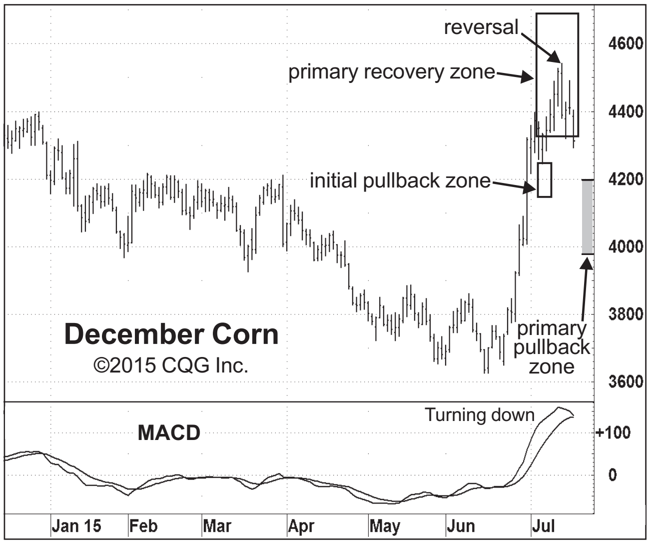
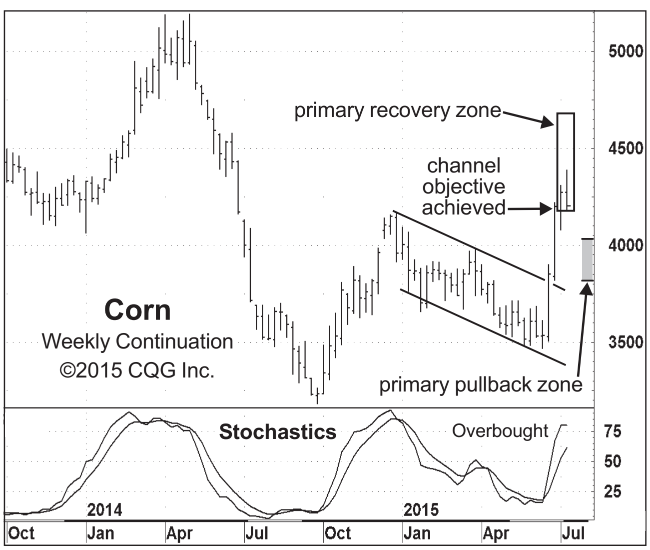
Corn

91 CENT PRICE ADVANCE HAS DISCOUNTED DAMAGE TO DATE !



As shown previously, channel and standard recovery objectives were achieved. The market also moved deep into the primary recovery zone shown previously from 4.33 to 4.69. However, an outside reversal occurred this week, indicating the advance may be ending. The initial pullback zone shown previously from 4.15 to 4.25 remains operative. The primary pullback zone ranges from 3.98 to 4.20. The MACD is deep in overbought territory and turning down. The next sell signal should confirm a pullback toward the zones indicated.



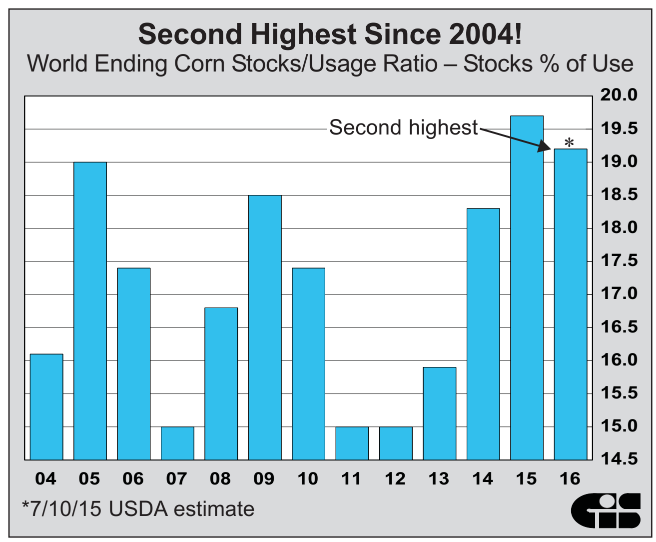
As shown previously, the market broke out of a downtrend channel and achieved its objective of 4.18. This week, the market moved deeper into the primary recovery zone shown previously from 4.18 to 4.69. The zone remains operative at this juncture. The primary pullback zone ranges from 3.82 to 4.04. Stochastics are in overbought territory and beginning to turn down. The next sell signal should confirm a pullback toward the zone indicated.

Overview

The recent price advance stimulated heavy farmer selling. It was so heavy piles of corn have been reported at country elevator locations. Farmers' response to the price advance confirms there is no supply tightness in old crop corn. But, uncertainty over the size of new crop production has been the dominant market force since late June. However, the 91 cent advance in December futures should have discounted all known crop damage to date.

World Situation

The USDA reduced world ending stocks by an unexpected 5.2 million tonnes from their June forecast. However, the ending stocks/usage ratio is still the second highest of the past twelve years . . .



The USDA reduced production from June by 2.2 million tonnes due to reductions of 2.5 million for the US, and 2.3 for the EU. However, the reductions were somewhat offset by increases of 2.0 million for Brazil and 1.0 million for China. Usage was left unchanged from the June forecast. Therefore, the ending stocks ratio was forecast at 19.2 compared to 19.7 in June and last year's ratio of 19.7. *The reduction from last year of 0.5% is rather insignificant and as illustrated in the graph, would be the second highest ratio of the past twelve years.*

Continued . . .