

August 9, 2010

Friends:

In the camp of what do we know:

POINT #1:

IND crop ratings:

Corn 3 8 24 50 16

Bean 3 9 23 49 16

Now here is one thing that I know for sure. There is no way that the bean crop and the corn crop hold the same yield potential in IN vs. prior years. In our area, probably 50% of the corn is going brown husk on Aug 9th, many areas of yellow and 4% dead. This with plenty of rain to go with the heat. So, corn with the great planting date will probably be average but it is wilting fast. (honestly, I walked some 160 bu fields today, but am kind of ignoring that)

To beans, the hot and moist conditions have been excellent for veg growth and now pod fill. The replanted spots in the corn/beans planted to beans have 6 nodes already, 1/2 a full season bean. Deep green color, high pod counts, and moisture in the soil in most areas.

There is just no way the crops should be ranked the same is my point. Beans have excellent yield potential, corn does not.

POINT #2:

There is just no plausible explanation for the IN C/Sb ratings to hold steady vs. last week. That is just fantasy. The southern 1/2 of IN is in deep trouble on moisture with very high temps. It is just beyond my comprehension how the ratings did not decline somewhat.

SO, it is important to remember the market moves based upon what changes in the future. Corn yields in IN will have trouble making average, beans are still up in the air. The moisture maps of the whole belt would imply very high bean yields in many areas. Corn is just beat up. Since the August estimates do not weigh ears but uses AVG ear weight, with not ONE hot year in the average btw, the corn number might be misleading. Beans have the same problem, as the plants are still setting pods when they do the samples, but counts should be very high, so a high yield number should not be surprising.

Time to get defensive for us. The markets have rallied as we expected. As you know, I didn't think wheat would go vertical, but regardless, it is time to get defensive for us.

SO, for tomorrow, we will rehedg 25% of the 2010 CORN SOY AND WHEAT on a stop below today's low. We will not do that in the night session, just wait for the opening in the morning.

ALSO, we will put orders in to price 25% of the 2010 beans at 10.54. (10.60 is resistance)

For corn, I just see NO WAY the high is not made after harvest around 12/5. But, it has been a great run, so we will put in orders to rehedg 25% at 4.46 (resistance is 4.50).

This would get us to 50% sold if filled on the 2010 w/c/soy.

We will want to get 100% hedged the beans before the report IF the market rallies strongly tomorrow or Wednesday. SO, we will use some very tight triggers on Wed going into the report.

Since, I am pretty optimistic for December, we will wait to sell any 2011 until that time for C/Sb.

To summarize, I doubt the highs for anything are in, but we are just putting a windfall in the bank. We hope to be able to get to 100% unhedged again in early October on a retracement.

Take care,
Ken