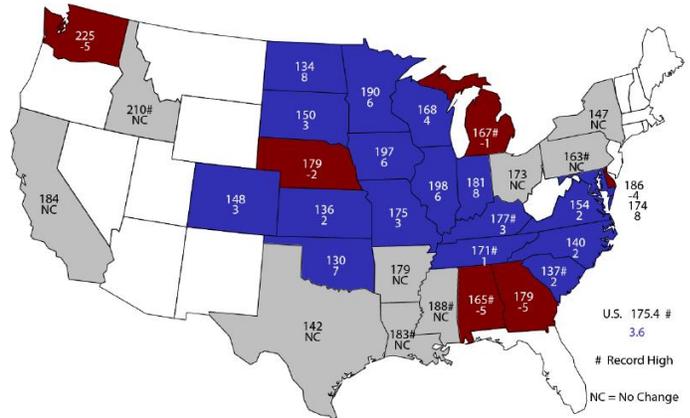


Another Month, Another Surprise from USDA

The biggest shocker from the November Crop Production Report was **USDA's corn yield of 175.4 bpa**, which was up 3.6 bpa from last month, and 0.8 bpa higher than last year's (previous) record yield. I continue to be amazed that this year's corn crop was capable of a record yield, given the issues so many areas had this spring!



November 1, 2017 Corn Yield
Bushels and Change From Previous Forecast





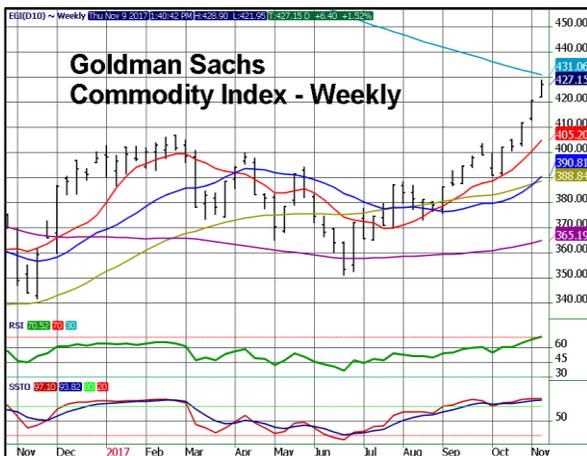
P.O. Box 8
 Logansport, IN 46947
 (574) 737-7467

Revenue Management Update

Two Big Questions.

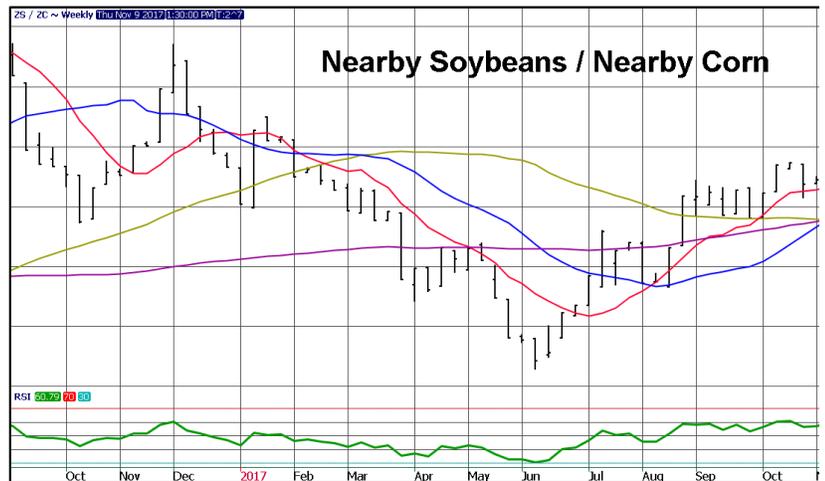
As our markets begin to slip into holiday mode, I've got two big questions: 1) Is there any chance of a rally in the coming months, and 2) What will we do with US acres in 2018?

I believe the answer to the first question is bigger than just supply & demand. I think a rally in row crop markets will have to be related to an overall rally in commodities. The **Goldman Sachs Commodity Index** (below) shows in fact that we're already in the midst of a rally in commodities! This



rally hasn't had anything to do with row crops markets, but everything to do with a big move in crude oil and precious metals over the last six months. Notice on the chart that we're SO CLOSE to breaking through the 200-day moving average (light blue line). IF we take that out, it would be the first time since 2014, & could trigger more investment

dollars to slide back into commodities. And a correction in stocks would also be helpful for sending money our way. With investment funds holding big shorts in corn & wheat, those markets would be the most susceptible to a run of fund buying – if it happens at all.



My other big question regarding 2018 acres will hinge a lot on crop rotations and price relationships. The corn/soybean acre split was as close as it's ever been in 2017. So in regards to rotation, many producers have those where they want them. But in regards to profitability, the nearby soybean/corn ratio continues to move in favor of soybeans. With next year's corn carryout expected to be the largest in 30 years, is there a reason that this ratio would move in favor of corn? Not likely in the next few months. And with November '18 soybeans still trading near \$10, I would expect soybean acres to remain the same or increase next year. Cotton acres were the largest in 2017 in many years. With a larger carryout, will some of those acres shift to soybeans? To sorghum? To peanuts? Risk-averse producers should consider hedging profitable markets when the opportunity arises, and definitely using the harvest price option on underpriced crops in 2018, in case there finally is a price rally!