

September 20, 2010

Friends:

WOW....talk about the result of zero interest rates, rampant currency printing, and criminal lack of speculative regulation. Markets are on fire and as you know we like to sell into fires of fear.

So, just as a good management practice, and mostly because I think this rally in commodities will be death to the global economic recovery, and might even bring down the game of zero interest rates, we are selling the first 25% corn and soy for 2011.

As always tactics are more important than the actual decision. So, for us, we will take no margin exposure and make this sale usually Cargill Pacer Ultra's (exactly like we did in 2008).

Pricing is outlined below for you, anyone can get these products I think.

But for us, for 25% of the corn - we will take the 4.90 floor that averages until 12/15 for 33 cents. Net effect is that we get at 4.57 floor and we have unlimited upside through 12/15 as it averages from now till then. So, if Dec runs to 5.40, we will average up a little bit. Also, these are Friday night quotes, so this morning should be a little better maybe. A simple HTA carries a 13 cent fee, so I am only paying 20 cents for the averaging.

Would do the same on soy and wheat but I don't have the prices from C on those yet. Point being...this is a fear rally...and it is NOT a demand rally. I read 3 articles this weekend about this being a demand rally. It is NOT it is a weather rally driven by weather reduced production....those are always to be sold at harvest.

Since I am unclear about the weather, the high is today (possible from some harmonics) or 10/10 which seems likely, or 12/10 which is too far away to maintain this level of emotion, we like protecting massive profits for another year using this tool for the many reasons we talked about in the past.

Off to harvest, yields are still good in the beans, but not anymore 70's, just around 57 to 63 where the later beans ran out of water in early Sept.

Here are some quotes to start with, CZ1 is at about 4.81 this morning (overnights not closed yet, but up about 3 on CZ1):

CZ1 4.80 9/20-12/15 costs 27
CZ1 4.80 9/20-1/19 costs 30

CZ1 4.90 9/20-12/15 costs 33
CZ1 4.90 9/20-1/19 costs 36

Take care,
Ken