January 10, 2008

Friends:

Let the good times roll....I guess.

I received many questions about how we sold the 08, 09, and 10 crops the last week in December. If time was not so short I would go through a 2 hour presentation on the why's. But since time is something that I am short on these days:

All 08, 09, 10 sales were made using Pacer Ultra's from Cargil. The net effect of this contract is that we established a Minimum Price contract which averages at the minimum or HIGHER if the futures is higher than the minimum established. For example, for the 09 beans we sold, we created a Futures Floor Price of $10.50 on December 27, 2007. We paid a 35 cent fee for this contract meaning a net futures minimum of $10.15. In the days since we did this the market has skyrocketed, as you know. Our averaging period is from 12/31/07 until 3/12/08. Yesterday SX9 closed at $11.31, so our price for yesterday's beans was not $10.50 but rather $11.31. Now here is the kicker: I can price the remaining un-priced portion at any time. This means I can go in today and price the rest of the contract at $11.31--result would be a net futures of around 10.90 I think. Not a bad first sale. Especially since I was willing to take $10.50. Tactics are important!

Also, if the markets decline (as they will at some point), we can focal point these and participate in the weather rally if it occurs this summer. We probably won't do that but it is an option that is available.

So, today we have an interesting opportunity. You could Pacer Ultra old corn with a short averaging window and create a floor but still get the upside of a super bullish report. If you have old corn, this is a GREAT TACTIC!!

Take care,

Ken