



## WEEKLY COMMENTS

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**Saturday, October 15, 2011**

**Weekly Newsletters start in October and continue during harvest at least through October and likely into November.**

**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. If fall delivery needed basis is set.	30% sold HTA
Soybeans	50% sold HTA. If fall delivery needed basis is set.	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 prior to harvesting a crop.

**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.

**HTA Basis Targets:** For those with 2011 Dec corn HTA's that need a fall delivery and have not set the basis you should be talking to your elevator and negotiating the basis. Many So MN elevators have an Oct/Nov basis of -.45 with a few as wide as -.60 depending on their location and local market. Soybean basis remains slightly wider than many years but given the futures value seam somewhat reasonable. For 2011 Soybean HTA's that need a delivery you may need to accept a basis near -.80 if you need to have the cash flow, otherwise you could roll the Nov Soybean HTA out to Jan or March and wait to see if a more normal basis of near -.65 occurs. When futures have been over \$12.00 we have had limited opportunity for -.70 or better basis in Jan-Mar of 2010 and also in 2008.

**Next Major USDA Reports:** Friday Oct 21, 2011 Cattle on Feed; Tuesday Nov 9, 2011 WASDE & Crop Production

**Market Talk** The trade will spend some time working through Wednesday's supply and demand report numbers looking for conflicting data. USDA lowered corn harvested acres by 500,000 on corn and soybean acres 100,000 which is the primary reason for the smaller total crop production. Exports were lowered for corn by 50 million bushel and also for soybeans of 40 million bushel, as well as the expected larger old crop carry in. The U.S.D.A. also lowered average price projections by 30 cents on corn and 50 cents on soybeans.

Analysts have been talking for a long time about how the United States needs to ration corn and soybeans, however there now has been a general shift in attitude with more analysts questioning what it will take to generate grain demand. Margins are good on renewable fuels. Exports have also been spotty this marketing year as volatile currency exchanges are limiting buying interest.

Corn demand that is hurting the most is from the feed industry. This is from the fact that more foreign countries are increasing their domestic livestock numbers and do not need to import as much meat as they previously did. Hopes were this would increase feed grain exports, but that has not been the case either. These same countries are being able to buy much cheaper feed grains such as wheat and distiller grains, which is reducing demand for traditional grains such as corn and soybean meal.

**WASDE** Wednesday Oct 12, 2011 World Ag Supply & Demand Report

**Neutral to Supportive for Corn:** USDA increased the 2010/11 U.S. corn carryout by 208 million bushels to 1.128 billion bushels. This was the expected number as USDA reported the Sept Corn stocks at 1.128 billion bushels. USDA estimates the 2011/12 U.S. corn carryout at 866 up from 672 million bushels by 194 million bushels. The 2011/12 corn carryout estimate is 60 million higher than the average trade estimate and near the middle of the range. USDA estimates the 2011/12 U.S. corn yield at 148.1 bushels / acre, unchanged from last month. USDA lowered the harvested corn acres by 500,000 acres.

**Slightly Bullish for Soybeans:** USDA decreased the 2010/11 U.S. soybean carryout by 10 million bushels to 215 million bushels. This was the expected number as USDA reported the Sept Soybean stocks at 215 million bushels. USDA decreased the expected 2011/12 U.S. soybean carryout by 5 million bushels to 160 million bushels. The 2011/12 soybean carryout estimate is 23 million below the average trade estimate and near the low range of estimates. USDA estimates the 2011/12 U.S. soybean yield at 41.5 bushels / acre, down .3 bushels from 41.8 bu. /a last month. USDA lowered the harvested soybean acres by 147,000 acres.

**Somewhat Bearish for Wheat:** USDA increased the 2011/12 U.S. wheat carryout by 76 million bushels to 837 million bushels. The 2011/12 all wheat carryout is 104 million above the average trade estimate and above the highest trade guess. USDA decreased the 2011/12 U.S. all wheat yield to 43.9 bu/acre from 45.2 last month.

Yield Estimate	2011/12	USDA US Yield Estimates (in bu per acre)			Production Estimate	2011/12	USDA US Production Estimates (in bushels)		
	USDA Oct 11/12	Average Trade Est.	Range of Trade Est.	USDA Sept 11/12		USDA Oct 11/12	Average Trade Est.	Range of Trade Est.	USDA Sept 11/12
Corn	148.10	148.70	145.2 - 150.9	148.10	Corn	12.433	12.471	12.001-12.690	12.497
Soybeans	41.50	41.80	40.0 - 42.9	41.80	Soybeans	3.060	3.081	2.930-3.162	3.085

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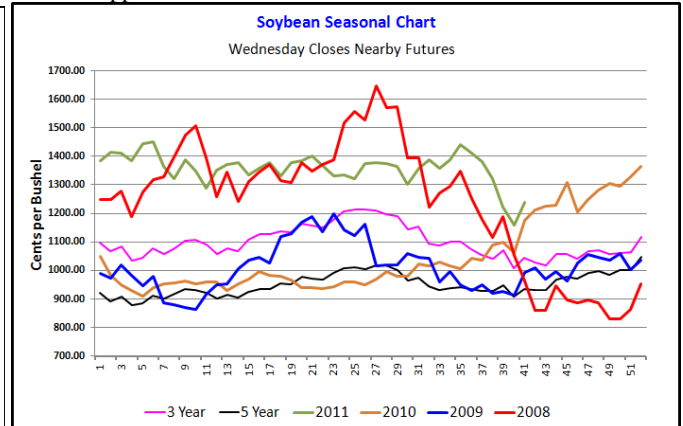
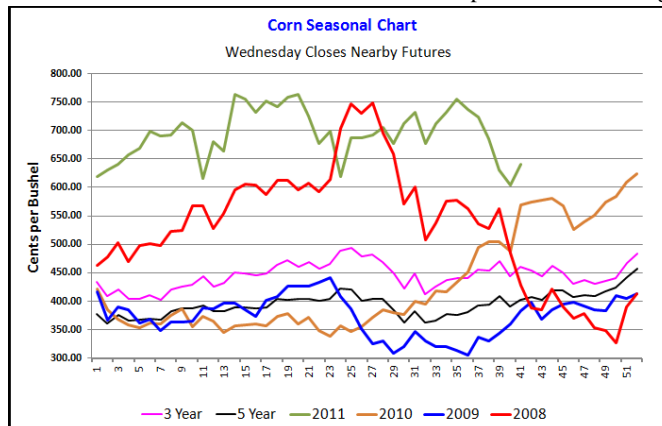
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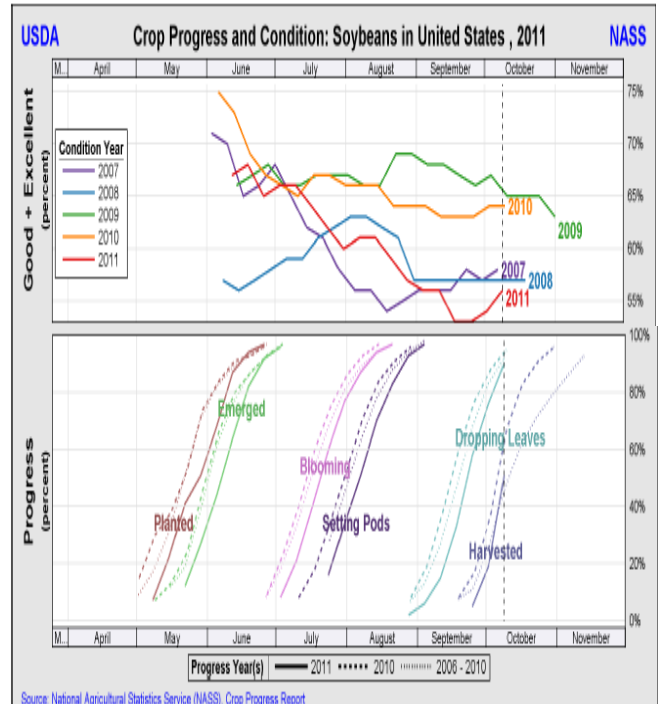
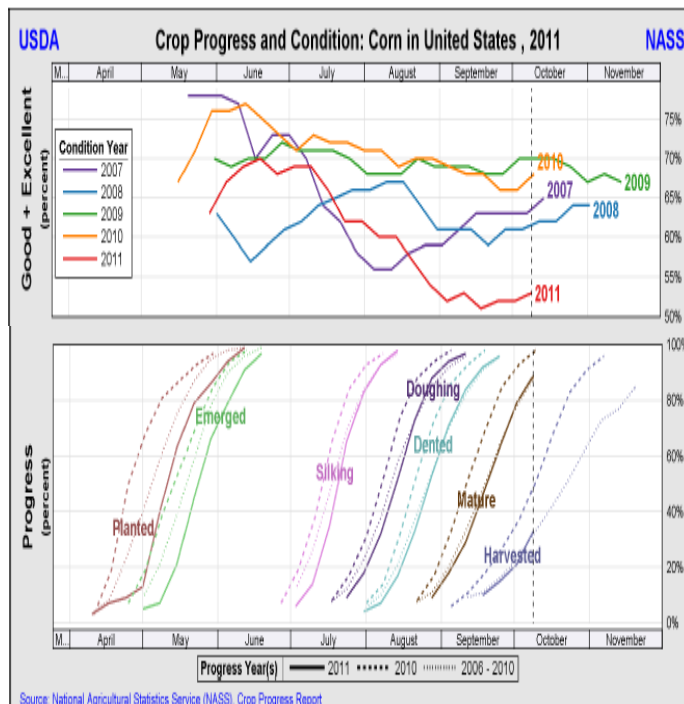
Saturday, October 15, 2011

Carry Out	2011-12	USDA Grain Carry Out Estimates (billions/bu)		
	USDA Oct 11/12	Average Trade Est.	Range of Trade Est.	USDA Sept 11/12
Corn	0.866	0.806	0.646-0.989	0.672
Soybeans	0.160	0.183	0.153-0.255	0.165
Wheat	0.837	0.733	0.663-0.805	0.761

**Seasonally** Markets can try to firm up over the next few weeks. Look for basis to firm on both corn and soybeans. Eastern corn belt corn basis is now as much as 50 cents over CBOT at processors searching for corn supplies.



**Crop Progress** As of Monday's report US corn now 33% harvested as compared to 21% last week, 50 % last year and 32% completed on average. US Soybeans now 51% harvested as compared to 19% last week, 63% last year and 46 completed on average.



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### Corn Harvested – Selected States

[These 18 States harvested 94% of the 2010 corn acreage]

State	Week ending			2006-2010 Average
	October 9, 2010	October 2, 2011	October 9, 2011	
	(percent)	(percent)	(percent)	(percent)
Colorado .....	30	5	12	27
Illinois .....	85	32	49	46
Indiana .....	78	10	21	35
Iowa .....	37	12	27	19
Kansas .....	79	53	65	60
Kentucky .....	95	57	69	74
Michigan .....	43	3	8	18
Minnesota .....	15	6	20	13
Missouri .....	72	66	78	62
Nebraska .....	27	11	19	20
North Carolina .....	94	87	92	88
North Dakota .....	5	1	10	8
Ohio .....	45	2	5	20
Pennsylvania .....	40	7	15	30
South Dakota .....	16	8	18	14
Tennessee .....	98	83	88	86
Texas .....	78	75	82	82
Wisconsin .....	28	5	11	14
18 States .....	50	21	33	32

### Soybeans Harvested – Selected States

[These 18 States harvested 95% of the 2010 soybean acreage]

State	Week ending			2006-2010 Average
	October 9, 2010	October 2, 2011	October 9, 2011	
	(percent)	(percent)	(percent)	(percent)
Arkansas .....	51	23	36	41
Illinois .....	75	12	50	49
Indiana .....	77	5	28	44
Iowa .....	74	21	70	58
Kansas .....	40	16	43	35
Kentucky .....	58	10	21	32
Louisiana .....	85	80	90	78
Michigan .....	62	2	23	30
Minnesota .....	74	35	83	60
Mississippi .....	88	48	77	75
Missouri .....	33	11	35	28
Nebraska .....	65	20	63	49
North Carolina .....	8	3	6	6
North Dakota .....	62	43	79	54
Ohio .....	58	-	3	38
South Dakota .....	60	30	73	47
Tennessee .....	60	14	29	38
Wisconsin .....	57	2	28	30
18 States .....	63	19	51	46

- Represents zero.

### Corn Condition – Selected States: Week Ending October 9, 2011

[National crop conditions for selected States are weighted based on 2010 planted acreage]

State	Very poor (percent)	Poor (percent)	Fair (percent)	Good (percent)	Excellent (percent)
Colorado .....	3	8	35	42	12
Illinois .....	5	14	36	38	9
Indiana .....	10	16	39	30	5
Iowa .....	5	9	27	47	12
Kansas .....	25	23	26	21	5
Kentucky .....	2	7	36	47	8
Michigan .....	4	9	22	50	15
Minnesota .....	4	10	29	46	11
Missouri .....	21	23	26	28	4
Nebraska .....	2	5	19	55	19
North Carolina .....	27	26	26	19	2
North Dakota .....	3	12	26	51	8
Ohio .....	5	11	31	43	10
Pennsylvania .....	5	12	34	39	10
South Dakota .....	2	4	25	52	17
Tennessee .....	4	9	28	49	10
Texas .....	33	35	22	10	2
Wisconsin .....	2	6	17	46	29
18 States .....	7	12	28	42	11
Previous week .....	7	13	28	41	11
Previous year .....	3	8	21	48	20

### Soybean Condition – Selected States: Week Ending October 9, 2011

[National crop conditions for selected States are weighted based on 2010 planted acreage]

State	Very poor (percent)	Poor (percent)	Fair (percent)	Good (percent)	Excellent (percent)
Arkansas .....	3	17	35	35	10
Illinois .....	4	10	35	42	9
Indiana .....	8	15	34	36	7
Iowa .....	4	8	23	47	18
Kansas .....	25	27	22	20	6
Kentucky .....	2	8	37	46	7
Louisiana .....	5	20	28	43	4
Michigan .....	2	5	25	54	14
Minnesota .....	3	10	32	45	10
Mississippi .....	2	6	22	52	18
Missouri .....	13	22	30	27	8
Nebraska .....	1	3	18	56	22
North Carolina .....	2	9	43	41	5
North Dakota .....	4	11	29	49	7
Ohio .....	3	9	24	51	13
South Dakota .....	2	6	28	50	14
Tennessee .....	4	9	33	48	6
Wisconsin .....	2	5	18	46	29
18 States .....	5	11	28	44	12
Previous week .....	5	12	29	43	11
Previous year .....	3	9	24	46	18

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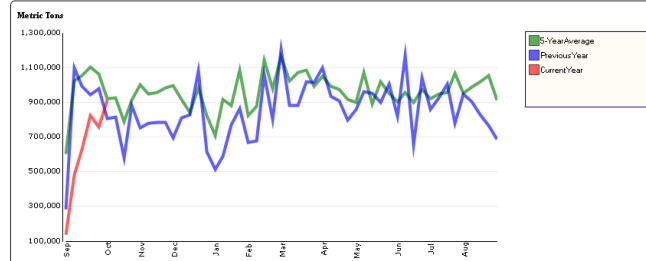
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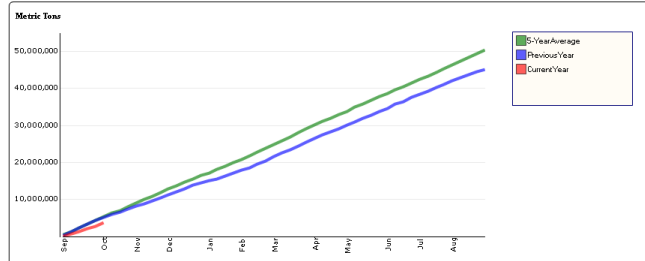
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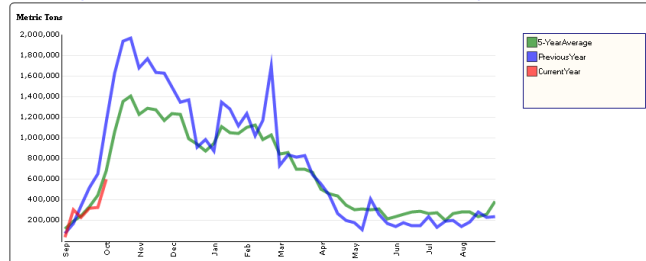
### US Corn Exports 2011-12 Weekly



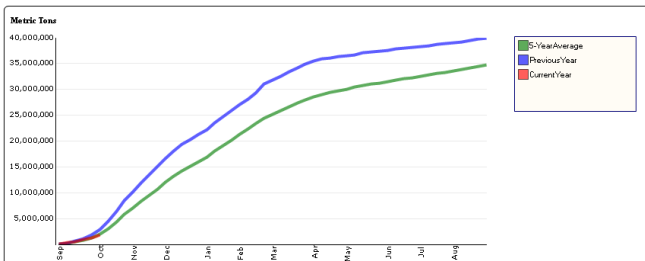
### Accumulated



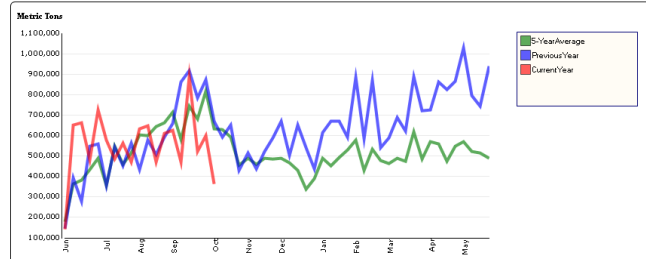
### US Soybean Exports 2011-12 Weekly



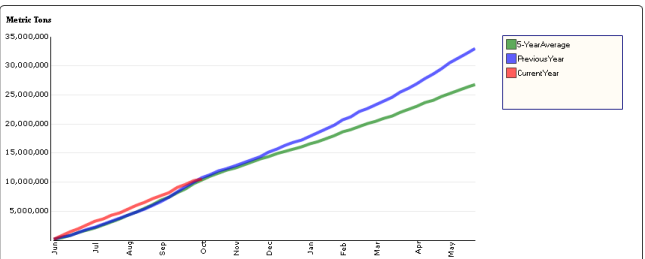
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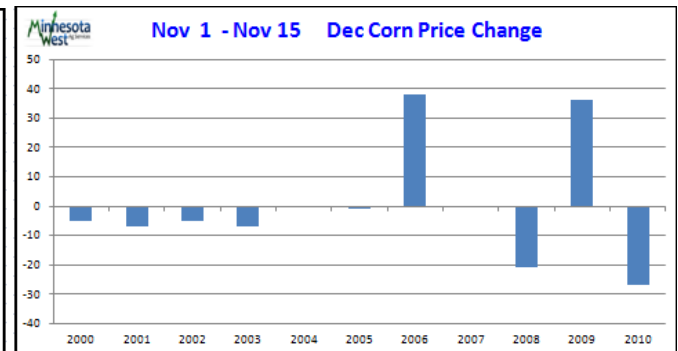
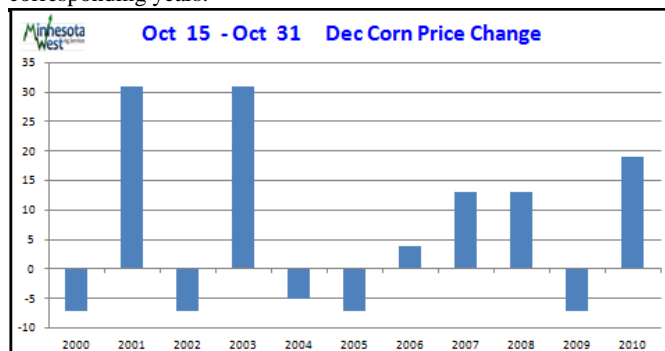
### US Wheat Exports 2011-12 Weekly



### Accumulated



**Bi-Weekly Seasonal** Charts use the price on the first day shown and the change that occurred by the last day listed for each of the corresponding years.



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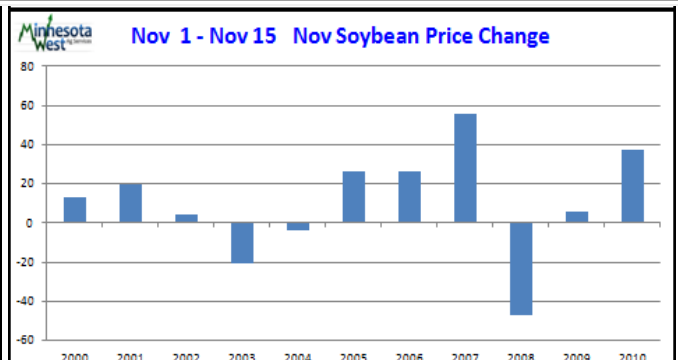
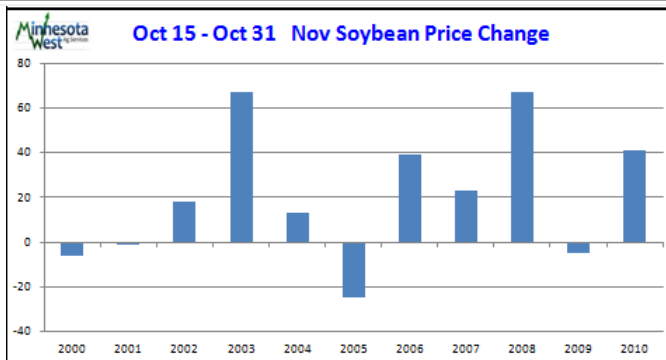
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### Outside Markets:

U.S. Dollar Index	77.020	-0.264	-0.34%	Euro FX	1.38300	+0.00550	+0.4%	Ethanol Futures	Nov 11	2.640p	+0.013
CRB CCI Index	597.05	+10.05	+1.71%	Canadian Dollar	0.98610	+0.00590	+0.6%	Gasoline RBOB (E)	Nov 11	2.7575p	+0.0088
Gold	1679.9	+12.6	+0.76%	Japanese Yen	1.29920	-0.00300	-0.23%	Diesel Gulf (ULSD)	Nov 11	2.9780s	+0.0618
Silver	31.560	-0.073	-0.23%	Australian Dollar	1.02210	+0.01010	+1%	Heating Oil (E)	Nov 11	2.9714p	+0.0367
DJIA	11392p	-24	-0.21%	Chinese Renminbi	0.156640p	-0.000440	-0.28%	Crude Oil Brent (E)	Nov 11	111.11p	-0.25
S&P 500 Index	1213.60	+15.70	+1.31%	Mexican Peso	0.074850s	-0.000550	-0.73%	Natural Gas (E)	Nov 11	3.531p	+0.042
Nasdaq 100	2351.50	+25.50	+1.1%	1-Month Libor	99.7575	+0.0025	-	PG*1	No data		
Russell 1000 Growth	564.40p	+2.60	+0.46%	T-Bond	138-14	-1-03	-0.78%	PJ*1	No data		
MSCI EMI Index	937.00	+14.80	+1.6%	3-Month T-Bill	992.7000s	0.0000	-	RME Biodiesel	Oct 11	1395.810p	+1.000
Nikkei 225	8840.00	+40.00	+0.45%	5-Year T-Note	121-2.5	-0-2.5	-0.08%	Coal Futures	Nov 11	73.84p	+0.19
Brazilian Real	0.56565p	-0.00440	-0.77%	10-Year T-Note	128-010	-0-130	-0.32%	Uranium	Oct 11	53.00p	0.00

**Weather** The forecast sees the current rain event to continue to work east, with totals of .25-.75" to fall in the eastern Midwest. A few light showers look to linger in the vicinity of the Great Lakes for Friday, with most totals under .25". Dry weather will occur in the rest of the region for Friday and into Saturday. The models are in better agreement on things and it looks like a front will bring some light rains to the region by later Sunday and into Monday, with totals generally under .25" in most cases. Mainly dry weather will then take over for the rest of next week and following weekend. Temps will be cooling to average to below in the next 24 hours and will stay there into Saturday, with average temps for later in the weekend and early next week and then well below by the middle to end of next week.

### Central Illinois:

fri	sat	sun	mon	tue	wed	thu	fri	sat	sun
oct 14	oct 15	oct 16	oct 17	oct 18	oct 19	oct 20	oct 21	oct 22	oct 23
P Clud/Wind	Sunny	Showers/Wind	Showers	Few Showers	P Cloudy	Sunny	P Cloudy	Sunny	P Cloudy
66° 42°	67° 49°	69° 43°	64° 40°	52° 35°	53° 34°	55° 39°	61° 42°	61° 40°	64° 45°

### Central Iowa:

fri	sat	sun	mon	tue	wed	thu	fri	sat	sun
oct 14	oct 15	oct 16	oct 17	oct 18	oct 19	oct 20	oct 21	oct 22	oct 23
Sunny/Wind	M Sunny	Few Showers	Showers	P Cloudy	Sunny	P Cloudy	P Cloudy	Sct Showers	Sunny
67° 43°	70° 53°	65° 44°	58° 41°	56° 36°	55° 35°	60° 43°	62° 42°	65° 46°	66° 46°

### South Central Minnesota:

fri	sat	sun	mon	tue	wed	thu	fri	sat	sun
oct 14	oct 15	oct 16	oct 17	oct 18	oct 19	oct 20	oct 21	oct 22	oct 23
P Cloudy	M Sunny	P Cloudy	P Cloudy	P Cloudy	Sunny	M Cloudy	P Cloudy	M Sunny	Showers
58° 38°	63° 44°	60° 36°	57° 34°	51° 29°	52° 29°	60° 39°	60° 36°	61° 41°	61° 46°

### Central Indiana:

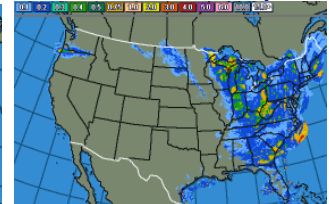
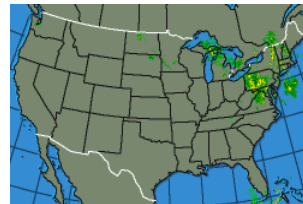
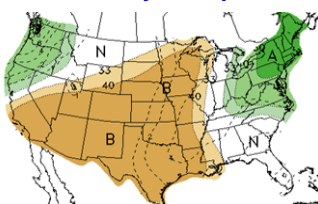
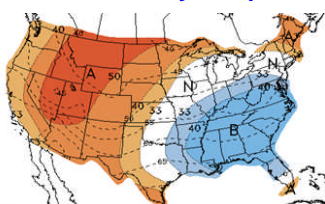
fri	sat	sun	mon	tue	wed	thu	fri	sat	sun
oct 14	oct 15	oct 16	oct 17	oct 18	oct 19	oct 20	oct 21	oct 22	oct 23
P Clud/Wind	Sunny	Showers/Wind	Few Showers	Showers	P Cloudy	Sunny	Sunny	P Cloudy	Sunny
67° 44°	66° 48°	73° 44°	62° 45°	52° 37°	53° 34°	55° 38°	60° 42°	61° 41°	63° 45°

### 8-14 Day Temp

### 8-14 Day Precipitation

### Current Radar

### Last 24 hr Precip



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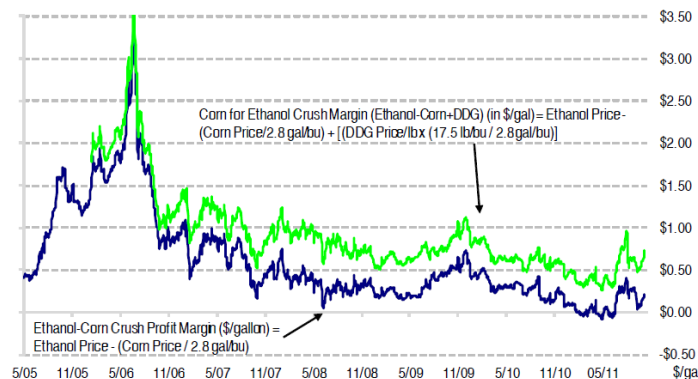
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Spread: CBOT Ethanol-Corn and Ethanol-Corn+DDG Crush Margins (\$/gallon)



**Corn:** Morning: Dec 11 Corn closed at \$6.42 1/4, up 4 cents, Mar 11 corn closed at \$6.53 3/4, up 4 cents, July 12 Corn is at \$6.64 1/2, up 3 1/4 cents, Dec 12 Corn closed at \$6.00, up 5 1/4 cents, Yesterday's Close: Dec 11 Corn closed at \$6.38 1/4, down 2 1/2 cents, Mar 12 Corn closed at \$6.49 3/4, down 3 cents, May 12 Corn closed at \$6.56 1/2, down 3 1/2 cents Dec 12 Corn closed at \$5.94 3/4, down 1 1/2 cents  
Corn futures were able to rebound from session lows to close near the highs of the day at a couple cents lower. Estimates for tomorrow's weekly export sales report range from 800 to 950 thousand MT. Private exporters announced the sale of 900,000 MT of corn to China for 2011/12 delivery and 292,100 MT of corn to unknown destination for 2011/12 also, which will show up in next week's sales report. USDA cut exports for 2011/12 by 50 million bushels on yesterday's WASDE report. Harvest reports around the country are coming in with progress slowed by rains in the eastern Corn Belt and downed corn along with fires in some of the dryer locations in the Midwest. Improved cash demand from the Gulf helped to boost river terminal bids. Farmer selling is on the sidelines with producers focused on harvest in the Midwest.

**Soybean Complex:** Morning: Nov 11 Soybeans closed at \$12.64, up 7 cents, Jan 11 Soybeans closed at \$12.74 1/4, up 7 1/2 cents, Jul 12 Soybeans closed at \$12.89 3/4, up 6 cents, Nov 12 Soybeans closed at \$12.42 3/4, up 3 1/2 cents, Yesterday's Close: Nov 11 Soybeans closed at \$12.57, up 17 1/2 cents, Jan 12 Soybeans closed at \$12.66 3/4, up 17 1/4 cents, Mar 12 Soybeans closed at \$12.74, up 17 cents, Nov 12 Soybeans closed at \$12.39 1/4, up 4 3/4 cents, Oct 11 Soybean Meal closed at \$325.20, up \$5.10, Oct 11 Soybean Oil closed at \$52.20, up \$0.60  
Soybeans futures closed higher following increased export business. Private forecasters announced the sale of 110,000 MT of soybeans to an unknown destination for 2011/12 delivery. Estimates for the weekly export sales report range from 650 to 750 thousand MT. China soybean imports at the end of September were down 6.1% from last year at 37.71 MMT but are expected to pick up on improved crush margins. Estimates for the NOPA crush for September average 118.05 million bushels with a range of 114.9 to 121.3 million bushels. Soybean futures volume surpassed corn volume but soybean OI is about half the open interest of corn. Cash basis levels are steady to firm at processors and river terminals.

**Wheat:** Morning: Dec 11 CBOT Wheat closed at \$6.25 3/4, up 7 3/4 cents, Dec 11 MGEX Wheat is at \$8.87 1/4, up 4 cents  
Yesterday's Close: Dec 11 CBOT Wheat closed at \$6.18, down 8 3/4 cents, Dec 11 KCBT Wheat closed at \$7.01, down 10 cents, Dec 11 MGEX Wheat closed at \$8.83 1/4, down 20 1/2 cents  
Wheat futures closed lower but finished at midrange after the dollar value declined on the day. Futures did take out Tuesday's low before moving higher, so for the week there has been little change from last week. Wheat closed at \$6.075 last Friday. Weekly export sales will be out in the morning. Analysts estimate range from 300 to 450 thousand MT. Japan bought 129,163 MT of wheat from the U.S., Canada and Australia in their weekly tender. The EU granted export license for 218,000 MT of soft wheat bringing the season total to 4.1 MMT compared to 7.1 MMT for the same time last year. USDA reported 2011/12 ending stocks at 837 million bushels on yesterday's October supply demand report. Wheat feed and residual use during June-August was lower than the same quarter last year, so not much of a switch in rations although corn has been at a premium for several months.

**Cattle:** Yesterday's Close: Oct 11 Cattle closed at \$121.050, up \$0.575, Dec 11 Cattle closed at \$122.850, up \$1.625, Feb 12 Cattle closed at \$124.525, up \$1.575, Oct 11 Feeder Cattle closed at \$138.700, up \$0.475 Nov 11 Feeder Cattle closed at \$143.450, up \$0.125 Jan 12 Feeder Cattle closed at \$146.400, up \$0.550  
Live Cattle futures closed higher for the day although cash prices were lower than last week. Cattle trade in NE was at \$118 to \$121 in the live and \$186 to \$189 in the dressed. Cattle in KS sold for \$117 to \$119 in the live and \$188 in the dressed. TX cattle sold for \$115 to \$119. Cattle sold for \$121 in the live and \$190 in the dressed last week. USDA raised expected beef supplies by 90 million pounds for the fourth quarter of 2011 compared to the September report yesterday. The beef cutout value was \$0.03 lower for choice and \$1.00 lower for select.

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Saturday, October 15, 2011

**Hogs:** Yesterday's Close: Oct 11 Hogs closed at \$93.000, up \$0.875, Dec 11 Hogs closed at \$88.025, up \$0.575 Feb 12 Hogs closed at \$90.850, down \$0.125

Lean hogs settled mixed with the front two months higher and the back months lower. Congress passed free trade agreements with South Korea, Columbia and Panama on Wednesday night to end tariffs between the U.S. and those countries benefitting pork among other products. The legislation was similar to the North American Free Trade Agreement and still has to be signed into law by the president but tariffs won't come off for pork until 2016. Unions want their companion legislation passed. South Korea has been in the top 10 countries for U.S. pork exports and Columbia ranks 15th with Panama ranking lower. USDA is projecting 22% of the U.S. pork production will be exported. Cash hogs were \$0.36 lower in IA/MN, \$0.14 lower in the WCB and \$1.51 higher in the ECB. October Lean Hogs expire tomorrow came close to matching up with the CME index which is currently 93.74. Pork trading was slow to moderate as the day wore on with light to mostly moderate demand and light offerings.

**Cotton:** Yesterday's Close: Dec 11 Cotton closed at 101.56, up 105 points, Mar 12 Cotton closed at 98.87, up 89 points Dec 12 Cotton closed at 93.29, up 79 points

Cotton closed higher, with trade sources suspecting Chinese buying on a day when cotton would likely have been down. Tomorrow morning the Weekly Export sales report is due out, delayed by a day.

### US Dollar Index

DX - U.S. Dollar Index (ICEFI) - Weekly OHLC Chart



### CRB CCI Index

CI - CRB CCI Index (ICEFI) - Weekly OHLC Chart



### Lean Hogs Daily

HEZ11 - Lean Hogs (CME) - Daily OHLC Chart



### Lean Hogs Weekly

HE - Lean Hogs (CME) - Weekly OHLC Chart



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### Live Cattle Daily

LEV11 - Live Cattle (CME) - Daily OHLC Chart



### Live Cattle Weekly

LE - Live Cattle (CME) - Weekly OHLC Chart



### Dec 11 Corn Daily Chart

ZCZ11 - Corn (CBOT) - Daily OHLC Chart



### Corn Weekly Chart

ZC - Corn (CBOT) - Weekly OHLC Chart



### Nov 11 Soybean Daily Chart

ZSX11 - Soybeans (CBOT) - Daily OHLC Chart



### Soybean Weekly Chart

ZS - Soybeans (CBOT) - Weekly OHLC Chart



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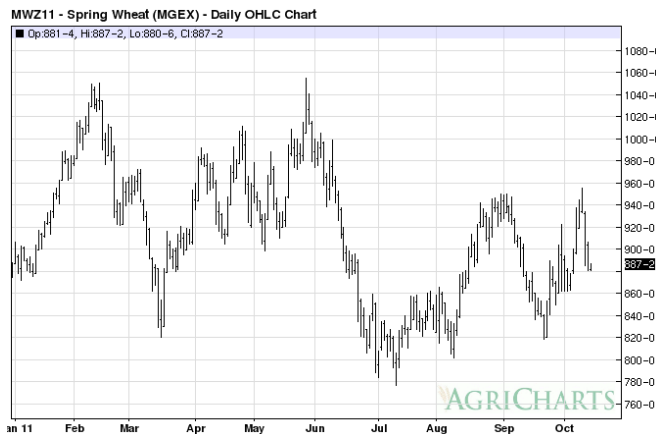
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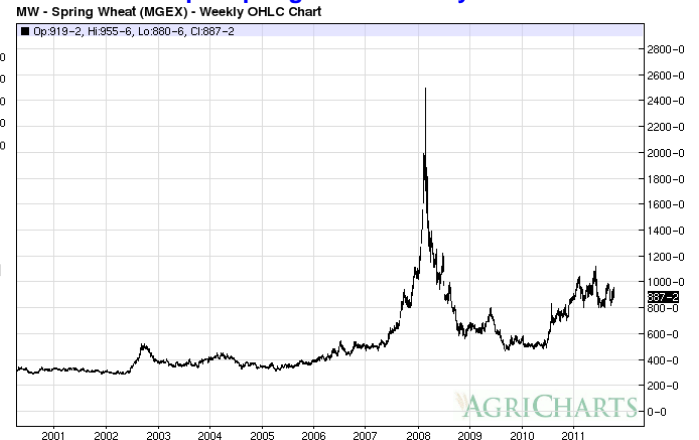
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Dec 11 Mpls Spring Wheat Daily Chart



Mpls Spring Wheat Weekly Chart



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