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April 26, 2019

THE BROCK REPORT

America's Most Complete Commodity Marketing Service

STAY CALM

Whether it be the grain markets or livestock markets, over the last couple of months anyone who thinks these markets have been easy is likely not paying much attention. These have been some of the most difficult and stressful markets we've gone through in quite some time. It is always difficult in a market to be in a position where you don't even know if you want prices to go up or down. That's not good.

Case in point, go back to the hog market that we've been discussing frequently in the last few weeks. Some producers hedged way too many hogs short back in early March based on two ideas: The market was higher than it had been in the previous month, and a profit could be locked in. Neither of those are very good ideas for locking in prices. Nevertheless, what then happened is after the market rallied $25, the producer has been caught in a position of not knowing whether he wants the market to go up or down. He'd like it to go down because he wants to get some of his margin money back, but on the other hand he knows that financially he'd be better off if he lost the margin money and sold all the rest of his hogs at a higher price level. It's a very difficult, and a very emotional position to be in.

Corn and soybeans are not a lot different right now. In the last two weeks, prices of both have dropped more than we anticipated and likely more than almost anyone else anticipated. Having been in this business for over 40 years, it is my observation that everyone handles markets like this differently from an emotional point of view. Emotions play a big role. I've always said that everyone in commodity marketing needs to know what their "stress point" is. It's different in all of us. Stress is also added to decision-making in grain markets such as this because who wants to sell corn and soybeans at below breakeven prices? This is more difficult than in 2013, when producers were faced with selling the market at a lower price level than a month earlier, because+ it was still above breakeven. When under stress, the majority of people have a tendency to make very poor marketing decisions and, in some cases, overreact. Stress also leads to anger, making the situation worse. Knowing yourself and knowing your stress point in this kind of a market is vitally important. Patience will be very helpful.

BRIEF SUMMARY

The last truly good marketing opportunity in corn and soybeans was Memorial Day weekend of 2018, eleven months ago. Since then, there have been some limited opportunities but not many. In the last 12 months, nearby corn futures have had a range of $3.30 to $4.10, with a mid-point of $3.70 and are current priced at $3.45. Soybeans in the nearby futures have had a range of $8.12 to $10.60 with a mid-point of $9.36 and a current price at $8.59. Not a lot of wiggle room in either market.

There have been several influencing factors for making marketing decisions, some of which have been more bearish than we anticipated. Consider:

1. The trade has been waiting on positive trade negotiations with China on

"You don't have to control your thoughts. You just have to stop letting them control you." **- Dan Millman**

APRIL SHOWERS

This week's weakness in the grains complex occurred despite a weather and planting outlook that turned increasingly unfavorable each day.

Forecasts are calling for a highly unusual snowstorm on Saturday across parts of the Upper Midwest. It may dump several inches of snow across southern Wisconsin, northern Illinois and parts of Minnesota. The forecast beyond that doesn't look all that great either, with rain chances across the Corn Belt throughout the next week. NOAA's two-week outlook shows above-average precipitation and below-average temperatures in the northern Midwest. Areas to the south will see warmer temperatures, with most areas south of I-80 poised for above-average temperatures during the period. However, these areas will still see above-average precipitation.

The bottom line is concern about corn planting will quickly rise unless the forecast improves. But remember that at this stage, fewer corn acres due to weather could mean more soybeans get planted.

STAY CALM... (continued)

tariffs. So far, that has not happened, and the impact has been negative.

2. Many prominent weather forecasters have been forecasting continued wet weather and a cool spring. It's difficult to sell if you believe it.

3. Prices have been below breakeven for almost everyone. But we must also remember the market doesn't care. The purpose of market price is to ration supply.

4. Cash corn peaked in January. For a marketing year, that has only happened one time since 1970.

5. Cash soybeans peaked in December. That has never happened since 1970.

Other market considerations: Fundamentals are weak in both corn and beans. If 92.5 million acres of corn truly get planted and the national average yield is 177, carryover goes to 2.255 billion bushels. This year, carryover is at 2.01 billion. Much of that corn has not yet been moved to market and is hanging over any significant price rally. The good news in corn is that basis levels have remained relatively strong. Exports have been sluggish, and the ethanol industry certainly needs a boost. But almost all of this bearish news is well known.

Soybean producers desperately need a trade agreement with China. The export market is shooting us in the foot and we are at the risk of losing that market to South America. This could be a long-term problem if the tariff situation is not resolved very soon.

ON THE BULLISH SIDE

At the bottom of the page, note the two graphs on corn and soybeans indicating the non-commercial commitments of traders (commodity funds) for each commodity. In the case of corn, the large speculators now have the largest net short position in recent history at approximately 324,000 contracts. Commodity funds always have their largest short position on, at or near a bottom and their largest long position on or near a top. Note the turnaround in the markets when commodity funds had over 200,000 contracts short in late 2013, 2016 and 2018. Every time the funds established positions this short, within two months the market was considerably higher.

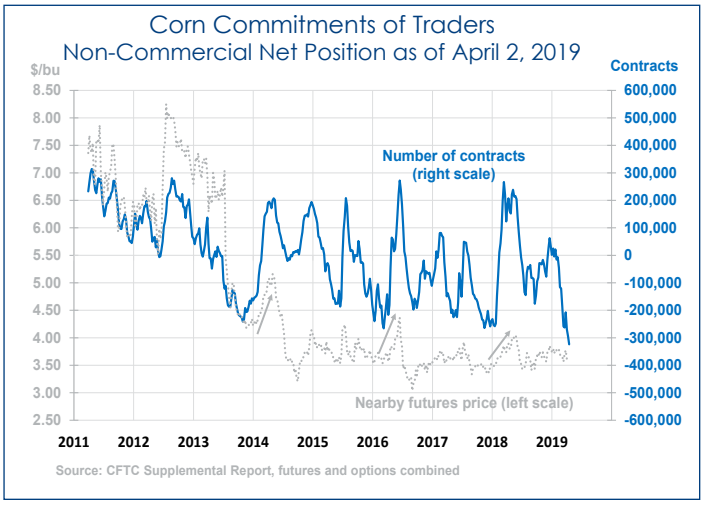
The results are similar in soybeans. In 2016, commodity funds were short about 135,000 contracts and the result was a price rise of $3.00 per bushel. An equally aggressive short position was established in 2017 that resulted in a more-than-$1.00 per bushel rise, and in 2018 a similar situation resulted again in over a $1.00 per bushel price rise.

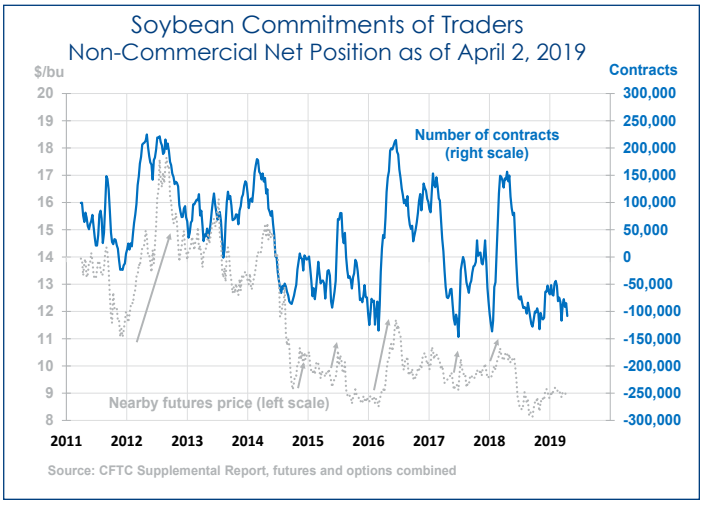
Nothing in this world is guaranteed, but the odds are high that when the large speculators get this short, a bottom is close by. We must all remember too that lower prices now should result in higher prices late summer and early fall. Low prices now discourage additional planting.

STRATEGY

While we hate to do it, sometimes the best strategy is to sell something and hope you're wrong. Early this past week, we established small hedges in corn and soybeans by hedging 25% of new-crop corn in July 2020 futures at $4.09. The carry itself offers very good market opportunities and $4.09 in the July 2020 contract could, unfortunately, turn out to be a very good price. At least we have something on. In the case of soybeans, we did the same thing, selling November soybean futures at $9.00 on 20% of anticipated new-crop production. We did nothing else in the cash markets this week.

Technically, corn futures are in an extended fifth-wave down, as are soybean meal futures. We would anticipate an exhaustion bottom sometime within the next two-to-three weeks. It may come sooner. At this stage, it is best to wait. Cash corn prices will not likely challenge the September lows and the same is true for soybeans. Even if soybeans do, the lows having been made in April happened only one time since 1970. This is a classic market for a V bottom.





FUNDAMENTALS

COMMENTARY

In Tuesday's World Supply/Demand report, USDA raised its forecasts for 2018/19 world ending stocks of both corn and wheat by more than 5 million metric tons (MMT). In the case of corn, the upward revision in carryout stocks was primarily due to a larger world production forecast, while projected world usage was virtually unchanged from March, despite a lower U.S. usage estimate. For wheat, the world carryout was raised primarily due to lower forecast usage and a larger estimate of beginning stocks.

With the revisions, USDA now expects world corn production to be up 2.9% in 2018/19 versus a year earlier when output was hurt by drought in South America, and it sees world consumption rising 4.3%. Notably, USDA raised its forecast for world corn export trade even though it cut projected U.S. exports. USDA raised projected exports and production for Argentina, Brazil and Ukraine. While USDA's projected world corn stocks/usage ratio looks very comfortable at 27.7%, we must remember that nearly two-thirds of world corn ending stocks are in China. The stocks/usage ratio for the world minus China is a much-tighter 12.8%.

Looking at USDA's world wheat balance sheet, we see that USDA lowered projected world consumption by over 2.9 MMT and "found" some old-crop stocks, revising its 2016/17 and 2017/18 world ending stocks estimates upward. USDA trimmed 2018/19 production slightly and pegs production at about 4% below the 2017/18 record high. Signs, though, point to world production rebounding in 2019/20. The 2018/19 world wheat carryout looks burdensome at 37.3%, down marginally from a year earlier. And although over half of world wheat stocks are located in China, the stocks/usage ratio for the world outside of China now looks relatively comfortable at 22.1%.

USDA raised its 2018/19 world soybean carryout estimate by a marginal 210,000 metric tons, with increases in beginning stocks and production largely offset by an increase in expected usage. World soybean usage is projected to be up 4.1% from a year earlier, even with China's usage expected to decline for the first time in 15 years. We would not be surprised to see China's usage revised down further, with its hog herd contracting sharply. The increase in world production was due largely to upward revisions in South American production. USDA's projected world soybean carryout remains burdensome for the market at 30.5%.

World Supply & Demand

Corn

Year	Beginning Stocks	Production	Exports	Total Consumption	Ending Stocks	Stocks/Use Ratio
2012/13	123.25	898.04	95.42	876.63	144.65	16.5%
2013/14	144.65	1026.09	131.41	956.40	214.35	22.4%
2014/15	214.35	1056.82	142.34	991.93	279.24	28.2%
2015/16	279.24	1013.17	119.81	980.93	311.48	31.8%
2016/17	311.48	1123.41	160.06	1084.14	350.75	32.4%
2017/18	**350.75**	**1076.40**	**147.07**	**1086.73**	**340.41**	**31.3%**
Change from April	**0.12**	**0.16**	**0.48**	**1.03**	**-0.74**	**-0.1%**
2018/19	**340.41**	**1107.38**	**168.15**	**1133.77**	**314.01**	**27.7%**
Change from April	**-0.74**	**6.21**	**1.19**	**-0.02**	**5.49**	**0.5%**

Soybeans

Year	Beginning Stocks	Production	Exports	Total Consumption	Ending Stocks	Stocks/Use Ratio
2012/13	57.71	269.08	100.38	268.31	58.47	21.8%
2013/14	58.47	283.31	112.74	277.47	64.31	23.2%
2014/15	64.31	320.72	126.23	305.72	79.31	25.9%
2015/16	79.31	316.57	132.57	315.47	80.41	25.5%
2016/17	80.41	349.31	147.50	334.07	95.65	28.6%
2017/18	**95.65**	**341.67**	**152.96**	**338.27**	**99.05**	**29.3%**
Change from April	**-0.17**	**1.20**	**0.00**	**0.55**	**0.48**	**0.1%**
2018/19	**99.05**	**360.58**	**154.33**	**352.26**	**107.36**	**30.5%**
Change from April	**0.48**	**0.50**	**0.13**	**0.79**	**0.20**	**0.0%**

Wheat

Year	Beginning Stocks	Production	Exports	Total Consumption	Ending Stocks	Stocks/Use Ratio
2012/13	199.43	660.40	138.07	680.28	179.55	26.4%
2013/14	179.55	716.60	165.93	698.43	197.73	28.3%
2014/15	197.73	730.39	164.23	705.33	222.78	31.6%
2015/16	222.78	738.39	172.78	716.17	245.00	34.2%
2016/17	245.00	756.40	183.36	739.09	262.31	35.5%
2017/18	**262.31**	**763.19**	**181.22**	**743.61**	**281.89**	**37.9%**
Change from April	**1.36**	**0.12**	**-0.01**	**-0.79**	**2.27**	**0.3%**
2018/19	**281.89**	**732.87**	**178.46**	**739.15**	**275.61**	**37.3%**
Change from April	**2.27**	**-0.13**	**-0.45**	**-2.94**	**5.08**	**0.8%**

Values in million metric tons; bold numbers are USDA projections. Numbers may not add due to rounding

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WORLD NEWS ANALYSIS

RUSSIA TIGHTENS GRAIN GRIP

Major grain traders in Russia have agreed to create a new exporters' association led by state-controlled United Grain Company, in a move that should boost the government's influence over supplies from the world's top wheat exporter. Russia's Agriculture Ministry had previously announced in early February that it would initiate the creation of a new exporters union in order to better understand market trends and demands.

Aston JSC, Glencore Agro IGC, OZK-Yug LLC and Rif Trading House LLC, the four largest companies in Russia's grain market, which account for more than a third of all grain exports, signed a memorandum of understanding on the so-called "Union of Grain Exporters", according to a joint press release from the companies. "Its creation will help to improve the coordination of grain exporters among themselves and with government authorities," the founders said in their statement.

However, Reuters News Service reports some traders have expressed concern the new association may lack independence, and the arrangement could worsen the ministry's understanding of the real situation in the market.

In our view, the change is not likely to have a major impact on Russian wheat exports during the coming 2019/20 marketing year. With a potential bumper 2019 crop on the way, Russia should remain an aggressive exporter, although that crop is still far from in the bin. Aggressive wheat exports would dovetail with President Vladimir Putin's stated goal to expand Russian agricultural exports. The big question is how the new arrangement would affect exports in the event of a short crop and a supply squeeze.

LARGER CHINESE CORN IMPORTS

Potential for rising Chinese imports looks to be one positive factor on the horizon for the corn market. While China's corn consumption should be roughly flat in 2019, its corn imports are expected to rise significantly due to a gap between domestic output and demand, the China Starch Industry Association said on Tuesday.

China's 2019 corn consumption is seen at 260 million metric tons (MMT), roughly the same level as last year's 262 MMT, according to a report jointly released by the association and Beijing Orient Agribusiness Consultant Co Ltd. Corn used in feed is projected at 180 MMT, up slightly from 178 MMT in 2018. Corn consumption in deep processing is expected to increase by 2 MMT to 75 MMT. The Association did not offer a forecast of imports.

Separately this week, Cargill announced it will spend $112 million to expand capacity at its corn processing plant in China's northeastern province of Jilin. The aim is to increase the plant's annual processing capacity to 2.0 MMT (78.7 million bushels) by 2020. Cargill hopes to double its overall investment in China over the next five years, the China Daily on Tuesday quoted Cargill chairman and chief executive Dave MacLennan as saying.

ARGENTINE TRADE GROUP IN CHINA

Argentina is pushing to increase agricultural trade with China, as Argentine producers harvest what are expected to be bumper soybean and corn crops. "We believe Argentina still has a big chance to advance agro-industrial trade and increase its role as a reliable supplier of food to China," Argentina'a agriculture secretary Luis Etchevehere said in a statement issued from China, where he is leading a delegation of farm industry representatives.

The Argentine delegation in China includes Etchevehere and the president of the CIARA-CEC chamber of grains exporters and soy crushing firms, Gustavo Idigoras, who said the aim of the trip was to lock in long-term trade deals. "This event is a milestone for commercial relations with China. It had never been possible before to provide information about our capabilities directly to Chinese buyers," Idigoras said in a statement emailed to Reuters.

Argentina has been pushing to export higher-margin domestically processed soy meal to China, but has faced resistance from Beijing. "We are talking with them about the quality of our soymeal, trying to reach the point where they approve Argentina as a supplier of meal to China," Santiago del Solar, chief of staff to Etchevehere, told Reuters in a telephone interview on Wednesday.

Argentina clearly seems to be taking advantage of the U.S.-China trade conflict to try expand its exports to China. The longer the trade battle lasts, the more chance U.S. agriculture will lose market share in China and the harder it will become to regain any losses.

WORLD WEATHER HOTSPOTS

Recent rainfall in Spain and Portugal has left soil moisture in good shape for winter crop development and spring crop planting and establishment, World Weather Inc says Production potentials in the Iberian Peninsula are favorable this year. However, other portions of Europe continue drying down despite significant rain noted in several areas earlier this month. A series of disturbances will track across the continent during the next week to 10 days that will bring some relief to the dryness.

Northern Italy, southern Germany, eastern France and areas from the Balkan Countries into southern Poland and far western Ukraine will be wettest and will experience the greatest improvement in topsoil moisture, World Weather says. Crops will react favorably to the periods of rain, though pockets of dryness will likely persist and additional rain will be needed later in May to completely reverse the drying trend.

Russia's New Lands are facing more cold weather with snow and rain in the coming week. The environment will delay spring planting and the success of crop emergence and establishment. Planting in May would still leave adequate time for normal crop production. Overall planting of spring crops in Russia is advancing well ahead of last year' s very slow pace.

HARSH WINTER, THAW HIT ARCHER DANIELS MIDLAND

The brutal winter and large snowmelt in March helped to bury Archer Daniels Midland profits in the first quarter. The company reported a 41% year-over-year decline in profits, and said it was considering spinning off its ethanol business (see page 12).

The company had in March warned that severe winter weather in the Midwest would hit its first-quarter profit by $50 to $60 million, and CEO Juan Luciano today said the impact of the weather ended up "on the high side" of initial estimates. The flooding in Iowa, Nebraska and Missouri impacted some ADM facilities directly. The bigger impact was from rail lines being washed out in the region.

ADM earnings for the quarter ended March 31 fell to $233 million, or 41 cents a share, from $393 million, or 70 cents a share, a year ago.

The company also noted the ongoing impact of the U.S.-China trade war and tariffs on U.S. ag commodities. Luciano told investors that he expected the trade war would be over before fall harvest, which would give the company's second-half results a boost. That timeline appears to be a little later than what Luciano said in the last earnings call. At that time he said he expected the trade war to end around the middle of 2019.

BUNGE NAMES NEW CEO; COMPANY SALE NEXT?

One of ADM's rivals with less exposure to ethanol, Bunge Ltd., has nonetheless had a tumultuous year. It named a new CEO Thursday, taking the "interim" title from Gregory Heckman. He had assumed that role following the departure of Soren Schroder in January.

Heckman, 56, is a former CEO of Gavilon and a founding partner of the investment firm Flatwater Partners. He held the Gavilon position from 2008 until 2014, after the company was acquired by Marubeni. Heckman joined the company as part of a settlement deal with shareholders led by Continental Grain, which wanted the company to be more aggressive in seeking mergers and acquistions. Some investors have pushed for Bunge itself to be sold.

U.S.-CHINA TRADE TALKS TO RESUME

The past couple of weeks have been largely quiet on the U.S.-China trade front, but that should start to change next week. U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin will travel to Beijing for trade talks beginning on April 30, the White House said in a statement on Tuesday evening. It also said Chinese Vice Premier Liu He, who will lead the Beijing talks for China, will also travel to Washington for more discussions starting on May 8. However, at this point, traders in various markets, along with growers, want to see results, not just more trade talks.

In a speech on Friday, Chinese President Xi Jinping issued remarks seen as a sign he was willing to make concessions demanded by the U.S. According to a Bloomberg account of the speech, Xi spent a large portion of his time addressing Chinese domestic reforms, pledging to address state subsidies, protect intellectual property rights, allow foreign investment in more sectors and avoid competitive devaluation of the yuan. These are all issues being pursued by the U.S.

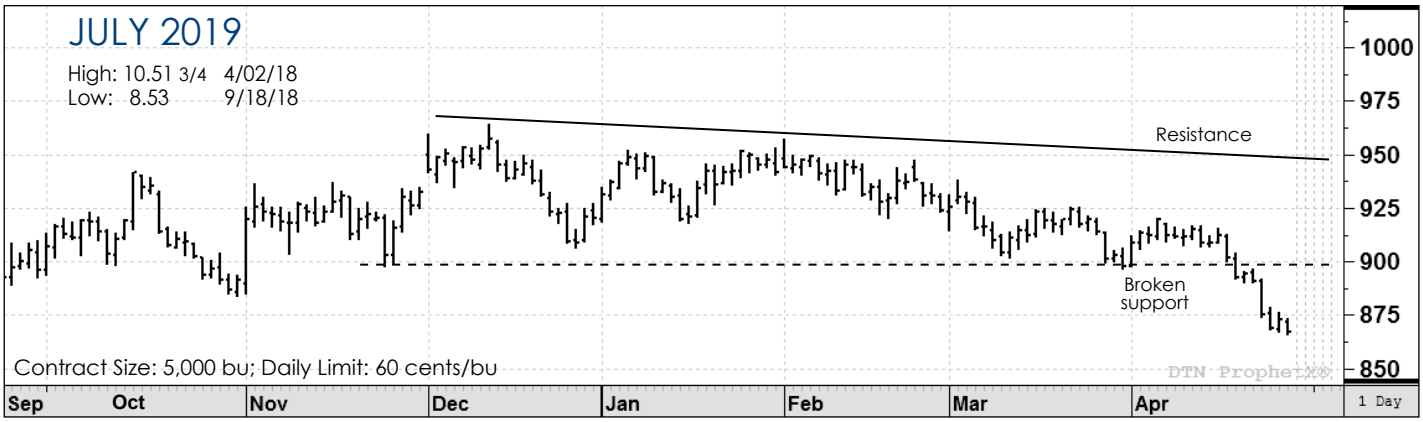
CORN, SOY PLANTING OFF TO SLOW START

While it is still somewhat early, forecasts calling for wet weather over the next two weeks in the Midwest are more concerning in light of the limited planting progress that has been made thus far. As of April 21, only 1% of the Illinois crop was planted versus 3% last year and the average pace of 17%. Nebraska was 2% planted vs. an average. of 8%, while no progress was reported in Minnesota vs. the average pace of 11%.

Markets were under pressure to start the week on the idea that growers would quickly catch up this past week. But that optimism faded as the forecast worsened.

For soybeans, the only significant planting progress has been in the Delta, but planting has advanced little there. Lousiana's crop was 16% planted as of April 21 versus a 5-year average of 30%, and Mississippi's crop was 16% planted versus an average pace of 31%. The Arkansas crop was only 6% planted versus an average of 18%.

SOYBEANS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Low: 8.53 9/18/18
Resistance
Broken support
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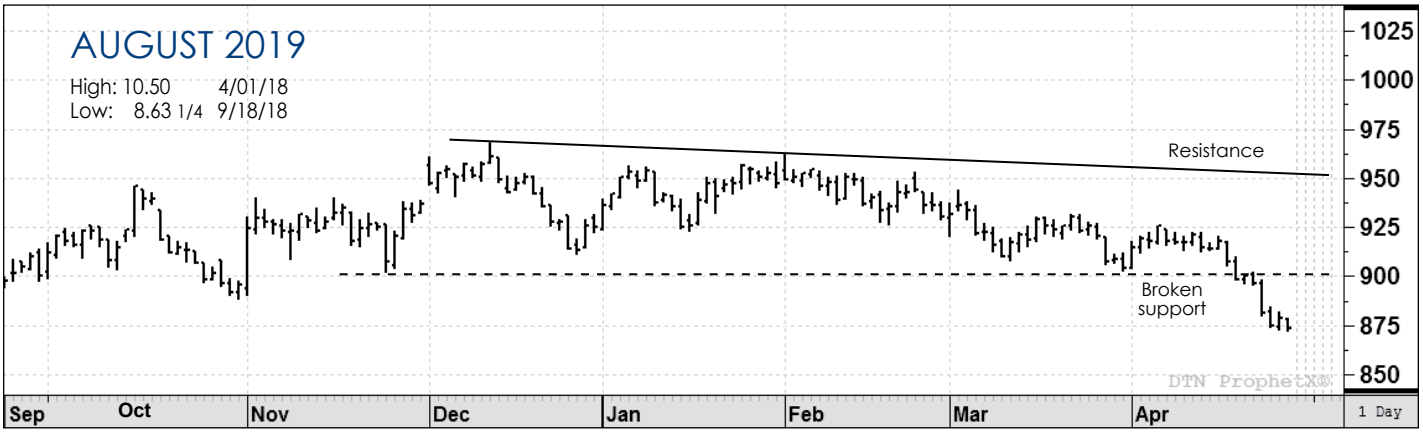
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Broken support
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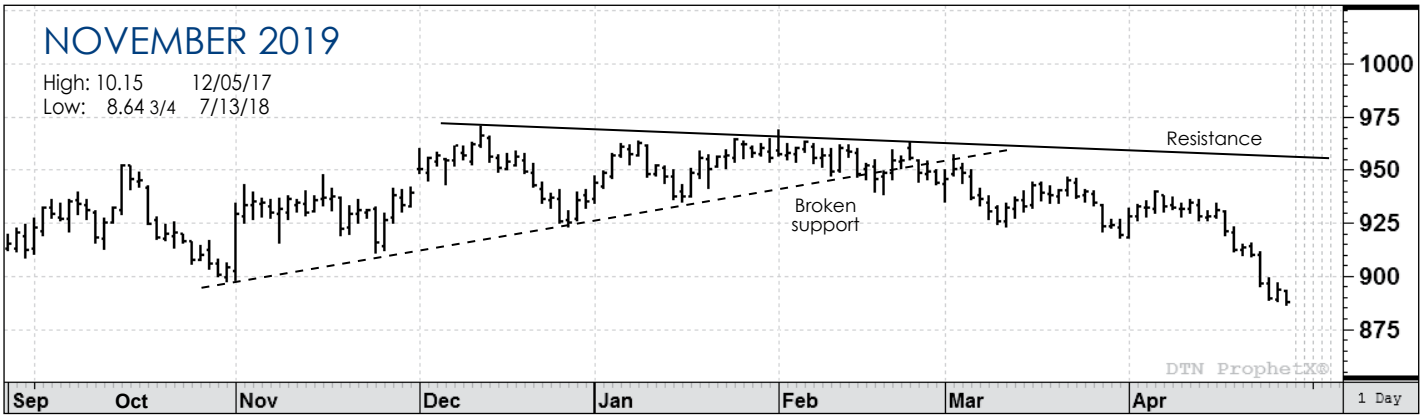
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Low: 8.64 3/4 7/13/18
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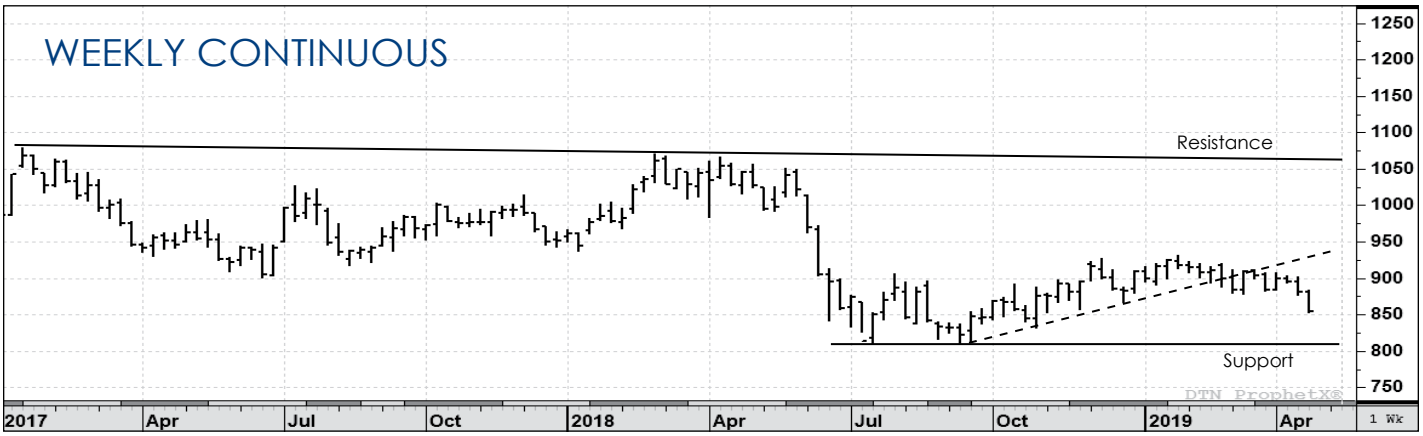
WEEKLY CONTINUOUS
Resistance
Support
DTN ProphetX®
1250
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SOYBEANS

COMMENTARY

We certainly did not see the collapse coming this week in the soybean complex. It has been a substantial move that actually started in December. As outlined in the lead story, this has been one of the more unusual markets. Never before has the cash soybean market made its high of the season during December.

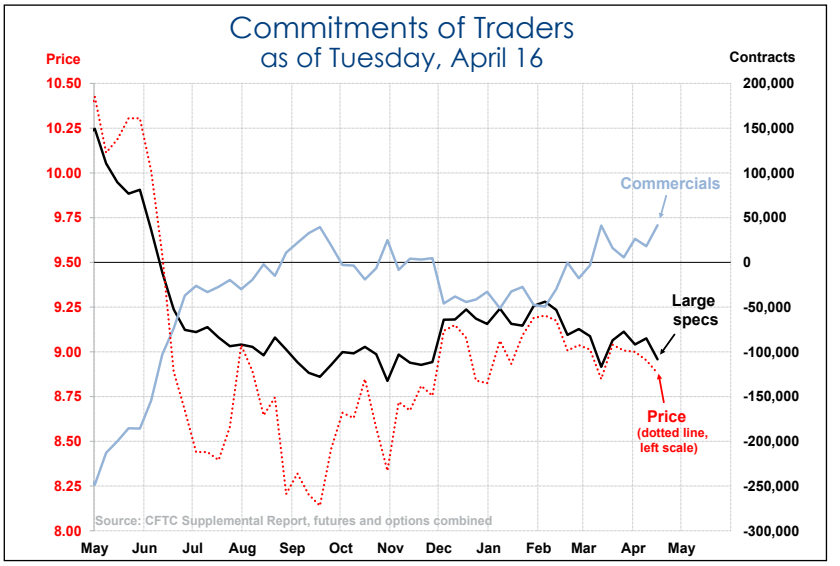
The next four weeks are very important. Does the crop get planted or not? Does the tariff situation with China get settled? These are some very big questions, and the answers could be pivotal.

Soybean meal futures (but not soybeans) are in a fifth-wave formation. This could be an exhaustion bottom. As in corn, commodity funds hold a very large short position, which is also indicative of a potential turnaround. Technical support in nearby July futures is at $8.63, the lows established last September. At this stage we do not have a lot of confidence that those lows will hold.

Fortunately, in the old-crop we're sitting in very good shape with strict cash marketers at 75% sold and hedgers at 70%. Going into this week we only had 20% contracted for strict cash and 10% for hedgers in new crop. We hedged 20% new crop in November futures at $9.00. Sometimes the best thing to do is sell a little and hope you are wrong. Let's hope it works in this case.

Cash-only Marketers' Strategy: We are 75% sold in the old-crop and 20% in the new. Sit tight for now.

Hedgers' Strategy: 70% is sold in the cash market on old-crop and 10% contracted in the new and short November futures on 20%.



U.S. SUPPLY & DEMAND

	USDA			Brock	
Marketing year begins Sep 1	16/17	17/18 Est.	18/19 Proj.	18/19 Proj.	19/20 Proj.
ACREAGE (million)					
Planted Acres	83.5	90.2	89.2	89.2	85.0
Harvested Acres	82.7	89.5	88.1	88.1	84.3
Yield	51.9	49.3	51.6	51.6	52.0
SUPPLY (mil bu)					
Beg. Stocks	197	302	438	438	902
Production	4,296	4,412	4,544	4,544	4,384
Imports	22	22	17	17	20
Total Supply	4,516	4,735	4,999	4,999	5,306
USAGE (mil bu)					
Crush	1,901	2,055	2,100	2,070	2,125
Exports	2,166	2,129	1,875	1,900	2,050
Seed	105	104	98	96	98
Residual	42	9	31	31	32
Total Use	4,214	4,297	4,104	4,097	4,305
Ending Stocks (Aug 31)	302	438	895	902	1,001
Stocks/Use	7.2%	10.2%	21.8%	22.0%	23.3%
Farm Price ($/Bu)	$9.47	$9.33	8.35-8.85	$8.40-9.00	$8.20-9.20

ON TOPIC

NAVIGATING THE NEXT FIVE YEARS OF CONSOLIDATION

Kurt Barth
Senior Marketing Consultant

Published every five years, the latest USDA Census of Agriculture (2017) was released April 11 with (according to NASS) over 6 million data points – a lot even for this data geek. It is easy to just set it aside after a quick run-through as the sheer volume of information is plain overwhelming, so I thought we would tackle just one aspect in this column. We have five years to cover the rest!

The number of farms over 2,000 acres was up by 3.5%, with farms from 50-1,000 acres down by about 10%. That is not surprising. But not only is consolidation continuing, it is doing so at an accelerating pace. From 2002 to 2007, there was little change in these same categories; from 2007 to 2012, 50-1,000 acre farms were down by just 4.6% and the 2,000-acre plus category was up 2.3%. These rates nearly doubled in the last five years, which is almost certainly due to a combination of depressed commodity prices and the inability or unwillingness of SOME smaller operations to invest in the technology that lowers costs and increases efficiency — forcing these farms to liquidate.

This does not signal the demise of farms of this size. Many of our clients and subscribers who have controlled their debt (not necessarily eliminated it), kept family living expenses under control and know how to keep older but perfectly serviceable equipment running, are doing just fine. While there is still a lot of shaking out to do, I believe that the small-to medium-sized row crop farm will play an important part in agriculture for a long time to come — just in smaller numbers than today.

This may not be true for the small dairy farmer. Total dairies were down by a whopping 17%, while the number of cows stayed roughly the same. This is no more evident than in my home state of Wisconsin, where 800 dairies were lost last year alone. The average herd in The Dairy State was still a remarkably low 161 cows, portending a lot more consolidation to come. Larger dairies are finding a way to absorb these cows and make a go of it. While I would like to think that a producer could make the lifestyle choice to be a 300-cow dairy farmer and enjoy all that goes with it, I am not sure that will be a possibility much longer — if it even is today.

On the other end of the spectrum are the 1-to 9-acre farms which were up by 36%! While this doesn't affect the price of corn or soybeans, it speaks volumes to a rapidly growing change in attitude that people have about the food they eat. These are not vegetable farms — all vegetable farms had a 130,000 reduction in acres. They are not certified organic either. Organic farms did have a hefty increase — 4,700 farms and a near doubling of revenue to $7 billion — but that leaves 45,000 more small farms! How often have we heard "People need to understand their food doesn't come from the grocery store"? In some measure, people have figured that out, and are responding by growing their own and selling the surplus.

My youngest son has one of these. Ten acres, three hogs, two head of cattle, 10 ducks, two lambs, 20 layers, 60 broilers, a hay field, a half-acre garden and yes, a full-time off-farm job. On the 30-minute drive to his place I drive by three others just like it. They (and other like-minded folks that can't grow their own) want to know where their food is coming from and that it is being grown safely and in an environmentally friendly way. Organic farms and "home farms" can't feed the world, but from a market standpoint, how big a dent could they make? I am not sure, but I know the large beer brewers brushed off the craft brewers like a pesky gnat and then woke up one day to find out the "micro" brewers had a 12% market share.

If there is a message here, it is that "big agriculture" — our agriculture and our processors — have to do a better job communicating that we are growing the safest, "greenest" food in the world. A growing segment of the population wants it and is willing to pay more for it. In the U.S., we still spend a smaller percent of our income on food than any other place in the world.

Despite the trend towards larger farms, bigger isn't always better. Efficiency, innovation and diversification will be the formula for success in the future regardless of farm size. I was very impressed by a client of mine recently. He has a 2,000—plus acre soybean farm that has had an 80—plus bushel per acre all-farm average three years running, and was wondering about how to diversify the farm and his risk. Despite being very good at what he is currently doing, he knows he can't run in place without risking being run over at some point. He also understands that any change will be painful, probably expensive and take several years to implement. Change is hard but likely necessary to avoid becoming a "statistic" in the next Ag Census.

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THE BROCK REPORT POSITION MONITOR

THE WEEK AHEAD: The Midwest weather outlook and planting will be a focus as the calendar flips to May. USDA's monthly Grain Crushings report is released Wednesday. Reports of interest for the broader economy including Consumer Spending on Monday and Non-Farm Payrolls on Friday. On Wednesday, the Fed will issue its monthly policy statement.

Bolded %'s highlight changes made this week

CORN

	18/19	19/20
Strictly Cash	65%	10%
Hedgers Cash	65%	0%
Hedgers F&O	0%	**25%**

SOYBEANS

	18/19	19/20
Strictly Cash	75%	20%
Hedgers Cash	70%	10%
Hedgers F&O	0%	**20%**

WHEAT

	18/19	19/20
Strictly Cash	100%	10%*
Hedgers Cash	100%	10%*
Hedgers F&O	0%	0%

* plus basis set on an additional 20%.

RICE

	18/19	19/20
Strictly Cash	70%	0%
Hedgers Cash	70%	0%
Hedgers F&O	0%	0%

COTTON

	18/19	19/20
Strictly Cash	90%	20%
Hedgers Cash	80%	20%
Hedgers F&O	0%	10%

LIVESTOCK

HOGS	19-II	19-III	19-IV	20-I
Futures	0%	**25%**	**25%**	0%
Options	25%*	**25%***	0%	0%

* See page 16 for details.

CATTLE	19-II	19-III	19-IV	20-I
Futures	0%	0%	0%	0%
Options	0%	0%	0%	0%

FEEDERS	19-II	19-III	19-IV	20-I
Futures	0%	**0%**	0%	0%
Options	0%	0%	0%	0%

MILK	Apr	May	June	July
Cash	0%	0%	0%	0%
Futures	0%	0%	0%	0%

FEED PURCHASES

CORN	19-II	19-III	19-IV
Cash	50%	0%	0%
Futures/Options	**0%**	0%	0%

SOYBEAN MEAL	19-II	19-III	19-IV
Cash	50%	0%	0%
Futures/Options	0%	0%	0%

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