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C&S Grain Market Consulting
C&S Thoughts for Week 21
wilmar@theramp.net
815-376-6101

1. Spring Fever is back this morning. It is a great day to be alive here in North Central Illinois! This week's thoughts will be brief.
2. December Corn Futures (CZ) is once again resting! Last week's New Contract High at 287.25 was probably the Spring High. A decline into the Spring Low is now expected. The average date for the Spring Low is June 6 since 1973, and June 22 since Freedom-To-Farm (FTF) started in 1997.
3. The trade will wrestle with questions about acres for harvest, final yields, Ethanol use, exports, feed use, inflation, outside money flow, energy values, dollar weakness and the China factor for months. It is going to be an exciting year. The higher prices rally, the greater the swings of the corrections will become.
4. November Soybean Futures probably printed its Spring High at 639 a week ago. A decline into the Spring Low is now expected. The average date for the Spring Low is May 24 since 1973, and June 2 since Freedom-To-Farm (FTF) started in 1997.
5. **Many analysts and writers are now thinking the "Commodity Bubble" peaked last Thursday. Until prices start making New Highs, they are right. Long-term, however, they are wrong, in my opinion. Why do I say that? Because their are still too many Bears on the prowl. They haven't all gone into hibernation. At the top of Commodity Markets, Bullish stories are the only ones being published!**
6. **We need to reset our expectations about the size of corrections in the Futures markets as time unfolds. The volatility of the Seventies will return. In June 1973, Daily trading ranges in July Soybeans went as high as 17.73% of the Daily Closing price. Hang on, as we haven't seen anything yet. There is about 345 weeks until the end of 2012.**
7. This week's Energy Watch shows the U.S. using 20.750 Million Barrels Per Day (MB/D) versus 20.615 last week, versus 20.163 a year ago. (Each week these are 4-week averages.) The average retail price for Regular Gasoline is up 36.2% over a year ago, 294.7 this week versus 290.9 last week, versus 216.3 last year, according to the Weekly Petroleum Status Report. Including the Strategic Petroleum Reserve (SPR), We now have 81.9 days of energy stocks on hand versus 84.2 days a year ago, assuming no new production and no imports. The U.S. imported 60.60% of its energy needs last week versus 57.36% a week ago, versus 59.41% a year ago. Refinery capacity is at 89.2% versus 88.4% last week versus 93.2% a year ago.
8. Recently I have started reading more and more analysts saying that energy prices have peaked. That is good, from a contrarian point of view, if you want higher energy prices. Now I know that I am about the only person that loves high-energy prices, because eventually it will be reflected in the price and profitability of Corn, but it takes a long time and a steady diet of high prices. Seeing the Bear come out of hibernation is very good for higher energy prices down the road once the weak handed longs have been flushed out of the market.

9. If we want to keep the Bull market in commodities going for years, we need corrections that will inspire the Bears to put up a fight. This keeps the boat balanced. If everyone is all on the Bull side, the market will run out of buyers and the boat will be ready to capsize. Likewise, we need a steady diet of lower U.S. \$ values.
10. **Here are a series of inputs as they have entered my world this past week.**
11. Most of the new press about the future of Ethanol Production focuses on how investors, like Bill Gates and Vinod Khosla are hoping to use cellulose conversion to Ethanol as a feedstock rather than Corn. I see both tracks developing in somewhat of a parallel course over the long-term of 10-20 years. In the short-term of 3-5 years, however, Corn based Ethanol will be where the action is, but the cellulose research will rapidly advance at the same time.
12. In my opinion, the Midwest will never leave Corn for switchgrass. What I believe will happen, assuming that the cost of Crude Oil stays above a quarter a quart (\$42 per barrel), is the advancement of cellulose feedstock's production in other areas of the nation that are not in the heart of the corn growing areas.
13. Unless Washington makes some major economic and political changes, Hyperinflation is coming to America over the next few years and we haven't seen anything yet in terms of high commodity prices and extremely high volatility! Daily trading ranges of 10 to 20% of contract value may become common as we move forward and higher in prices.
14. A new Alternative Energy Index was announced last week. Ardour Global Index is sponsoring it. It can be found at <http://www.ardourglobalindexes.com/> The AGI will be the world's only Global Alternative Energy Index, at least as of May 17, 2006!
15. According to the Renewable Fuels Association at <http://www.ethanolrfa.org/> there are currently 97 Ethanol Plants online with a combined capacity of 4.486 billion gallons per year, and 35 plants under construction, along with 9 plant expansions taking place. The new construction will have a capacity of 2.230 billion gallons per year. Therefore, the plants now on line are using about 1.6 billion bushels of Corn per year, and the ones under construction will use another 794 million bushels per year for a total of about 2.394 billion bushels per year by early next year. That however is not the end of the line. By the time those 35 plants are online, there will probably be another 30 to 50 more new plants under construction. Until Crude Oil declines and stays below \$42.00 per barrel and until Corn stays above \$4.00 per bushel, the money will just keep flowing into Ethanol.
16. Again quoting Monty Guild, "Gold will rise because three global trends will continue. One, global inflation will continue. Two, Middle Eastern military conflicts will continue. Finally, wealth will continue to be accrued in countries like China and India, where investors and hoarders want gold as a form of security and savings."
17. Quoting Bill Gary of Commodity Information Systems, Inc, who has been in business since 1968 <http://www.cis-okc.com/>, "Until our government and/or the Federal Reserve have the courage to halt money printing and make the dollar worth something, commodity markets will continue in bullish price trends."
18. My quote is "Because of the differences created by Globalism and Corporate Greed, along with a weakening economic and political American Empire, Inflation in the 21st Century will likely make the Inflation of the Seventies look like Kindergarten".
19. In the Seventies, America had a strong manufacturing and job base, and was not saddled with massive Budget Deficits, Trade Deficits and Current Account Deficits, and the American homeowner wasn't using their home as an ATM cash machine.

20. Quoting John Williams of Shadow Government Statistics, which can be found at <http://www.gillespiere.com/cgi-bin/bgn/> "The roots of the current difficulties are structural in nature. A consumer starved of income growth and overburdened with debt cannot sustain the real (inflation-adjusted) growth in consumption needed to keep GDP growth in positive territory. The income weakness is a direct result of the loss of a significant manufacturing base to offshore locations and the explosive, perpetual growth of the U.S. trade deficit."
21. To the above quote, I add, "Thank you China Mart, oops, I mean Wal Mart!"
22. It isn't enough that we have allowed our manufacturing base in America to slip away, that we are experiencing almost unimaginable deficits in trade and government budgets, but now we want to start meddling with the weather. According to Rosalind Peterson, of <http://www.globalresearch.ca/> U.S. Senate Bill 517 and House Bill 2995 are bills that will allow experimental weather modification by artificial methods and implement a national weather modification policy. At the present time, these bills are on a "fast track" for 2006 and do not include Agriculture or Public oversight. I have not verified the truth of this statement, so FYI, just in case it is true.
23. Evidently there is already quite a bit of activity going on with NOAA and other private groups in weather modification that most of us are unaware of.
24. The UN through United Nations Educational, Scientific, and Cultural Organization (UNESCO) is busy working on rebuilding Babylon, the real physical Babylon that Saddam Hussein was working on. What does this mean? It is related to Revelation 18:5.
25. By now you know I try and cover the geopolitical situation with these Weekly Thoughts, and those things that impact our lives and many of the markets we are interested in, especially the commodity markets. I do not intend to be presenting doom and gloom. I just want you to be prepared. Most of these things we can not change or stop, but we can be forewarned. Being forewarned helps us make better decisions in faith, investing, life, thinking, and reactions. We all need Hope and Psalms 27:14 is an excellent source for words of hope and courage.
26. **Once again, it is time for some good news again. Remember that God can thwart the plans of the nations, mankind, and evil.** Often it appears that the forces of evil and stupidity surround us. Often we fear that they are getting the upper hand. **The good news is that evil is not sovereign. Only God, (Elohim, Jehovah, Yahweh) is Sovereign. This is a very important Biblical fact that we need to understand.** If you choose to not believe this, that is your privilege. Personally, I prefer to believe and live in faith and not fear, but we are all free to choose.
27. You have my encouragement and permission to forward my Weekly Thoughts to your friends if I ever say anything that blesses you. Likewise you have my permission to hit the "Delete" button if I waste your time. If you have a friend that would like to be added to my mailing list, just have send me a request by e-mail.
28. We live in very exciting and challenging times. They can be times of fear, or times of hope and opportunity. I encourage you to continue reading Psalms 91 in the week ahead, Read it every day. It contains wonderful promises from God.

Bill at C&S Grain Market Consulting
<http://www.cs-grainmarketconsulting.com>