

November 5, 2010

Friends:

PLAN IMP: TIME TO IMPLEMENT SALES TRIGGERS IN 2011 WHEAT.

We have waited very patiently for the early November date to arrive. IT is here, and while new crop conditions are terrible right now, the markets usually top when conditions are terrible. So, I think it is time to get to at least 50% sold 2011 wheat, at a minimum. For our farm, we would go to 75% sold, but be willing to un-price the last 25%. So, for me, I'm going to 75% using today's triggers, price chart attached for WN11.

The price pattern in NEW wheat is very similar to the dollar index when I posted about selling it back in May. Hey, it might go higher, but also might not, our objective is to sell rallies, especially long ones. So, the chart pattern is really nice and the timing is excellent.

BELOW: I am forwarding the email I sent out on 8/6/10. Again, farmers knew more than the market, and will again if we are open-minded.

----- Original Message -----
Subject: PLAN IMP: WHAT DO WE KNOW---
From: "Ken Rulon" <ken@rulonenterprises.com>
Date: Fri, August 6, 2010 12:01 pm
To: "aaareKen Rulon" <ken@rulonenterprises.com>

Friends:

I have titled this "WHAT DO WE KNOW"...because as farmers we have some really good information that the market is mostly ignoring at this point. We used that superior knowledge to capitalize and exit the hedges in April and June. NOW, it is time to capitalize once again.

SO BACK TO THE "WHAT DO WE KNOW" (in my view)

1. THE CORN YIELD REPORTED NEXT WEEK WILL BE THE HIGHEST ONE OF THE YEAR. FINAL YIELD WILL BE ABOUT 5 BU BELOW THIS AT BEST AND MAYBE 8 AT WORST. TOO MUCH RAIN AND TOO MUCH HEAT ALWAYS KILL GRAIN FILL.
2. THE FRINGE AREAS ARE A MESS THIS YEAR. NO WAY THE NATIONAL YIELD EXCEEDS LAST YEAR WHEN THE FRINGE AREAS WERE PERFECT OR BETTER THAN PERFECT. THIS APPLIES TO BOTH CORN AND BEANS. HEAT KILLS THE SHALLOW SOIL FRINGE AREAS YIELD EVERYTIME.
3. CORN ACREAGE IS VERY CLOSE TO WHAT HAS BEEN REPORTED.
4. BEAN ACREAGE MAY STILL BE A TOUCH HIGHER DUE TO EXCELLENT PLANTING CONDITIONS FOR DC.
5. JUST LOOKING AT THE RAINFALL ACCUM MAPS, 1/2 THE BEAN BELT HAS HAD AVG OR ABOVE AVG RAIN, YIELDS WILL EXCEED AVERAGE IN THAT AREA. IMPORTANTLY, 1/2 THE BEAN BELT HAS HAD LESS THAN 50% OF AVG RAINFALL. YIELDS WILL BE WELL BELOW AVG IN THAT 1/2.

6. WHEN YOU PULL ALL OF 5 TOGETHER, YOU REALIZE THAT THE BEAN YIELD REPORTED NEXT WEEK SHOULD BE CLOSE TO WHERE IT ENDS UP, WITH EASILY SOME DOWNSIDE OPENED UP BY THE HOT/DRY AREAS HAVING SIMPLY TERRIBLE YIELDS.

7. SO, WE HAVE A TIMING POINT THAT IS IMMEDIATELY FOLLOWED BY A REPORT THAT WILL BE COMPLETELY WRONG WHEN IT IS PRINTED.

BOTTOM LINE, THERE MIGHT BE SOME GREAT OPPORTUNITIES IN THE NEXT FEW DAYS TO CAPITALIZE.

WE WILL STAY 100% UNHEDGED CORN/SOY FOR 2010 AND BEYOND UNTIL THE MARKET GIVES A REASON TO GET CONCERNED. I AM JUST 100% CONVINCED PRICES FOR CORN WILL BE HIGHER THAN TODAY IN DECEMBER. LESS SO ON BEANS, BUT THE WEATHER IS HAMMERING BEANS. FOR FEED NEEDS, WE ARE 100% COVERD AND WILL STAY THAT WAY.

MORE TO FOLLOW IF SOMETHING STRIKES ME.

BTW....FOR ANY WHO LOCKED IN FUEL NEEDS A FEW WEEKS AGO....WE DID THAT WITH CASH CONTRACTS WITH THE COOP SO I AM NOT REALLY FOLLOWING THE ENERGIES. NOT ENOUGH EMOTIONAL CAPITAL TO KEEP ANY MORE IN MY HEAD.

LASTLY, CORN AND BEANS ARE INVOLVED IN A WEATHER MARKET AND NO ONE KNOWS IT YET. STILL CAN SELL CORN PUTS AND BRING IN A BUNCH OF MONEY TO RAISE THE SELLING PRICE IF YOU ARE HEDGED.



W2-201107: Wheat CBT (Comb) Jul 2011 (Daily bars)

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Lowest Low (3).1 = 754^2 Parabolic (0,0.00,0.2).1 = 754^2 MovingAvg (C,10.5) = 767^6 11/5/10 10:50 = 786^0 (-0^4)

TRIGGERS:

1. SELL DAY 5 TODAY - STOP ABOVE HIGHS
2. 10.5 DAY MOVING AVG OF CLOSE
3. 3 DAY LOWEST LOW
4. PARABOLIC STOP
5. WAIT FOR RETEST OF HIGHS WHICH IS NOW

EXPECTED HIGH FROM WEEKLY ROSETTA STONE CHART RHYTHM

NOTE: THE PURPLE TRIANGLE WAS PLACED ON THIS CHART AT THIS POINT BACK IN JUNE.

RALLY = 2X
BASING PATTERN
PRETTY NORMAL
.618 OF 45 DAYS
20/20 HINDSIGHT

14 DAY
BASING
PATTERN

OCT 10TH
SWING
CENTER OF
5 DAY
DOUBLE-TOP

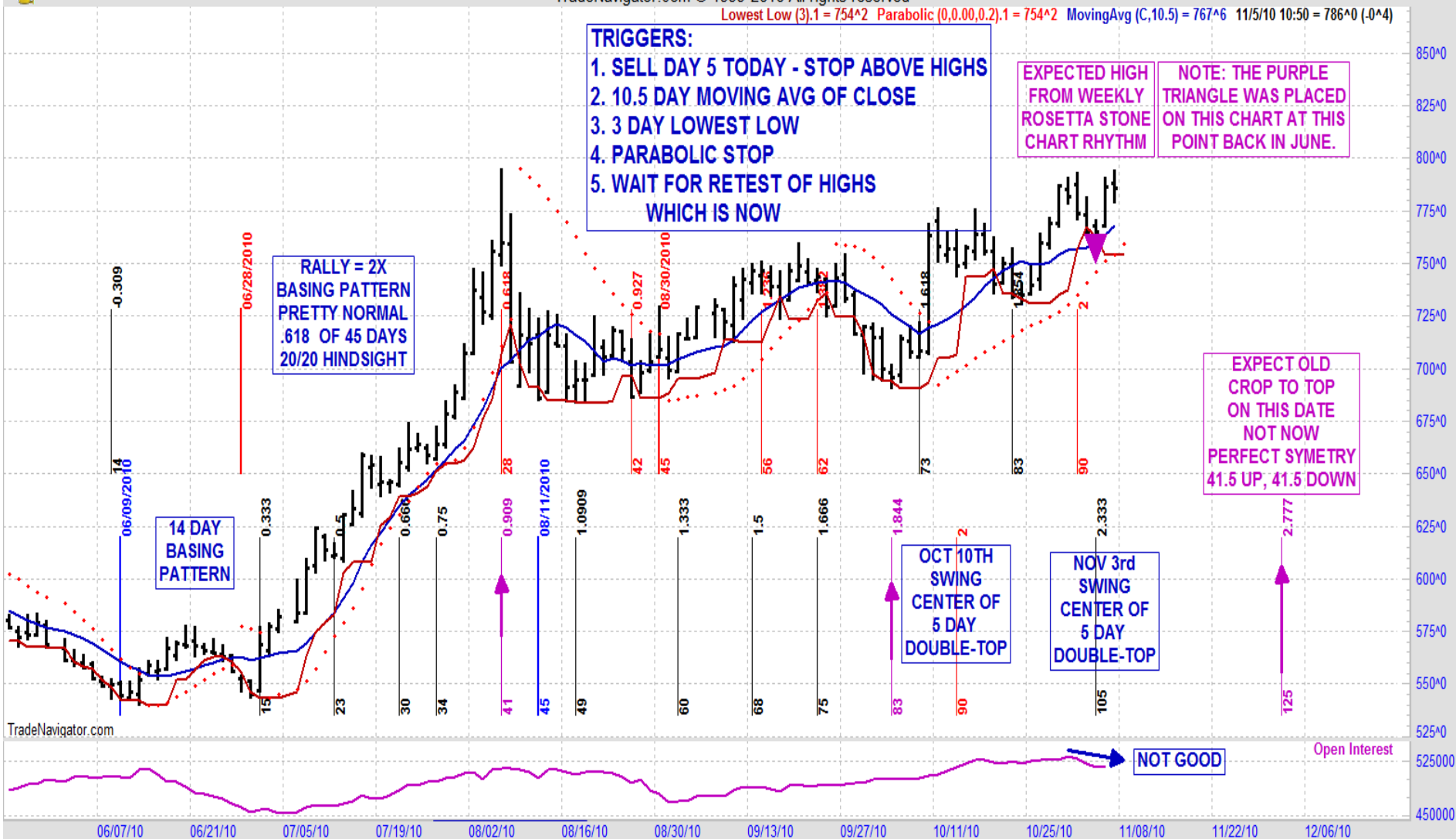
NOV 3rd
SWING
CENTER OF
5 DAY
DOUBLE-TOP

EXPECT OLD
CROP TO TOP
ON THIS DATE
NOT NOW
PERFECT SYMETRY
41.5 UP, 41.5 DOWN

NOT GOOD

Open Interest

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UPDATE FOR 11/5/10

THIS FORWARD FROM SOMETHING I READ IS VERY IMPORTANT IN MY VIEW.

". When the biggest bond investor in the world, Bill Gross, AKA "The Bond King," says the secular bull market in bonds is over, I take notice. There were some very key points made by Bill Gross who was exceptionally outspoken about the Fed, calling the US deficit and the US Treasury bond market a big Ponzi scheme. Snippets from his recent monthly commentary are provided below.

PIMCO Investment Outlook: "Run Turkey, Run" (11/2010)

Check writing in the trillions is not a bondholder's friend; it is in fact inflationary, and, if truth be told, somewhat of a Ponzi scheme. Public debt, actually, has always had a Ponzi-like characteristic...

The Fed, in effect, is telling the markets not to worry about our fiscal deficits, it will be the buyer of first and perhaps last resort. There is no need – as with Charles Ponzi – to find an increasing amount of future gullibles, they will just write the check themselves. I ask you: Has there ever been a Ponzi scheme so brazen? There has not. This one is so unique that it requires a new name. I call it a Sammy scheme, in honor of Uncle Sam and the politicians (as well as its citizens) who have brought us to this critical moment in time. It is not a Bernanke scheme, because this is his only alternative and he shares no responsibility for its origin. It is a Sammy scheme – you and I, and the politicians that we elect every two years – deserve all the blame.

The Fed wants to buy, so come on, Ben Bernanke, show us your best and perhaps last moves on Wednesday next. You are doing what you have to do, and it may or may not work. **But either way it will likely signify the end of a great 30-year bull market in bonds and the necessity for bond managers and, yes, equity managers to adjust to a new environment.**



US-055: T-Bonds 30Yr CBT Comb Cont 1st (Daily bars)

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MovingAvg (C,22) = 131^29 11/5/10 10:56 = 130^25 (-0^20)

