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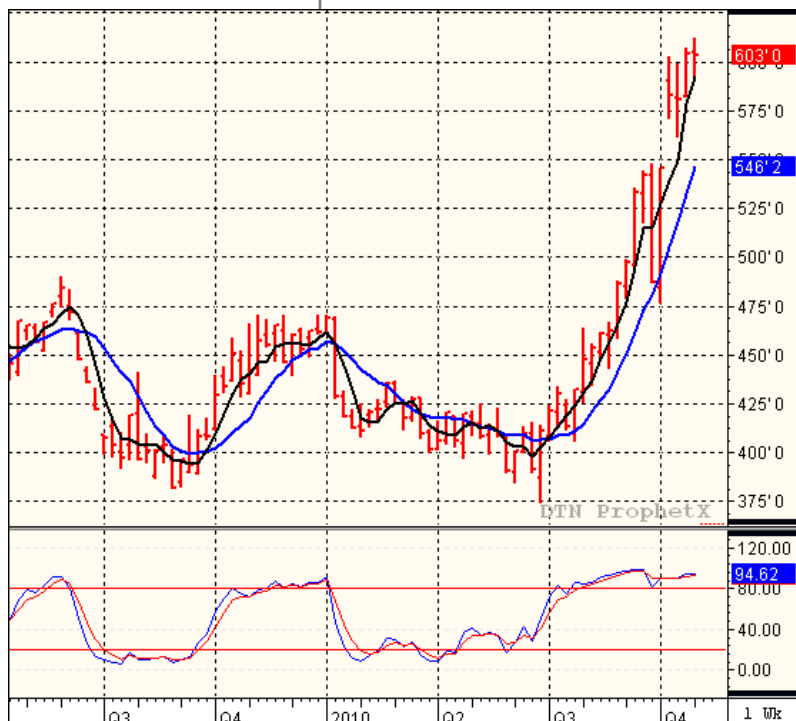
Tuesday, November 02, 2010

- **Election Day! Be sure you make time and get out and VOTE!**
- **November 9th, next Tuesday is the next USDA crop report. Private analyst are coming out with lower corn yields again.**
- **Winter wheat rated 46% good to excellent. Lowest rating since 2001.** Kansas rate only 34% good to excellent and Oklahoma rated only 31% good/excellent.
- **Top soil moisture: Kansas 58% short, Oklahoma 46% short and Illinois 51% short.**
- **Russia now to import 4 mmt of corn from the Ukraine instead of the 2 mmt earlier forecast.**

The current natural gas glut could continue for as much as 10 years, Nobuo Tanaka, executive director of the IEA said, although he added that a possible bounce in Chinese demand could shorten that period. The IEA expects global consumption to rise by up to 2% this year after falling by an estimated 3% last year. Qatar, the world's largest exporter of LNG, said earlier that it expected the global gas glut to end within three years.

Potash, Phosphate Inventories Empty

Supply shortages have worsened in the Corn Belt since OTR Global's **Oct. 12 note**, as the "perfect storm" of high demand and low supply has further drained dealer inventories. "We were able to hang in there until last week. But there's no supply now, and we're all fighting for it. I've never seen the supply this tight," a large retailer said. Another retailer said, "Higher corn price along with early harvest and dry weather brought excessive grower demand, but retailers were too conservative on inventory levels going into fall, and shipments from manufacturers are still delayed. It is a mess." Several sources said North American potash producers exacerbated the problem by turning back production this summer for plant maintenance. One source said a recent large shipment overseas also aggravated the U.S. situation. **Additional Quotes** "There are co-ops in [our region] telling their employees, 'No new accounts. We don't have any material.'"



The chart to the right is a weekly chart of July

2011 corn. This weekly chart of corn has a measuring gap that gives an upside measuring objective to \$7.18. FYI: Cotton is making another new all time high this morning up to \$134.26. This is unheard of for cotton that we are use to see trading in the 80 cent area.

Today's point is that the phrase "Perfect Storm". This phrase is now popping up in the fertilizer markets. You know, we have had world famous trading advisors telling us of an up coming food crisis for the last two years. They were even calling cotton the buy of the century when it was trading down at 60 cents. It made a low just under 40 cents in January 2009.

Is this food crisis starting to hit. Russia's major drought, Pakistan's huge flooding whipping out their irrigation canal systems, small corn crop in China, Grass hoppers in Australia, and Motta Grosso, Brazil soybean planting way behind normal with their rivers at record low levels to start their spring planting. Now drought like conditions are creeping into the south east U.S. and eastern corn belt. Here in central Illinois, I have only had 3 inches of rain since the first of August.

Illinois as a whole is 51% short on soil moisture. Granted we are not growing anything right now. But The winter wheat areas are rated the poorest condition since 2001, with short moisture levels. This will be tough on the wheat going into winter dormancy. And even tougher to start the spring if it is lagging behind. You have to start to assume a lower yield.

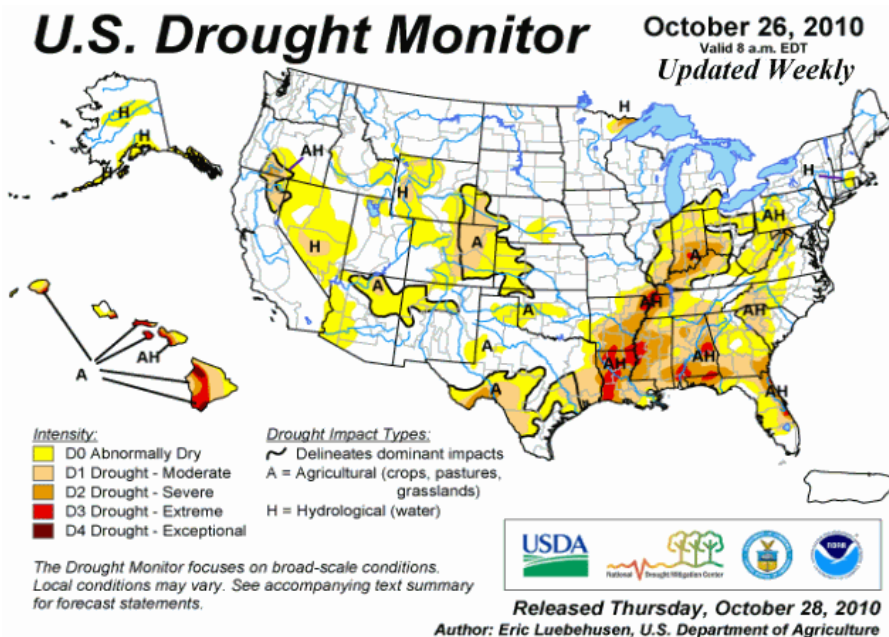
The question is, will corn and wheat trade like cotton and make more new all time highs. Some Elliot wave traders say that the 2008 highs were wave 3 and that we still have new highs to make in wave 5 just like cotton is doing.

Jim, Rogers and other famous trading gurus have been touting a world food crisis for the last two years. Buy every food commodity and farmland they have been saying. Ok, so what if this is coming to fruition? Fertilizer shortage could now

could bring world yields down, especially here in the bread basket of the world, the U.S.. Expensive fertilizer will also halt any acreage expansion, here and abroad. Look at this Palmer Drought Index chart. Look at how the droughty conditions are working their way west. If they gain foot hold into the corn belt next spring and summer, grain prices will easily trade to new all time new highs. We know of that several hedge funds and grain trading firms that are limit position long corn form like a dollar lower. They still believe corn has substantially higher values to trade yet into next spring. Are they waiting on the "Perfect Storm". We haven't had a drought in the U.S. in 22 years.....

Will this huge amounts of quantitative easing cause the dollar to continue to drop and inflation to creep in. It will continue to force China to buy commodity based assets instead of U.S. dollars/ treasuries.

Farmers– the best strategy to start marketing corn for next year is to use a "Modified Floored Average" contract. This strategy allows you to price bushels every single day. You will actually sell a few bushels on the high. All your daily sales will be averaged in and you will actually be able to improve your sale price as the market moves higher. The Modified Average Floored contract also establishes a floor price. What farmer marketer would not love this strategy. Your banker will love it too. Call us for more information on how this strategy can work for you.



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