

February 20, 2011

Friends:

When I look back at the previous year, there are usually ONLY 2 critical times that occur. For self-evaluation purposes, I like to study how we responded.

For 2010, there were only two critical times really:

Jan 11th: Spring setting in place the rhythm for the whole year. At this critical time I give our approach an A+

June 6th: Of course what is tough about this one is that the lows in corn did not come on June 6th did they. We of course were very bullish at that time. Wheat and Beans did turn just about exactly as expected. So for June 6th I would give our timing counts a B, BUT because we did not get sucked into the fund meltdown on June 29/30, I give our management of the reality a A+++.

As you know, I expected a very important high in December. In this regard, I must give the timing counts a C-. BUT I really think this is a classic case of the "1989 drought that happened in 1988" failure case study we went through at the meeting. After the November and then again the Dec crop reports, this became a simple global short-crop rally, WITH nitro-based fuel due to the insane public policy of zero interest rates for only the WEALTHIEST of all the big banks.

To be fair, you know that I disagreed extremely with the NASS crop ratings. THIS is why the high did not occur in Dec, the reality of the short crop was not traded until after the Nov/Dec crop reports, rather than a more normal August/September crop report.

Again, though, I must give myself a C- for not recognizing it in advance. It was obvious to anyone who cared to look.

BACK to NOW.....2011 will also only have 2 important days really. Obviously the first one will be soon, or most likely has already passed.

Friday's high in the cotton is the high, or if not, it is so close as to be the virtual high. For anyone selling cotton, you should or MUST be 100% sold for the 2011 crop. A normal decline after this would take Dec cotton down to about \$82.

I am going to do another more in-depth email tonight and early morning tomorrow. But, as many of you have already sent me emails about: the Cotton open int has crashed, new crop failed to make a new high Friday. The ICE exchange changed many rules on Friday. Ultimately, the point of this email.....

Gentlemen...THE GAME IS UNRAVELING...are you ready?

Much like in late June only this time to the upside, the Dec corn market has exceeded my \$6 target, mostly on just silling spec investment, but it has done it. We have not exited any hedges. Is this a mistake....maybe....but we think not. The grade will not be determined until this fall, but for now it FEELS very much like 6/29/2010. I like our odds of another A, but concede many of you have done well to wait longer than I did to sell. DON'T WAIT TOO LONG...I am never wrong for long... :-)

And as a grower of a generic commodity, I am never LONG AND WRONG in Chicago. Just bad for business. :-)

Take care,

Ken