

THE BIG PICTURE

Just as a definition for "HAMMER TIME" was required, it seems there is a real need to review where we are at in "THE BIG PICTURE".

As a starting point, it is important to remember that this is 1981 in terms of the insane monetary policy and fiscal policy in the western civilized countries. This is not just an American problem. Remember what happened from Jan, 1981 out through March, 1987.

The collapse was easy to see coming and many tried to avoid it as best as possible. Dad sold dirt in 1981 for example. He wouldn't let us even think of it now, but it was ok for him back then :-). The 1983 short crop really hurt many farmers ability to get ready for the meltdown that followed. Thank goodness for the undeserved windfall of subsidized crop insurance.

I just think it is IMPERATIVE to always remember where we are in the fiscal and monetary cycle. THE TOP!!!!!!! And Interest Rates...THE BOTTOM!!!

Also, from a psychological position, the grain farmer is just about as arrogant as he can get at this point. We know some friends in the west who have 200 bu corn pretty much guaranteed, yet refuse to sell more than 70 bu./acre at \$7. "We will have a long time to sell it after harvest due to the short crop out east." Turning down \$1,400 an acre for the chance at more later. Now there is CONFIDENCE!

I even had a neighbor tell me that it is our own fault for keeping the hogs. We'd be far better off to sell them and just sell the corn to the ethanol plant. "You'll never be able to compete with ethanol." I just replied that they only survive on their subsidies from a bankrupt government. (which of course is not completely true, but upset him enough to leave me alone)

All of that said, many of our new members have no idea where we are in implementing our marketing plan for 2011.

First, we have felt that 2011 would be very similar to 1981. So far, it has been extremely similar EXCEPT for weather in some big areas. Even with the weather,

the markets just cannot break away from the spring highs. This is similar to all other years after short-crops. The 60 year cycle has highs in 1951 as well.

Second, we knew that in this economic environment the margin exposure of short futures positions would be extreme. We are never comfortable taking margin exposure except in "Hammer Time" type environments. The markets gave us a huge gift with the "Easy as it Games, HAMMER TIME IN WHEAT." No such opportunities exist yet in corn, beans that I can see.

Our plan was to aggressively sell the spring highs, just as we would have in 1981, 1992, 1994, 1997, etc. We implemented this plan.

So for our farm, we were 100% sold an average crop for Wheat, Corn, and Beans for 2011, and 50% sold an average crop for 2012. All using tools from buyers like Cargill with no margin risk, and which can be rolled out a year in a catastrophe. Average price is very difficult to calculate, but just for lumping things together, wheat for 2011 would be around \$9, 2012 around \$10.50. Corn around \$6.00, Beans just above \$14.

It is pretty important for everyone to understand that our approach is almost perfect in one of these three markets each year (Wheat), very good in another (Beans), and most assuredly will be OFF in the last one (Corn).

THE MAIN POINT of this update: IF you have little sold, ADMIT that you are playing WEATHER ROULETTE and get a real plan in place instead of gambling. If you have a great crop coming, sell calls and buy puts might be a good move. If you have a terrible crop coming, \$7 corn cures a lot of problems. What if it is \$5 later?

Just trying to be honest, we are playing the statistics of time. Once in a while, the natural world skips a beat. Adapting to the skips is one of the main reasons for starting the website and peer group. We can all learn together.

For example, one of the members texted me today, "big bean put volume today."

Like me, the big money is all waiting to see if we can blow through \$14. Everyone knows that we CAN'T and WON'T unless the heat dome persists. Somebody with a

real good weather man decided to buy some big volume of puts. This is very good information to have.

I have attached a soybean chart that is the result of many hours of work. To make sure I didn't make any mistakes, I deleted all the calculations, and started over today. These are very important TIMES and worthy of focused effort.

This is the daily chart of nearby soybeans. The lower time count starts at the lows on 9/6/2006. To say these are long-term counts is an under-statement. If you look at the chart, it would also be fair to say the chart is invaluable. I could do a 3 hour tutorial on this chart. Even back in Jan, 2008, the 360 count became the low that launched the 27 vertical up to end the move.

More recently, you can see why we were so very aggressive in selling soybeans on the February high. The 570 count. The 90 past the 480 PERFECTLY centered measuring gap that was 90 from the low. Like I said, I could spend 3 hours teaching young folks using this one chart. Look at all the simply GREAT marketing moves we have made over the last 5 years using this one chart. You can see why we were very bullish in June 2010, expecting a rally to the 480. Of course, we did not expect the 480 to be a measuring gap. But once it was, you can see why we were so bearish in February. The timing has been perfect for us.

The next step of course is that the timing for a low in Sept/October was just very obvious. Even now, despite the weather, it could still be a low, and still be at \$10.60. You can also see why I am quite disappointing in the down move from February. It could easily have taken beans back to 10.60, but did not.

WHERE TO FROM HERE:

SIMPLE: WE MUST FOLLOW THE MARKET.

BIG HARMONICS ARE: JULY 29/AUG 2 AND THEN SEPT 9th/OCT 4th

I FRANKLY EXPECT BEANS TO MOVE \$3.60 FROM 7/29 TO 9/9. EITHER UP OR DOWN, WE MUST FOLLOW THE MARKET. IT WILL BE WEATHER. BUT HOW MANY OTHER FARMERS KNOW TODAY THAT IF WE HAVE A WEATHER MARKET IT WILL END ON SEPT 9TH. PRETTY VALUABLE STUFF.

