February 21, 2011

Friends:

I have attached the CZ corn charts for the Dec option for 2010, 2011, and 2012. Many reasons, but mostly there is a persistence to the time counts that very few actually keep track of and I wanted to share that with you.

ALSO, there is a double-rhythm, kind of like an echo that corn alternates back and forth between. I have chosen the first beat for the 2010 and 2011 charts and then have switched the 2012 over to the echo beat...which is very likely to become the primary beat for that contract.

Simply put, the high is corn on 2/14 is very consistent with the rhythm. ALSO, it is EXTREMELY consistent with the 60 year cycle highs of early Feb 1951.

The evidence is mounting against further upside. If you look at the 2012, and if the market gives us a lower high or double top in early March the odds a large decline are quite high.

The other option would be a sharp decline to early March, then a recovery of equal length in time, to an easy sale of a late March high. Since that is so easy and brainless I doubt if it happens. But we can all hope right?

As for quantity to sell, if one of the above patterns presents itself, there is absolutely NO reason to not sell 100% of next year's crop. You can always buy cheap nearby calls in late May if you fear a drought.

Also, just for full disclosure, we have allocated another $250k to use for margin since the margin requirements have increased dramatically. If you don't have the margin don't play the game... although let's be honest....for our farm buying a GRIP or RA policy would cost the same $250k and you still have a 10 to 15% deductible.

ANOTHER TOPIC:

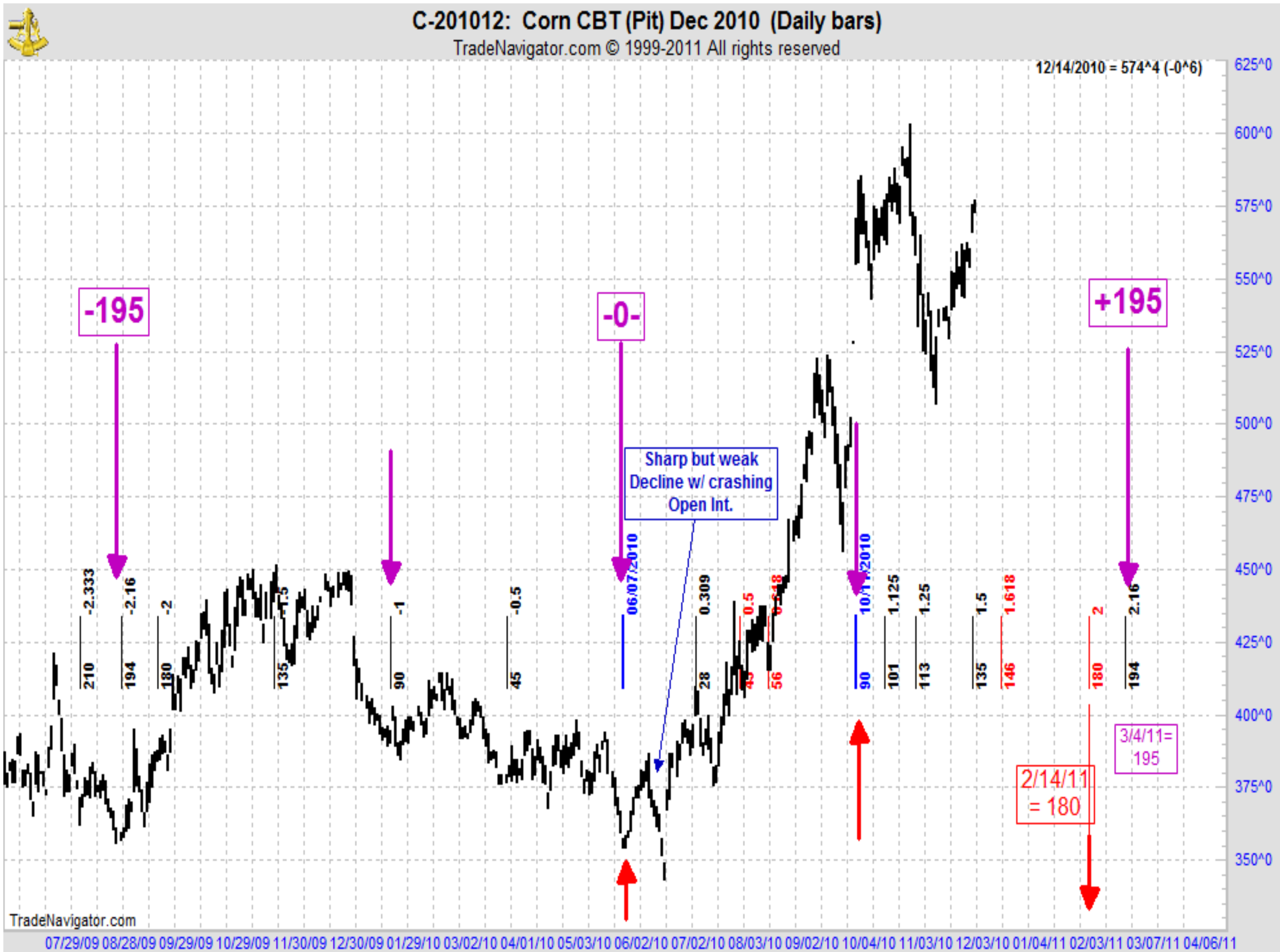
You may have noticed that the nearby contracts for wheat and corn are almost exactly between the 2 major resistance areas. i.e. for wheat it is not $9.50 BUT the July option is at $9.50. Corn is the same with the nearby not testing $7.50 but the July is close.

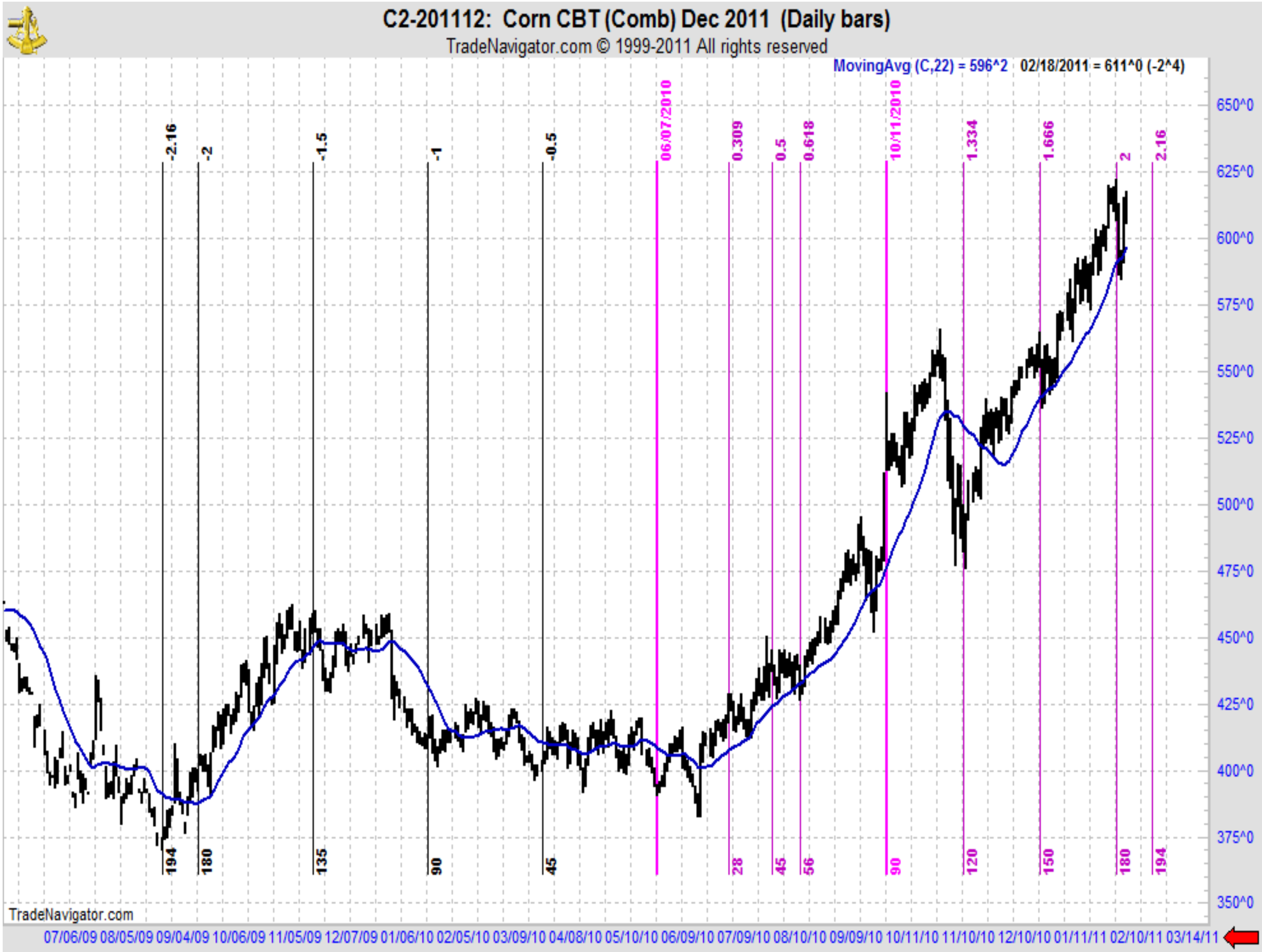
I merely point this out because it is kind or strange. AND, it would be EXACTLY what we would expect where unlimited spec ownership drives the deferreds but with insufficient capital to maintain the spreads integrity versus the nearby.

I am not nearly smart enough to comprehend the impacts of all this, but just want to note that my friends in Chicago report extremely quite paper flows in many areas.

There is absolutely no valid reason for anyone to have remaining 2011 wheat unpriced once it touched $9.50, but someone can always make up a valid reason for themselves...

Take care,
Ken


C-201012: Corn CBT (Pit) Dec 2010 (Daily bars)
TradeNavigator.com © 1999-2011 All rights reserved
12/14/2010 = 574^4 (-0^6)
-195
-0-
+195
Sharp but weak Decline w/ crashing Open Int.
2/14/11 = 180
3/4/11= 195
TradeNavigator.com


C2-201112: Corn CBT (Comb) Dec 2011 (Daily bars)
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MovingAvg (C,22) = 596^2
02/18/2011 = 611^0 (-2^4)
-2.16
-2
-1.5
-1
-0.5
06/07/2010
0.309
0.5
0.618
10/11/2010
1.334
1.666
2
2.16
194
180
135
90
45
28
45
56
90
120
150
180
194
650^0
625^0
600^0
575^0
550^0
525^0
500^0
475^0
450^0
425^0
400^0
375^0
350^0
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07/06/09 08/05/09 09/04/09 10/06/09 11/05/09 12/07/09 01/06/10 02/05/10 03/09/10 04/08/10 05/10/10 06/09/10 07/09/10 08/10/10 09/09/10 10/11/10 11/10/10 12/10/10 01/11/11 02/10/11 03/14/11