2016 Trigger

The First Phase...

Oct. 2015 - As described in 2013--2014, there were/are two types & phases of Food Crises Cycles projected for the 2010’s. The first was the culmination of a "Bull-ish Bubble" in which Livestock markets were projected (since 2009 and strongly re-emphasized in 2013) to see a parabolic surge into late-2014 when a 40-Year Cycle of inflationary advances was expected to peak - and usher in a subsequent crash ("bursting bubble").

Live Cattle, Feeder Cattle & Lean Hogs powerfully validated & fulfilled those cycles - with Hogs peaking PRECISELY when they were forecast - in July/August 2014 - and Cattle following suit, in late-2014/early-2015. That bubble was projected to burst in 2014--2016, with Livestock prices expected to plummet (See 40-Year Cycle: Food Crisis II - and related INSIDE Tracks from 2009--2014 for details) - like any textbook (fading) mania. Hogs have already fulfilled the majority (possible all) of that analysis - losing over 60% in the ~15 months since then. Cattle are close behind, shedding ~25% of their peak value & retracing ~50% of its 1996--2014 advance.

The second phase of Food Crises Cycles was projected for the latter half of the 2010’s - in the grain & softs markets - beginning in/after 2015 but not really accelerating until 2017--2019. In many ways, expectations for these markets is similar to analysis for Gold & Silver - in which they should see an initial 3--6 month surge to begin 2016 (the '1st' wave of a larger-degree, multi-year advance) but then consolidate in the second half of 2016.

Late-2016/early-2017 - when secondary lows are more likely and the typically-dynamic "3rd" wave advance should take hold - is when the real fireworks are expected... and when the masses should recognize the return of this uncanny cycle. If this scenario is accurate, grain markets should be watched closely between Nov./Dec. 2015 - when Soybeans could set a Major low - and mid-2016, when an initial surge is likely to culminate.

This compilation is intended to bring newer readers up to speed on some of what is expected, beginning in 2016 - when the first, subtle signs of a new Food Crisis are expected to emerge...

(Continued on page 2)
Outlook 2015--2017
40-Year Cycle & Food Crises

08-29-15 - What do India, Australia, Indonesia, Europe, Argentina, China, the Midwest (US) & California have in common?

I would guess there are probably many things... and a lot of respects in which they are different. However, if you apply the 40-Year Cycle, the answer might be ‘Food Crises’...usually triggered in the ‘5’ year with the results centered on or concentrated in the ‘6’ and/or ‘7’ year (of the respective decades, i.e. 1815, 1816 & 1817).

Before examining this, it is critical to understand that a food crisis can be triggered by diverse factors that range from drought to flooding and from extreme heat waves to dramatic cold spells. As a result, it is dangerous to get too tunnel-visioned on one form of expected ‘challenge’... when the opposite could unfold.

For example, what if the recurrence of El Nino suddenly triggered excessive rain & flooding in California in 2016 and created its own set of problems for crops... just when all eyes are focused on the potential for a crescendo in the ongoing drought. A food crisis would still be possible... just from an unexpected source. An on that topic...

40 years ago, California suffered severe drought in 1976--1977, exacerbating an already-challenging period of food production in America. 2016--2017 completes a 40-Year Cycle from then and could possess some parallels. Before delving into that, however, let’s go back 200+ years and trace the progression of this 40-Year Cycle through the past two centuries. (As I will discuss next month, it goes back much farther than 200 years.)

1770’s

The 1770’s - when discussing food crises - are best known for the Bengal Famine of the early-1770’s. That Indian-based famine - that lasted several years - took over 10 million lives and is described as worse (in various respects) than the Black Plague that devastated Europe.

That famine is considered 1 of the 5 worst famines in history (right alongside the Soviet Famine of the 1930’s - also part of this 40-Year Cycle - that similarly claimed ~10 million lives). India suffered another devastating famine - killing ~11 million - in 1783, just a few years after the 1770’s. So, that ~decade claimed over 20 million lives with famine.

About the same time (1770’s), severe drought hit Colonial Mexico and drove the price of maize to astronomical levels. In Europe, the (Czech) Great Famine - killing hundreds of thousands - began a series of famines that also hit Germany & Sweden.

1810’s

Diverse records show the appearance of drought in the 1810’s, 40 years later, ranging from S. Africa to China** and to America. Multiple sources describe a 6-year drought in the Midwest in the 1810’s (as well as in the Indian Southwest). Other sources also document famine in the early-1810’s in Europe... due to cold.

[**In another corroborating ‘factoid’, China experienced a 40-Year Cycle of famine, beginning in 1810 & 1811 & culminating in 1846 & 1849. A minimum of 45 million people are believed to have died as a result of this 40-Year Cycle of famine.]

However, none of this compared to the impact of Tambora’s eruption in 1815 and the ensuing ‘Year Without a Summer’ in 1816 (reinforcing that a Food Crises can be triggered by diverse climate & meteorological extremes - from drought to flood and from excessive heat to cold).

In many areas (Canada being one of them), the worst drought in hundreds of years followed. Famine is reported in 1816 & 1817, in many regions around the globe... particularly in the middle (and more densely populated) latitudes.

While Tambora receives most of the blame for this climatologically-challenging time, it was actually the synergy of multiple eruptions in 1812--1815 that
contributed to the cooling climate. They include:

1812: Initial eruptions of Tambora as well as eruptions of La Soufriere (Caribbean) & Awu (also in Indonesia). These coincided with another seismic event - the New Madrid quakes in America, 4 devastating earthquakes (7.0—8.1) in an 8-week period.

1813: Suwanosejima (Japan).

1814: Mayon (Philippines).

1815: Tambora main event.

All of these exacerbated an already-tenuous time on earth, particularly with regard to agriculture & food production. There is even thought to have been an 1809 eruption - perhaps in Latin America - that ushered in that period & began the cooling.

1850's

40 years later, the Civil War Drought of 1856--1865 hit N. America; According to ‘Drought Research’ (http://www.ldeo.columbia.edu/res/div/ocp/drought/nineteenth.shtml), there were three severe droughts in the 40-year period between the mid-1850's and mid-1890's (the second one being spaced at the midpoint in the mid-1870's) with the Civil War Drought hitting Texas & the West particularly bad (‘worse than Dust Bowl’, 80 years later):

“From the mid 1850s to the mid 1860s the West and Plains were struck by a severe drought. Years ago David Stahle of the University of Arkansas had used tree ring analyses to suggest that, in Texas, this was the worst drought to strike in the last 300 years, worse than the Dust Bowl drought.”

In textbook cycle evolution, the 1850's drought presaged certain things about the 1890's drought… that were an unrecognized precursor to the Dust Bowl drought of the mid-1930's (40, 40, 40). They are all connected! 1850's, 1890's & 1930's... a precise 40-Year Cycle. According to the same source:

“The dust storms of the 1930s were unprecedented, during the historical record, in their severity.

Before the expansion of agriculture in the Plains, the natural prairie grass bound the surface together even during droughts. It was the removal of these grasses, and replacement with wheat that could not survive, that exposed the soil to wind erosion in the 1930s...during the 1890s, it was clear that trouble was brewing. Dust storms did afflict the Plains during that drought...probably as a result of overgrazing of natural grasses by imported cattle.”

In another intriguing parallel, the combined effect of that trio of droughts (1850’s, 1870’s & 1890’s) triggered government action:

“The 1890s drought was a wake up call that in the future, if further catastrophes were to be prevented, the Federal government would have to take the lead role in development of water resources, irrigation and power. The 1890s drought is partly responsible for the beginning of Federally-driven irrigated agriculture with the Reclamation Act of 1902.”

1890’s

The 1890’s - as just noted - were another decade with global famine, including the Ethiopian Great Famine (1888--1892) that killed 1/3 of the population, a Russian famine that killed about 1/2 million people, China (leading to the Boxer Rebellion) and in India (again; killing ~6 million over 6-7 years).

There was also the Australian ‘Federation Drought’ beginning in 1895 (lasted into 1903), initially triggered by an El Nino year in 1896. A heat wave hit in late 1897 and set records (that still stand) in 1898. A combination of 3 El Nino events, beginning in 1895--1898 (then 1899--1900 & 1901-1903), devastated parts of Australia.

The interesting thing is that this Australian drought piggy-backed crop failures (wheat) in Argentina in 1893 - that largely contributed to the U.S. Panic of 1893.

(Illustrating the dynamic link between farming & financial markets in the 1800’s, a bubble-and-crash was seen in Wheat AND a financial market ‘panic’ or ‘crash’ was experienced during each
phase of the 40-Year Cycle - in the 1810’s, 1850’s & 1890’s. The 1930’s & 1970’s were not much different - except for the fact the former was a deflationary extreme and the latter, inflationary.)

As is usually the case with the 40-Year Cycle, the same events (panics/crashes, Dollar/Gold/Silver debacle, weather extremes, food crises, etc) occur during that initial 3–5 & 5–9 year period. In the case of the 1890’s, multiple sources peg America’s unemployment rate escalating into double-digits and remaining there from 1894–1898.

This drives home the point that it is NOT critical to identify the cause and effect since the sequence of events often alters. It IS important, however, to recognize that all of these challenges (SYNERGY) have recurred on a VERY consistent, 40-year basis.

As Goes California...

Returning to an earlier topic, California’s current drought has been compared to another devastating drought …in 1895. The current drought is thought to be the worst since 1895. So, California has at least two (40-Year Cycle) links to 2015–2017. Will the coming years complete a third?

Next month, I will resume this discussion - focusing on the 1930’s, 1970’s & 2015–2017. In addition, there are also even longer-term cycles that corroborate this analysis & focus on 2015–2017. IT

INFLATION MARKETS - GRAINS

08/31/15 - Soybeans, Corn & Wheat have dropped to new lows after fulfilling the potential for a “fast & furious” surge from May into July 2015. They turned their weekly trends back down in August, confirming that a multi-month peak took hold in July 2015.

On a longer-term basis, Soybeans & Corn are still likely to set a Major low in 2015 - now most likely to take hold in Nov. or Dec., when the next crucial convergence of weekly & monthly cycles comes into play. As a result, this overall decline could extend into 4Q 2015 - when the second set of intra-year cycles AND when a 7-year low (late-1994)–low (late-2001)–low (late-2008)–low (late-2015) Cycle Progression converge. 775–805.0/S is MAJOR support.

Rough Rice remains a different - more bullish -story after it fulfilled critical downside objectives in price AND time. It tested major, 3–5 year price support (~$30/RR) & bottomed in line with cycle expectations - perpetuating a ~5-year low (June/July 2000)–low (June/July 2005)–low (June/July 2010)–low Cycle Progression, a ~3.5-year high–high–low Cycle Progression and a ~7-year decline.

Rough Rice was expected to advance into late-August/early-Sept and has now accomplished that - setting the stage for an intermediate high. IT

[End of Sept. 2015 INSIDE Track excerpt.]

“It is just as I said to Pharaoh: God has shown Pharaoh what he is about to do. Seven years of great abundance are coming throughout the land of Egypt, but seven years of famine will follow them. Then all the abundance in Egypt will be forgotten, and the famine will ravage the land. The abundance in the land will not be remembered, because the famine that follows it will be so severe.”

Genesis 41:28-31 - NIV

Outlook 2015--2017

40-Year Cycle & Food Crises II

09-29-15 - Throughout history, there has always been a vacillating cycle between times of shortage & times of plenty. An oft-quoted example comes from the book of Genesis, when Joseph had been sold into slavery and ends up as second-in-command over all of Egypt - the political powerhouse of the day.

Based on Pharaoh’s two corroborating dreams, Joseph determines that a devastating 7-Year Cycle of famine is on the horizon. However, the good news is that a prosperous 7-Year Cycle of plenty will precede it. With the proper leadership & disciplined approach, Egypt has the potential to
make it through that tumultuous 7-Year Cycle (the second one) and remain a powerful nation. Similar to the 40-Year Cycle, this 7-Year Cycle also was a time of preparation.

One secondary lesson from that account is how quickly a true Food Crisis could devastate a nation (particularly in those agrarian times) - if it is one that is only focused on satiating one's self for the moment instead of acting responsibly and preparing for a proverbial 'rainy day' (or 'rainless day').

When a nation like Egypt bonded together, made common sacrifices, and prepared for some challenging times, it made it through them. (Of course, that is also the benefit of a totalitarian government… when it makes the right decision.)

At the opposite end of the spectrum, one might imagine a nation that is hit with repeated 'yellow flags' but is so complacent and desensitized - by its politicians, media & entertainment industry - that it collectively sticks its head in the sand and says: "Nope. No problems here." Could a nation like that really exist?

...But let's get back to this 7-Year Cycle and link it to our over-arching discussion on the 40-Year Cycle & Food Crises… recurring in 2016--2019.

40-Year Cycle Phases

Funny enough, this examination of the 40-Year Cycle deals primarily with a ~7-year period, every 40 years, that is almost as momentous (as Egypt's).

In the case of the present day, key 40-Year Cycle events were expected - and materialized - in 2011--2014 (peak in Gold, moves to supplant US Dollar as global kingpin, culmination of Stock-flation, etc.) - as the latest 40-Year Cycles were transitioning - but the 'stuff' is expected to really 'hit the fan' in 2015--2021… a 7-Year period.

In this case, it might be an economic 'famine'...

Swarms & Synergy

When examining these periods, one principle is vitally important - Synergy. It is inadequate to look for one major event - repeating through history - and try to measure its cyclicity. That is where most skeptics naively dismiss cycles and look no farther. Instead, it is the groupings of events that are key. I often refer to these groupings as 'swarms'.

But, this synergistic principle (swarms) also applies to food & crop crises and to droughts & famines. As demonstrated last month, the 1770's, 1810's, 1850's & 1890's each experienced 'swarms' of food crises, climate-altering events and all-out famines… at consistent, 40-year intervals.

Before continuing the discussion on that progressing pattern (from the 1890's to the present), I want to touch on the overlapping 80-Year Cycle and what it timed before the 1770's (part of the 1690's--1770's--1850's--1930's--2010's cycle)...

1690's

The 1690's was another devastating decade that witnessed a famine in Scotland (killing ~10% of the population), a famine in France (killing 2 million), a famine in Estonia (150--175,000 deaths) and a famine in Finland (killing ~1/3 of the total population) - in addition to several other food crises.

The sum total effect was a devastating blow to Europe during this narrow window of time… that corroborates the focus on 2016--2019.

Rejoining that 40-Year Cycle discussion where we left off last month (1890's), the next phase - and one of the most notorious and oft-cited - occurred during the depths of the Great Depression...

1930's

The 1930's are best known for the Dust Bowl that decimated the nation's heartland in America & Canada. It coincided with the 1936 N. American Heat Wave - considered to be the worst heat wave in the modern history of this continent.
However, that Food Crisis paled by comparison - at least when counting lives lost - with 1 of the 5 worst famines in history - the Soviet Famine of the 1930’s. The interesting thing about both of these Food Crises is that they had a strong ‘human-induced’ factor exacerbating them.

In the case of the Soviet Famine, it was primarily human-caused - the result of another wonderful social experiment in collectivist farming. Regardless of its underlying cause, it resulted in a widespread famine that claimed as many as 9 million lives.

In contrast, the Dust Bowl was a synergistic combination of poor farming techniques (for decades prior), leaving little top soil when trying times struck the landscape, excessive heat, drought & the economic challenges of the Great Depression. It struck primarily in 1934, 1936 & 1939–1940.

And, at the same time (1936), China was hit with its second famine of the 1930’s - that claimed over 5 million lives (the preceding one - caused by drought - accounted for 3 million deaths). That’s ~17 million deaths in 3 famines - in USSR & China!

[China has its own cycle governing the most devastating famines - with the two deadliest of the past 150 years arriving 80 years apart… in the late-1870’s & late 1950’s… accounting for about 10–12 million & 20–40 million deaths, respectively.]

1970’s

40 years later, the inflationary 1970’s arrived. And with that, so did another Food Crisis - created by a combination of natural and man-made events.

From a climate perspective, there had been a progressive, steady cooling since the 1930’s - creating alarm. At the time, a notorious ecologist - Kenneth Watt - explained in great detail how the dramatic cooling of the preceding decades was a certain harbinger of an impending Ice Age.

He explained how by the 1990’s, global temps would drop about 4 more degrees and by 2000, it would be 10–11 degrees colder. Can anyone spell hyperbole?

[It should not be overlooked that Watt’s dire warnings were part of his speech at Swarthmore College on the Date of Aggression/Date of Infamy - April 19, 1970. Coincidence?]

Other scientists & climatologists jumped on the bandwagon - as did Time & Newsweek, featuring articles in 1974 & 1975, titled: ‘Another Ice

40-Year Cycle Begets 40-Year Cycle... Begets 40-Year Cycle...

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Age?’ and ‘The Cooling World’. According to Newsweek, the evidence supporting catastrophic global cooling had “...begun to accumulate so massively that meteorologists are hard-pressed to keep up with it.”

That 1975 article also warned that global cooling could usher in a ‘drastic decline in food production’. So, naturally, when 1976 & 1977 ushered in one of California’s worst droughts, the obvious cause was front & center on everyone’s mind.

While this topic evokes heated debate, there is little denying that the media was hyping global cooling throughout the 1970’s. So, it was a case of perception governing rash reactions and/or public policy - the proverbial tail wagging the dog - without considering their future consequences.

While researching the specifics of that discussion, I found a website - populartechnology.net - that contained over 110 links to articles from 1970--1979 - building on these dire assumptions. These articles included a CIA paper as well as articles in the NY Times & Washington Post… and many regional papers. It was NOT just an isolated incident.

Most of them blamed air pollution for the coming food crisis that would inevitably result from that undeniable science. Hmmmm.

Believe it or not, I am not attempting to stoke that debate. Instead, I am attempting to provide a snapshot of the overriding events and reactions of that period… since they have future ramifications. One of the reasons for doing so is my suspicion that decisions of the 1970’s laid the groundwork for impending challenges in the 2010’s.

In a cyclic twist, the same governor presided over California when it was plunged into that previous drought AND its current, devastating drought - 1--2 years after he took office (Jerry Brown). The more things change, the more they stay the same.

The difference is that the 1976--'77 drought was much shorter-lived than the current one… and CA agriculture was not as massive. Watch 2016--2017.

Cycles Spiraling Forward

The excerpt at the bottom of this page comes from last issue’s discussion on the Food Crises of the 1850’s, 1890’s & 1930’s… all preceded by the global devastation of the late-1810’s (Tambora eruption & Year Without a Summer).

It is reiterated to stress the nature of cycles - measuring a spiral in life, where events ‘circle’ back around and mimic - but do not duplicate - their predecessors. This cycle is like a perpetual relay race, in which the baton is handed off every 40 years… after one complete circuit of the track we call ‘life’.

The focus is on the actions & reactions that accompanied each period… and ultimately contributed to the challenges of the next 40-Year Cycle (and the next & the next). As discussed there, the 1850’s, 1890’s & 1930’s were intimately linked.

I suspect the reactions of the 1970’s - primarily the massive push for corporate farming - ‘planted the seeds’ (half a pun intended) for challenges that are only beginning to emerge now. That created an industrial monoculture out of nearly every farm while mandating fencerow to fencerow planting (of corn). If the 40-Year Cycle is accurate, 2016--2019 will be the ‘time for unintended consequences’. IT

[End of Oct. 2015 INSIIDE Track excerpt.]

Oct. 2015 - The year 2016 is expected to see the first signs of bottoming prices in grains & softs...and initial surges in these food commodities. Those advances - at least in grains like Soybeans - are likely to peak around mid-2016, when multi-year cycles portend a multi-month/multi-quarter (initial) peak.

The real interesting events are likely to wait until 2017 (~2019), when this 40-Year Cycle should return with a vengeance! Watch late-2016 for early warning signs of potential (dynamic) price surges.

Please refer to current/future issues of INSIIDE Track & the Weekly Re-Lay for updated - and/or more specific - analysis and trading strategies. IT
Cattle & Hogs Update: 09/29/15 - Live Cattle is steadily validating projections for a Major peak in late-2014/early-2015. That marked the culmination of a 40-Year Cycle (and a 70-Year Cycle) of inflationary price advances - while also perpetuating 3, 6 & 12-Year Cycles. It peaked in Dec. 2014 and has sold off sharply since then. While it would take some time (years) before one could definitively conclude that the 40- & 70-Year Cycles were accurate, Cattle is already confirming the bearish implications of the 3-Year Cycle.

It has already turned several multi-month indicators negative and is poised to turn the monthly trend down (which would take a Sept. 30th close below 142.00/LCZ) and confirm a 1–2 year peak. Cattle is accelerating lower as it approaches 1–2 year support at 118.50--122.75/LC. A break of that support - if & when it occurs - would begin to validate the bearish implications of the 6-Year Cycle as well.

To reiterate, I cannot help but notice the role that Cattle played in many of the Food Crises that have reoccurred on a 40-Year Cycle basis. In some cases, that involved disease (transmitted by the Cattle) while in other occurrences, it involved feed or cost of feed... or just the result of over-grazing. 2016/2017 could be revealing.

Lean Hogs have also fallen sharply since fulfilling multi-decade, multi-year & multi-month cycles that projected a MAJOR, multi-year peak for July/August 2014. Hogs peaked in mid-July 2014 and fulfilled a 6-year low --high--high, a 3-year high--high--high AND a 1-year high (Aug. 2011)--high (July 2012)--high (Jul./Aug. 2013) -- high Cycle Progression. Hogs have also provided a textbook affirmation of the 17-Year Cycle, plummeting just as they did from May 1997 into Dec. 1998. (Could Dec. 2015 provide a significant low??)

Hogs plummeted into March 2015 and attacked their yearly HLS - an extreme downside target for 2015. They then spiked to new lows in July - completing a 360-degree decline from their July 2014 peak - and entered an intermediate rebound. That rebound is entering its most decisive period as Hogs have twice neutralized their weekly downtrend while rallying to the low of the year-opening range (66.05/LHZ). An intermediate peak is likely in the first part of October. IT