

May 18, 2008

Friends:

Crop progress: 90% corn; 65% beans....most emerged with good to excellent stands. We waited to plant the last corn to put it into a different pollination window.

Will plant in the morning and be done Wednesday with any luck.

In answer to a friend's post implying upside corn price potential, I replied:

Well, I think the top is in the corn market and this is just a failure rally in beans that should be sold as welleach can pick his trigger.

Of course, we are substantially short and I will admit that I have an emotional commitment here so you would all be well served to keep that in mind. A gap down in CZ09 in the morning and I may have to break out the 12-year-old scotch my Canadian friend gave me a few months back and cheer it on. Got the INITAIL margin call for what we sold Thursday and Friday...holy crapes...no wonder liquidity is vaporizing.

As you might guess...I think all those on the many sites counseling against selling multiple years into the future are just extremely naive and historically ungrounded. The whole debate about cost of production for 2009 being unknown is just brain dead management. I did the math, 78% of our cost for 2009 is locked in already. Only thing that is variable now is Fert, Fuel, and Round-up which I hear is going to \$70. Just do the sensitivity analysis on it and the cost argument is just silly. Again, we are just different I guess.

Maybe more importantly, we are expecting a net cost of production number in 2009 to be around \$3.80 for corn at the lagging 5 year yield. And I'm selling for \$6 minus 75 cent basis I guess....5.25 minus 3.80.....yeah going to be tough for us to pay the bills!!

If you hear someone blathering on about not knowing their cost for 2009, just ask them, "do you know what your price will be in 2009??" Not if you don't sell anything!

OK...just for a second....let's fall for that line of reasoning.....and let's look at wheat. A market that went from no carryout and \$13 to plenty of carryout and \$6 cash bids ALL IN 9 WEEKS! Wow....do the wheat boys know their cost either? NOPE....but I'll bet it is 100% or more of \$6.

Well...enough of my drivel.....do what you think is best.....just making the case for you to ponder.
Ken