



WEEKLY COMMENTS

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Friday, December 23, 2011

We wish you a Merry Christmas. The markets are closed Monday Dec 26th

New Recommendations Last Week

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.

The basis contracts works well in many areas but not everywhere. See last week's newsletters for more details.

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. <i>Added a 50% sale with Fixed Basis Contracts</i>	30% sold HTA
Soybeans	50% sold HTA - basis is now set. <i>Added a 50% sale with Fixed Basis Contracts</i>	20% sold HTA
Wheat	50% sold HTA. If fall delivery needed basis is set.	none

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

Hedge: a means of protection against something, especially a means of guarding against financial loss

Speculate: to form a conjecture on the basis of incomplete facts or information, to engage in financial transactions that have an element of risk.

Basis: The basis contracts works well in many areas but not everywhere. See last week's newsletters for more details.

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.

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.

Next Major USDA Reports: Friday Dec 23, 2011 Hogs & Pigs;

Thursday Jan 12, 2012 WASDE & Crop Production & Grain Stocks

Market Talk Trade estimates for 2012 index fund rebalancing are starting to trickle in. This week one trade source is estimating that funds will buy 33,000 contracts of wheat, buy 18,000 soyoil, buy 7,000 soybeans and sell 11,000 contracts of corn, from Jan. 2-15.

Eurozone debt once again making headlines as the EU bank offers to take in bad debt from banks of an estimated 489 billion Euro as collateral for more loans from the European Central Bank to troubled, only 310 billion in bad debt was expected.

Export sales were better than some expected for corn and soybeans. Sales to China continue to be dismal in comparison to last year. Sales for both corn and soybeans are lagging about 25% below normal levels for this time of year. Despite the dismal outlook for export recently, the U.S. has seen sales hold steady to Mexico where U.S. corn is cheaper than corn from South America.

Argentine weather has been a hot topic this past week. Listening to local R.J.O'Brien contacts reporting directly from Argentina provides additional insight as to what may be taking place. At this time 30-40% of the corn is pollinating with much of the crop having been planted later and has not started to pollinate. Last week up to 50% of the crop was impacted by hot weather near 100 degrees, this week 70% of the crop was impacted by temperatures as high as 107 degrees. The extreme heat of 115 degrees occurred in regions that do NOT grow corn or soybeans. Rain fall of .2" to 1" fell on about 75-80% of the corn growing region but the best areas, comparable to Iowa or Illinois in the states, much of the belt received .5" to isolated events of as much as 2.5" of rainfall.

A cold front worked through the northern and eastern Argentine growing regions yesterday, bringing rains to Entre Rios and Corrientes. Amounts there were in the 1" range in many locales, with some 1" amounts reported from Corrientes. Dry weather hung on in the southern 1/2 of the Brazilian growing regions yesterday, with some rains bringing totals of around .50" or less to areas from MGDS and Sao Paulo north. Temps cooled into the 80's in most of Argentina, with some 90's and 100's in the extreme north. 90's occurred in southern Brazil, with 70's and 80's in the north. Forecast calls for more rains possible in the far northern Argentine growing regions today. Totals of .25-.75", isolated to 1" look to fall in far northern sections of Santa Fe and Entre Rios as well as most of Corrientes. Dry weather is expected to occur across all of Argentina for the weekend and most of next week, with a few light showers still showing up in the forecast for later Friday and Saturday of next week.

Southern Brazil is expected to get really good rains starting today and through the entire weekend. An estimated 25% of the Soybean belt received rains recently with much of that getting 1.5" to 3" totals. About 50% of the Brazillian corn and soybean areas remain unfavorably dry. A few showers may even linger into early next week in S. Brazil, with totals of .20-.60" possible Monday and early Tuesday. Things then look mainly dry in S. Brazil for the second half of next week, with some rains seen by the following weekend.

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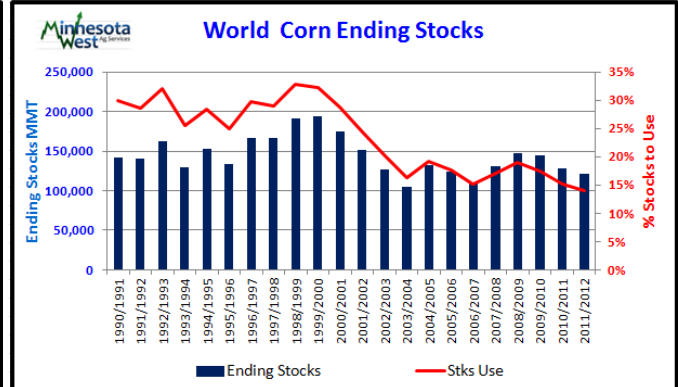
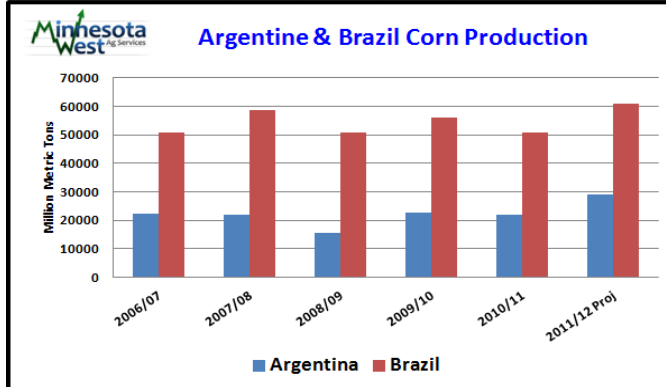
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South America could lose as much as 5.5 mmt of corn production off of the current estimates and still produce a crop equal to last year's production.



Multiple Price Discovery 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, at about \$2.00 to \$3.00 per acre depending upon your APH. Additional policy provisions may apply, see policy for details. Please contact us for more details.

These tables show the average prices for New Crop December Corn or November Soybeans. For example, the Dec Corn price in 2011 shows a 5.40 price which is the average of Dec 2011 futures in Dec 2010, the Jan or Feb of 2011 price is the average of the Dec 2011 Futures during the month of Jan or Feb of 2011.

This supplemental product would have provided additional revenue insurance of \$0.32 and \$0.36 in 2009 & 2010 for corn over and above what your projected (base) revenue insurance provided. For soybeans it would have provided additional projected (base) revenue insurance of \$0.91 and \$0.95 in 2009 & 2010. Overall the supplemental plan would have provided \$0.32 per bushel more protection for corn in 2009 & \$0.05 more per bushel for soybeans in 2009 when also considering the harvest price.

Corn	December Futures Average					
	2012	2011	2010	2009	2008	2007
Dec	5.52	5.40	4.35	4.14	4.51	3.61
Jan		5.68	4.16	4.36	5.04	3.83
Feb		6.01	3.99	4.04	5.40	4.06
Difference from February Price						
Dec		-0.61	0.36	0.10	-0.89	-0.45
Jan		-0.33	0.17	0.32	-0.36	-0.23
Harvest Prices: Oct = RP or CRC Nov = RAHO						
Oct		6.32	5.46	3.75	4.13	3.58
Nov		NA	5.52	3.90	3.74	3.82

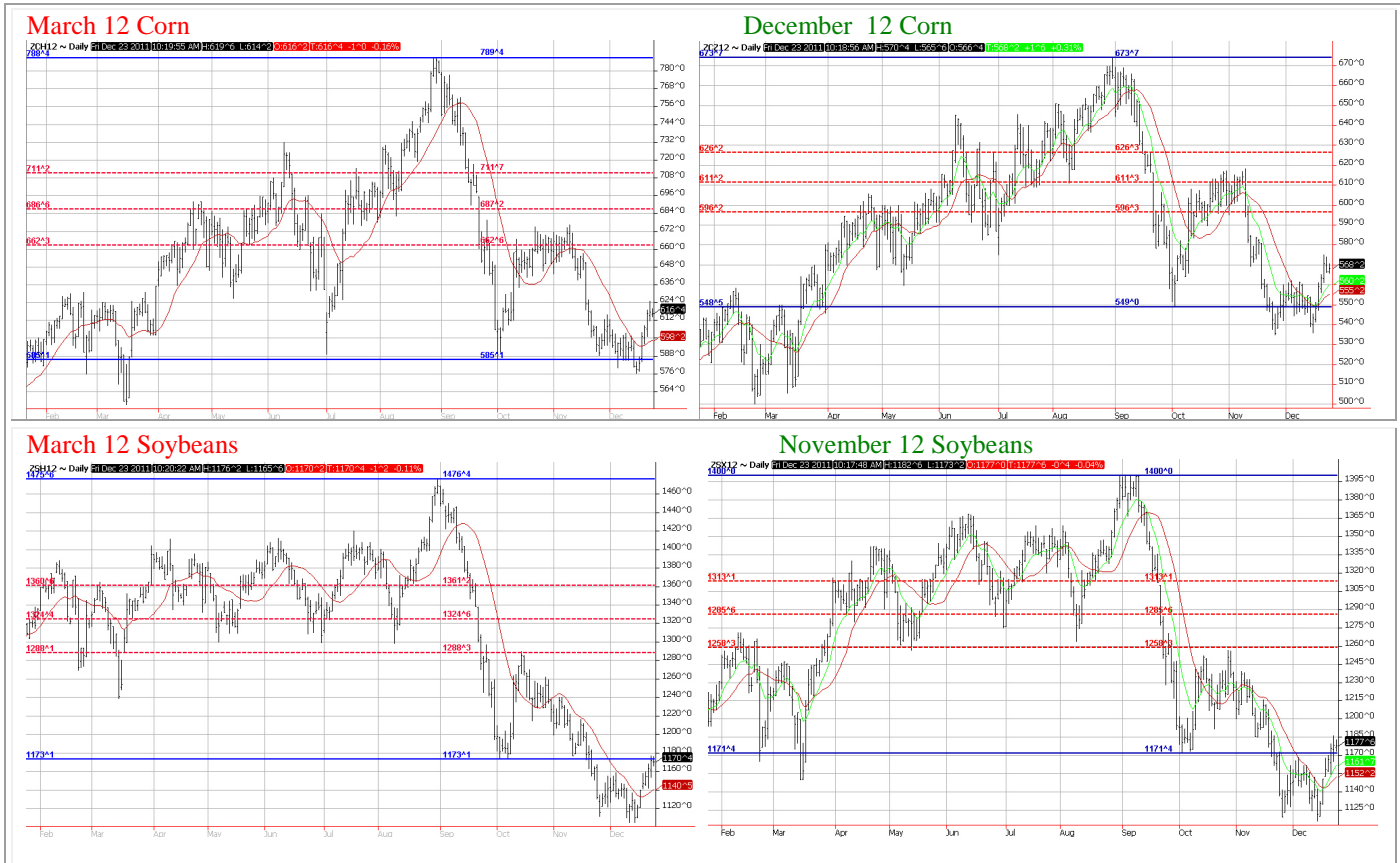
Soybeans	November Futures Average					
	2012	2011	2010	2009	2008	2007
Dec	11.51	12.33	10.18	8.99	10.69	7.17
Jan		13.12	9.60	9.71	12.15	7.51
Feb		13.49	9.23	8.80	13.36	8.09
Difference from February Price						
Dec		-1.16	0.95	0.19	-2.67	-0.92
Jan		-0.37	0.37	0.91	-1.21	-0.58
Harvest Prices: Oct = RP, CRC or RAHO						
Oct		12.14	11.63	9.66	9.22	9.75

We can also use these tables to look at the price changes between the months listed to get a historical perspective. For example, the 2008 Nov Soybean price in February was 13.36 and in Oct was only 9.22

Looking Forward, see charts below: Even if we have used the basis contracts to lock up the basis, we still need to set the futures portion of the sale. As we look at the March corn chart we see \$6.50 to \$6.70 as an area of consolidation and would look to price some at that level. The December 2012 chart has consolidation between \$6.00 and \$6.15 and a move to that area would likely bring some selling pressure. It may be a place to consider a pricing some 2012 new crop if you don't have any sales on the books. If the Jan report has a significant reduction carry out or a spring weather scare occurs we could try to test the \$6.50 to \$6.70 area.

March Soybeans have a ways to go to work back to the \$12.40 to \$12.88 area. None existent farmer selling may be the catalyst that helps a seasonal rally develop. Like old crop soybeans the new crop November contract has consolidation at higher levels, that being \$12.15 to \$12.45 and would need to breakout above \$12.58 to have a chance to move above \$13.00.

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United States Hog Inventory up 2 Percent

Inventory of all hogs and pigs on December 1, 2011 was 65.9 million head. This was up 2 percent from December 1, 2010, but down 1 percent from September 1, 2011.

Breeding inventory, at 5.80 million head, was up slightly from last year, but down slightly from the previous quarter.

Market hog inventory, at 60.1 million head, was up 2 percent from last year, but down 1 percent from last quarter.

The September-November 2011 pig crop, at 29.0 million head, was up 2 percent from 2010. Sows farrowing during this period totaled 2.89 million head, up slightly from 2010.

**USDA Quarterly Hogs and Pigs Report
Market Analysts' Pre-Report Estimates**

USDA Hogs & Pigs Report December 23, 2011	Percent of December 27, 2010	
	Range	Average
Inventories on December 1		
All hogs and pigs	100.0 - 102.0	101.3
Kept for breeding	100.4 - 101.0	100.8
Kept for market	100.0 - 102.0	101.3
Under 50 lbs.	101.3 - 102.0	101.8
50-119 lbs.	100.8 - 102.0	101.5
120-179 lbs.	100.1 - 102.0	101.0
180 lbs. and over	100.6 - 101.6	101.2
Farrowings		
Sep-Nov sows farrowed	99.5 - 100.2	99.9
Dec-Feb Intentions	100.0 - 101.1	100.6
Mar-May Intentions	100.5 - 101.3	100.8
Sep-Nov Pig Crop	101.0 - 102.0	101.6
Sep-Nov pigs saved per litter	101.0 - 102.0	101.6

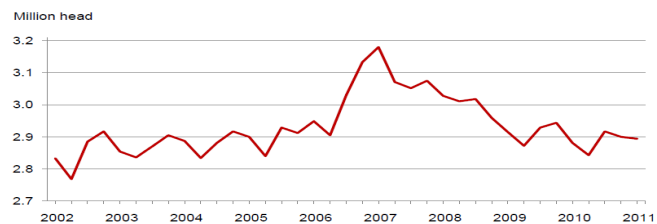
Source: DowJones Newswire

The sows farrowed during this quarter represented 50 percent of the breeding herd. The average pigs saved per litter was a record high 10.02 for the September-November period, compared to 9.89 last year. Pigs saved per litter by size of operation ranged from 7.40 for operations with 1-99 hogs and pigs to 10.10 for operations with more than 5,000 hogs and pigs.

**Quarterly Hogs and Pigs Inventory – United States:
December 1**



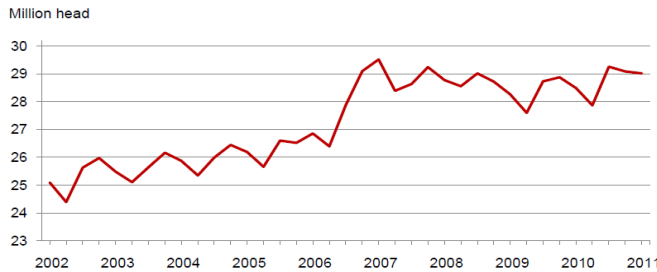
Quarterly Sows Farrowed – United States



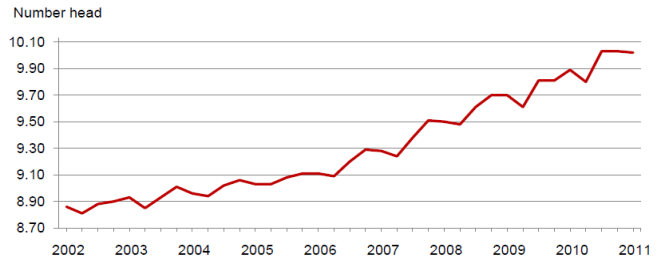
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Quarterly Pig Crop – United States



Quarterly Litter Rate – United States



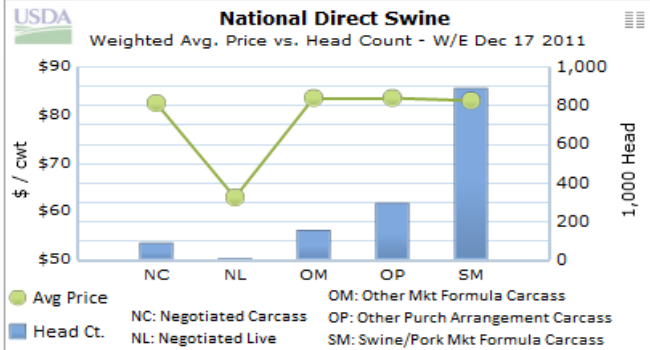
United States hog producers intend to have 2.87 million sows farrow during the December 2011-February 2012 quarter, up 1 percent from the actual farrowings during the same period in 2011, but down slightly from 2010. Intended farrowings for March-May 2012, at 2.89 million sows, are down 1 percent from 2011, and down 1 percent from 2010.

The total number of hogs under contract owned by operations with over 5,000 head, but raised by contractees, accounted for 45 percent of the total United States hog inventory, unchanged from last year.

USDA National Direct Swine
Weighted Average Price - W/E Dec 17 2011

Purchase Type	Avg Price	vs Year Ago	vs 3-Year Avg
Negotiated Carcass	82.50	↑ 25.2%	↑ 25.2%
Negotiated Live	62.94	↑ 21.2%	↑ 23.4%
Other Market Formula	83.56	↑ 17.5%	↑ 14.4%
Other Purchase Arrangement	83.57	↑ 18.9%	↑ 14.4%
Swine/Pork Market Formula	83.03	↑ 23.4%	↑ 24.8%

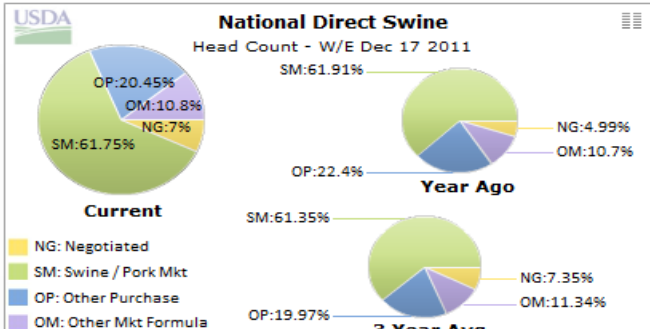
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USDA National Direct Swine
Head Count - W/E Dec 17 2011

Purchase Type	Head Count	vs Year Ago	vs 3-Year Avg
Negotiated Carcass	90,294	↑ 70.4%	↑ 1.1%
Negotiated Live	10,662	↓ -47.6%	↓ -44.7%
Other Market Formula	155,910	→ -0.9%	↓ -7.0%
Other Purchase Arrangement	295,118	↓ -10.4%	→ 0.0%
Swine/Pork Market Formula	891,215	↓ -2.1%	↓ -1.7%

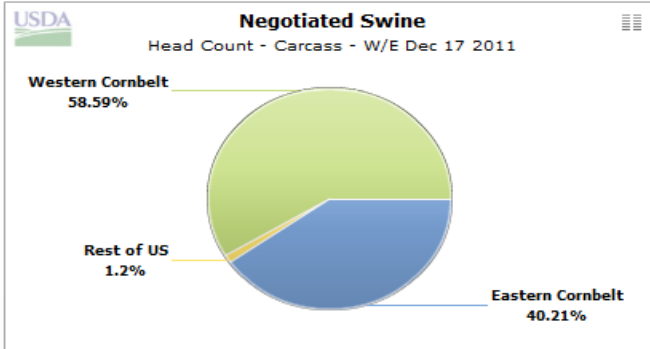
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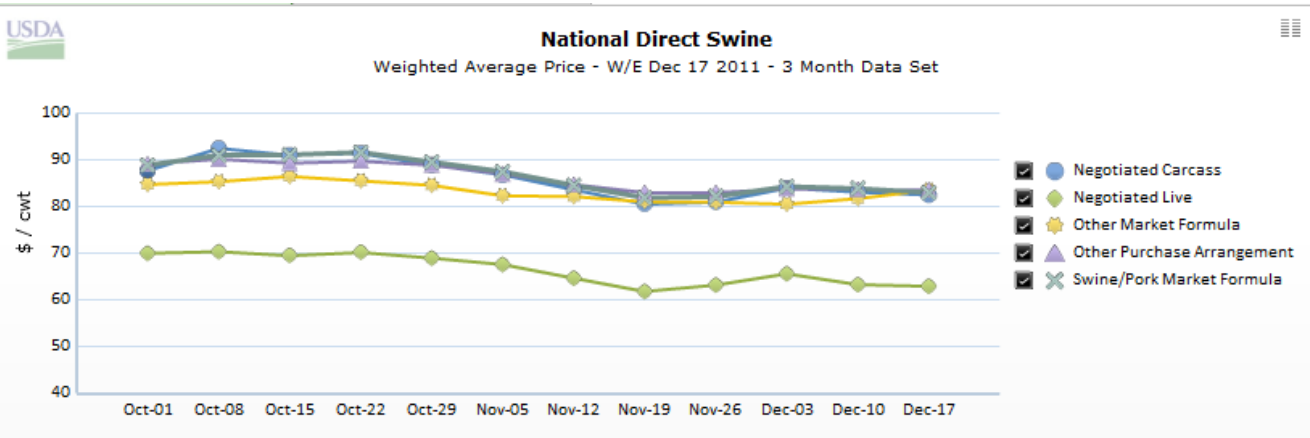
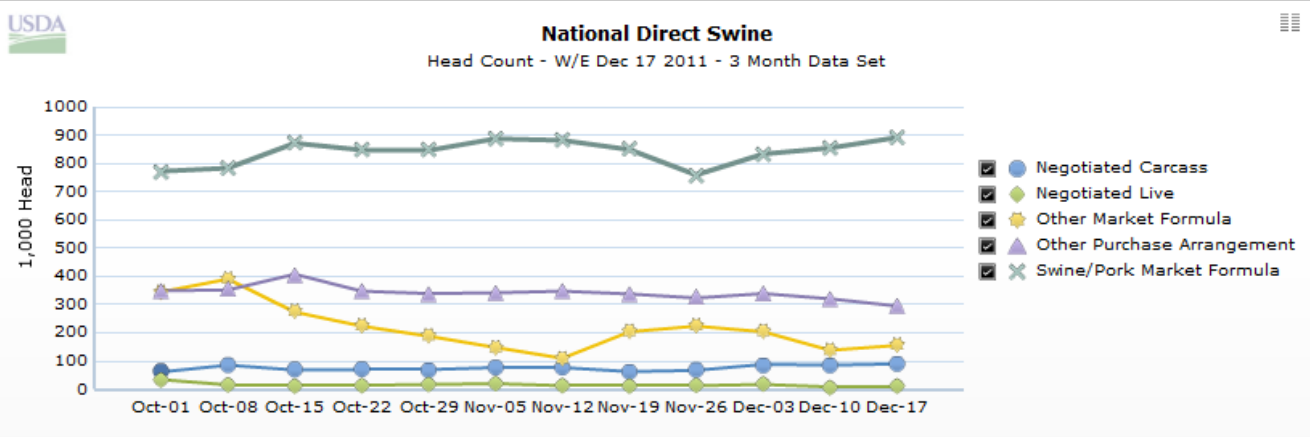
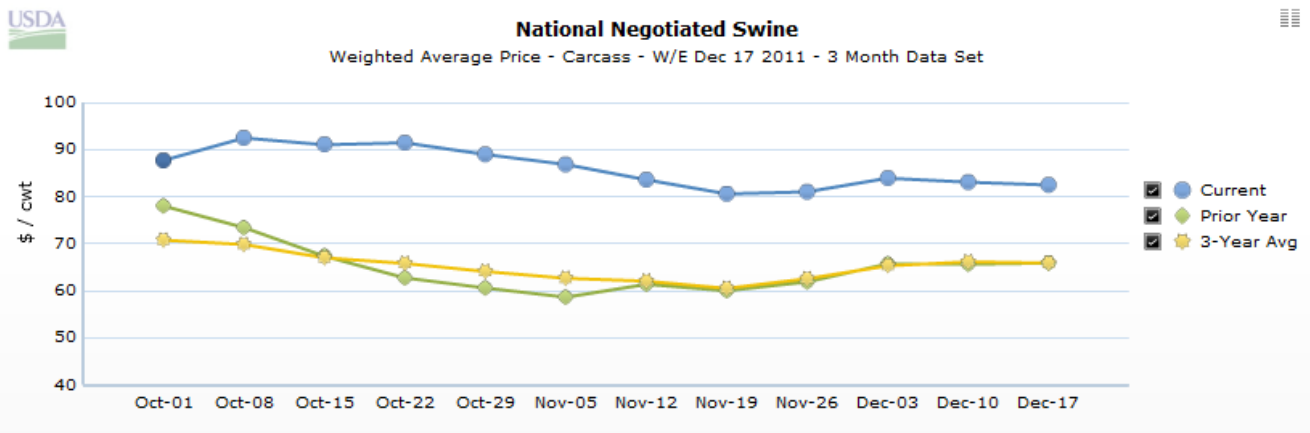
USDA Negotiated Swine
Head Count - Carcass - W/E Dec 17 2011

Region	Head Count	vs Year Ago	vs 3-Year Avg
National	90,294	↑ 70.4%	↑ 1.1%
Eastern Cornbelt	36,308	↑ 51.0%	↑ 11.5%
Western Cornbelt	52,901	↑ 88.7%	↓ -3.4%
Iowa/Minnesota	47,374	↑ 90.9%	↑ 14.5%

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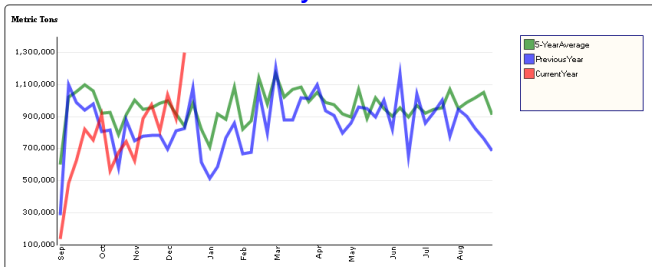


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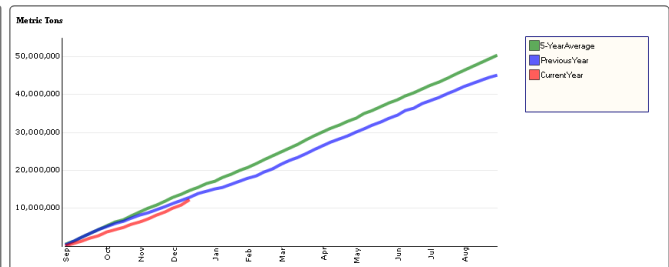


US Corn Exports 2011-12 Net sales of 715,000 MT for the 2011/2012 marketing year resulted as increases for Mexico (368,300 MT, including 15,200 MT switched from unknown destination and decreases of 5,800 MT), Japan (251,300 MT, including 84,000 MT switched from unknown destinations and decreases of 8,600 MT), South Korea (198,900 MT, including 121,000 MT switched from unknown destinations), China (58,300 MT, switched from unknown destinations), Taiwan (34,900 MT), and El Salvador (32,200 MT), including 12,400 MT switched from unknown destinations), were partially offset by decreases for unknown destinations (274,500 MT) and Syria (60,000 MT). Net sales of 238,000 MT for delivery in 2012/2013 were reported for Japan (233,000 MT) and Canada (15,000 MT). Exports of 1,300,800 MT--a marketing-year high--were up 47 percent from the previous week and 40 percent from the prior 4-week average. The primary destinations were to Japan (388,800 MT), Mexico (304,900 MT), China (182,200 MT), South Korea (138,800 MT), Taiwan (48,900 MT), and El Salvador (45,200 MT).

Weekly

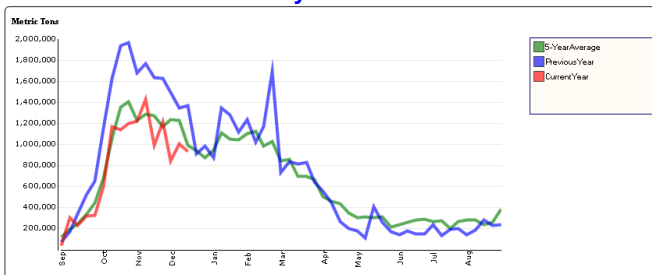


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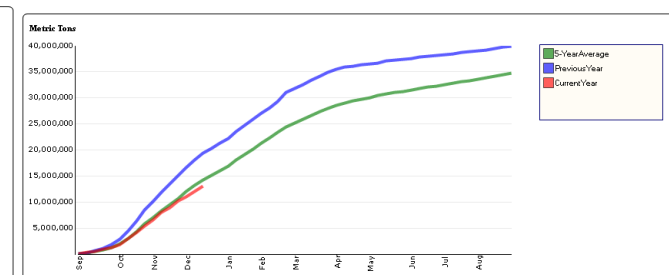


US Soybean Exports 2011-12 Net sales of 653,400 MT for the 2011/2012 marketing year resulted as increases for China (189,000 MT), Canada (87,500 MT), Indonesia (76,500 MT, including 51,000 MT switched from unknown destinations and decreases of 300 MT), South Korea (57,700 MT, including 55,100 MT switched from unknown destinations), Mexico (43,200 MT), and unknown destinations (36,900 MT). Net sales of 75,000 MT for delivery in 2012/2013 were reported for unknown destinations. Exports of 934,200 MT were reported primarily to China (599,400 MT), Indonesia (74,000 MT), South Korea (58,200 MT), Taiwan (44,700 MT), Canada (41,100 MT), and Mexico (29,900 MT).

Weekly

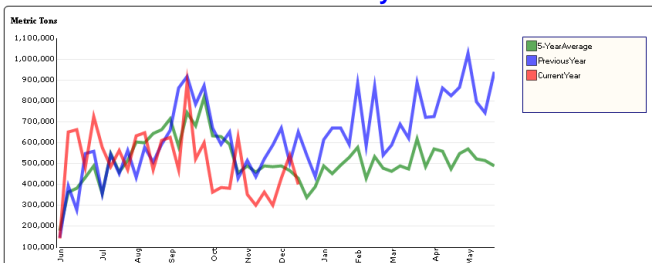


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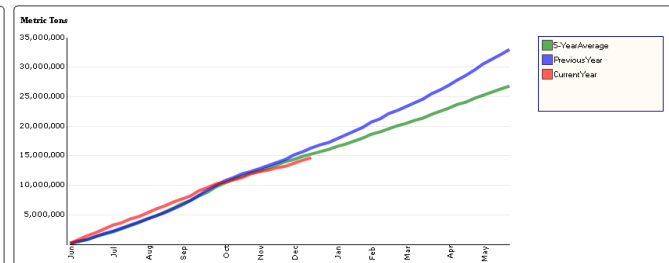


US Wheat Exports 2011-12 Net sales of 362,300 MT for the 2011/2012 marketing year were up 14 percent from the previous week, but down 22 percent from the prior 4-week average. Increases were primarily for Taiwan (83,000 MT), Japan (63,800 MT), Nigeria (52,600 MT), South Korea (50,000 MT), unknown destinations (32,400 MT), Venezuela (27,000 MT), Mexico (14,700 MT), and the Dominican Republic (13,000 MT). Exports of 399,900 MT were down 26 percent from the previous week and 2 percent from the prior 4-week average. The primary destinations were to South Korea (133,000 MT), Mexico (89,700 MT), Thailand (46,100 MT), Nigeria (26,600 MT), Taiwan (24,300 MT), the Dominican Republic (15,400 MT), Trinidad (13,500 MT), and Japan (10,200 MT).

Weekly

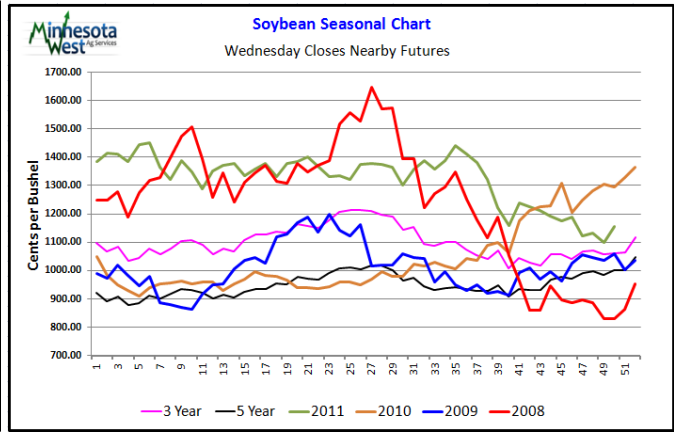
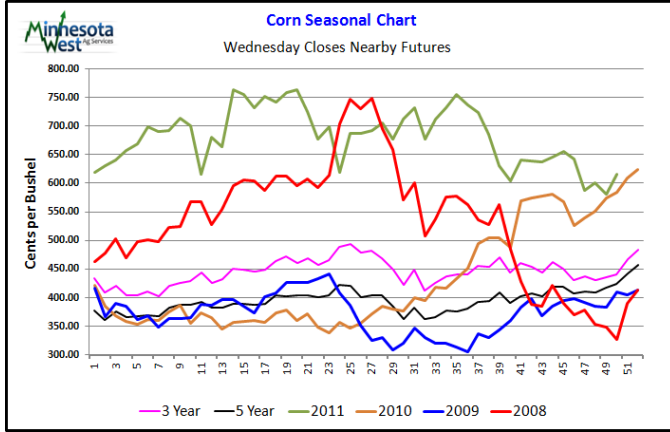


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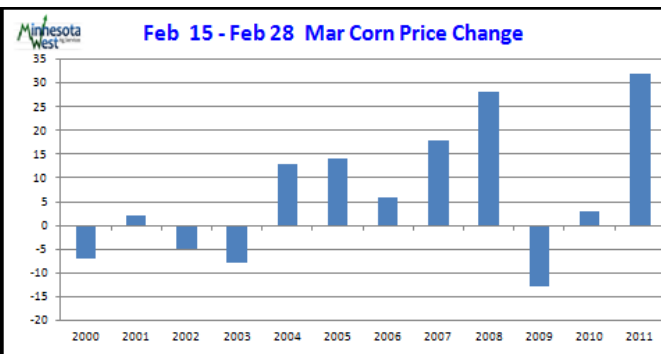
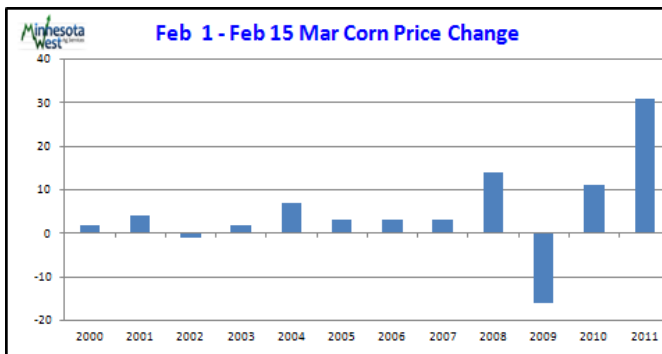
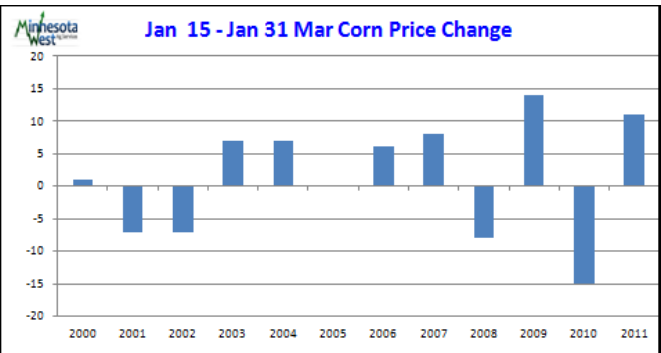
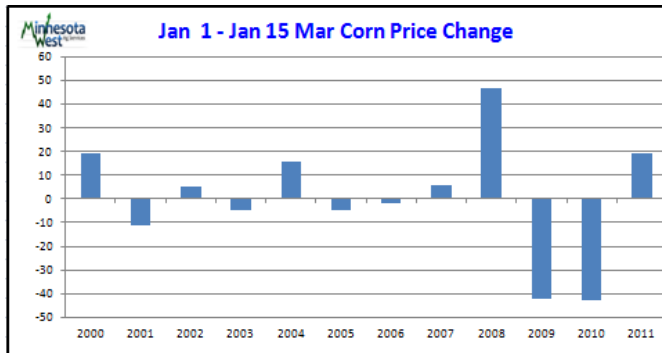




Seasonal Price Charts:



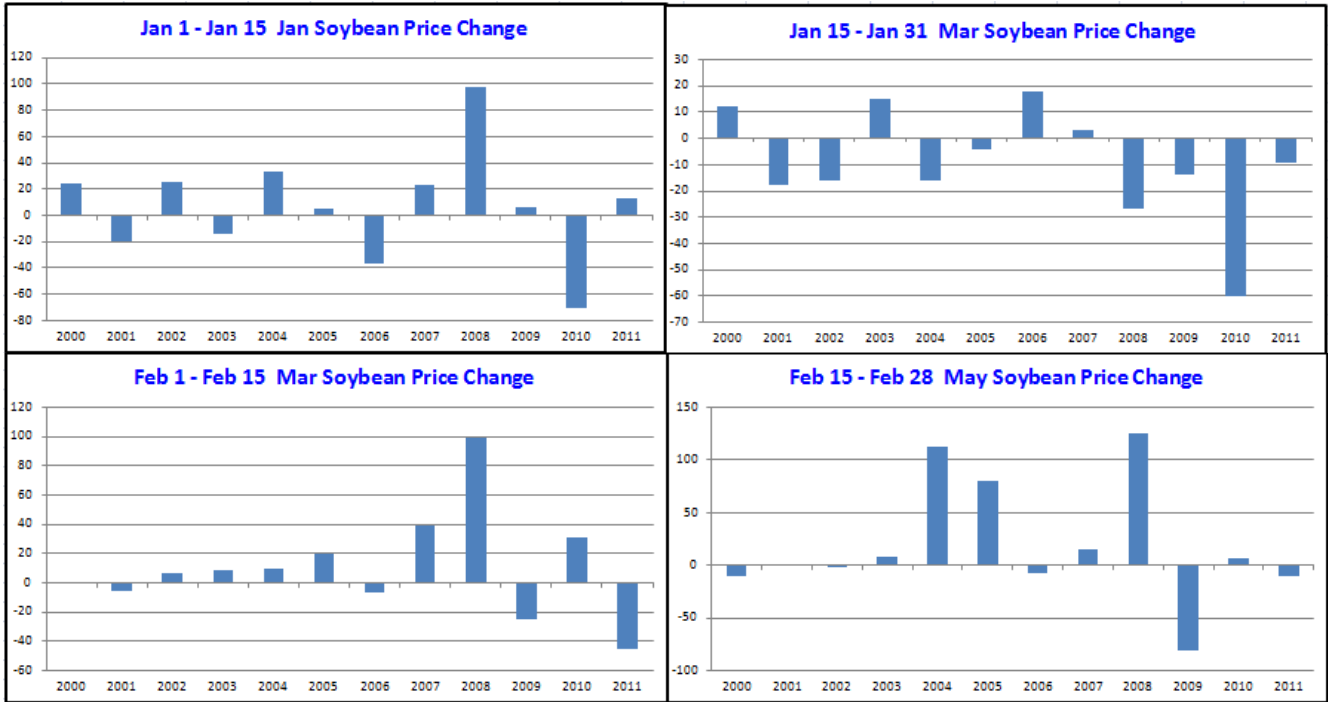
Bi-Weekly Seasonal Corn Price Charts:



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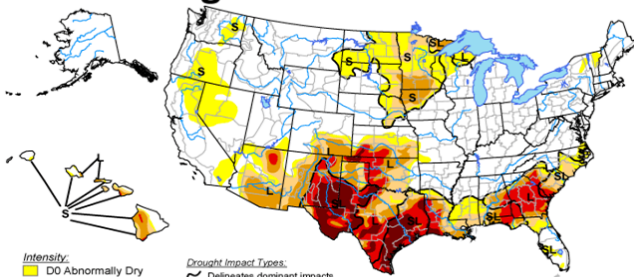
Bi-Weekly Seasonal Soybean Price Charts:



Outside Markets:

U.S. Dollar Index	80.330	+0.024	+0.03%	Euro FX	1.30510	-0.00070	-0.05%	Ethanol Futures	Jan 12	2.173	0.000
CRB CCI Index	563.00p	+1.80	+0.32%	Canadian Dollar	0.97890	+0.00160	+0.16%	Gasoline RBOB	Jan 12	2.6622	+0.0224
Gold	1608.5	-0.4	-0.02%	Japanese Yen	1.28240	+0.00090	+0.07%	Diesel Gulf (ULSD)	Jan 12	2.8926s	+0.0014
Silver	29.280	+0.279	+0.96%	Australian Dollar	1.00540	+0.00140	+0.14%	RME Biodiesel	Dec 11	1376.318p	+0.863
DJIA	12142	+39	+0.32%	Chinese Renminbi	0.157880p	0.000000	-	Heating Oil	Jan 12	2.9129	+0.0053
S&P 500 Index	1253.20	+4.10	+0.33%	Mexican Peso	0.072200p	+0.000175	+0.24%	Natural Gas	Jan 12	3.145	-0.024
Nasdaq 100	2269.00	+8.25	+0.36%	1-Month Libor	99.6775p	0.0000	-	Crude Oil Brent	Feb 12	107.89p	+0.18
Russell 1000 Growth	578.40	+0.50	+0.09%	T-Bond	142-01	-1-14	-1%	Coal Futures	Jan 12	70.17p	+1.42
MSCI EMI Index	926.70	+1.00	+0.11%	3-Month T-Bill	99.2700s	0.0000	-	Uranium	Jan 12	52.25p	0.00
Nikkei 225	8540.00	+40.00	+0.47%	5-Year T-Note	123-040	-0-7.5	-0.12%				
Brazilian Real	0.54000p	+0.00210	+0.39%	10-Year T-Note	129-270	-0-195	-0.47%				

U.S. Drought Monitor December 20, 2011
Valid 7 a.m. EST



Intensity:
 D0 Abnormally Dry
 D1 Drought - Moderate
 D2 Drought - Severe
 D3 Drought - Extreme
 D4 Drought - Exceptional

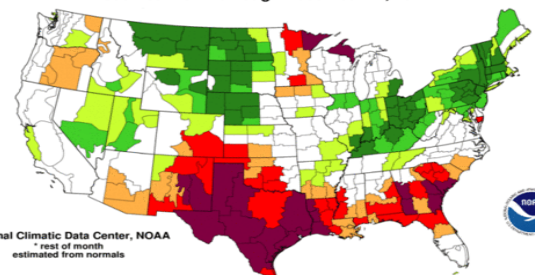
Drought Impact Types:
 S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
 L = Long-Term, typically >6 months (e.g. hydrology, ecology)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Released Thursday, December 22, 2011

Palmer Hydrological Drought Index
Long-Term (Hydrological) Conditions

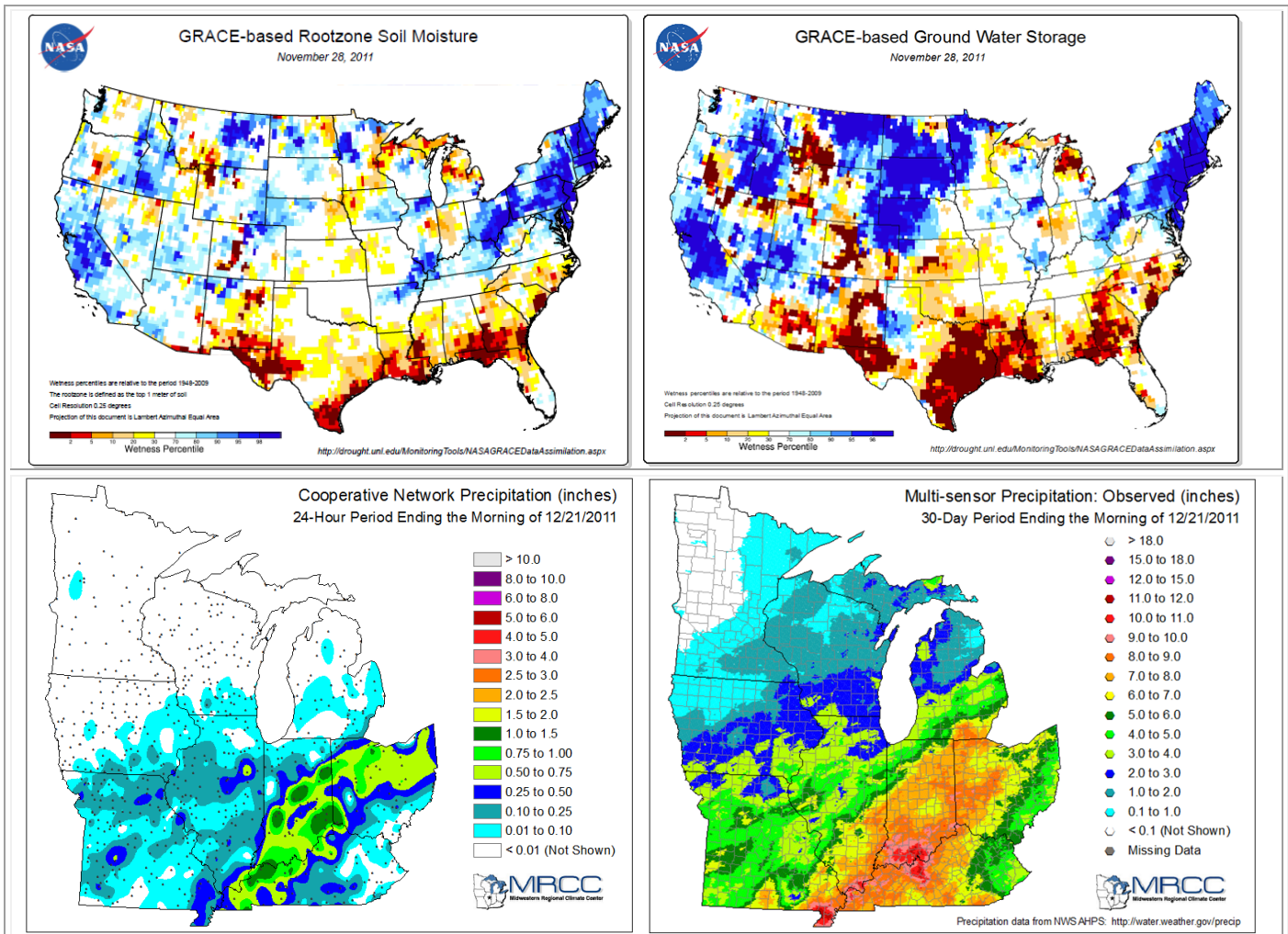
December 2011: through December 17, 2011*



National Climatic Data Center, NOAA
* rest of month estimated from normals

extreme drought -4.00 and below
 severe drought -3.00 to -3.99
 moderate drought -2.00 to -2.99
 mid-range -1.99 to +1.99
 moderately moist +2.00 to +2.99
 very moist +3.00 to +3.99
 extremely moist +4.00 and above

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Corn: Friday's Close: Mar 12 Corn is at \$6.20 ¹/₄ , up 2 ³/₄ cent, May 12 Corn is at \$6.28 ¹/₂ up 2 ¹/₄ cent, Jul 12 Corn is at \$6.34 ¹/₂ , up 2 ¹/₄ cent Dec 12 Corn is at \$5.68 ³/₄ , up 2 ¹/₄ cents.

Corn futures are trading slightly lower to slightly higher. Open interest in corn was down 9,696 contracts yesterday. Continued dryness in Argentina is threatening the corn crop. An estimated 40% of the Argentine corn crop is now tasseling and getting into peak water use. The Buenos Aires Grains Exchange said that early seeded corn has already seen yield potential falling because of dryness. Some corn fields are also being abandoned in southern Brazil. Spot basis levels were steady to lower around the Midwest this morning with the producer and industry focused more on the holiday.

Soybean Complex: Friday's Close: Jan 12 Soybeans are at \$11.63 ¹/₂ , up 1 ¹/₄ cents, Mar 12 Soybeans are at \$11.72 ³/₄ , up ³/₄ cents, May 12 Soybeans are at \$11.82 ¹/₂ , up ¹/₂ cent, Nov 12 Soybeans are at \$11.78 ³/₄ , up ¹/₂ cents, Jan 12 Soybean Meal is at \$296.20, down \$2.20, Jan 12 Soybean Oil is at \$50.97, up \$0.52

Soybeans futures are trading slightly lower to slightly higher. Open interest in soybeans has dropped over 35,000 contracts this week as prices have moved higher indicating the shorts were covering ahead of the holiday week. If that was commercial business it could mean better exports for next week. The USDA export sales report will be delayed to Friday next week because of Christmas. The north and central soybean area of Brazil will receive scattered light showers with some heavy showers over the next 3 to 5 days. Cash basis levels in the U.S. were steady to lower.

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WEEKLY COMMENTS

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Friday, December 23, 2011

Wheat: Friday's Close: Mar 12 CBOT Wheat is at \$6.21 1/2, down 1/4 cents, Mar 12 KCBT Wheat is at \$6.75 1/4, up 3 3/4 cents, Mar 12 MGEX Wheat is at \$8.47, up 3 1/4 cents May 12 MGEX Wheat is at \$8.21 3/4, up 3 1/4 cents

Wheat is trading slightly higher. KC basis bids were on fire again, up 10-15 cents per bushel for 12.6-13.2% protein HRW. Private exporters announced the sale of 120,000 MT of HRW wheat to Nigeria through the USDA reporting system. The futures market is showing some technical strength mostly in the HRS wheat. We are also hearing the feed wheat usage is up globally.

Cattle: Friday's Close: : Dec 11 Cattle are at \$124.350, up \$1.200, Feb 12 Cattle are at \$124.325, up \$0.875, Apr 12 Cattle are at \$127.900, up \$1.10, Jan 12 Feeder Cattle are at \$147.550, up \$0.675 Mar 12 Feeder Cattle are at \$150.45, up \$0.800

Live Cattle are trading higher supported by higher cash business in the north. Nebraska cattle traded \$6 to \$7 higher than last week at \$125 to \$126 in the live and \$8 higher in the dressed at \$202. There was some very light movement in Kansas at \$124 in the live and \$202 in the dressed with no reports in the Southern Plains yet. Technically, the spot cattle contract price is up against the down trend line that has stopped the market in previous attempts. December cattle expire next Friday so that will be a mute point quickly. The Cold Storage report out on Thursday afternoon said frozen beef supplies were up 6% from last month and up 1% from a year ago. Wholesale beef prices were higher on good demand, which also helped to support the cash cattle market. Choice boxed beef was up \$0.68 and Select was up \$1.65.

Hogs: Friday's Close: Feb 12 Hogs are at \$85.850, up \$1.30, Apr 12 Hogs are at \$89.05, up \$1.10 May 12 Hogs are at \$95.100, up \$1.05

Lean Hog futures are trading higher. Cash hog prices are not available due to confidentiality, which was case mid morning yesterday also. The afternoon saw cash hog prices up \$0.04 in IA/MN, unchanged in the WCB and down \$0.96 in the ECB. The Thursday afternoon Cold Storage report showed pork in cold storage was up 6% from last year and up 1% from last month. Wholesale prices have dropped from last month, presumably due to the excess supply and it is also the seasonal pattern. The USDA Hogs & Pigs report was released at noon today. Pork trading was slow to moderate with light to moderate demand and mostly moderate offerings. The Carcass cutout was down slightly yesterday.

Cotton: Friday's Close: Mar 12 Cotton is at 87.25, up 1 points, May 12 Cotton is at 86.99, down 9 point Dec 12 Cotton is at 86.24, up 12 points

Cotton is trading slightly higher on the day with volume very light. Cotlook forecast world cotton 2011/12 stocks would be up 14.9% at 4.088 MMT showing a surplus of 3.556 MMT. Cotlook is predicting a major decline in consumption. Export numbers this week were a pleasant surprise to the bulls. Certificated Stocks were at 49,994 bales. The Cotlook A Index was unchanged at 92.90.

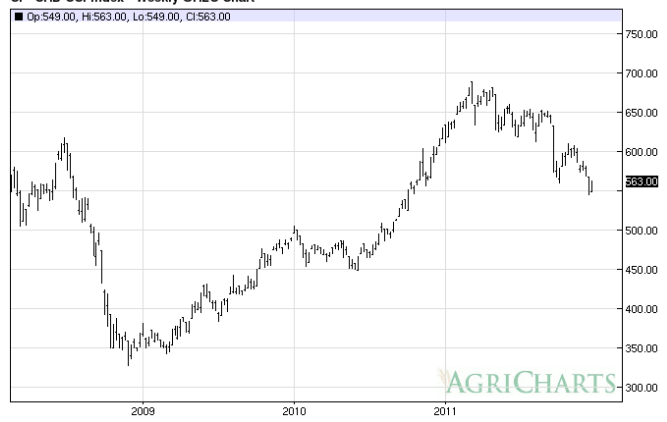
US Dollar Index

DX - U.S. Dollar Index - Weekly OHLC Chart



CRB CCI Index

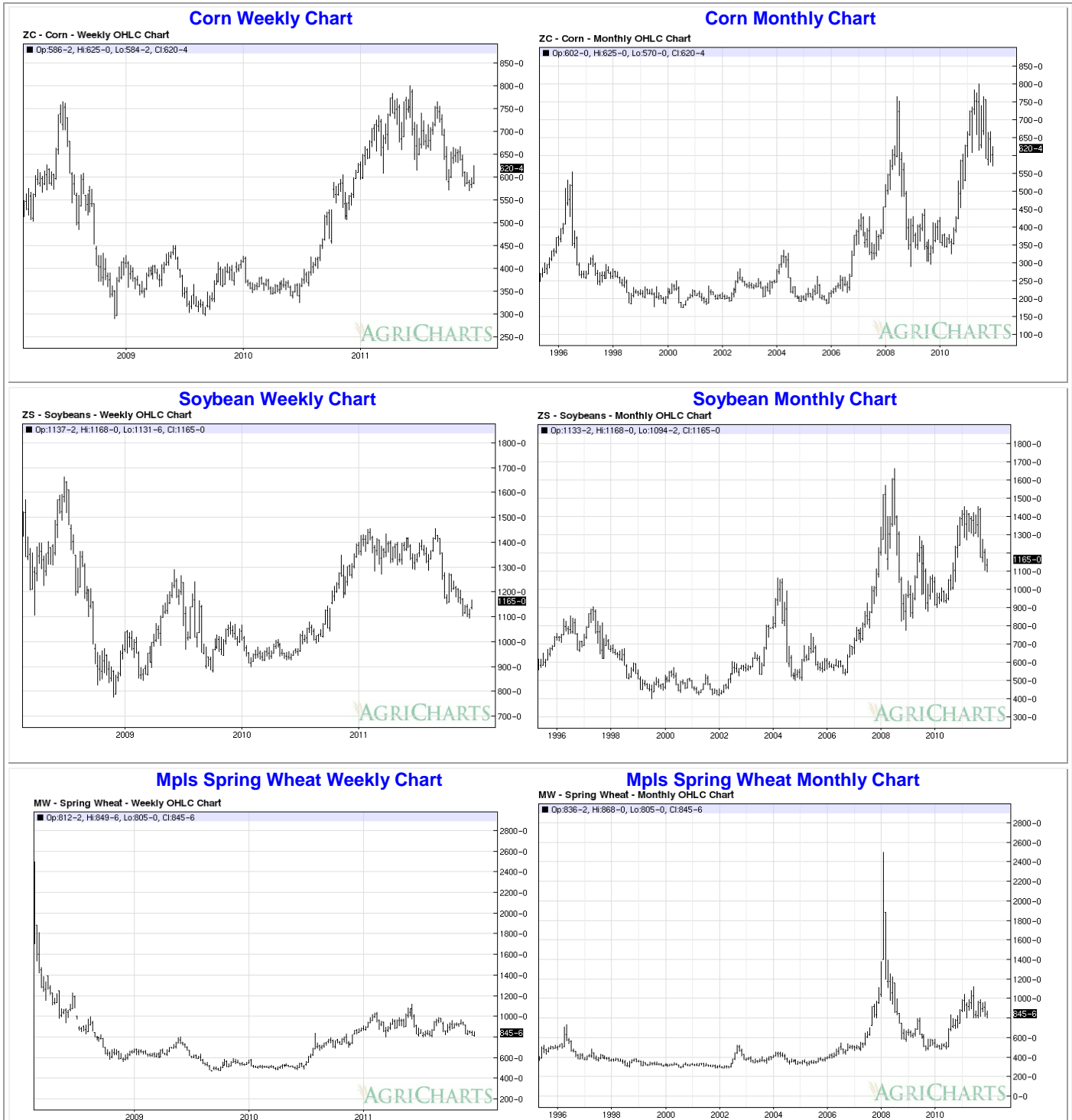
CI - CRB CCI Index - Weekly OHLC Chart



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