

April 3, 2008

Friends:

Hope this finds all of you well and enjoying prosperity...but hoping you don't own any hogs.

PLAN IMP:

Old crop corn opportunity:

Bid of +2 cents over July for old corn shipped to Poet in Alexandria, IN in June. Yes, this makes the bid over \$6. Cargill Tipton is no bid for June, or maybe 25 under next week when they get a bid. Looks like Semi's are now a requirement.

Anyway, just do the math on interest for storing \$6 corn. It is strongly advised that all old corn be priced. Of course, I said the same thing on December 31st. Ken + \$1 is usually a tremendous sale since it so rarely happens!

New corn:

We will go to 100% hedged on new corn on a trigger this week. Just going to follow it higher and use the previous day's low for a stop. Also, going to go to 50% hedged 09 and 10 corn on the same signal. We just like locking in massive profits I guess. The April 10th date described below is a pretty big deal, I just never felt we would race higher without any retracements.

New beans:

Now to the market where our plan has been extremely good. We did lift 25% of our hedges on the open on Monday. Why? It was the 21st day down from the high and you know I watch those counts in minute detail. ALSO, it was \$2.40 below our sales price. Also, it is \$2 below our insurance GRIP floor. Also, and most importantly I think, it is important to take what this market gives us. It retraced to its breakout point of 10.66 just exactly as I have been saying that it would. Well the reasons to have new beans hedged at that point are extremely limited in number.

I am sorry that I couldn't get this out to you Sunday night.

We will rehedged or lift the "Focal Point" at \$1.80 higher than 10.66 or roughly 12.46 giving us a net price floor on 25% at about \$13.75.

SUMMARY:

The bean plan has worked to perfection, the corn plan was just way too early and conservative. Just being honest. That said, it is NOT a time to get anywhere close to bullish corn. It is time to get extremely defensive in our view.

At least sell the old corn you have, for goodness sake.

If some of you will remember back in Nov, 2005, I talked about it being the low of the 114 month count in corn futures.

For some of us geeks who can't remember things and have to write them on a calendar, April 10th will be NOT only the seasonal high in CZ, it will also be 25% of the 114 month count. This is a big deal because it is normal if we apply some of the ancient techniques of squaring the range, most big advances always happen in the 1st 1/4 of the range, the 3/8 point is out in July, 09 by the way. (This nicely explains the divergence in corn, beans, and wheat the last 4 weeks since they bottomed earlier than corn...also implying the divergence will have real meaning this time)

The 2/25 high in the beans and wheat came within 10 days of the 1974 high with identical results. These old techniques can have value. Especially with CZ resting at the exact \$6 price objective.

My point is only that protecting the price might be a heck of a good idea. It is very possible for an early of average spring yet, despite the doomsayers.

There is a reason 4/10 is the seasonal high historically.

And, the interesting thing in beans is that there is now little to no reason to have any sold. \$2 under insurance, very nice 40% decline right out of the parabolic market normal collapse textbook. Probably chop sideways/higher and wait for planting weather for direction. If identical to 1974 they will decline until 5/10 to 5/17 and then start another advance.

Since there was little to no real bearish data in the report for hogs past June, the LHZ have become severely undervalued by any and all standards. Of course, this might require a little more patience, but the data of only 98% farrowing intentions for Mar-June, coupled with the depop happening in Canada (which is where all the extra market hogs were imported from) would imply we have 5% fewer hogs in Dec 2008 than in Dec 2007. 5% supply declines in hogs usually create a 30 to 80 percent price advance. A gap higher today would be a perfect point to enter and use a stop below this week's lows.

Intellectual integrity: Just an observation....many are claiming corn will never have to decline because ethanol can pay \$6.25 for corn because oil is above \$100, and it will never come down because of the Fed actions to pump liquidity which are creating runaway inflation. The same people who are saying this are saying that demand for hog meat in the future might be suppressed by the ongoing housing crisis and impending recession. Well, there is just no intellectual integrity in those thoughts. They are diametrically opposed. They are the reason markets move. One or both of the above assumptions are terribly wrong, and frankly I would think both are.

Take care,  
Ken