Pro Farmer

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United We Stand

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News this week...

We hate it when this happens!
On *News page 2* you'll find our 2008-09 Supply & Demand tables for corn, soybeans and wheat with a "twist." The twist is we also list the change from year-ago by category. Problem is, we've got corn production up 184 million bu. from 2007, *but production will be down*. Please break out your "Sharpie" and change the "+" to a "-" on the change in corn production from year-ago.

Finally! An ethanol pipeline considered!
At an estimated cost of $3 billion, two private-industry firms are looking into the viability of constructing a pipeline to move ethanol from the production-heavy Midwest to the usage-heavy East Coast.

Short week, big gains for corn/soybeans; hog packer margins turn red —

Corn and soybean futures moved higher in the four-day trading week, following impressive strength in energy and precious metals. Speculators continue to look to the grain markets to participate in the "commodity bull." In wheat, the "squeeze" eased last week and old-crop Minneapolis futures actually saw active trade. That brought some "vision" to "blindly bullish" speculators in the wheat market. Tough winter weather across cattle country and high feed costs still haven't reduced cattle slaughter or average weights — that's keeping beef production running above our expectations. Along with sow liquidation, the hog industry now faces another stiff challenge — packer margins turned negative late last week, removing incentive to keep kill lines full, pressuring cash.

USDA projects 2008-09 carryovers

The 2008 version of USDA's Outlook Forum undoubtedly generated the most debate in its 85-year history. At the top of the list: How end-users will deal with continuously tight stocks and continuously high prices into 2008-09.

USDA's 'Bottom Line' on 2008-09 S&D

	Ending stocks	Stock:Use ratio	Season avg. farm price
Wheat	538 mil. bu.	24.9%	$7.00
Corn	1.243 bil. bu.	9.5%	$4.60
Soybeans	169 mil bu.	5.7%	$11.50

Details of USDA's Supply & Demand (S&D) projections for 2008-09 are on *News page 4*. And — as usual — we've got some questions:

• *How can corn feed & residual use be cut 550 million bu. from 2007-08?* USDA contacts say a "big chunk" of the 5.950 billion bu. in estimated 2007-08 corn feed & residual use is in the "residual component." That may be, *but how will residual use be slashed in 2007-08?*

• *How can spring wheat acres be up 2 million from 2007 when spring wheat acres in Montana and North Dakota have already been planted to hard red winter wheat?* We don't see 2008 all wheat acres hitting 64 million.

• *Why slash soybean exports nearly 100 million bu. from 2007-08 when current prices haven't slowed Asian protein demand (much)?*

Heard in the hallways at 'Outlook'

While most participants at USDA's Outlook Forum liked USDA's "optimistic" views, there was plenty of "fear" in the air. Words like, "drought" crept into hallway whispers, followed by plenty of hand-wringing. Impacts of a "short crop" on the livestock and biofuels industries would be devastating. Even long-time attendees admit the stellar outlook could come crashing down if 2008 corn, soybean and wheat yields are anything short of "normal."

Even more questions from 'Outlook'

Ag industry groups requested a Friday-morning meeting with USDA Sec. Ed Schafer. Schafer had to leave town, but the industry reps still got a chance to sit down with USDA Deputy Sec. Chuck Conner. What they asked:

• *"Where did USDA come up with some of the acreage numbers released at Outlook?"* Conner pointed to some of the acreage sources discussed on *News page 4* and once again stressed the CRP is "solely for conservation" and "is not a reserve."

• When pressed on what USDA could do if there is a 2008 drought, Conner said, "We are looking at that... one possibility would be to allow grazing of CRP acres by cattle." When a hog industry rep pointed out that wouldn't help hog feedings, Conner countered, "If you have 100-lb. cattle gains on grass, that would free up grain for hogs and poultry."

The same group will meet Feb. 26 with White House officials. For perspective, see "End-users asking the same question" on *News page 2*.

Chinese pork prices still rising

Chinese pork prices were up 58% in January from year-ago levels. Prices peaked Feb. 7, but most expect China to buy more from the world market (mainly U.S.) ahead of the 2008 Summer Olympics. But, after being told the U.S. Olympic team will be bringing its meat for U.S. athletes themselves, Chinese officials were a bit "miffed" over the safety concerns.

China's rapeseed crop threatened

The unusually harsh winter in China has much of the economy there "tied in knots," but economic growth is still at the highest level in history. Now, the winter is expected to slash the rapeseed crop there, *potentially upping demand for soybean oil imports.*

How are we going to get ourselves 'out of this?'

"This" is an exceptionally "tight" stocks situation for corn, soybeans and wheat. At USDA's Ag Outlook Forum in Washington, D.C., last week, the agency's top economist, Joe Glauber, revealed updated planted acreage projections: Corn, 90 million planted acres; soybeans, 71 million planted acres; wheat, 64 million seeded acres.

Add them together, that's 225 million total acres of corn, soybeans and wheat. Last year, the U.S. planted 217.6 million acres to those three crops — 7.4 million fewer than USDA projects for 2008.

Where did those acres come from?

USDA also projected all cotton plantings for 2008 of 9.5 million acres, down from 10.83 million acres planted in 2007. That accounts for about 1 million of the 7.4 million increase. (Leaving 6.4 million "floating.")

We're assuming about 2.5 million acres will exit the CRP and be added to row-crop production. (Leaving about 4 million "floating.")

We're also assuming the 1.6-million-acre increase in soft red winter wheat acres from year-ago will lead to more double-crop soybean acres. Add in more incentive to double-crop over year-ago, and double-crop bean acres should be up at least 2 million from year-ago.

That leaves about 2 million of the acreage increase "floating."

When we asked Glauber to explain the "slippage" in the acreage tally, he said most of that would be made up by lower plantings of minor crops and hay, and fewer summer fallow acres in 2008.

Where does that leave carryover for 2008-09?

Corn —

	2008-09 *PF*	Change from this yr.
Planted (mil. ac.)	90.0	-3.6
Harvested (mil. ac.)	83.2	-3.3
Yield (bu./ac.)	155.0	+3.9
	million bushels	
Beginning stocks	1,438	+134
Production	12,890	+184
Imports	15	0
Total supply	**14,342**	**+51**
Feed & residual	5,800	-150
Food, seed, ind.	5,450	+895
Ethanol for fuel	4,100	+900
Total domestic use	11,300	+745
Exports	2,200	-250
Total use	**13,450**	**+495**
Carryover	**892**	**-546**

PERSPECTIVE: Ethanol is part of FSI. The 150-million-bu. cut in feed & residual and 250-million cut in exports is offset by higher FSI use to pull carryover down sharply.

Soybeans —

	2008-09 *PF*	Change from this yr.
Planted (mil. ac.)	71.0	+7.4
Harvested (mil. ac.)	70.1	+7.3
Yield (bu./ac.)	42.6	+1.4
	million bushels	
Beginning stocks	160	-414
Production	2,987	+402
Imports	6	0
Total supply	**3,153**	**-12**
Crush	1,825	-10
Exports	1,000	-5
Seed	86	0
Residual	79	0
Total use	**2,990**	**-15**
Carryover	**163**	**+3**

PERSPECTIVE: All those additional acres, more bu. per acre and 15 million bu. less in total use and carryover goes up just 3 million bushels! REASON: A 414-million-bu. drop in estimated beginning stocks!

Wheat —

	2008-09 *PF*	Change from this yr.
Planted (mil. ac.)	64.0	+3.6
Harvested (mil. ac.)	55.0	+4.0
Yield (bu./ac.)	42.0	+1.5
	million bushels	
Beginning stocks	292	-164
Production	2,312	+245
Imports	90	0
Total supply	**2,693**	**+80**
Food	950	+5
Seed	86	0
Feed & residual	175	+60
Total domestic	**1,211**	**+65**
Exports	1,150	-25
Total use	**2,361**	**+40**
Carryover	**332**	**+40**

PERSPECTIVE: More acres, more bushels per acre and a marginal increase in total use increases carryover by just 40 million bushels. Even then, carryover would still be below the 376 million bu. in 1995-96!

End-users asking the same question

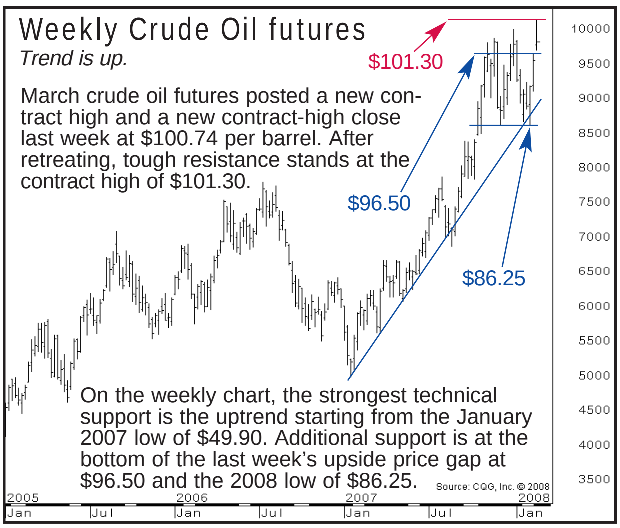
First, this must be *very clear*: *Nothing has changed on the policy front*. That means there are no waivers to the Renewable Fuels Standard (RFS) and there have been no changes to our market-driven export policy. Simply put, *USDA and lawmakers are allowing the market to sort out and reallocate supplies* to the segments most willing to buy corn, soybeans and wheat at current prices. That means the ethanol industry is still competing with exports and exports are still competing with feed demand.

However, we'd be leading you down the wrong path if we didn't report the following: End-users *are* putting a full-court press on USDA and other Washington officials. They want their views known on the impact of rising commodity prices and the RFS. Now, some say the RFS was set too high for ethanol production.

We see these groups keeping up the pressure over the next several weeks — and we see them becoming more vocal in their comments. Whether that means policy changes will be offered, much less implemented, is not clear at this time.

Again, *we stress there are no policy changes in the proposal hopper at this time*, but we expect pressure to build, especially if 2008 is a tough growing season.

'Outside Market' Analysis



"I'm selling oil." That's all oilman T. Boone Pickens had to say after March crude oil futures closed above $100 per barrel... and futures started at least a short-term downside correction. Pickens told CNBC, "The weakest quarter is the second quarter. We'll drop $10 or $15 a barrel in the second quarter. I think we'll be back above $100 in the second half of the year." Pickens also says he's selling natural gas futures.

Check out AgDay and U.S. Farm Report on DIRECTV! Beginning March 10, you won't have to wake up before the roosters to watch *AgDay*! Farm Journal Media's daily TV show, *AgDay*, will be seen weekdays on DIRECTV Channel 225 at 8:00 a.m. EST. *U.S. Farm Report* will air Saturday mornings on the same DIRECTV channel, also at 8:00 a.m. EST.

"Where was that $21.75 wheat?" That question came from a *PF* Member after we highlighted the rocket-shot for cash spring wheat prices on the front page of the Feb. 16 newsletter. You can check USDA's cash grain summary everyday at: www.ams.usda.gov and click on the "Market News Reports." The $21.75 cash spring wheat bid came from South Dakota's daily summary of bids.

SAFE CRP acres to expand. USDA announced it has approved the second round of conservation projects under the new CRP practice titled "State Acres For wildlife Enhancement," or SAFE. USDA says 30 SAFE projects are available in 16 states covering up to 160,100 acres.

$950 gold! Front-month gold futures crossed $950 per ounce for the first time Feb. 21. Traders say buying continues to ramp-up in precious metals as speculators "hedge against inflation."

Smithfield Foods steps up sow liquidation

Smithfield Foods, Inc., says it will reduce its U.S. sow herd by 4% to 5% (between 40,000 and 50,000 sows). According to the mega hog producer, that will ultimately result in 800,000 to 1 million fewer market hogs.

"Grain costs continue at record levels, with the potential of escalating, given the current U.S. government policy favoring corn for ethanol," says Smithfield president and chief executive officer C. Larry Pope. "Today the economics are very challenging and we believe these increased costs will translate eventually into still higher food costs for the American consumer. In the meantime, Smithfield is taking immediate action to improve the efficiencies of our live production operations."

PERSPECTIVE: Hog futures actually traded higher when this news hit last week — *even nearby futures*. While sow liquidation in the U.S. and Canada will eventually reduce hog supplies, the near-term impact of liquidation is a lot of extra pork on the market. Liquidation should keep cash prices under pressure through the first half of 2008; prices should improve in the second half of the year and the price outlook for 2009 is *outstanding*. But, current market reaction suggests traders believe "the worst is already behind us."

Once again, Placements the wildcard in COF

Calves entering feedlots in January were expected to be the wildcard in USDA's monthly Cattle on Feed (COF) Report.

Feb. 22 Cattle on Feed Report

	Average guess	Guess range
	(percent of year-ago)	
On Feed	102.3%	101.0%-105.5%
Placed in Jan.	108.8%	97.5%-112.8%
Mkted in Jan.	101.7%	97.0%-103.0%

The guess range on Placements is wide enough that "somebody" will be surprised. Big Placements would also suggest little slowdown in feed use for cattle.

Geesh! Just follow the rules when making beef!

USDA announced the largest beef recall in U.S. history when *143 million lbs.* of ground beef was pulled out of the meatcase.

The reason for the recall of ground beef produced by Hallmark/Westland Meat Packing Co., of Chino, California, was their "egregious violations" of federal animal care regulations in the handling of "downer cattle."

Not only did the packer process downers, its employees used forklifts and skidloaders to move them around. The American Farm Bureau Federation urged "strict and decisive actions to punish anyone responsible for violating our nation's food safety laws, or anyone allowing those violations to occur." *(We agree!)*

The National Cattlemen's Beef Association also responded quickly in support of USDA's recall, and stressed a series of safeguards is in place to assure the safety of beef for consumers.

PERSPECTIVE: American beef eaters have shown an amazing willingness to "look past" beef recalls with barely a blip of an impact on overall beef demand. We're still watching for a negative consumer reaction to this beef recall, but — so far — it looks like this recall "just" took beef off the market.

Still no slide in weights

We still expect to eventually see lighter cattle slaughter weights as one impact of high feed costs. So far, however, this remains a slow-to-develop trend.

In the week ended Feb. 16, dressed weights were 776 lbs., up 2 lbs. from the previous week and 9 lbs. above year-ago.

Pork exports pointed up

USDA's long-term projections suggest a 16% year-to-year increase in pork exports in 2008. Through 2017, USDA's projections point to 4% to 5% annual increases in pork exports, with China purchases leading the way.

Farm bill funding closer than you've heard

Despite what you've probably heard from others, lawmakers are zeroing in on a farm bill funding level. And, as we reported in the Feb. 16 *Pro Farmer*, House, Senate and White House negotiators are likely to agree on a package about $9 billion above the budget baseline.

USDA Sec. Ed Schafer has pledged he will work with Congress to find money to fund a bill $6 billion above the baseline, but he told attendees at the Ag Outlook Forum last week he knows the tally will be higher.

Schafer also says he expects the new bill to be finalized by the time the extended 2002 Farm Bill expires March 15. If only a few details remain to be worked out at that time, Schafer did not rule out a one-month extension of 2002 farm law to wrap up work.

And there is still a lot of work to do beyond reaching a funding deal! Lawmakers last week bristled when commodity groups were critical of "details" of the commodity title. REASON: Farm bill negotiators say current talks are focused on the funding level and that any details on specific commodity title provisions and funding levels for nutrition, conservation and other key programs would be determined after agreement is reached on funding.

After funding is settled —

Once the House, Senate and White House agree on a funding level, the Farm Bill Conference Committee will detail:

- Farm program payment reform;
- Ag disaster aid funding (if any);
- Specific funding levels for food and nutrition programs;
- Specific funding for conservation.

Who to watch —

It *is* Rep. Bob Goodlatte (R-Va.), the ranking member on the House Ag Committee. If he announces support for any final deal worked out with Senate negotiators, odds increase for full House acceptance — even a potential override of any farm bill veto by President Bush.

Fidel out in Cuba. *Cuban leader Fidel Castro "stepped down" last week, clearing the way for his brother Raul to step into his place. Some believe with Fidel "out," it could clear the way for "normalized" trade between the U.S. and the island nation. We don't think so. As long as there is a Castro in control in Cuba, the Bush administration won't give an inch in relaxing trade restrictions with Cuba. Also, there are some election-year considerations. Florida is very important in the national election picture, and the Cuban-American vote in Florida is key in winning the state. And — let's not forget this — those Cuban-Americans left Cuba for a reason! Any sign a candidate might consider "normalizing" trade with Cuba would threaten the Cuban-American vote in Florida, therefore threatening their chances for a national victory.*

Food prices headed higher? *First, we understand the price of fuel to deliver food around the world has more to do with the price of food than does $5.00 corn. But, "Food consumers worldwide are going to have to pay more," says Purdue ag economist Chris Hurt. "We ended 2007 with our monthly inflation rate on food nearly 5% higher. I think we'll see times in 2008 where the food inflation rate might be as much as 6%." He adds, "I think we'll have discussions about food security in 2008."*

High prices mark USDA Outlook Forum

by News Editor Roger Bernard

Pro Farmer

The focus on what lies ahead for 2008 was high on the interest list for most producers at this year's USDA Outlook Forum. On <u>News</u> *page 1*, we've got USDA's carryover, stocks:use and price level projections for crops. On <u>News</u> *page 2*, we plug USDA's 2008 planted acreage projections into our 2008-09 balance sheets... and get some different results than projected by USDA.

How USDA arrived at 2008-09 projections —

First, on 2008 acreage: Combined corn, soybean and wheat planted area is projected at 225 million, the highest since 1984. USDA says prices and net returns for the three crops will attract acres "away from other crops, principally upland cotton, and draw additional land into field crop production. Contributing to the cropland expansion is a net reduction of 2 million acres in the CRP including contracts that were not renewed last October. Soybean double cropping is also expected to be higher with record soybean prices."

<u>USDA sees spring wheat acres rising 2 million vs. 2007</u> and corn acres are projected at the 2nd highest since 1944.

Below are USDA's Supply & Demand highlights.

USDA slashes corn Feed & residual —

Corn —	2008-09 *USDA*	Change from this yr.
Planted (mil. ac.)	90.0	-3.6
Harvested (mil. ac.)	82.7	-3.8
Yield (bu./ac.)	154.9	+3.8
	million bushels	
Beginning stocks	1,438	+134
Production	12,810	-264
Imports	15	0
Total supply	**14,263**	**-130**
Feed & residual	5,400	-550
Food, seed, ind.	5,470	+915
Ethanol for fuel	4,100	+900
Total domestic use	10,870	+365
Exports	2,150	-300
Total use	**13,020**	**+65**
Carryover	**1,243**	**-195**

• Yield is a simple trend of the national average corn yields for 1990-2007. "Yield gains since 1990 reflect earlier planting, higher plant populations and improved genetics."

• "Livestock production is expected to continue its expansion in calendar year 2008, but higher feeding costs will pressure growth in 2009. Higher ethanol production will increase available supplies of distillers grains, helping to moderate the impact of higher corn prices." USDA acknowledges that swine and poultry producers are less able to use DDGs which "will limit the ability of producers of these animals to control feeding costs."

• "The 2.4 billion gallons of ethanol production capacity that was added during the past year is equivalent to an additional 900 million bushels of corn demand."

• "China's role in world corn trade is expected to remain small as a minor net exporter."

Wheat supply rebounds; prices remain high —

• Harvested area reflects "a 6% rise in planted area and a harvested acreage percentage of 85%, which is based on the 10-year average <u>plus one percentage point for reduced winter wheat grazing</u>."

• Domestic wheat use increase of 6% from 2007-08 is mostly due to a gain in wheat feed and residual use. That category is "projected to rebound from a 27-year low in 2007-08." While wheat prices will continue to be "historically high, cash prices for wheat relative to corn will be lower both this summer and for the marketing year, making wheat feeding more attractive. A substantial increase in soft red wheat plantings should also increase feeding of this class of wheat."

Wheat —	2008-09 *USDA*	Change from this yr.
Planted (mil. ac.)	64.0	+3.6
Harvested (mil. ac.)	54.4	+3.4
Yield (bu./ac.)	42.8	+2.3
	million bushels	
Beginning stocks	272	-184
Production	2,330	+263
Imports	100	+10
Total supply	**2,702**	**+89**
Food, seed, ind.	1,039	+8
Feed & residual	175	+65
Total domestic	**1,214**	**+73**
Exports	950	-250
Total use	**2,164**	**-177**
Carryover	**538**	**+266**

• "U.S. wheat exports can be expected to start the marketing year at a fast pace, but then slow dramatically as competitor supplies move onto the world market."

• "Producers' forward contract prices have been well above $7 per bushel and cash prices during the early months of the marketing year will be supported by risk premiums associated with global production uncertainty until foreign crop prospects are better known."

Soybean acreage up with record prices —

Soybeans —	2008-09 *USDA*	Change from this yr.
Planted (mil. ac.)	71.0	+7.4
Harvested (mil. ac.)	70.1	+7.3
Yield (bu./ac.)	42.1	+0.9
	million bushels	
Beginning stocks	160	-414
Production	2,950	+365
Imports	6	0
Total supply	**3,116**	**-49**
Crush	1,860	+25
Exports	910	-95
Seed & residual	177	+12
Total use	**2,947**	**-58**
Carryover	**169**	**+9**

• "Aided by new-crop futures exceeding $12 per bu., low fertilizer needs, and rotational benefits, producers are expected to expand double-crop soybean plantings and regain a portion of acreage that shifted to corn in 2007."

• Yield is based on 1989 to 2007 trends.

• The industry's use of soybean oil is projected to increase just 100 million lbs. in 2008-09 "based on projected prices and a continuation of foreign demand."

• "U.S. soybean exports during fall 2008 are likely to start briskly, supported by relatively low South American supplies. However, soybean prices at that time should still be high enough to bring about a strong supply response by South American producers."

• "Tighter global oilseed stocks, strong corn and wheat prices, record vegetable oil prices and high soybean meal prices are expected to support record price levels for soybeans in 2008-09."

BOTTOM LINE: Unless acreage figures are "spot on" (which didn't happen in 2007), <u>there will be a different look to the S&Ds in the first "official" data from USDA in May.</u>

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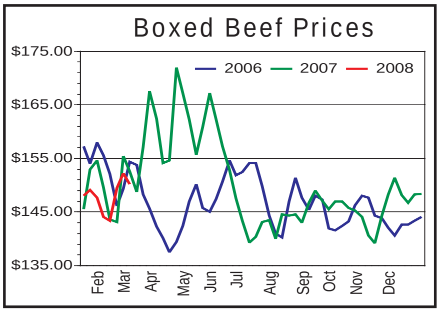
CATTLE

Position Monitor

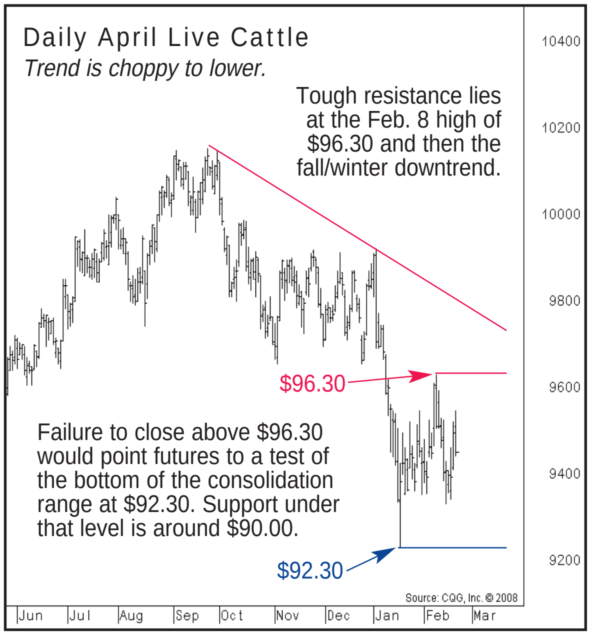
GAME PLAN: Unless you are willing to "trade" cattle futures, continue to carry risk in the cash market. Even when a short-term top is posted in live cattle futures, downside risk is limited to the winter lows.

	Feds	Feeders
I'08	0%	0%
II'08	0%	0%
III'08	0%	0%
IV'08	0%	0%



Fundamental analysis

Choice beef prices are at a key crossroads — the $150 level. If, and it's still a big if, Choice beef prices are able to stabilize around $150 and not immediately see the air come out of the market, cash cattle bids could strengthen to the mid-$90s. Prolonged unfavorable weather conditions in the Central and Northern Plains are starting to impact cattle marketings and weight gains. Therefore, packers may have to increase cash cattle bids to get needed supplies. But the pattern for over a year now has been for beef prices to slump after topping $150 as retailer demand has consistently slackened at that level. If packers see the product market soften again, they will reduce kill runs instead of bidding up for supplies.

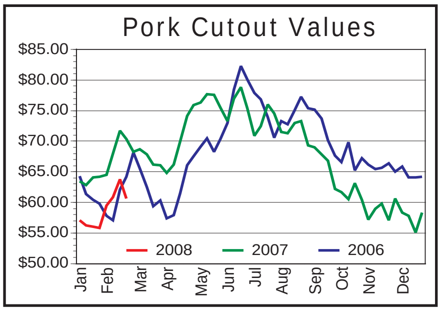


HOGS

Position Monitor

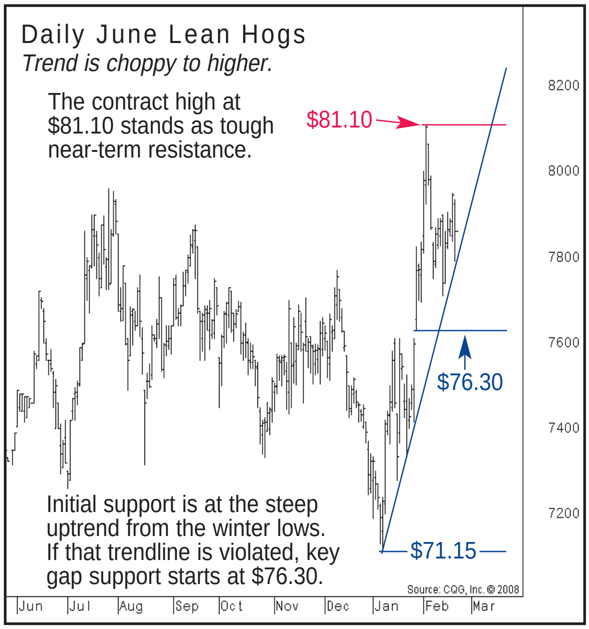
GAME PLAN: Continue to hold the 50% 2nd-qtr. hedge coverage in June hogs for now. The premium summer-month hogs hold to cash is aggressive. But be prepared to lift hedge coverage if futures push out to new contract highs.

	Lean Hogs
I'08	0%
II'08	50%
III'08	0%
IV'08	0%



Fundamental analysis

Pork cutout values have been just strong enough to keep packer cutting margins solidly above breakeven through winter. And with packers making money on each hog pushed through slaughter lines, there has been incentive to raise cash hog bids amid weather-induced disruptions to hog marketings. While the cash hog market has outperformed expectations even with huge production, pork cutout values must stay strong enough to keep packer margins in the black. If packers see margins drop below breakeven, their incentive will go from keeping kill lines as full as possible to making sure they don't see their bottom lines drop sharply. A worst-case scenario for the hog market into spring would be for packers to reduce kill runs if margins turn negative.



FEED

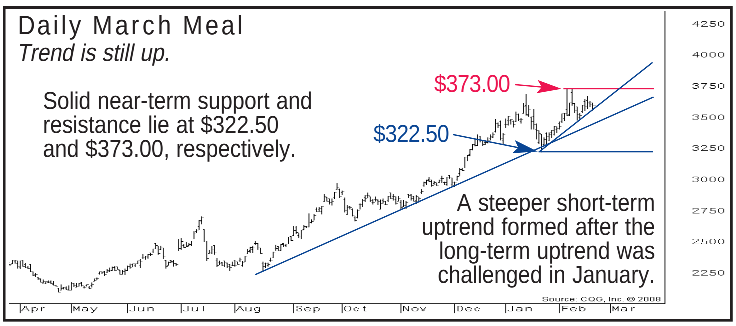
Feed Monitor

Corn	
I'08	25%
II'08	50%
III'08	0%
IV'08	0%
Meal	
I'08	25%
II'08	50%
III'08	0%
IV'08	0%

CORN GAME PLAN: 25% of 1st-qtr. corn needs are covered in long March corn at $3.61 3/4. 50% of 2nd-qtr. corn needs are covered in cash.

MEAL GAME PLAN: 25% of 1st-qtr. meal needs are covered in long March meal futures at $277.30. 50% of 2nd-qtr. meal needs are covered in the cash market.

- Stay in touch to exit 1st-qtr. corn and meal coverage before March contracts go into delivery Feb. 29.



CORN

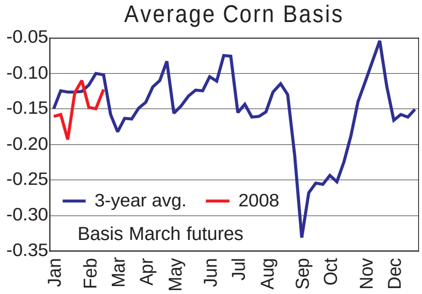
Position Monitor

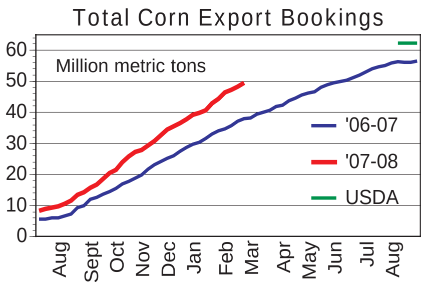
	'07 crop	'08 crop
Cash-only:	85%	60%
Hedgers (cash sales):	100%	70%
Futures/Options	0%	0%

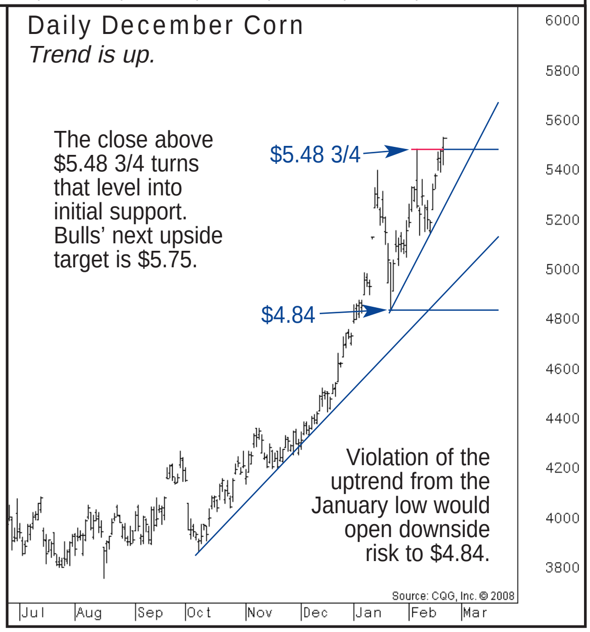
GAME PLAN: Get current with advised 2007- and 2008-crop sales. If you want to reopen upside potential on sold bushels, do so by purchasing call options. We eventually want to get back to a "bullish" stance by purchasing call options. Unless the market gives a strong indication a sharp price rally is imminent, we'll give the market an opportunity to pull back before buying call options.

Fundamental analysis

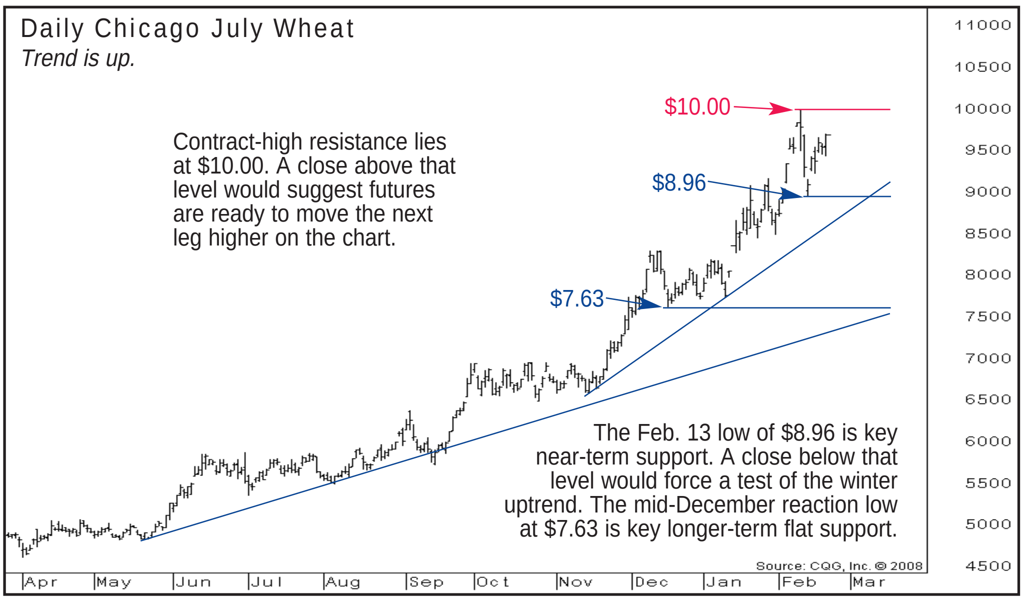
Fear among end-users that corn prices are headed even higher has kept demand for corn strong despite high prices. With the market showing no signs prices have gotten high enough to ration use, more upside potential exists. But the battle for acres this spring may be even more influential on near-term price action. While old-crop contracts are still working to push out to new highs, December corn futures have led recent price strength in the corn market. As a whole, however, the corn market remains in a follower's role — and is likely to stay that way near-term. Corn followed wheat for much of winter and soybeans now appears the most likely near-term price leader. But if corn planting intentions drop more than expected, either due to market economics or weather, corn futures will eventually assume a leadership role.







WHEAT



Position Monitor — All Wheat

	'07 crop	'08 crop
Cash-only:	100%	65%
Hedgers (cash sales):	100%	50%
Futures/Options	0%	50%

GAME PLAN: Get current with advised sales levels. Hold the Chicago May $9.00 put options that were purchased for 36¢ as a hedge on 50% of 2008-crop production.

Fundamental analysis

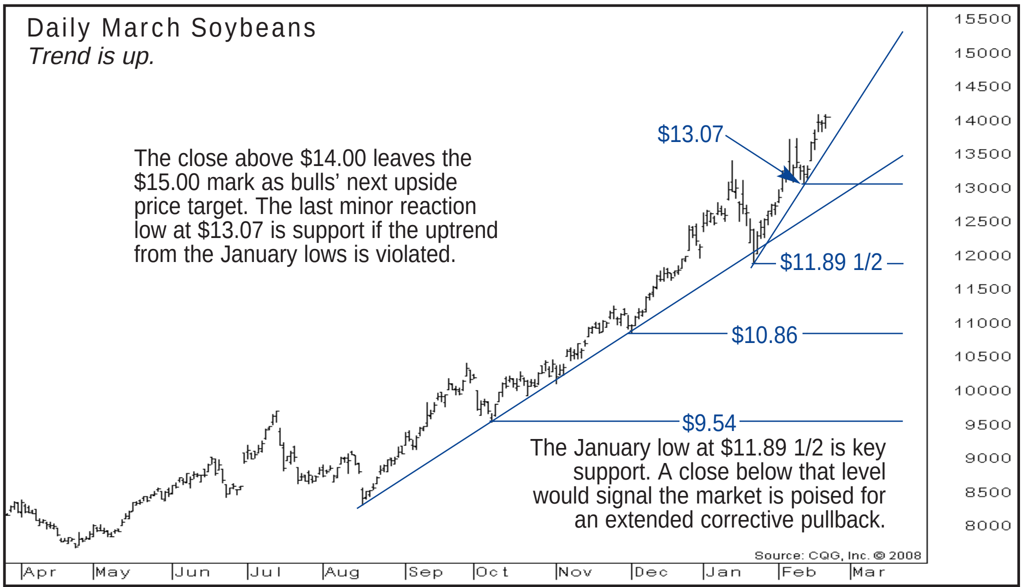
SRW: Speculative buying must stay strong in Chicago or the market is at risk of liquidation pressure. While overall wheat fundamentals are bullish, SRW isn't looking at supply shortages, as acreage increased sharply and the crop went into dormancy in favorable condition.

SOYBEANS

Position Monitor

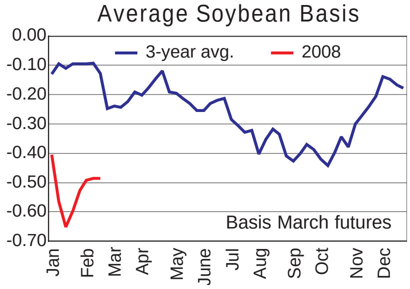
	'07 crop	'08 crop
Cash-only:	80%	50%
Hedgers (cash sales):	100%	50%
Futures/Options	0%	0%

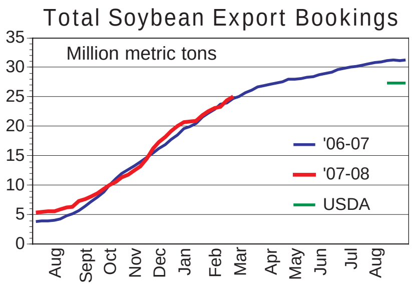
GAME PLAN: Get current with advised 2007- and 2008-crop sales. If you want to reopen upside potential on sold bushels, do so by purchasing call options. We eventually want to get back to a "bullish" stance by purchasing call options. Unless the market gives a strong indication a sharp price rally is imminent, we'll give the market an opportunity to pull back before buying call options.

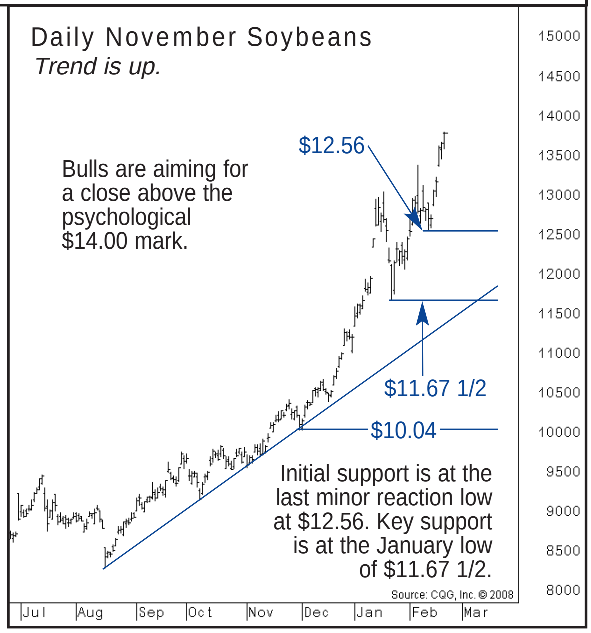


Fundamental analysis

Active Chinese demand and the battle to buy acres continue to provide strong fundamental support for soybean futures. Add in active speculative buyer interest and attitudes remain highly bullish in the soybean market. If there are any serious late-season crop problems in South America, a sharp surge in soybean futures is possible. Given bullish fundamentals and attitudes, downside risk remains limited as traders will actively look to buy price breaks if given the opportunity. With the wheat market backing off its recent historical highs, soybeans are poised to be the near-term price leader to the upside. But the market is due for a near-term correction, and a seasonal price break ahead of USDA's key planting intentions data at the end of March can't be ruled out — even with bullish fundamentals.

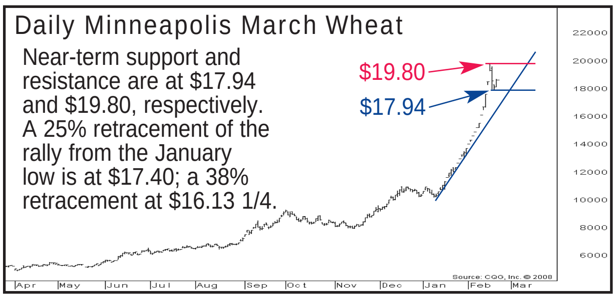


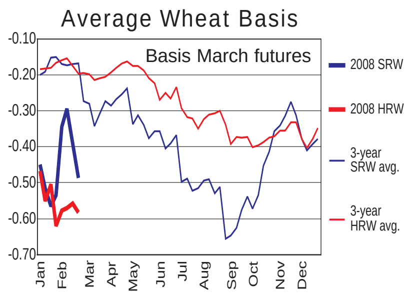


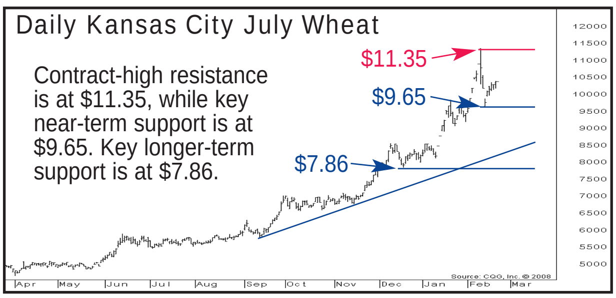


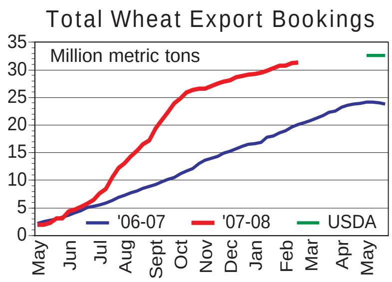
HRS: The "squeeze play" in Minneapolis wheat is complete. Now, the market must find "fair value" from a fundamental perspective. That may take some time as end-users determine how much they are willing to pay in the cash market for tight supplies.

HRW: Areas of the Southern Plains received needed rains last week. But one precip event does not cure all that ails the region. Favorable weather will be needed through spring after the HRW crop got off to a poor start. Based on the extended weather outlook, below-normal precip is forecast through the Plains during spring and drought conditions are expected to persist or build.







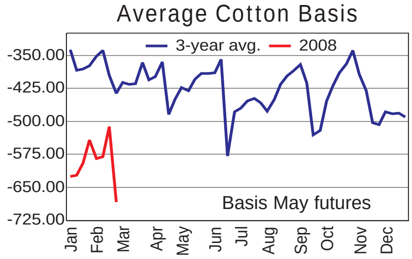


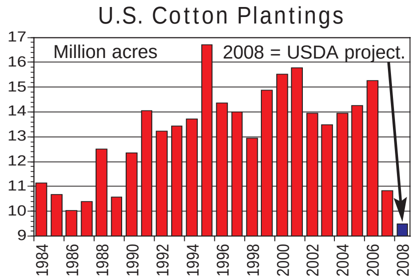
Cotton

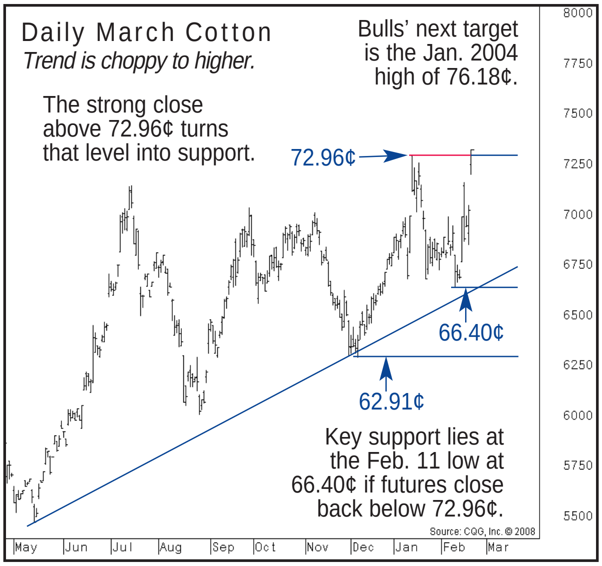
Position Monitor

	'07 crop	'08 crop
Cash-only:	75%	0%
Hedgers (cash sales):	75%	0%
Futures/Options	0%	0%

Game plan: Get current with advised 2007-crop sales. Initial 2008-crop forward contract sales will come on a close below the January lows in Dec. cotton futures.







Fundamental analysis

USDA's projection for another big drop in cotton acres is supportive. But cotton will continue to get the bulk of its direction from the general tone in commodities. With cotton facing heavy pressure when commodities are weaker as a whole, it signals cotton still isn't seen as a strong "buy" in the commodity world.

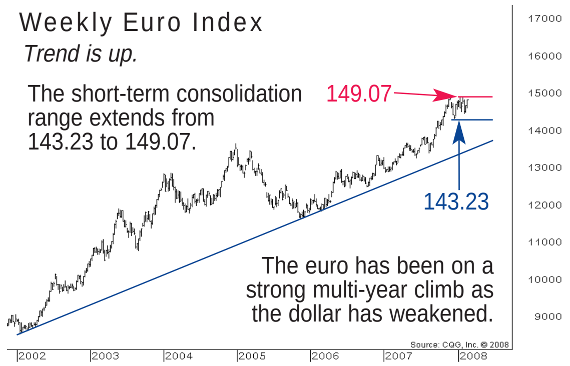
General Outlook

Currencies: Commodity traders typically look to the U.S. dollar for price direction from the currency sector. But the euro may be a better near-term gauge as it is more liquid and portrays a better "pulse" of the world currency scene.

The euro and dollar are both consolidating after strong multi-year runs as currency traders keep an eye on the Fed and European Central Bank (ECB) for further monetary policy moves.

Most traders believe the Fed will continue to cut rates. But the "bet" isn't as strong that rate cuts are imminent in Europe. While the U.S. economy continues to be strapped by the credit crunch, most feel the European economies aren't as vulnerable.

If the Fed must continue to cut interest rates at a faster clip than the ECB, it will drive more dollar-denominated investments overseas and pump up the euro compared to the dollar. And if the euro pushes out to new highs after a period of consolidation, it would support another runup in commodities.



From the Bullpen *by Sr. Market Analyst, Brian Grete*

The "commodity world" remains bullish amid an inflationary environment. Because commodities are seen as a hedge against inflation, investment in raw materials should remain strong, especially given tight supplies and strong demand, and concerns about stock market investments.

Breaking down commodities by sector clearly pinpoints the "haves" from the "have nots." Energies, metals and grains are the "haves;" livestock and softs are the "have nots."

Metals: Gold is trading at all-time highs and remains the tone-setter within this sector as it's the most high profile. Platinum has also moved to new highs, while copper is nearing its highs. Silver is still well below its all-time top.

Energies: Crude oil gets the most attention and is trading at all-time highs. Heating oil is also making new highs, while natural gas prices are well below their all-time marks.

Grains: Wheat futures smashed their previous highs, and while off their high-water marks, are still very strong. Soybeans just recently moved to new highs, while corn is knocking on the door of the 1996 peak.

Livestock: Cattle futures are below their all-time top, but closer to the upper end of the historical range than the lower end. Hogs on the other hand are weak.

Softs: The entire complex (coffee, cocoa, cotton, orange juice and sugar) is well below their respective highs. As a whole, softs are the "weak link" in the commodity world.

Crude oil and gold will remain the trend-setters for the commodity world, while grains have also become high profile. If speculative investment in commodities builds and traders hunt for a "value buy," the livestock sector and softs may be where the "new" money flows.

Key Market Items on My 'To Watch' List

1) USDA Weekly Export Sales Report — Thursday, Feb. 28, 7:30 a.m. CT

With no signs of price rationing despite high prices, traders continue to expect strong weekly sales figures.

2) Census Bureau crush report — Thursday, Feb. 28, 7:30 a.m. CT

Census crush data for January is expected to come in 2% to 3% above year-ago.

3) First notice day, March grains/soys — Friday, Feb. 29

Start of the delivery process for March grain and soy contracts could add more volatility to markets.