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ETF Trends ETF Bootcamp: The Corn ETF's Surprising Opportunities

Interviewer: Tom Lydon, ETF Trends

Length: 2:59

<https://www.youtube.com/watch?v=TpmEaZh6wPs>

[Note: Questions are not audible in video]

TL: Why aren't people buying corn?

SG: Well they are. I think the question is “Why aren't more people buying it?” Corn is pervasive throughout the global economy. It's probably as pervasive as energies, most people don't realize that. It's used in animal feed, so if you eat meat you're using corn, it's used in ethanol. It's used in starch to hold paper together. Basically, if you're in the modern global economy, corn is touching you¹.

Wheat is probably the most political of all commodities except for oil, so between those two they get a lot of press. We have two good funds, we like to think that are, that are there with good easy tickers: C-O-R-N and W-E-A-T. But the interesting part is that people won't stop eating, they won't stop feeding their animals, regardless of what the economic situation is. And here, in the autumn, it's very interesting, China and the United States are the world's two largest corn producers, we're both in the Northern Hemisphere². We are harvesting corn at the same time. All of that corn comes to market and it creates very often, not always, but very often, a seasonal low point. So in the fourth quarter you do get a low point for grains; it so happens we've had three bumper years in a row, good crops, grain prices have been coming down. They're actually approaching their cost of production, so some people think the downside is quite limited; and, we do get a drought occasionally, every two to five years you get a yield decline globally, for corn especially. Because the demand is so steady, it does result, often, in some significant price moves, for grains. So grains, the demand is very steady, right now their price is very low, we're at a seasonal low point, or entering a seasonal low point; looks like a good time to discuss with your advisor or other people investing in grains.

1. Iowa State University, Center for Crops Utilization Research 2009: Web, November 13, 2015. <<http://www.ccur.iastate.edu/education/cornposter.pdf>>
2. As reported per the USDA on the November 10, 2015 World Agriculture Supply and Demand Report. <<http://usda.mannlib.cornell.edu/usda/current/wasde/wasde-11-10-2015.pdf>>
3. Fuhr, Deborah. “US ETFs/ETPs End 2014 Surpassing \$2 Trillion in Assets.” NASDAQ 12 Jan. 2015: Web. November 13th, 2015. <<http://www.nasdaq.com/article/us-etfsetps-end-2014-surpassing-2-trillion-in-assets-cm431860>>
4. Ho, Ky Trang. “Stock Market Milestone: ETFs One-Up Hedge Funds As Investor Assets Hit \$3 Trillion.” Forbes 8 May, 2015: Web. November 13, 2015. <<http://www.forbes.com/sites/trangho/2015/05/08/etf-assets-surpass-hedge-funds-marking-massive-industry-milestone/>>

TL: What's exciting about ETF's right now?

SG: ETF's, uh, just surpassed two trillion in assets³. They just surpassed, apparently, this year, the hedge fund industry in the size of assets⁴; so it's very exciting. It's a very user friendly transparent means for investors to participate in all the financial markets, and in all asset classes. So commodities were very difficult for investors to touch even only ten years ago, and now there are many different funds by many different companies, good offerings out there. So investors can really invest in a variety of asset classes much like professionals could before, and that's due in large part to the ETF industry.

TL: Any crystal ball predictions for 2016?

SG: ****Chuckle**** My crystal ball is sometimes fuzzy but I think 2016 no doubt continued growth for the ETF industry. I think continued growth especially for new products that are coming out, and I think a rising awareness of commodities. The global turmoil in the markets, people have realized especially for agricultural products, they keep using them no matter what their portfolio says; they're going to keep using those agricultural products.

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