

March 14, 2011

Friends:

Please find that I have attached some updated charts for your review. As you will note, my numerous emails from 2/21 were exceeding well "timed". The question going forward becomes "what is next".

Well a couple of things we must be mindful of:

1. Lifting hedges too soon. This is always the emotional weakness that derails many a great marketing plan. Especially in wheat where there is a very high carry built into the deferreds.
2. The grains, especially new corn, should have at least one, and likely 2 swift and wicked spikes back higher to test the highs. Ideally one being around 4/1 and the last gasp being around 6/1. Obviously, the Planting Intentions report will likely dictate which market rallies the most, or if at all.

For our farm, we don't think lifting hedges is very wise based upon history.

However, with the collapse in the nearbys, there is a low risk way to protect hedges from another leg higher in the grains. While it is extremely low odds that grains recover and make new highs, many are very uncomfortable being 100% sold as we are so early in the marketing year. If that is your case, then you might consider nearby call options. We won't because that is not the goal of our plan at this point.

Thoughts on Tuesday:

All through this bull market in commodities there have been many swift and violent corrections. This is very typical in markets where the buying is almost all technically driven speculative buying. This will likely continue.

Also, important to note, that if the bull is not dead only wounded, the recovery rallies are nearly vertical and must happen in a very short amount of time.

Tuesday would be day 27 (.618 of 45) from the tops in beans and wheat. As such, this might be a time that the knife stops falling for awhile. Like I said earlier, we will not exit any hedges, but just making you aware of the "time". If you have feed needs to cover it would be a good time to consider it.

The next major timing point will be 3/28/11. This will be an EXCELLENT point to reposition ourselves going into the report. I actually think this could be a very significant point in the new corn market. IF a low we should respond. If a high, we should definitely respond to it.

Looks like the weather is going to let us bury some tile this week. Sounds like fun after all this time inside.

As you can tell our timing approach has placed us in a very strong position. While that is good business, I just wanted to remind everyone that tug of war should continue and we will continue to use rallies to sell more. This of course means that the violent rallies to test the highs that we expect will indeed be disheartening at the time. Just trying to explain that while we are almost euphoric at this point, we will feel pain again in the near future. Just the way it works is all.

For a bit of humor, during my presentation to some fund managers in NYC last week, they did not think my slide of "harvesting speculators" was very funny once I explained to them

that they were the ones being harvested! If you want a copy of my powerpoint just drop me a email, be warned it is a big file.

The most important takeaway for us from the meeting was the pretty amazing level of lack of knowledge of agriculture. Many were interested because of the boom in ag, momentum investors. I simply asked them where they were in 1992 or 2000 and then asked them to consider why they are interested right now. They had never seen a back-adjusted grain chart. I asked how it was possible that the 2x long grain ETF had to close in mid-Feb due to being over-subscribed. Are there that many idiot billionaires?

As you can guess...it was a great learning experience for all I think. I certainly learned a lot from them.

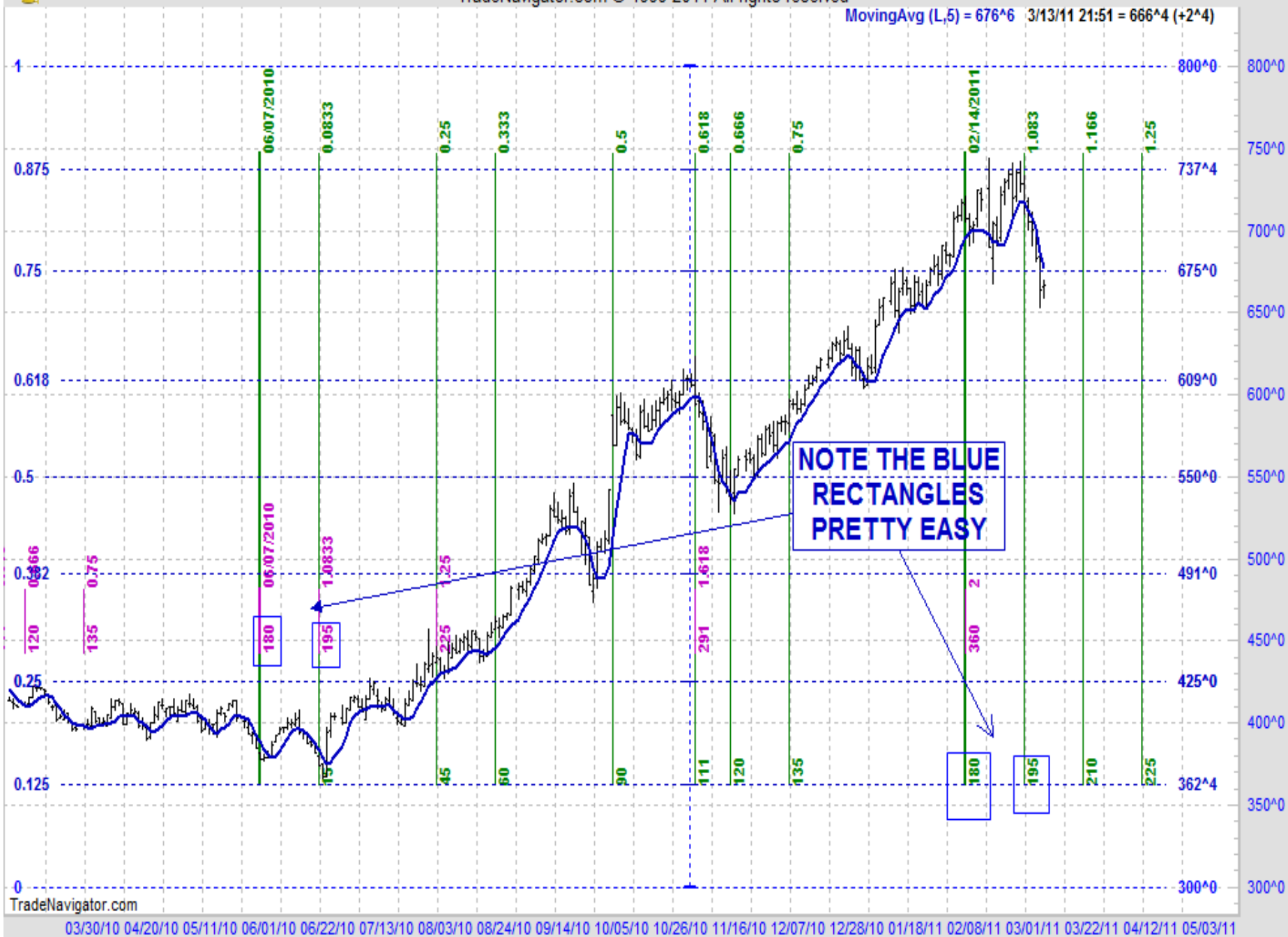
Take care,
Ken



C2-201105: Corn CBT (Comb) May 2011 (Daily bars)

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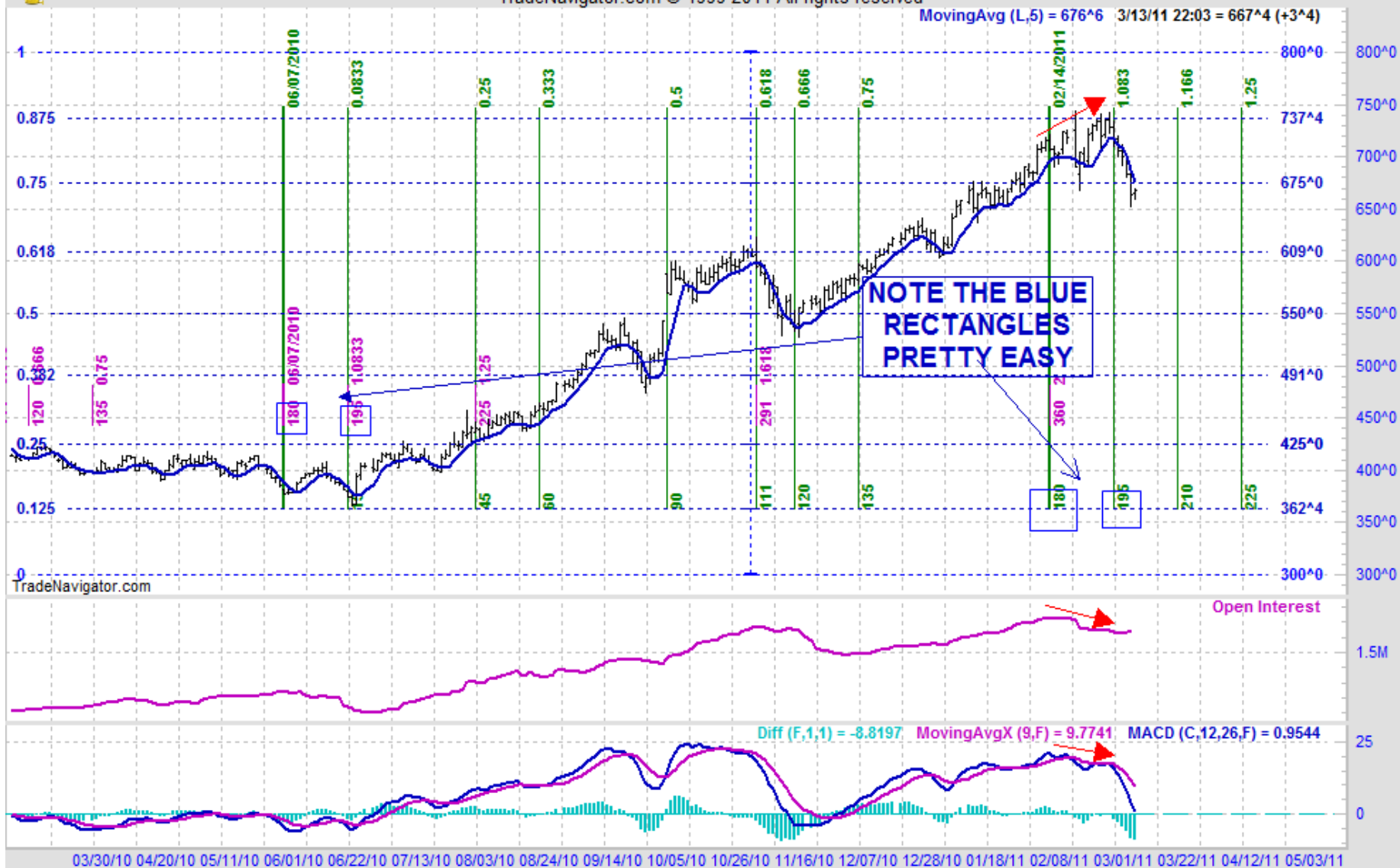
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C2-201105: Corn CBT (Comb) May 2011 (Daily bars)

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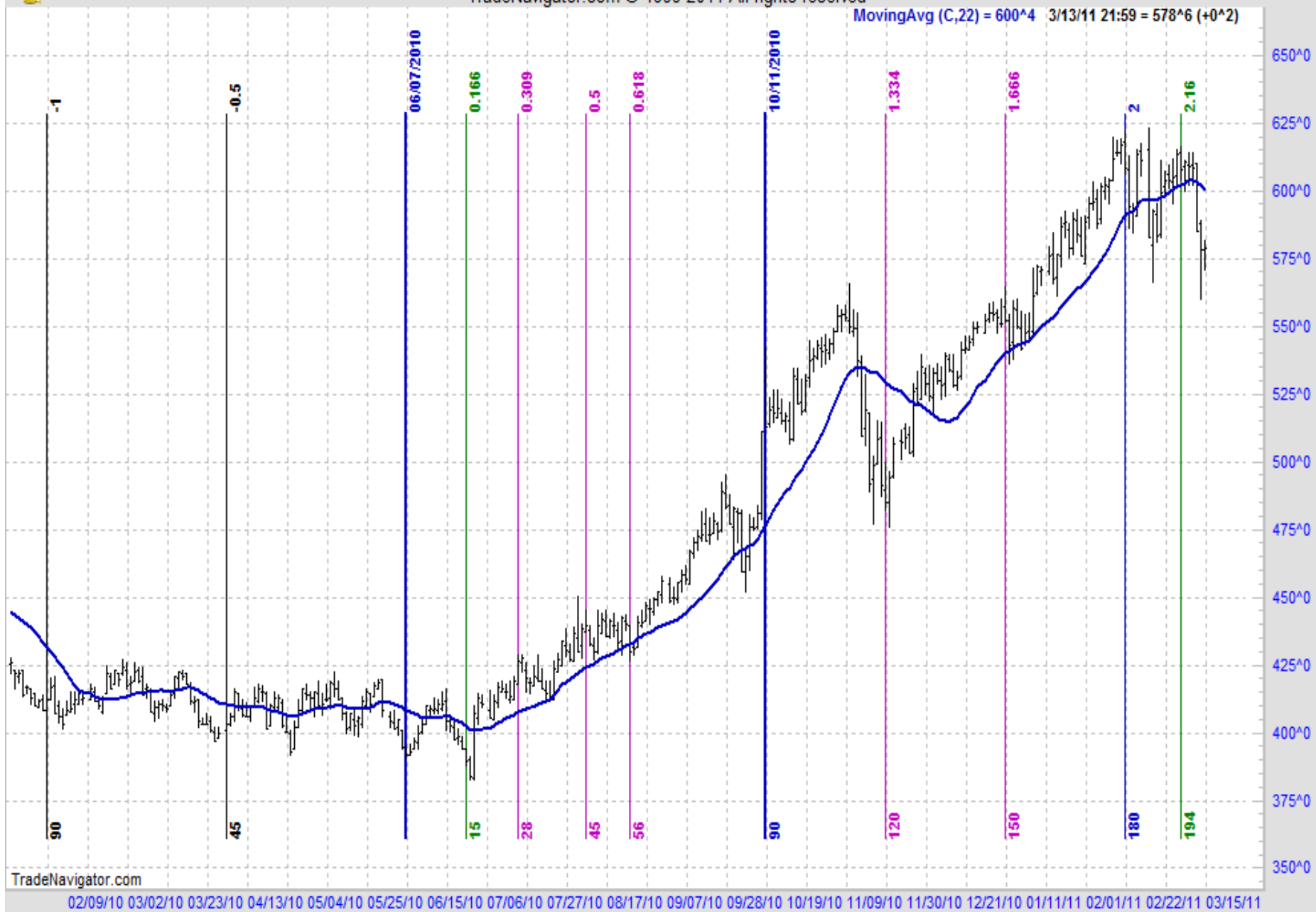




C2-201112: Corn CBT (Comb) Dec 2011 (Daily bars)

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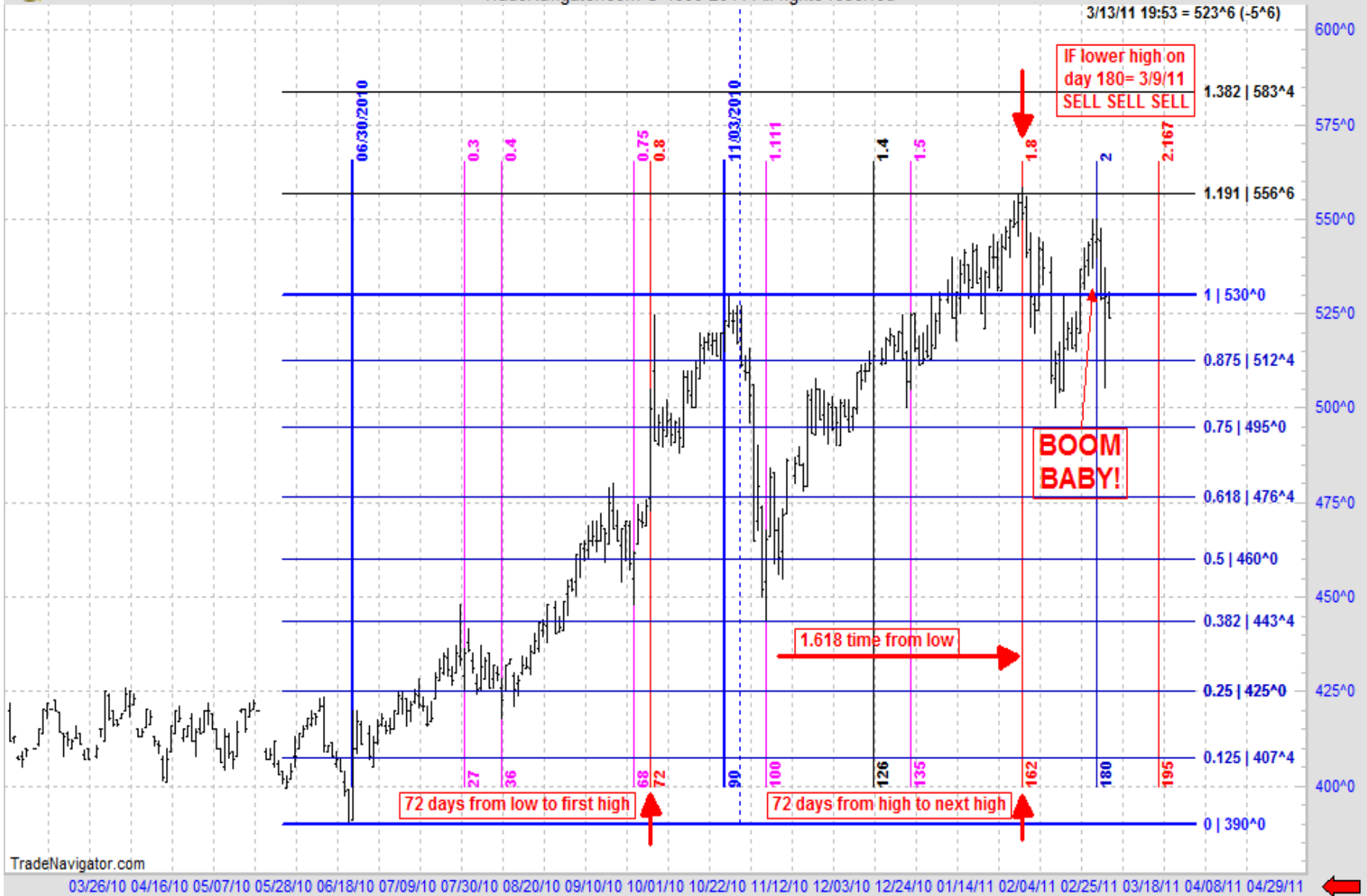
MovingAvg (C,22) = 600^4 3/13/11 21:59 = 578^6 (+0^2)





C2-201212: Corn CBT (Comb) Dec 2012 (Daily bars)

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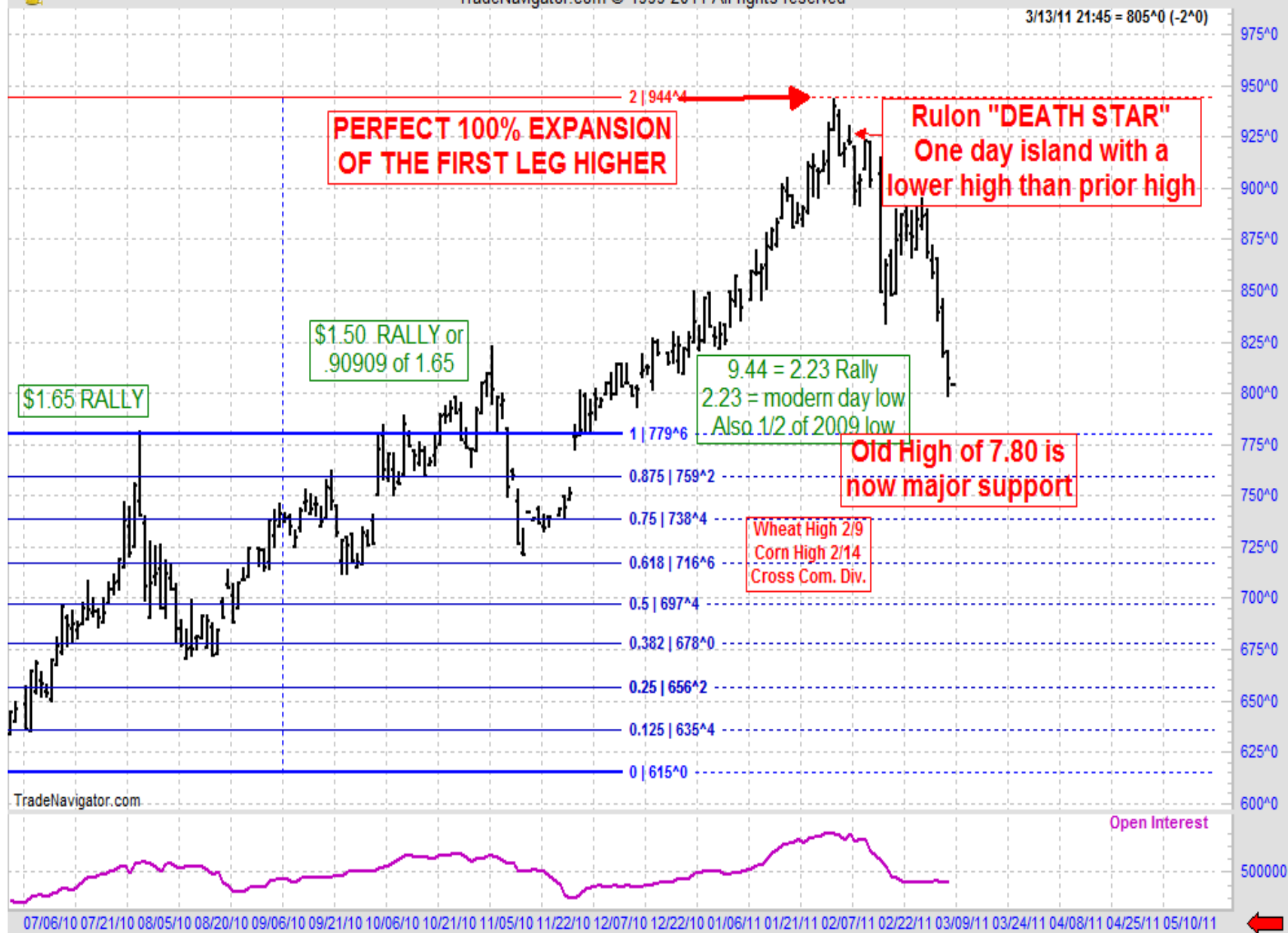




W2-201207: Wheat CBT (Comb) Jul 2012 (Daily bars)

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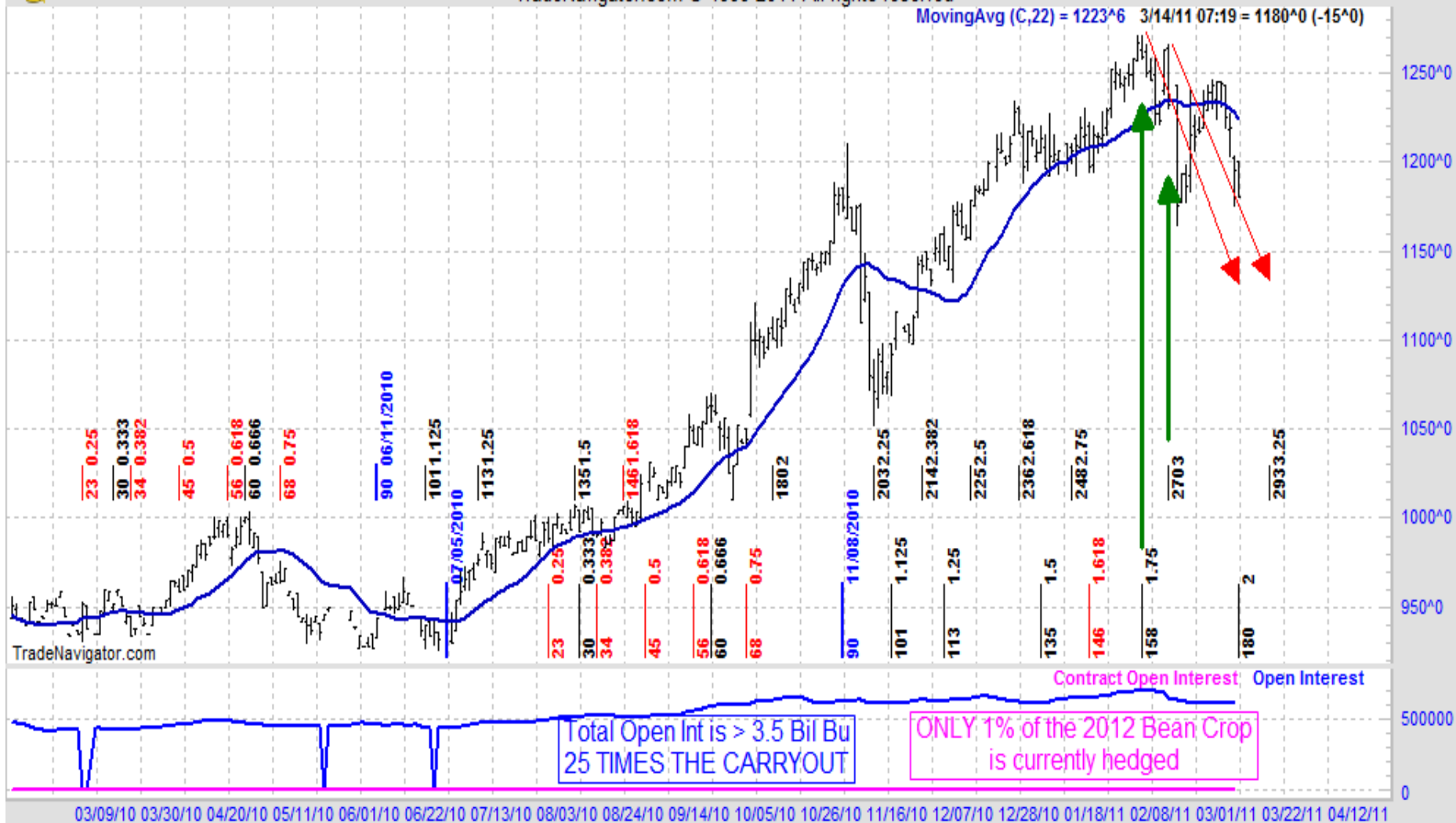
3/13/11 21:45 = 805^0 (-2^0)





S2-201211: Soybeans CBT (Comb) Nov 2012 (Daily bars)

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