

# December News



The ARC Group, LLC.

December 2017

Written by Justin Lovegrove

*Merry Christmas and Happy New Year to everyone. I truly hope that you can sit back and enjoy what the holidays are all about. Enjoy your children, grandchildren, parents, and grandparents. Last weekend my two girls were in the Nutcracker Ballet at the Lied Center here in Lincoln NE. I was very blessed to be able to sit with my wife, two Grandmas and my parents and watch them perform on stage.*

## Harvest 2017

Onto another subject near and dear to our hearts – Harvest. What a year. Yields have been astronomical across the Midwest. I think every farm that we work with set some new records for yield on their farms. That is until the winds decided to blow. I think on our family farm we had a 90-bushel difference between our best field average and worst field average. I can't imagine a feeling worse than operating a combine, looking down at 50-100 bushels of corn on the ground. Not an ideal way to finish what was going to be a great harvest. We have seen basis levels come back quickly in areas most affected.

One subject we keep hammering on is the carry that the market is paying us to store our crops. The March to September spread is currently paying 24 cents. The market is going to pay us to hold our crops off the market this year. We think it is prudent risk management to have your inventory hedged or have floors on to protect this record wide carry in the market. You can currently spend under 8 cents to buy an option spread on the July 2018 corn board that protects 40 cents of downside and gives you 40 cents of upside in the case that we run into a bull market between now and June.

Want to save on expenses next year?  
Ask your broker about our **referral program**.

Adding onto that thought with spot March Corn being stuck around the 3.50 mark, there is currently 34 cents of carry to the new crop December 2018 contract. 3.90 new crop corn is a place that we think needs protected in case we raise another big crop next year. We usually advise putting on around a 25% sale on a yearly average trade. It would sell December futures every day from today until the end of July next summer. We will be contacting you shortly to input your production numbers on your 2018 crop and start implementing a defined program to manage the price risk on it.

We have had a lot of questions lately about creating cash flow in your operations by taking a government loan on the bushels that you have in the bin. Regardless of whether or not you do so, we believe you should **protect the future value** on that inventory. The market is paying you to sell futures forward for summer delivery and if you don't take advantage of it and the future months come down and meet the spot prices you will be leaving 30–50 cents on the table with carry and basis appreciation. We believe that your bins should be used to capture opportunities while avoiding market fluctuations. There are better ways to have upside exposure to the market than just having unprotected grain in your bins. These simple decisions can really make or break a year that you all worked so hard to produce.

## Why We Do What We Do

I feel that we truly have a great team out in the country that looks forward to helping our clients navigate these markets while creating tremendous value on their farms. My team looks forward every morning to creating relationships out in the country. You can always rest assured that we take your livelihood very seriously. We are very proud of our decision 14 years ago to align ourselves with your

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farm's best interest. We truly believe that independence in your grain marketing risk management is a main key to achieving the best returns on your farm. We pride ourselves by supplying our clients with the best products, technology, and grain merchandising minds in the business. We deeply value your business, and referrals that are pouring in from our current clients are testament to the solid relationships that we have created with you.

## New to The ARC Group in 2017

We have had an amazing amount of organic growth at The ARC Group in the last year. We just took on three new offices around the country and added five new risk managers in those offices in 2017. Pretty amazing looking back at it all.

IOWA



Our first addition was from Malvern, Iowa with Tim McGann coming on board. We have been trying to recruit Tim for 4-5 years and he finally wised up and joined our team in March. He brings at least a decade of grain trading experience and a real force on the ground in Southwest Iowa and has been moving toward Northwest Missouri. Having been born and raised in Southwest Iowa he has no plans to leave the area. If I were a producer in the area I would want this guy on my team.

We developed a heavy presence in North Dakota when Angela Runnion-Frerichs joined our team 3 years ago. She has absolutely exploded and figured out that she needs a side kick to help her cover all the business that she has "up north". She found the person that fits in perfectly with her mission, her name is Christina Roth from Max, North Dakota. Together they make one heck of a strong team that travels tirelessly meeting with farmers around a huge geographic area. I believe that there was a time last year that we were 100% of open interest in some option contracts on the Minneapolis Wheat contract on the Minneapolis Grain Exchange. Great stuff. These two talked us into developing an OTC hedging program which we write with no margin calls to the producer on the Canola contract. I have learned a lot about the Canadian Dollar and how to convert from metric tons to bushels this year. We believe that no one is representing the farmer adequately in this market. Apparently, you can teach an old dog new tricks...



NORTH DAKOTA



We decided that we can't get enough of North Dakota. In April, we found another hometown boy who lives in Fort Ransom, North Dakota with a wealth of grain merchandising experience. Cody Slusher grew up in Fargo, North Dakota and brings 10 years of grain trading and banking experience to the table. He is a solid number cruncher and very excited to bring his skill set to represent farmers mainly in the Southeast corner of the state. He has seen so much need for the service that we bring to farmers in the area that he has brought on his fiancé, Samantha to help him manage his client's best interests. He is an avid outdoorsman and has a soft spot in his heart for the rodeo. Congratulations to Cody and Samantha, who welcomed a new baby last month.



VIRGINIA



One afternoon last March we had a guy named Rob Puckette from Richmond, Virginia contact our office with questions about how exactly we are representing the farmer and educating them how to effectively manage risk on their farms. He has worked for a commercial grain company in Virginia for years and there is no one in his area working directly, independently with farmers. He flew to Lincoln to meet with us and we decided that he would fit in perfectly on our team. He convinced me to fly out there and meet with some Virginia producers and I was amazed at the marketing opportunities in the area. Yes, they do raise corn, beans, and wheat. They have more volatility in yields but consistently trade 1.00+ positive basis on the grains as they are directly an export market. Rob recently passed his series 3 and 30 exams and is learning about real life recently as he and his wife just welcomed a brand-new baby boy into the world.

## Changes at the Home Office

For the past 10 years or so we have just had one person settling out grain contracts. Cathy Miller works tirelessly trying to get payments out to farmers as quickly and accurately as humanly possible. We have streamlined the process this year and added two other grain settlers as volumes running through our office have spiked. Cindy Schroetlin from our Butte Office and Danielle Klooster in our Lincoln office have joined to our grain settlement department. I believe that the efficiency gains we have seen this year have been outstanding.

### NEW! E-checks

- Contact your broker to sign up
- Receive check instantly via email
- Print
- Deposit!

Instrumental in increasing the efficiency in our office this year was Executive Assistant, Gwen Bowers. She joined the Lincoln Office in April and focuses on handling much of my day-to-day administrative duties which allows me to concentrate on client's needs and supporting ARC Brokers throughout the United States.

We have made a big investment into our office software with the hiring of Bill Johnson. Bill is a coding workhorse. He calls himself a "database administrator" and brings a wealth of knowledge with him. We are making advances in our grain software, OTC reporting capabilities, and farm plan reporting by leaps and bounds. We feel with him at the helm anything is possible with technology improvements. Occasionally we catch a Texas accent coming out of his mouth. Bill can communicate very complex programming verbiage into a language that even I can understand. Bill's wife, Roxanne, is the Assistive Technology Paraprofessional for the Norfolk Public School District.



Bill Johnson



Cathy Miller



Cindy Schroetlin



Danielle Klooster



Gwen Bowers

I want to thank you again for your continued business and hope you have a safe and memorable Holiday Season.

*Justin Lovegrove*

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