

## Economic Chart of the Week

### May 15, 2019

Along with the threat of a full-blown U.S.-China trade war, it's important to remember that the international sector also presents more generalized risks in terms of demand and supply. For example, we've previously noted the problem of weaker demand in Europe and Asia, which has only been exacerbated by the strength of the dollar. This week's chart shows excess supply can also be a problem.

As shown in the chart, global corn supply has outstripped demand for most of the last several years. In part, that reflects an unusual period of consistently good weather in most growing regions around the globe. But that's not the whole story. The jump in output also reflects improved farming techniques, better yields, and increased plantings, especially in some key developing countries. The average global corn yield in the 2016/2017 crop year stood at an all-time record of 5.78 metric tons per hectare, up a full 30.2% from a decade earlier. The global harvested area for corn stood at 187.6 million hectares in 2016/2017, up 20.7% over the decade and almost enough to cover the entire country of Mexico! The surge in corn production has helped lift inventories to record levels. As a result, prices are now down more than 50% from their recent high in mid-2012 and 15% over just the last year. That's helping keep us cautious toward broad commodity funds, and we continue to hold them in only our more aggressive strategies. We also think excess agricultural supplies from abroad point to further stress for the U.S. farm sector, reduced agricultural investment, and weaker overall inflation, which is helping to keep us cautious regarding the stock market as well.

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