

October 1, 2007

Friends:

CORN AND BEANS....it is time to take some protection in our view. If you have to ship bushels before the end of Jan we would have them HTA'd. If the wheat has merely over-ran the expected time of the high by a couple of weeks that would not be bad in an 8 year bull move of 400% just for perspective.

Beans...We did a straight cash sale of 25% on Friday at \$10.02 for Jan shipment. Merely a cash flow and profit goal sale at a price we certainly did not expect to see in Sept!

For corn, we should see higher prices next summer as the drought in the South and east moves north and west, but this might not happen due to regulatory changes that the wheat market activity might induce by then so just something to think about.

08 Corn....we are going to do a 20% hedge in the WN08 option bushel for bushel IFF wn08 ever takes out its previous day's low. A very prudent low risk way to do this would be to buy WN08 640 puts.

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Just from the perspective of a farmer who has to sell the crop at some point, it is time to have your plan together and implement it.

From the historical perspective we should learn something from cz07 for goodness sake. It blew through its old high at 4.00, despite extreme resistance and forecasts that the price had to increase by 50% after that event. The new high price is only 107.5% of the old high. This should be extremely disappointing to the bulls. If we take the old WN high (harvest option so we are apples to apples) of 6.36 and take 107.5% = \$6.84. So this overrun to the upside is basically equal to corn on February 22. You have the specs long 5 years worth of wheat production and price has only reached this level. Well, as the hymn says, "the world is about to turn".

As I posted, we turned bearish wheat on 9/12/07 when it touched \$9. From that moment forward in our view it is just time to be extremely protective of your wheat price for the next 3 years. Yes, it is time to actually implement Big Bob's multi-year selling strategy. Many tools are available. Sell and Defend. The tools are numerous, but when it is over I think Mark's only questionable comment was "no one expects us to plant 18 million more acres of wheat this fall". No one expected us to plant 13 million more corn either. Also, globally, I'll stick with the math suggesting 100 million more acres of wheat are possible within 18 months.

Just as a basic first move, every farmer should HTA all their uninsured bushels of wheat for the next 3 years, pick your triggering device.

One government policy announcement and CFTC change and new wheat could be limit down a couple of days easy. Just thoughts.

By the way, I still think a corn HTA is an extremely good idea for bushels you have to ship before the end of Jan.

Best,  
Ken