



## BE PREPARED FOR A CORN RALLY IN 2018

By Chris Lehner (Dec 29)

There is a good possibility corn can and will rally in 2018. First, the bad news. It won't happen any time soon. There is just too much old crop to move before any significant rally can happen. And now for the good news. By this time a year from now, corn will be well off its lows.

Unfortunately for some farmers, due to over extended loans and poor marketing management over the past couple of years, before it becomes better, some farmers may not be able to hold on.

Before it rallies, U.S. farmers must deplete and sell on and off farm storage. Stocks must be drawn down! Corn in storage has become an anchor, a heavily weighted anchor on price. When the January 12, 2018 USDA Grain Stocks Report is released, it shouldn't surprise anyone there will be a record amount of corn stored.

The September 29, 2017 Grain Stocks Report showed U.S. farmers had old crop corn stocks totaling 2.29 billion bushels, up 32 percent from September 1, 2016. From June 2017 through August 2017 farmers moved 2.93 billion bushels, compared with 2.97 billion bushels compared to 2016. In other words, farmers moved less in 2017.

With beginning stocks in 2016 at 1,737 billion bushels and beginning stocks with the latest estimate on the December 2017 WASDE Report at 2,295 billion bushels with ending stocks growing by 142 billion bushels compared to a year ago, one assumption can safely be made. There is a lot more corn to move. Also, the extremely wide basis tells us demand is down; there is too much.

We certainly know export demand is down. As of the December 26<sup>th</sup> USDA Weekly Grain Inspections report, current marketing year inspections are 9,842,026 metric tonnes. A year ago, for the same period they were 16,410,681 metric tonnes or 6,568,655 metric tonnes less.

Due to the fact at harvest in 2017 in many locations of the Midwest because on farm facilities still had old crop and had to add new crop corn to bins, farmers had to resort to using "outside storage" such as polypropylene bags and even piling it on farms uncovered.

Until corn is moved, any rally that occurs and it will be a speculative based rally, will be short lived.

**But there will be increased demand in 2018.**

Below are several tables showing livestock and poultry growth in the U.S. and the world. Worldwide demand for animal protein is growing. As economies improve, demand for meats improve. Of course, it doesn't hurt that feed is abundant and cheap.

Ethanol distilling is also seeing a worldwide spurt in growth. By 2010 China has mandated usage of E-10 in fuel. Most will come from corn ethanol. Brazil is seeing a move from cane based ethanol to corn based. The U.S. ethanol industry year after year is becoming more efficient. The recent WASDE Report added 50 million bushels for usage.

Corn production as it appears now, in the U.S. for 2018 will likely be lower. At this time, although it will be the year for more corn to be planted as the rotation crop between corn and soybeans, U.S farmers overwhelmingly are saying they will plant more soybeans. Considering costs of production and current prices for 2017/2018 corn and soybeans, the price of soybeans and the price of corn make soybeans the better choice. Whether or not U.S. farmers plant more soybeans than corn, time will tell.

However, the switch in China to plant more soybeans will take place. This past year Chinese farmers planted .5% less corn. There is no price support for corn. Soybeans are supported.

As China uses up it's oversupply of corn stocks, bringing them down to manageable levels, as it increases corn for ethanol, as it increases livestock production from cattle, this year up 10%, hogs, aqua-farming and poultry demand will increase.

China will be the biggest spark that lights the fire under low priced corn.

### **Charts are turning**

It also appears technical traders have turned the corner. Over the past seven months traders were buying soybeans and selling corn. It is also possible it was spurred on by the need to have farmers plant more soybeans and demand for meal and oil. In any case, as the chart shows, traders have reversed positions and started selling soybeans to corn.

### One July 2018 Soybean to 3 July 2018 Corn Spread Chart

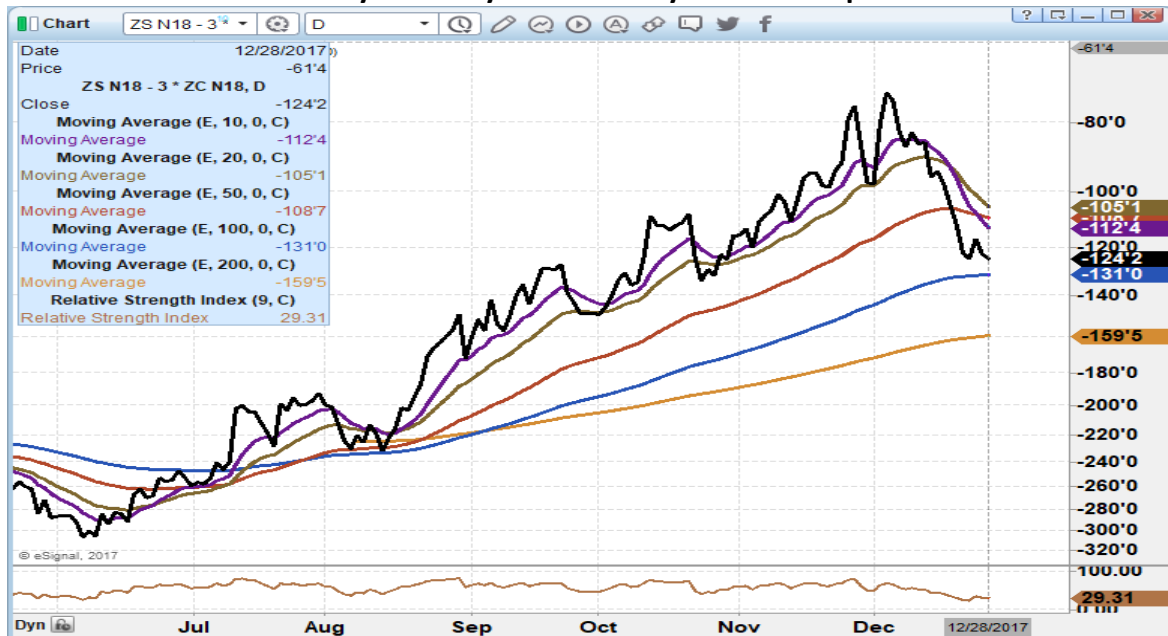


Chart as of 12:00PM Central time December 28, 2017 from eSignal Interactive, Inc.

Currently, I encourage farmers to sell corn. Corn remains bear spread. Bear spreads are not bullish. Holding grain costs and selling now is a better risk to reward than storing. Bear spreads as previous reports have shown do not suggest buying call options.

**The rally will occur. When is the question. As the Boy Scouts say, "Be Prepared."**

### Beef and Veal Meat Production by Country in 1000 MT CWE

| Rank | Country            | Production (1000 MT CWE) |
|------|--------------------|--------------------------|
| 1    | United States      | 12,448.00                |
| 2    | Brazil             | 9,700.00                 |
| 3    | EU-27              | 7,900.00                 |
| 4    | China              | 7,110.00                 |
| 5    | India              | 4,300.00                 |
| 6    | Argentina          | 2,900.00                 |
| 7    | Australia          | 2,250.00                 |
| 8    | Mexico             | 1,960.00                 |
| 9    | Pakistan           | 1,800.00                 |
| 10   | Turkey             | 1,600.00                 |
| 11   | Russian Federation | 1,300.00                 |
| 12   | Canada             | 1,170.00                 |
| 13   | South Africa       | 1,010.00                 |
| 14   | Colombia           | 745.00                   |
| 15   | New Zealand        | 638.00                   |
| 16   | Paraguay           | 620.00                   |
| 17   | Uruguay            | 570.00                   |
| 18   | Japan              | 465.00                   |

|    |                    |        |
|----|--------------------|--------|
| 19 | Kazakhstan         | 445.00 |
| 20 | Egypt              | 365.00 |
| 21 | Ukraine            | 360.00 |
| 22 | Korea, Republic Of | 285.00 |
| 23 | Belarus            | 250.00 |
| 24 | Viet Nam           | 221.00 |
| 25 | Chile              | 215.00 |

### **Swine Meat Production by Country in 1000 MT CWE**

| Rank | Country            | Production (1000 MT CWE) |
|------|--------------------|--------------------------|
| 1    | China              | 54,750.00                |
| 2    | EU-27              | 23,350.00                |
| 3    | United States      | 12,188.00                |
| 4    | Brazil             | 3,755.00                 |
| 5    | Russian Federation | 3,000.00                 |
| 6    | Viet Nam           | 2,775.00                 |
| 7    | Canada             | 2,000.00                 |
| 8    | Philippines        | 1,635.00                 |
| 9    | Mexico             | 1,480.00                 |
| 10   | Korea, Republic Of | 1,332.00                 |
| 11   | Japan              | 1,270.00                 |
| 12   | Taiwan             | 815.00                   |
| 13   | Ukraine            | 660.00                   |
| 14   | Argentina          | 585.00                   |
| 15   | Chile              | 500.00                   |
| 16   | Australia          | 410.00                   |
| 17   | Belarus            | 360.00                   |
| 18   | Colombia           | 360.00                   |
| 19   | Serbia             | 340.00                   |
| 20   | South Africa       | 260.00                   |
| 21   | Ecuador            | 250.00                   |
| 22   | Norway             | 145.00                   |
| 23   | Angola             | 140.00                   |
| 24   | Cuba               | 130.00                   |
| 25   | Hong Kong          | 122.00                   |

### **Broiler Meat (Poultry) Production by Country in 1000 MT**

| Rank | Country            | Production (1000 MT) |
|------|--------------------|----------------------|
| 1    | United States      | 18,970.00            |
| 2    | Brazil             | 13,550.00            |
| 3    | EU-27              | 11,880.00            |
| 4    | China              | 11,000.00            |
| 5    | India              | 4,600.00             |
| 6    | Russian Federation | 3,910.00             |
| 7    | Mexico             | 3,500.00             |

|    |                    |          |
|----|--------------------|----------|
| 8  | Argentina          | 2,110.00 |
| 9  | Thailand           | 1,990.00 |
| 10 | Turkey             | 1,975.00 |
| 11 | Malaysia           | 1,710.00 |
| 12 | Indonesia          | 1,700.00 |
| 13 | Colombia           | 1,600.00 |
| 14 | Japan              | 1,440.00 |
| 15 | South Africa       | 1,320.00 |
| 16 | Philippines        | 1,310.00 |
| 17 | Canada             | 1,240.00 |
| 18 | Australia          | 1,190.00 |
| 19 | Ukraine            | 1,000.00 |
| 20 | Korea, Republic Of | 880.00   |
| 21 | Saudi Arabia       | 765.00   |
| 22 | Chile              | 635.00   |
| 23 | Viet Nam           | 550.00   |
| 24 | Taiwan,            | 520.00   |
| 25 | Belarus            | 425.00   |

#### **United States Beef and Veal Meat Production by Year (1000 MT)**

| Market Year | Production | Growth Rate |
|-------------|------------|-------------|
| 2010        | 12034      | 1.25 %      |
| 2011        | 11978      | -0.47 %     |
| 2012        | 11845      | -1.11 %     |
| 2013        | 11751      | -0.79 %     |
| 2014        | 11075      | -5.75 %     |
| 2015        | 10817      | -2.33 %     |
| 2016        | 11507      | 6.38 %      |
| 2017        | 12109      | 5.23 %      |
| 2018        | 12448      | 2.80 %      |

#### **United States Swine Meat Production by Year**

|      |       |         |
|------|-------|---------|
| 2010 | 10186 | -2.45 % |
| 2011 | 10331 | 1.42 %  |
| 2012 | 10554 | 2.16 %  |
| 2013 | 10525 | -0.27 % |
| 2014 | 10368 | -1.49 % |
| 2015 | 11121 | 7.26 %  |
| 2016 | 11320 | 1.79 %  |
| 2017 | 11722 | 3.55 %  |
| 2018 | 12188 | 3.98 %  |

[www.indexmundi.com/agriculture/?commodity](http://www.indexmundi.com/agriculture/?commodity)

Year of Estimate: 2018

Source: United States Department of Agriculture

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