

THE BREAKOUT...plan?

Finally, the market breaks out. For many of us, we have been wondering for about a week..."Why hasn't the market exploded to the upside?". The damage is real and not reversible at this point for either corn or beans. Yes, a large rain event with cooling would help minimize the damage, but it is too late for many areas to even come close to average yields. And even at that, big rainfall totals would be needed, not 1/2" rains, 2" rains with 90% coverage.

Back to the point: THE BREAKOUT.

As you know, from earlier posts, we felt strongly that the window of 7/29 to 8/2 would be extremely important and should launch very sizable moves. One directional moves all the way out to 9/9. Up or down. A classic PIVOT POINT.

Today was the day we were waiting for. I wish it were to the downside, but the breakout is clearly to the topside until today's low is broken. To that end, how should we modify our plan for 2011. You can see it was clearly wise to remove the "Hammer Time" windows from 7/29, but what about all the sales we have on the books?

Our plan...and I think it is a pretty good one considering we are having the once every 15 year weather event bull run...was to have everything sold and then defend against a drought if one occurred. We sounded the alarm bells when the gap up on 7/8 happened. The gap down last week was a cruel bear trap indeed.

WHAT TO DO NOW?

Well, I took the safe and aggressive way out this morning. In a kind of bizarre coincidence, we are covering all the previous sales at the avg. sale price and STILL taking no price risk.

For 2011 beans:

1) For half a crop:

Bought Nov 1300 puts @ 32.75 cents

Plus Long Nov11 Futures @ 13.63

2) For the other half of the bean crop:

Long Sept 1350 puts @ 28.50 cents

Plus Long Sept11 Futures @ 13.56

For 2012 beans:

We will do nothing but keep the sales and use this final run higher to get to 100% sold on the top.

For 2011 corn:

We are going to wait and be ready to attack the market with large short hedges when it tops out sometime in the next 8 weeks or so. As you know, I think \$8 CZ will be the possible top and from there we can expect a nasty 24 month bear market that takes prices back down to \$4 again. We have rolled enough 2011 contracts out to 2012 that we think we can make delivery on the remaining contracts. I am using a yield of 140ish for our farm at this point, or 40 under average (45 under trend).

For 2012 corn, with the contracts rolled from 2011, we are pretty heavily sold, maybe 75%, so we are doing nothing except waiting for this bull to breath his last so that we can bring out "THE BIG HAMMER :-)".

I have taught myself to be a good hedger, which means being a good bear, flipping to bullish \$7 corn is just not worth the risk for our farm. You may be different and I respect your mental strength. We are taking such a large bullish slant in soybeans.

IMPORTANT to remember that the timing strongly suggests the final end to these advances will come 9/9 and then be tested on 10/4-10/8.

OTHER TOPIC:

Interest rate futures, stocks, metals, and especially Copper all have extremely interesting timing points right now. Copper & Bonds topping, stocks breaking out to the downside, silver completing a failure rally probably. I have attached the bond and copper charts for education purposes only.



