise basis – must avoid having to sell when everyone else is and when basis levels are at their widest points. Think like a commercial grain elevator merchandiser does because, in essence, you are just like them.
3. **Should I consider buying "add-on" insurance?** I can't speak for everyone or for every program. There are numerous insurance programs that focus on additional yield or revenue protection. Some are easy to understand, some are complex. Some are costly, some not so much. One thing to remember: these products are not subsidized – they're sold privately, & designed to at least break even or make a profit for the insurance company. For my money? I would always rather spend my money directly defending price than on unsubsidized insurance.
4. **Renew your focus on marketing.** There are a lot of unwritten rules in marketing, and one is that the market doesn't have to guarantee a profit. So it's important for every producer to get a strong assessment of their markets. Will price likely trade in a wide or narrow range? What would have to happen to change this? What price risk does my revenue insurance

policy help me manage? How is that price protection affected if yields are higher than my APH? Having answers to these questions can then help you decide which marketing tools you need to consider using to manage risk. Futures hedging, options, & various contracts at your grain elevator, as well as advice from a marketing person, *can and should* be utilized to build a successful marketing program. Build it, & execute it!

5. **Commodity option volatility is at its lowest level in many years.** This is, of course, because supplies of each crop are at their highest levels in years. But low volatility means cheap premiums. Last year I suggested buying "courage calls" in the winter, then placing offers to hedge on weather rallies. I'll be promoting that program again this winter.

**MY marketing plan for 2018** will be focused first on profitability, and second on reality. Soybeans, which are currently trading November '18 futures above \$10.00 (and are likely profitable for most!), look like a market that needs to be hedged. Both Brazil & the US *could* plant new record soybean acres again in '17-18! Corn, cotton, & wheat are probably below breakeven for most producers, though December '18 corn is near \$4.00. Should a producer hedge some of that? Is it profitable? Maybe a hedge w/ a call option is a good strategy. With corn carryout huge again, it's hard to think corn price can rally to very profitable levels without a major crop issue. The same for cotton & wheat, but at least wheat has the PLC/ARC programs to provide support on base acres.

If you haven't done so yet, a couple of suggestions I have are:

1. **Open a brokerage account with a trusted broker.** Find someone who will help you manage risk, not get in & out of trades to generate commissions.
2. **Ask your agent about the DCIS Profit Matrix program.** It's a great online tool that paints a picture of your risk management program, including crop insurance, hedging, & options.

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