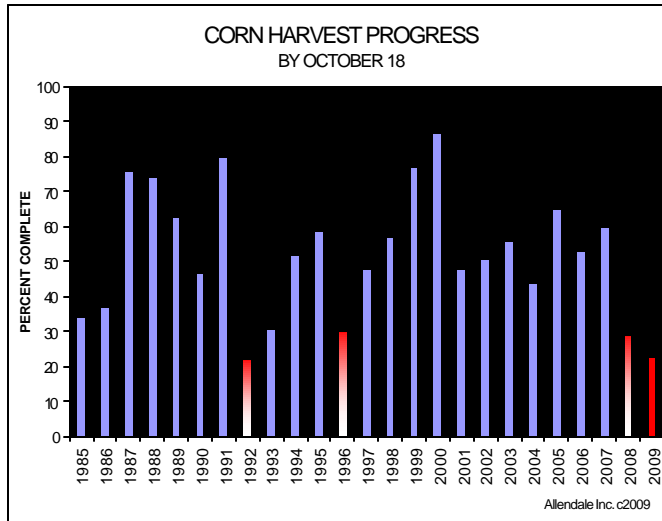


Not By Leaps and Bounds This Harvest

USDA showed that harvest progress as of Sunday October 18 went from 13% to 17% harvested. The trade had expected USDA would show harvest progress closer to 20%



complete. Harvest continues to creep along at a snails pace. The grain markets are definitely bulled up at the moment and whether there are solid fundamental reasons behind all of it does not really matter at this point. There are a couple of reasons this market wants to go higher, one has to do with inflation fears and that owning commodities is the thing to do if inflation is truly around the corner. Allendale however, is quick to point out that current inflation data shows that the U.S. economy is still deflating not inflating. The other reason for pushing prices higher is because of

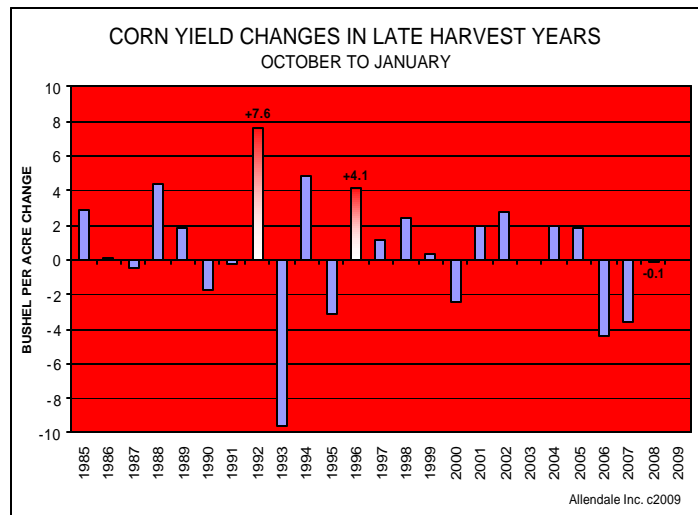
the fear that this late harvest is causing yield and/or quality problems. With the current weather system approaching the Midwest, this market will continue to be nervous and any major break in prices will be buying opportunities for many.

There is talk floating around about quality concerns, major problems are most likely isolated in nature and not widespread. If your farm has been under stress because of persistent excess

moisture, you may feel that everyone is experiencing the same problems.

Looking at the broad spectrum there will be a lot of good corn and soybeans that will be harvested this fall.

Looking specifically at corn, Allendale looked back to 1985 and found 3 years (1992, 1996 and 2008) when harvest was slow with less than 30% complete by this time of the year. While one would think that with harvest delayed and some out there acting like "chicken little" fearing that we will never get this crop harvested and we are losing yield each and every day that harvest is delayed, does seem realistic.



However, Allendale looked at the hard facts of this and found that in those 3 years when harvest ran slow, yields had a tendency to get better rather than worse from October into the January WASDE report. The exception was in 2008 when yield dropped by a mere 0.1 bushel per acre during that time frame. However, in 1996, yields increased 4.1 bushels and in 1992, the most delayed harvest (22% complete this week), yields actually finished the year 7.6 bushels better in January than thought in October. Therefore, it

seems that harvest has little to do with final corn yields on a national basis. Test weights are running a little less than desired across the country, but much of this can be attributed to the high moisture content that corn is being harvested at.

What Allendale is hearing from its clients is that almost all yield reports for corn are showing great if not phenomenal yields across the Midwest. Allendale brokers at our home office as well as its branch offices continue to talk with producers across a wide area that are frustrated that harvest is going slow, but what they have harvested, either corn or soybeans, yields have been better than expected prior to climbing into the combine. Even after adjusting yields down due to high moisture (lighter test weight), it clearly appears we will surpass USDA's latest 164.2 estimate for corn.

Just as you don't want to stand in front of a freight train when it's coming at you, the same can be said in a bull market in the grains. Those "chicken little" traders are doing their best to drive this market higher and higher. Wednesday's wet weather showed this fact and what the market can do. If you can, look at the chart that we displayed in last week's e-Snapshot for December corn. The December corn broke through the 200-day moving average and then breached the \$4.00 mark. Wednesday's move in the corn market now leaves the door wide open. The next Fibonacci projection is just over \$4.21 and can we make it? Eventually U.S. producers will get this crop harvested, they always do! As a farmer for many years one year really stands out for me, 1982. That year corn planting was later than normal as the spring was extremely wet making the crop late to mature. It was October 22 and we had pulled into our first cornfield to start harvest, things were going well and the combine was in the field and we had a couple of truckloads full of corn ready to head into the bin when my wife came out and flagged me down. We went to the hospital and our third son was born that evening. You know, harvest eventually got done, just like it will this year.

Rich Mosier
Allendale Branch Manager at Davenport, NE
Toll Free 1.888.439.3636
rmosier@allendale-inc.com