

June 17, 2009

Friends:

First, I want to extend a warm and heartfelt thank you to Paul Reed & Family and The Moeller Family as well. We had adopted their planting system many years ago for no-till corn (well most of it anyway - we don't use the stupid chains, we use the rolling metal closing wheels that look like a hay rake in reverse that press and crush clods)...we also purchased the 20/20 Seed Sense planter monitor so that we could monitor pressure on the depth wheels, good ride, singulation, etc.

This year produced some amazing results. You see, it has never been right (not even one day) to plant corn this year, and yet we finished 2730 acres with a 24 row planter on June 1st. There were 2 days this spring that we planted corn (totaling 615 acres) that the conventional till guys sat and watched. We took all the weight off the row units, ran half bags of corn in the boxes with no spring tension to avoid side wall compaction. Coupling this with 18 years of no-till and our investments in excellent drainage. Well, this year it paid off big.

The corn is now up, looks great, great color, and around 28,000 good plants, right where we want it to be for late planted corn.

So, again, we want to thank Paul and Dave for all the help over the years.

Corn and Beans have formed what could be highs for the year almost perfectly in the timing window (beans late a little but close) and the highs are right at major resistance levels that we follow. So with no more to sell, we just need to monitor the markets and see if we need to protect excellent sales or not. At this time, we will watch for a test of the highs.

Corn and bean conditions in IN's high yielding corn areas is average I would say. Do not be deceived into believing that the IN corn crop is a disaster, it is not. It is a mere 10 days late and with this heat it will catch up quickly. Yes, there are streaks of bad crops and corn not planted, but there are also streaks of excellent crops as well. So, at this time, I think using a trend yield on the reduced acres planted would be fair. Bean acres will be up, and maybe by a lot, and yield should still be close to trend, maybe 2 bushels below, but on added acres, supply might surprise some. Time will tell.

Weather: The only weather event that can really hurt the crop now is a 1983 style high. The patterns currently do not suggest that is possible and with yet another volcano blowing ash 5 miles into the sky and heading this way, it might be tough to get hot enough to do a 1983 type damage. Obviously, we in the east will be praying for a hurricane in mid August as we always do.

Killing Sows: WE cut people, inputs, premix, tylan, and will kill another 10% of the sow herd this week. You can only loose so much money for so long. We are killing bred sows as well, just 10% of each group on average. No gilt buys for the next 9 months, closing a couple of rented buildings. Just something grain farmers will have to do a few years from now.

And, now the Hail Mary play, we are purchasing 2x the number of hogs we will not grow in the form of lean hog futures. The futures cost less than it will cost us to grow the pigs. We are doing this in the July 09, Oct 09, June 10, and mostly in the Oct 2010 lean futures. The intention is to trade this using a simple MACD stop and buying trigger model. We got a few long on today.

TIMING: There is a little known thing that happened today in the hog industry. Today the length and severity of the decline from last year's high mirrored almost perfectly the similar decline that occurred in 73/74. To the day mind you, and we had a gap higher in July hogs. This is worth the risk!!

ALSO NOTE: This week saw a NEW RECORD SHORT SPEC POSITION IN LEAN HOGS. Hmm...and a gap higher...pull up the COT data...whenever this flush is over, she will bounce like the US sub in the Hunt for Red October.

ALSO NOTE:

IF...IF...I know...but IF, we do make a low in June in the hog futures, the October option has rallied mightily virtually every time that occurs, many times going off the board at new contract highs.

SO, if you grain guys want a great hedge, sell the corn and buy some hog futures. Bullish consensus in hogs is virtually below zero btw.

Take Care,
Ken