



WEEKLY COMMENTS

david@mnwestag.com

Office 1-877-365-3744

www.mnwestag.com

Friday, December 16, 2011

New Recommendations:

2011 Corn: Use a "Fixed Basis Contract" to set the basis on all the unsold bushels.

2011 Soybeans: Use a "Fixed Basis Contract" to set the basis on all the unsold bushels.

Position Management: The table shows how the Model Farm is positioned at this time. Individual recommendations may vary.

	2011 Crop	2012 Crop
Corn	50% sold HTA - basis is now set. Add a 50% sale with Fixed Basis Contracts	30% sold HTA
Soybeans	50% sold HTA - basis is now set. Add a 50% sale with Fixed Basis Contracts	20% sold HTA
Wheat	50% sold HTA - basis is set.	none

Price Targets: We have made all the flat price sales that we are comfortable with at this time.

Next Major USDA Reports: Friday Dec 23, 2011 Hogs & Pigs;
Thursday Jan 12, 2012 WASDE & Crop Production & Grain Stocks

Basis: Corn basis is very good ranging from -.14 to around -.20 under March futures at most locations. This has us recommending using a "Fixed Basis Contract" to set the basis on all the unsold bushels. This allows you to deliver the corn or stop storage charges, generate cash, and remain long the futures. You will be advanced a portion of the value of the crop upon delivery, typically 70% of the current value. For most cases you would want to consider a basis contract with delivery between Jan and Mar, unless you wish either a Dec delivery or summer. We see no advantage for a June or July basis or delivery except for a preference for a warm weather delivery or spreading the workload. The concern about waiting to set the basis is that farmers have decided to lockup the bins and wait for higher prices and this could cause a rash of deliveries this summer and likely wider basis. We could be wrong but we can certainly live with the current basis.

Soybean basis is good but does not have us as excited as the corn basis has us. Soybean basis ranges from -.45 to around -.56 under January futures at most locations. This has us recommending using a "Fixed Basis Contract" to set the basis on all the unsold bushels. This allows you to deliver the soybeans or stop storage charges, generate cash, and remain long the futures. You will be advanced a portion of the value of the crop upon delivery, typically 70% of the current value. For most cases you would want to consider a basis contract with delivery between Jan and Mar, unless you wish Dec delivery. Even though processors tanks are full and delivery lines have been long, the soybean basis remains only slightly wider than some years and considerably better than other years but given the futures value seem somewhat reasonable. When futures have been near \$12.00 we have had limited opportunity for -.70 or better basis in Jan-Mar such as in 2010 and also in 2008.

Market Talk Uncertainty over the corn usage rate by the ethanol industry after Jan 1 and the outlook for more corn acres has the corn market being defensive at the moment. US corn exports to date still have most analysts fairly comfortable that the US can meet the yearly export projections of 1.6 billion bushels. At the moment corn usage for ethanol of 5.0 billion bushels also appears comfortable. A good Ukrainian crop has them exporting corn at values below US prices. China still appears to need corn and has been patient to see how the market reacts. A dry Argentine weather pattern could become a concern as they have been two weeks without good rain coverage.

The trade has noticed a slower crush rate by the soybean crushers. In the first two months of the marketing year we have seen a 9% reduction in soybean crushings as compared to last year.

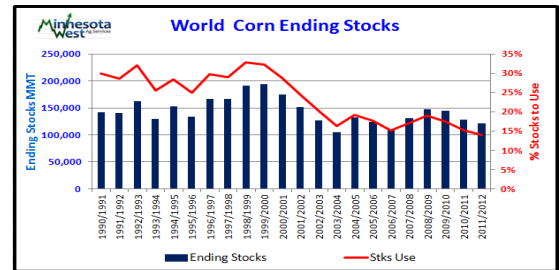
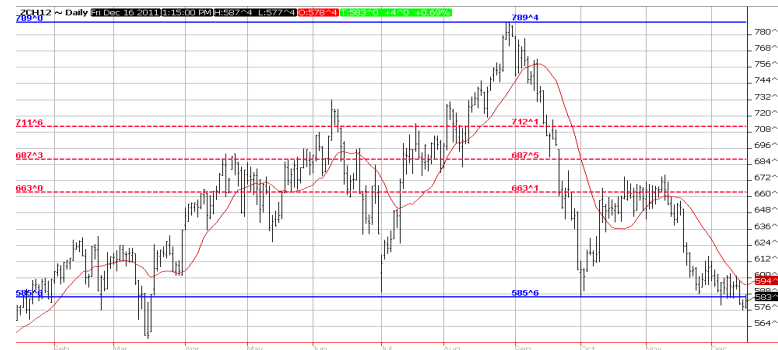
Excess rainfall during the last one third of the Australian wheat harvest may cause as much as one third of the crop to become feed what. The crop has been their biggest ever with very good quality up until he rains started. The world still has big supplies of feed wheat so more feed wheat in the world market is problematic to corn feed usage.

2012 Crop Acres: Informa Economics increased their estimate for 2012 corn acreage to 94.389 million, the most since 1944 well above the USDA's 2011 acres of 91.9 million. As their name may imply, the firm appears to be placing considerable economic analysis to estimate why farmers would plant a mix of crops. Some doubt that we could plant more than 94 million acres; some in the seed industry indicate that corn seed supply would not be sufficient to plant more than 94 million acres. The crystal ball certainly is cloudy at this point. The March 30 prospective plantings report will provide the first clue as to what farmers are thinking nationwide. Informa Economics reduced their estimate for U.S. soybean acres for 2012 to 74.608 million acres down from their November estimate of 76.1 million and just under the 75 million that were planted a year ago. It is believed this reduction in soybean plantings will be from acres shifting to cotton in southern states.

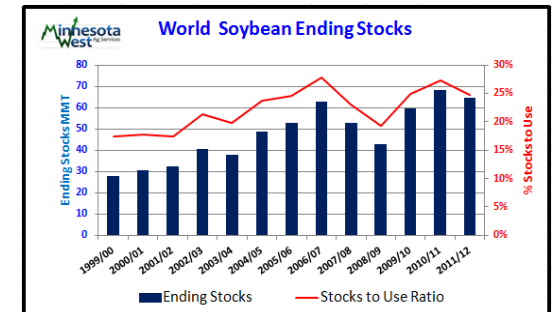
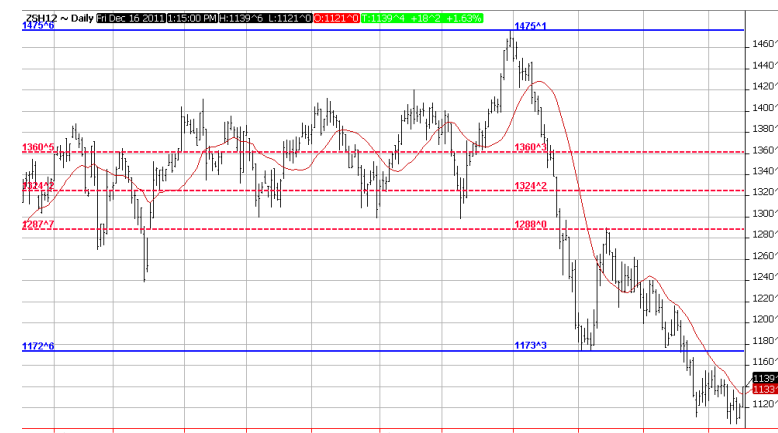
Crop Insurance: Multiple Price Discovery : this is a supplemental crop insurance product available only from a company which also requires that they write your CCIP policy (Common Crop Insurance Policy). It allows you to potentially lock in a higher base price for your corn or soybeans using this policy. If the December or January average price is higher than the February price then the supplemental plan provides additional coverage. You must choose enterprise units to qualify. The Sales Closing Date is January 1 and they have a limitation on the total dollars of coverage they will write, first come – first serve. The premiums rates are very reasonable, and are shown as the MPD premium in the example quotes below. Additional policy provisions may apply, see policy for details. Please contact us for more details.

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Global Corn carry over is tight and most analyst have an upward bias for old crop corn. Watch to see if we market can find legs after the holiday doldrums. March corn futures have dipped below a support line on the chart. If the Jan 12 report is positive look for a 60-80 cent rally back to the \$6.50-\$6.60 area.



World Soybean carry over is expected to be 64.5 mmt or about 90% of the expected Brazilian soybean crop. Some portions of the Brazilian Soybean crop will be coming to market about one month earlier than a typical year. This year has been one of the narrowest windows for U.S. soybean exports prior to the maturity of the Brazilian soybean crop that the trade has ever seen. As South America's soybean production expands this window of opportunity for the United States will narrow even further. Building concerns over the possibility of a drought in South America may help to temper the downward bias that continues.



Crop Insurance: Trend Adjustment: A new CCIP (Common Crop Insurance Policy) endorsement that you should understand is the Trend Adjustment endorsement as it has the potential to save you considerable premium dollars. See the examples provided for corn and soybeans below. The TA (Trend Adjustment) endorsement acknowledges that the average yield potential exceeds the ability of a 10 year APH to provide a realistic bushel guarantee.

It provides you an option to purchase more coverage for corn grown for grain and conventional soybeans, in selected States and counties, beyond your current APH. The premium rate is determined by your actual yield history, which would be lower than a higher yield would normally have.

Using this endorsement you can typically buy the same coverage at a lower cost than using a higher level of coverage would provide without the TA endorsement. The reason is that the subsidy levels are higher at lower coverage levels.

There are some eligibility qualifications such as the producer must have an actual yield in one of the four most recent years, and using an adjustment factor for fewer than four actual yields in the 12 most recent crop years, but most producers will qualify.

The essential elements of the endorsement are that each county has been assigned an adjustment factor that will be applied to actual yield history or qualified yields. For example, Redwood County has adjustment factors of 2.5 bushel for corn and .45 bushel for soybeans. For each year in the past that you have a qualified yield the Trend Adjustments is multiplied by the number of years prior to the current year. Thus a yield of 165 bushels 10 years ago would be adjusted upward by 25 bushels (10 x 2.5) and have a new TA yield of 190 bushels. The new trend adjusted APH can't exceed the highest actual yield of a producer.

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Crop Insurance Corn This quote shows the potential impact of the Trend Adjustment endorsement to save you considerable premium dollars. The quote is an example for 500 acres of Redwood County Corn using enterprise units with an APH of 167 bushels and shows the cost of the Multiple Price Discovery supplemental policy.

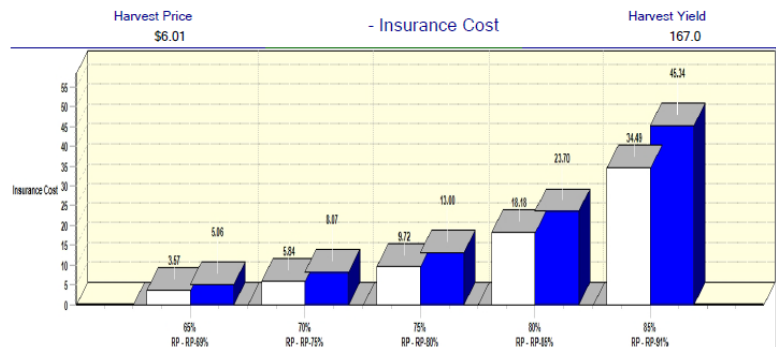
The “white bars” represent the premiums for Redwood County Corn using enterprise units with an APH of 167 bushels and are shown in the lower data table with blue titles.

The “blue bars” and green titles in the table represent the same yield data base of 167 bu. APH with the Trend Adjusted yield applied to get a 178 bu. Adjusted APH.

Using the 80% level with the trend adjusted yield of 178 bushels provides \$855.82 of coverage at a cost of \$21.52 per acre.

You would need to be at the 85% level with the 167 APH to provide similar coverage of \$853.42 and that would cost \$42.37 per acre or \$20.85 per acre more than the TA endorsed policy costs.

Year / Plan	State / County	Unit	Crop	Location	Map Area	APH / Rate Yield	Acres	Share
2012 / RP	MN - 127 - Redwood	0001-0000	CORN-NON IRR-GSG			167 / 167	500.0	100%
2012 / RP	MN - 127 - Redwood	0001-0000	CORN-NON IRR-GSG			167 / 167 / 178	500.0	100%



	65% RP - RP-65%	70% RP - RP-70%	75% RP - RP-75%	80% RP - RP-80%	85% RP - RP-85%
RP Net Premium -/Acre	2.99	4.87	8.21	16.00	31.52
RP Net Premium -/Acre	4.48	7.10	11.49	21.52	42.37
RP Guarantee -/Acre	108.6	116.9	125.3	133.6	142.0
RP Guarantee -/Acre	115.7	124.6	133.5	142.4	151.3
RP Liability -/Acre	652.69	702.57	753.05	802.94	853.42
RP Liability -/Acre	695.36	748.85	802.34	855.82	909.31
RP Subsidy -/Acre	11.94	19.48	27.48	34.00	35.54
RP Subsidy -/Acre	17.90	28.39	38.47	45.73	47.78
RP MPD Premium -/Acre	0.58	0.97	1.51	2.18	2.97
RP MPD Premium -/Acre	0.58	0.97	1.51	2.18	2.97

Crop Insurance Soybeans This example quote is for 500 acres of Redwood County Soybeans using enterprise units with an APH of 50 bushels and shows cost of the Multiple Price Discovery supplemental policy. It illustrates how the Trend Adjustment endorsement could save you considerable premium dollars as compared to electing to use a higher level of coverage to get an equal amount of total dollars of coverage.

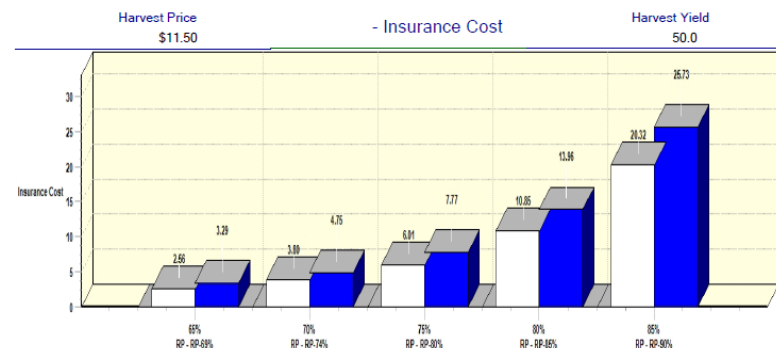
The “white bars” represent the premiums for Redwood County Soybean using enterprise units with an APH of 50 bushels and are shown in the lower data table with blue titles.

The “blue bars” and green titles in the table represent the same yield data base of 50 bu. APH with the Trend Adjusted yield applied to get a 53 bu. Adjusted APH.

Using the 80% level with the trend adjusted yield of 53 bushels provides \$487.60 of coverage at a cost of \$11.99 per acre.

You would need to be at the 85% level with the 50 APH to provide similar coverage of \$488.75 and that would cost \$23.07 per acre or \$11.08 per acre more than the TA endorsed policy costs.

Year / Plan	State / County	Unit	Crop	Location	Map Area	APH / Rate Yield	Acres	Share
2012 / RP	MN - 127 - Redwood	0001-0000	SOYBEANS-NON IRR-COMM			50 / 50	500.0	100%
2012 / RP	MN - 127 - Redwood	0001-0000	SOYBEANS-NON IRR-COMM			50 / 50 / 53	500.0	100%



	65% RP - RP-65%	70% RP - RP-70%	75% RP - RP-75%	80% RP - RP-80%	85% RP - RP-85%
RP Net Premium -/Acre	1.86	2.79	4.59	8.88	17.66
RP Net Premium -/Acre	2.59	3.74	6.35	11.99	23.07
RP Guarantee -/Acre	32.5	35.0	37.5	40.0	42.5
RP Guarantee -/Acre	34.5	37.1	39.8	42.4	45.1
RP Liability -/Acre	373.75	402.50	431.25	460.00	488.75
RP Liability -/Acre	396.75	426.65	457.70	487.60	518.65
RP Subsidy -/Acre	7.44	11.16	15.36	18.86	19.91
RP Subsidy -/Acre	10.35	14.94	21.25	25.48	26.02
RP MPD Premium -/Acre	0.70	1.01	1.42	1.97	2.66
RP MPD Premium -/Acre	0.70	1.01	1.42	1.97	2.66

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United States Cattle on Feed Up 4 Percent

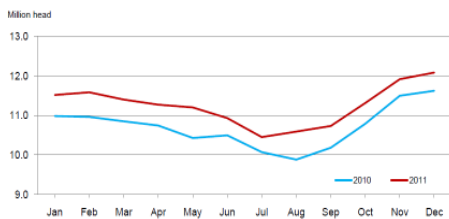
Cattle and calves on feed for slaughter market in the United States for feedlots with capacity of 1,000 or more head totaled 12.1 million head on December 1, 2011. The inventory was 4 percent above December 1, 2010. This is the second highest December 1 inventory since the series began in 1996.

Summary of COF Estimates. Dow Jones Survey

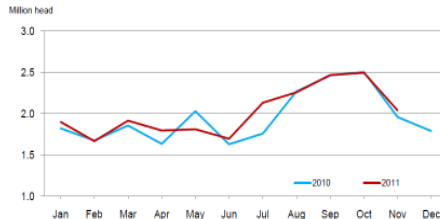
	Average of Estimates	Implied Cattle #	Range of Estimates
On Feed Dec 1	103.7%	12,050	103.1% - 104.5%
Placed on Feed in Nov	99.6%	1,951	97.3% - 103.2%
Marketed in Nov	98.5%	1,747	95.8% - 100.2%

Placements in feedlots during November totaled 2.04 million, 4 percent above 2010. Net placements were 1.94 million head. During November, placements of cattle and calves weighing less than 600 pounds were 755,000, 600-699 pounds were 499,000, 700-799 pounds were 375,000, and 800 pounds and greater were 410,000. **Marketings** of fed cattle during November totaled 1.77 million, slightly below 2010. **Other disappearance** totaled 102,000 during November, 65 percent above 2010.

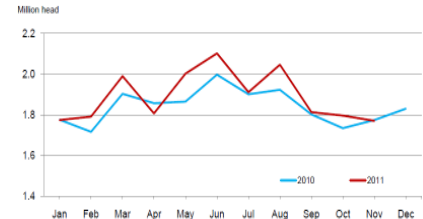
Cattle on Feed Inventory on 1,000+ Capacity Feedlots - United States



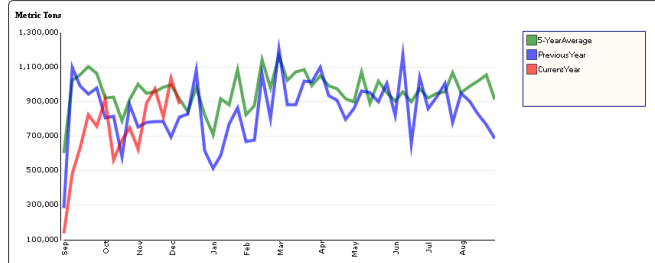
Number of Cattle Placed on 1,000+ Capacity Feedlots - United States



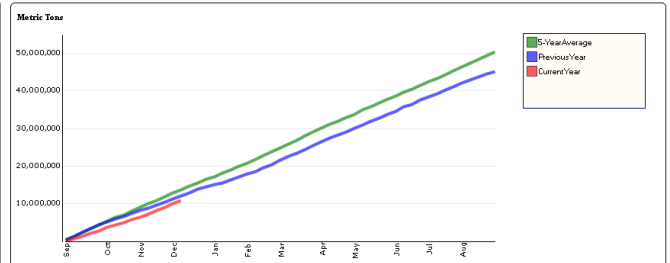
Number of Cattle Marketed on 1,000+ Capacity Feedlots - United States



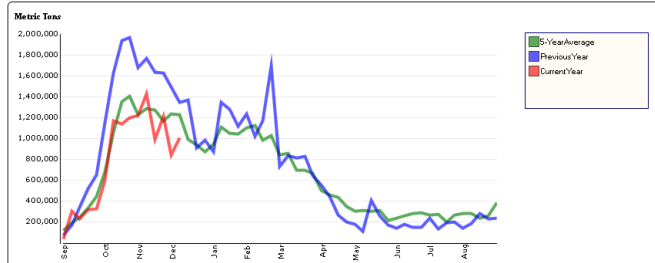
US Corn Exports 2011-12 Weekly



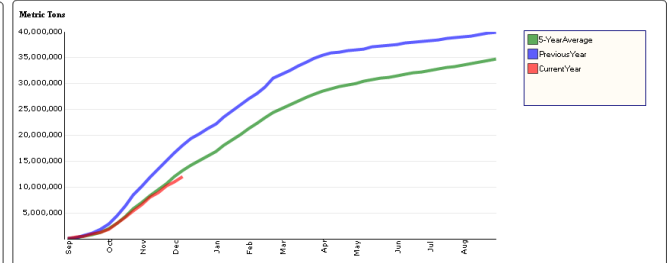
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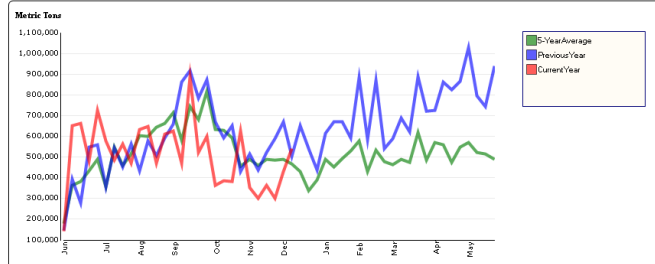
US Soybean Exports 2011-12 Weekly



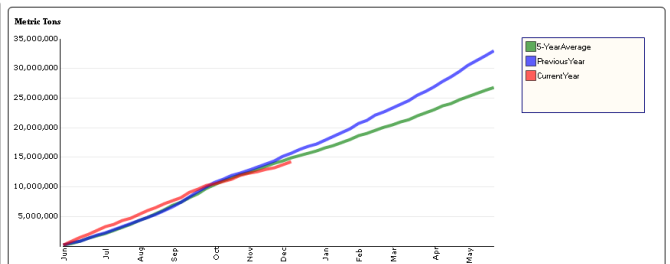
Accumulated



US Wheat Exports 2011-12 Weekly



Accumulated



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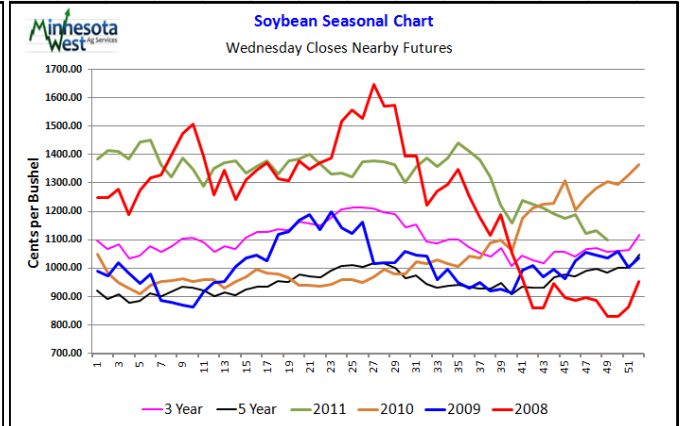
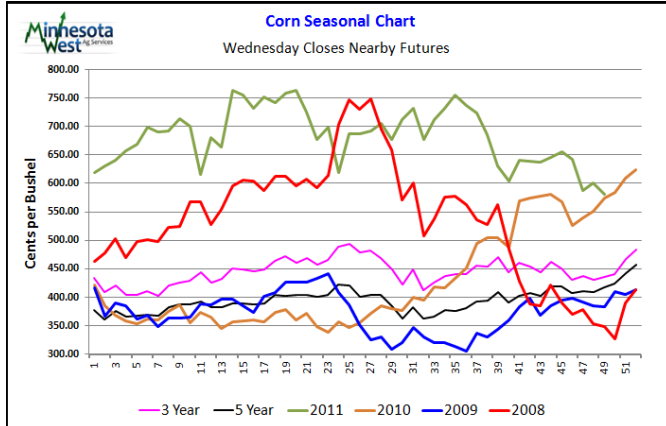
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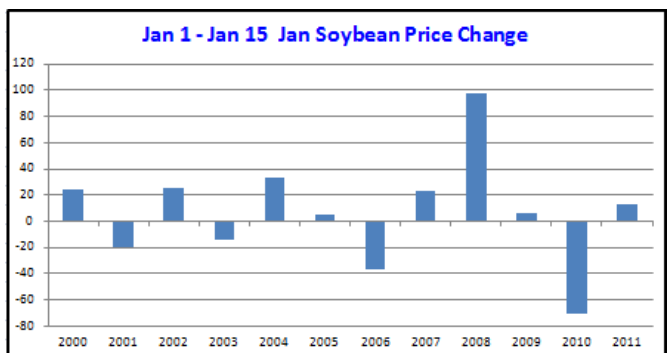
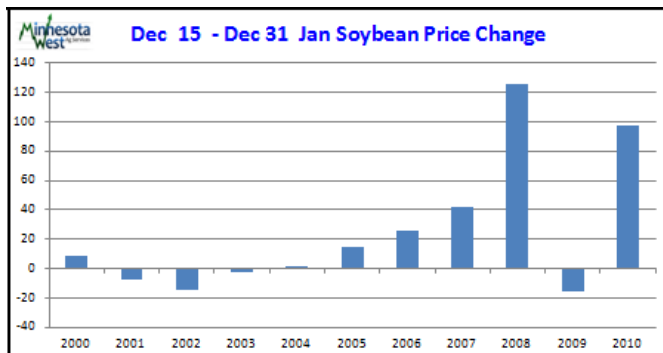
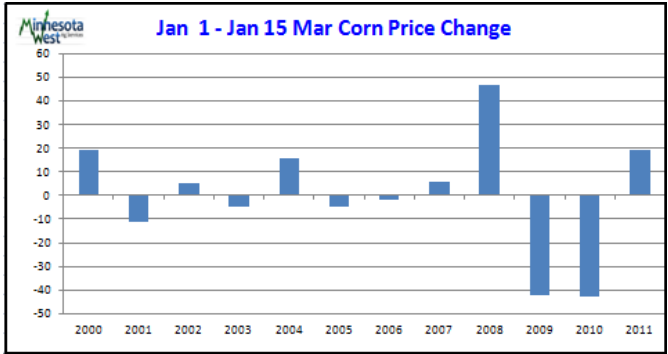
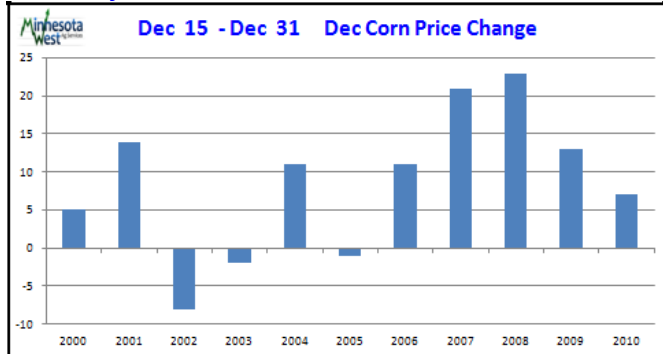
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Seasonal Price Charts:



Bi-Weekly Seasonal Price Charts:



Outside Markets:

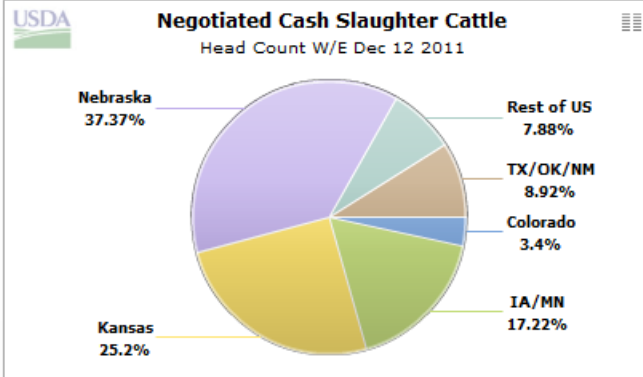
U.S. Dollar Index	80.249s	-0.092	-0.11%	Euro FX	1.30260s	+0.00140	+0.11%	Ethanol Futures	Jan 12	2.075s	+0.013
CRB CCI Index	546.00s	0.00	-	Canadian Dollar	0.96310s	-0.00220	-0.23%	Gasoline RBOB	Jan 12	2.4870s	-0.0007
Gold	1595.6s	+21.0	+1.33%	Japanese Yen	1.28420s	+0.00050	+0.04%	Diesel Gulf (ULSD)	Jan 12	2.7780s	-0.0195
Silver	29.615s	+0.390	+1.33%	Australian Dollar	0.99580s	+0.00440	+0.44%	RME Biodiesel	Dec 11	1374.136s	+2.000
DJIA	11778s	-44	-0.37%	Chinese Renminbi	0.157550s	+0.000340	+0.22%	Heating Oil	Jan 12	2.8005s	-0.0220
S&P 500 Index	1210.90s	-0.80	-0.07%	Mexican Peso	0.072000s	+0.000075	+0.1%	Natural Gas	Jan 12	3.127s	0.000
Nasdaq 100	2232.75s	+9.50	+0.43%	1-Month Libor	99.7125s	+0.0025	-	Crude Oil Brent	Feb 12	103.35s	-0.25
Russell 1000 Growth	563.90s	+0.10	+0.02%	T-Bond	145-18s	+1-03	+0.76%	Coal Futures	Jan 12	67.42s	-0.05
MSCI EMI Index	898.70	+4.30	+0.48%	3-Month T-Bill	99.2700s	0.0000	-	Uranium	Dec 11	52.50s	-0.25
Nikkei 225	8375.00s	-40.00	-0.48%	5-Year T-Note	123-2.5s	+0-060	+0.15%				
Brazilian Real	0.53655s	+0.00115	+0.21%	10-Year T-Note	131-305s	+0-150	+0.36%				

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USDA Negotiated Cash Slaughter Cattle
Head Count W/E Dec 12 2011

Region	Head Count	vs Year Ago	vs 3-Year Avg
National	108,927	↓ -20.3%	↓ -16.3%
5 Area	100,341	↓ -21.0%	↓ -15.3%
Colorado	3,708	↓ -27.8%	↓ -45.2%
IA/MN	18,755	↓ -22.7%	↓ -17.4%
Kansas	27,455	↓ -26.5%	↑ 6.2%
Nebraska	40,708	↓ -9.1%	↓ -8.4%
TX/OK/NM	9,715	↓ -37.3%	↓ -48.0%

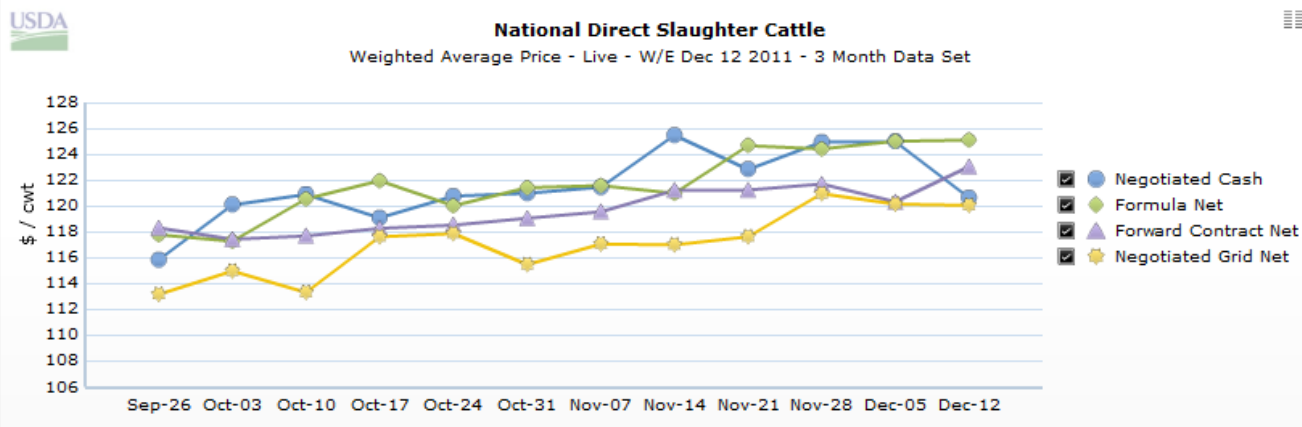
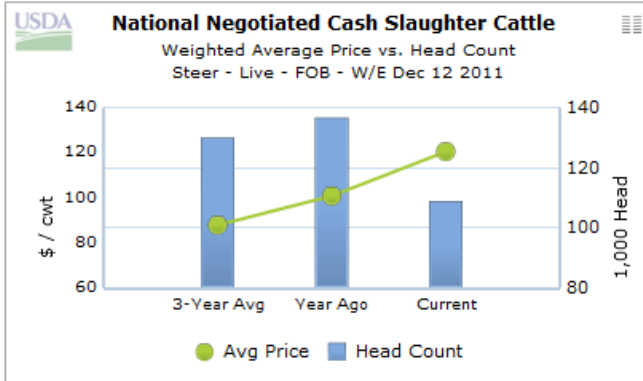
Click a column header to sort



USDA Negotiated Cash Slaughter Cattle
Weighted Average Price - Steer - Live - FOB
W/E Dec 12 2011

Region	Avg Price	vs Year Ago	vs 3-Year Avg
National	\$120.57	↑ 19.5%	↑ 37.0%
5 Area	\$120.47	↑ 19.4%	↑ 36.9%
Colorado	\$121.43	↑ 19.3%	↑ 37.8%
IA/MN	\$122.47	↑ 22.0%	↑ 41.3%
Kansas	\$119.86	↑ 18.9%	↑ 36.2%
Nebraska	\$120.66	↑ 19.6%	↑ 38.4%
TX/OK/NM	\$119.99	↑ 18.8%	↑ 35.4%

Click a column header to sort



Corn: Friday's Close: Mar 12 Corn closed at \$5.83, up 4 cents, May 12 Corn closed at \$5.91 ¾, up 4 cents, Jul 12 Corn closed at \$5.98 ½, up 4 ¼ cents Dec 12 Corn closed at \$5.48, up 4 ¾ cents

Corn futures finished the day higher but were down 11 1/4 cents for the week. The weekly CFTC report showed Managed Money had increased their net longs by 2,021 contracts from the previous period while Index Funds had decreased their net longs by 4,369 contracts.. Private exporters announced to USDA the sale of 205,232 MT of corn to Japan for 2012/13 delivery, driving 2012/13 totals significantly higher for this time of year. Accumulated sales for 2012/13 were 976,318 MT as of the previous export sales reporting week, December 8th.

Soybean Complex: Friday's Close: Jan 12 Soybeans closed at \$11.30, up 18 ¼ cents, Mar 12 Soybeans closed at \$11.39 ½, up 18 ¼ cents, May 12 Soybeans closed at \$11.50 ¼, up 18 ½ cents, Nov 12 Soybeans closed at \$11.50 ½, up 20 ¼ cents, Jan 12 Soybean Meal closed at \$290.30, up \$7.40, Jan 12 Soybean Oil closed at \$49.55, up \$0.57

Soybeans closed out today's session much higher and were up 23 cents for the week. Concerns over South American production prospects

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prompted the rally. Managed Money also decreased their net short soybean position from the previous week by 7,035 contracts leaving a net short of 3,158 contracts. Index Funds decreased their net bean long by 796 contracts. U.S. soybean meal is getting very cheap vs. corn on a per ton basis, and also appears to be gaining market share vs. other ingredients. Meal was up about a third of the new \$20 a ton limit. U.S. Midwest basis levels were mostly steady but lower in areas where the harvest had been delayed and those crops are now coming to market.

Wheat: Friday's Close: Mar 12 CBOT Wheat closed at \$5.83 ¾, up 4 ½ cents, Mar 12 KCBT Wheat closed at \$6.39 ½, up 2 cents, Mar 12 MGEX Wheat closed at \$8.11 ¼, down 4 ½ cents.

Wheat futures closed higher on the CBOT and KCBT and lower on the MGEX wheat. All classes of wheat were lower for the week; down 12 ¼ cents at the CBOT, down 22 cents for KCBT and down 16 cents for the MGEX. Japan bought 67,000 MT of wheat for March delivery with 37,000 coming from the U.S. Syria is tendering for 100,000 MT of optional origin wheat for January delivery. Informa HRW wheat acreage is estimated at 28.2 million, SRW at 8 million and white winter at 3.6 million. USDA will release their first estimate for 2012 winter wheat plantings in the January crop report on January 12th. The 68 year old western Canadian marketing organization came to an end today with the implementation of the new legislation ending the wheat and barley monopoly. The government will now control the Canadian Wheat Board with five government appointees. Producers now have the option to continue to sell to the CWB or another buyer. The former directors of the CWB are litigating because the government did not follow the law by doing a farmer survey prior to changing things.

Cattle: Friday's Close: Dec 11 Cattle closed at \$118.150, down \$0.600, Feb 12 Cattle closed at \$118.500, down \$0.650, Apr 12 Cattle closed at \$122.225, down \$0.750, Jan 12 Feeder Cattle closed at \$143.050, down \$0.925 Mar 12 Feeder Cattle closed at \$145.700, down \$0.450 Apr 12 Feeder Cattle closed at \$146.800, down \$0.675.

Live Cattle futures closed lower on the day and were down 15 cents for the week. The Cattle on Feed report out this afternoon showed the on feed number at 103.97% with the average trade estimate at 103.7%, November placements were 104.0%, 4.4% higher than the average trade estimate of 99.6%. November marketings were 99.77%, those were also above the trade guess of 98.5%. The Cattle on Feed number is the highest since the January 2008 report at 12 million head. There has been very little cash cattle business reported in Texas/Oklahoma; cattle sold for \$118. There was a bit more business in Nebraska at \$119.50 to \$120 in the live and \$193 to \$194 in the dressed, about a \$1 lower than last week. Kansas sales were fair with 16,038 head selling between \$118 and \$120.50. Wholesale beef prices are higher. Choice boxed beef is up \$0.91 and Select is up \$0.98.

Hogs: Friday's Close: Feb 12 Hogs closed at \$83.150, down \$2.275, Apr 12 Hogs closed at \$85.900, down \$2.225 May 12 Hogs closed at \$92.100, down \$1.850

Lean Hog futures hit limit lower and closed sharply lower on the day and down \$3.27 for the week. Total open interest has been declining with the price trend since the first of December. That is classic long liquidation. The September low was \$83.05 and was taken out in today's session but closed right on the 38.2% Fibonacci point on the weekly continuation chart. However, hog prices also closed below a long term up trend line. Cash hogs were \$0.27 higher in IA/MN, \$0.35 lower in the WCB and \$0.75 lower in the ECB. Pork trading was slow with light demand and mostly moderate offerings. The Carcass cutout was lower on 58.38 loads.

Cotton: Friday's Close: Mar 12 Cotton closed at 86.29, unch, May 12 Cotton closed at 85.93, up 7 points Dec 12 Cotton closed at 84.51, down 8 points

Cotton closed flat on the front month and a tad higher on farther contracts on light volume. Cotton was down sharply for the week, 436 points or 4.82% to the lowest weekly close since early August 2010. Pakistan production may be as much as 500K bales more than expected at 12.7 million 170kg bales (Bloomberg). The CFTC Disaggregated Futures and Options report showed that Managed Money was sharply reducing net longs as of Tuesday. The Certificated Stocks were at 48,888 bales.

US Dollar Index



CRB CCI Index



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WEEKLY COMMENTS

david@mnwestag.com

Office 1-877-365-3744

www.mnwestag.com

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NY Light Crude Daily

CLZ11 - Crude Oil WTI - Daily OHLC Chart



Gold Weekly

GC - Gold - Weekly OHLC Chart



Lean Hogs Daily

HEG12 - Lean Hogs - Daily OHLC Chart



Lean Hogs Weekly

HE - Lean Hogs - Weekly OHLC Chart



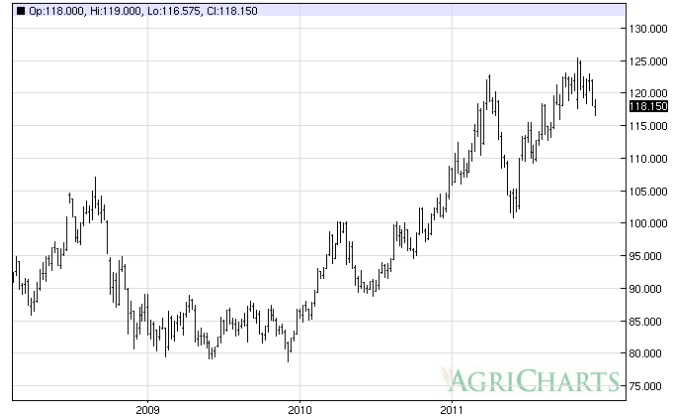
Live Cattle Daily

LEZ11 - Live Cattle - Daily OHLC Chart



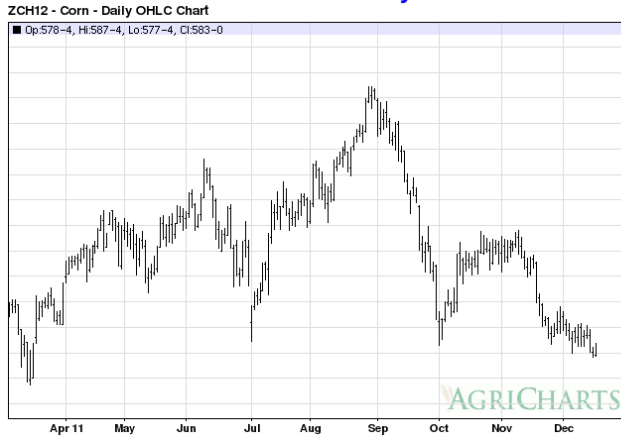
Live Cattle Weekly

LE - Live Cattle - Weekly OHLC Chart

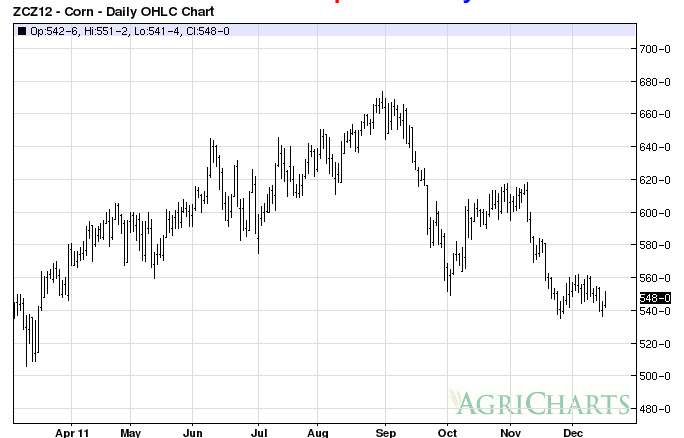


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March 12 Corn Daily Chart



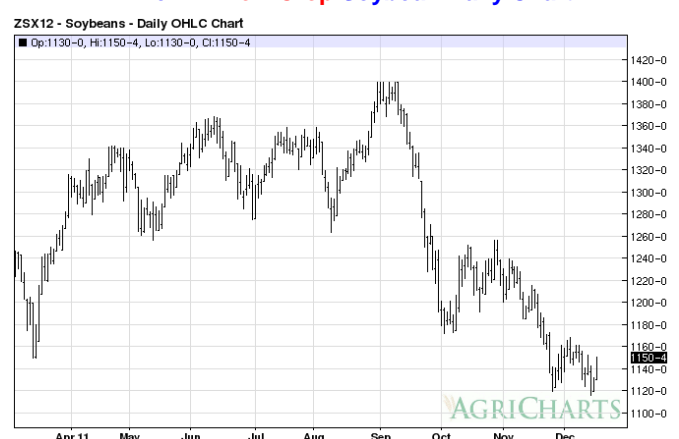
Dec 12 New Crop Corn Daily Chart



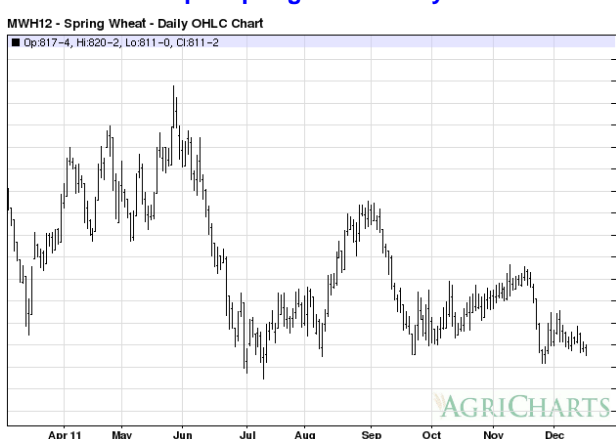
Jan 12 Soybean Daily Chart



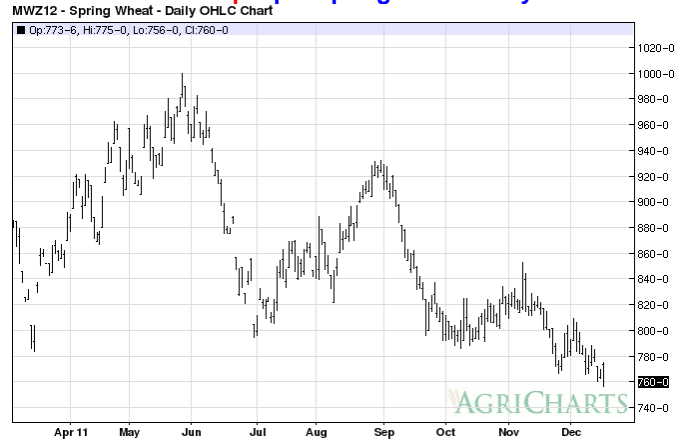
Nov 12 New Crop Soybean Daily Chart



Mar 12 Mpls Spring Wheat Daily Chart



Dec 12 New Crop Mpls Spring Wheat Daily Chart



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