



# MORNING COMMENTS

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Friday, July 1, 2011

**See Planted - Intended to Plant Corn & Soybean Acreage Chart & North Dakota map on page 4**

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

	2010 Crop	2011 Crop	2012 Crop
Corn	90% sold with basis set	50% sold HTA	30% sold HTA
Soybeans	90% sold with basis set	50% sold HTA	20% sold HTA
Wheat	100% sold with basis set	50% sold HTA	none

**Price Targets:** The prior MNWestAg price targets have all been exceeded.

The corn price forecast by a number of analysts has been reduced considerably with a number of them forecasting Dec corn under \$5/bushel to \$4.70 futures and have also lowered their Soybean forecast for old crop but have called new crop soybeans bullish from \$13 to \$15 per bushel. Thoughts for 2012 crop, the only price floor we have today for 2012 is loan rate of \$1.85 corn and \$4.90 soybeans. Dec 12 corn traded yesterday near \$5.80 per bushel. Nov 12 soybean futures trading near \$12.90 with fall 12 cash bids near \$12.00.

**Next Major USDA Reports:** Tuesday July 12, 2011 WASDE & Crop Production

**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.

**Market Talk** Price bubble popped with a double whammy of larger than expected corn stocks and plantings as U.S.D.A. is projecting more acres and larger inventory stocks than trade was expecting. Quarterly stocks numbers indicate the United States is not using grain as fast as thought. These reports may leave more questions than answers. The greatest unknown remains acres as we are still not totally sure what impact late planting and flooding will have on harvested acres. There is also the possibility of more acres being abandoned in the Deep South due to drought. Another unknown is usage, and just how far current grain stocks will be stretched.

USDA indicating that they will resurvey the four late planted states of Minnesota, Montana, North and South Dakota. Any significant acreage changes will be reflected in the August report. In August 2008 planted corn acreage was reduced 300,000 acres. In October of 2008, USDA lowered corn plantings by 1 million from earlier estimates. Given this history of acreage changes in wet years, traders will be debating final planted and harvested acreage potential well into the October production estimate.

USDA estimates corn stocks at 3.670 billion bushels, 368 million bushels more than the average trade estimate.

USDA soybean stocks estimates are at 619 million bushels, 23 million bushels more than the average trade estimate.

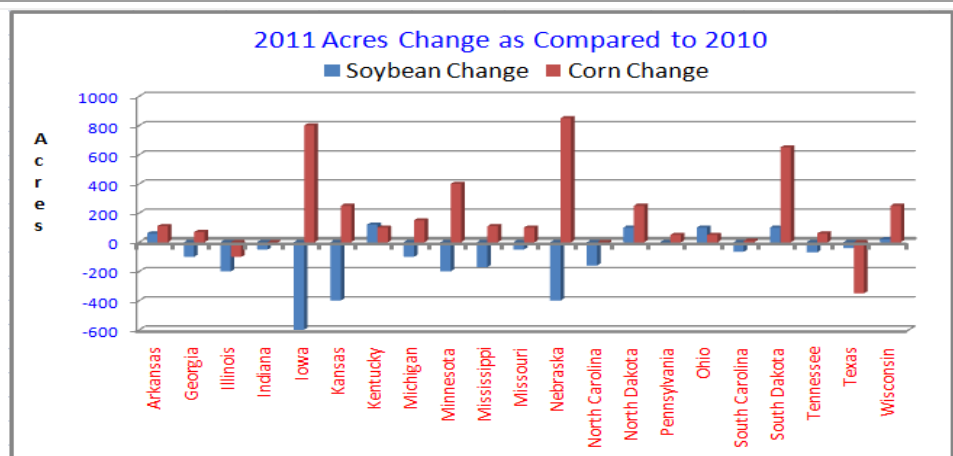
The wheat stocks estimates are at 861 million bushels, 35 million bushels above the average trade estimate.

	June 30	QTRLY USDA US Grain Stocks (in billions of bushels)			
	USDA Jun 2011	Average Trade Est.	Range of Trade Est.	USDA Mar 2011	USDA Mar 2010
Corn	3.670	3.302	2.298-3.515	6.523	7.694
Soybeans	0.619	0.596	0.547-0.632	1.248	1.270
Wheat	0.861	0.826	0.791-878	1.425	1.356

**Corn planted** is estimated at 92.3 million acres, 1.58 million more than indicated March 31, up 4.2 million acres or 5% from last year.

**Soybeans planted** is estimated at 76.53 million acres, 1.268 million less than March 31 & 1.4 million less than last year.

**All Wheat planted** is estimated at 56.433 million acres, 174 thousand less than March 31 & 71 thousand less than last year.



Three states with considerable more corn acres planted than reduced soybeans acres were Nebraska at 450 thousand acres, Minnesota and Iowa at 200 thousand more acres each. Six states combined for about 1.9 million more acres of corn and soybeans then they collectively planted last year are South Dakota at 750 K, North Dakota 350 K, WI 270 K, KY 220 k, AR

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170 K, and OH 150 thousand acres more. Nine states planted a total of 1.215 million less acres of both crops than last year are lead with TX at 390 k fewer acres, IL with 300 K less than last year, NC had 170 K less, and KS with about 150 thousand fewer acres.

	June 1	2011 USDA Planting Intentions (in millions of acres)				
		USDA June 1 2011	Average Trade Est.	Range of Trade Est.	USDA Mar 2011	USDA 2010
Corn		92.282	90.776	89.50-91.50	92.178	88.192
Soybeans		75.208	76.476	75.50-77.19	76.609	77.407
All Wheat		56.433	56.607	55.00-57.60	58.021	53.603
Winter Wheat					41.229	37.335
Spring Wheat		13.627	13.324	12.50-14.00	14.427	13.698
Durum Wheat		1.698	1.980	1.31-2.80	2.365	2.570

The last of the MN sweet corn crop is being planted this week.

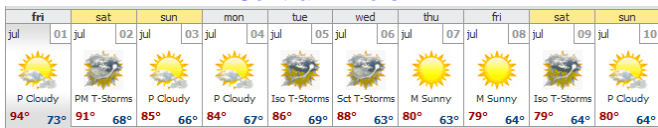
MN Green pea harvest under way and double crop Soybeans are being planted.

**Outside Markets:**

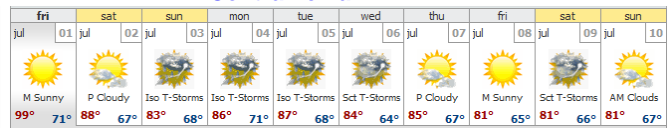
<a href="#">U.S. Dollar Index</a>	74.790	+0.155	+0.21%	<a href="#">Euro FX</a>	1.44620	-0.00260	-0.18%	<a href="#">Ethanol Futures</a>	Jul 11	2.555s	-0.178
<a href="#">CRB CCI Index</a>	626.00s	-8.00	-1.26%	<a href="#">Canadian Dollar</a>	1.03600	+0.00020	+0.02%	<a href="#">Gasoline RBOB (E)</a>	Aug 11	2.9692s	+0.0343
<a href="#">Gold</a>	1502.2	-0.1	-0.01%	<a href="#">Japanese Yen</a>	1.23940	-0.00390	-0.31%	<a href="#">Diesel Gulf (Ulsd)</a>	Aug 11	3.0181s	+0.0110
<a href="#">Silver</a>	34.54s	-0.267	-0.77%	<a href="#">Australian Dollar</a>	1.05890	-0.00370	-0.35%	<a href="#">Heating Oil (E)</a>	Aug 11	2.9463s	+0.0116
<a href="#">DJIA</a>	12345s	+127	+1.04%	<a href="#">Chinese Renminbi</a>	0.154620s	-0.000040	-0.03%	<a href="#">Crude Oil Brent (E)</a>	Aug 11	112.48p	+0.08
<a href="#">S&amp;P 500 Index</a>	1312.70	-2.80	-0.21%	<a href="#">Mexican Peso</a>	0.085450s	+0.000425	+0.5%	<a href="#">Natural Gas (E)</a>	Aug 11	4.374s	+0.059
<a href="#">Nasdaq 100</a>	2318.00	-3.00	-0.13%	<a href="#">1-Month Libor</a>	99.8075s	+0.0050	+0.01%	<a href="#">Polypropylene</a>	Aug 11	0.7725s	0.0000
<a href="#">Russell 1000 Growth</a>	607.70s	+5.80	+0.96%	<a href="#">T-Bond</a>	123-08	+0-07	+0.18%	<a href="#">Polyethylene</a>	Aug 11	0.5613s	-0.0175
<a href="#">MSCI Emi Index</a>	1156.00p	+13.70	+1.2%	<a href="#">3-Month T-Bill</a>	99.2700s	0.0000	-	<a href="#">Rme Biodiesel</a>	Jun 11	1503.682s	-0.545
<a href="#">Nikkei 225</a>	9890.00	-10.00	-0.1%	<a href="#">5-Year T-Note</a>	119-7.5	+0-2.5	+0.09%	<a href="#">Coal Futures</a>	Aug 11	77.63s	-0.17
<a href="#">Brazilian Real</a>	0.63630s	+0.00455	+0.72%	<a href="#">10-Year T-Note</a>	122-130	+0-025	+0.06%	<a href="#">Uranium</a>	Jul 11	51.65s	-1.85

**Weather**

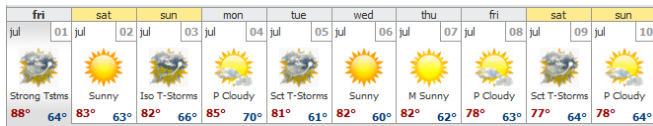
**Central Illinois:**



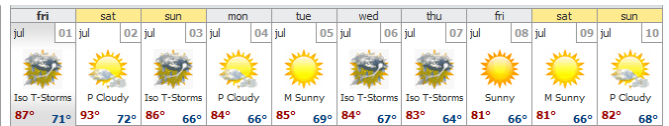
**Central Iowa:**



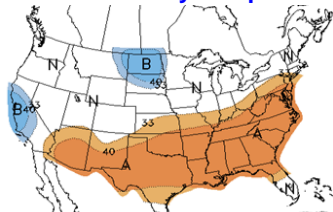
**South Central Minnesota:**



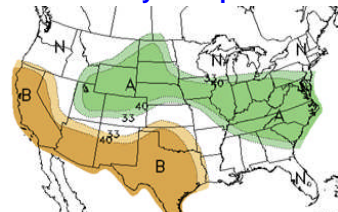
**Central Indiana:**



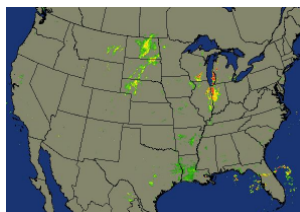
**8-14 Day Temp**



**8-14 Day Precipitation**



**Current Radar**



**Last 24 hr Precip**



**Official Weather Station -2011**

SW Research and Outreach Center  
University of Minnesota  
Lamberton, MN 56152

	Monday, June 27	Tuesday, June 28	Wednesday, June 29	Thursday, June 30
<b>Air Temperature</b>	Max = 75; Min = 62	Max = 75; Min = 56	Max = 80; Min = 59	Max = 86; Min = 68
<b>Soil Temperature</b>				
2 inch	Max = 99; Min = 75; Ave = 87	Max = 90; Min = 66; Ave = 78	Max = 97; Min = 68; Ave = 82	Max = 101; Min = 74; Ave = 87
4 inch	Max = 74; Min = 62; Ave = 68	Max = 74; Min = 61; Ave = 67	Max = 80; Min = 60; Ave = 70	Max = 83; Min = 65; Ave = 74
8 inch	Max = 67; Min = 63; Ave = 65	Max = 70; Min = 62; Ave = 66	Max = 72; Min = 62; Ave = 67	Max = 75; Min = 65; Ave = 70
<b>Daily Precipitation</b>	0.07"	0.00"	0.00"	0.00"

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**Corn:** Morning: July 11 Corn is at \$6.24 , down 5 cents, Sept 11 Corn is at \$6.03 , down 45 cents, Dec 11 Corn closed at \$5.81  $\frac{3}{4}$  , down 38  $\frac{3}{4}$  cents. Mar 11 corn closed at \$5.96  $\frac{1}{2}$  , down 36  $\frac{1}{4}$  cents  
Yesterday's Close: Jul 11 Corn closed at \$6.29, down 69 cents, Sep 11 Corn closed at \$6.48, down 30 cents, Dec 11 Corn closed at \$6.20  $\frac{1}{2}$ , down 30 cents, Dec 12 Corn closed at \$5.87, down 30 cents  
Corn futures were unable to recover from today's USDA report and closed the 30 cent limit lower. July corn has no limit with today the first day for deliveries dropping to below the September contract adding some carry to the market. The firm cash market makes delivery of corn vs. July futures unattractive. The USDA Grain Stocks report was bearish with corn stocks at 3.67 billion bushels for the third quarter compared to the 3.324 billion bushel trade estimate. Stocks of corn stored on farms were 1.68 billion bushels, down 21 percent from a year ago. Off farm stocks were 1.99 billion bushels, down 9 percent from last year. Planted Acres were 92.3 an upward revision from the June report of 90.7 and compared to the average trade estimate of 90.767 million acres. This total obviously included flooded acres along the Mississippi and Missouri Rivers and in the Dakotas that will most likely be reflected in the harvested acres down the road. USDA weekly export sales were good this week with old crop sales at 691,729 MT and new crop sales at 242,627 MT, above the average trade estimate. Cash corn was firm at processors, ethanol plants, elevators and river points.

**Soybean Complex:** Morning: Jul 11 Soybeans closed at \$13.12  $\frac{3}{4}$  , up 6  $\frac{1}{2}$  cents , Sept 11 Soybeans closed at \$13.03 , up 7  $\frac{1}{2}$  cents, Nov 11 Soybeans closed at \$13.01  $\frac{1}{2}$  , up 7  $\frac{1}{2}$  cents, Jan 11 Soybeans closed at \$13.12 , up 7  $\frac{3}{4}$  cents  
Yesterday's Close: Jul 11 Soybeans closed at \$13.06  $\frac{1}{4}$  , down 28 cents, Aug 11 Soybeans closed at \$12.99  $\frac{1}{2}$  , down 28 cents, Nov 11 Soybeans closed at \$12.94, down 29 cents, Jul 11 Soybean Meal closed at \$332.20, down \$5.70, Jul 11 Soybean Oil closed at \$55.04, down \$0.79  
Soybean futures closed lower ending the day 12 to 16 cents off session lows. Soybean stocks as of June 1 were .619 billion bushels above the average trade estimate of .592 million bushels. Soybeans stored on farm totaled 218 million bushels, down 6% from last year with off farm stocks up 19% at 401 million bushels. The Acreage Report showed 75.208 million acres planted compared to trade estimates of 76.476 million acres, a bit friendly compared to estimates. Harvested acres are projected at 74.258 million which will continue to show revisions over the coming months. Weekly export sales were a minus 335,636 MT for the 2010/11 marketing year with much of that transferred to 2011/12 sales of 458,058 MT for the week of June 23rd with the net being below trade guesses. Ample supplies out of South America have contributed to the normal seasonal pattern for U.S. soybean exports. U.S. soybean oil stocks totaled 3.176 billion pounds in May compared to 3.342 billion in April. Cash basis levels firmed at processors, elevators and river terminals.

**Wheat:** Morning: Jul 11 CBOT Wheat closed at \$5.82  $\frac{1}{2}$  , down 2  $\frac{1}{2}$  cents, Jul 11 MGEX Wheat is at \$8.23  $\frac{1}{4}$  , no trade  
Yesterday's Close: Jul 11 CBOT Wheat closed at \$5.84  $\frac{3}{4}$  , down 56  $\frac{1}{2}$  cents, Jul 11 KCBT Wheat closed at \$6.88  $\frac{3}{4}$  , down 56  $\frac{1}{4}$  cents, Jul 11 MGEX Wheat closed at \$8.23  $\frac{1}{4}$  , down 52  $\frac{3}{4}$  cents  
Wheat futures hit limit lower with several contracts settling at limit down or near limit down. The Quarterly Grain Stocks as of June 1 were .861 billion bushels compared to the average trade estimate of .826 billion bushels, down from last year's .976 and considered bearish by the trade. All wheat stocks on farm were down 38 percent from last year at 131 million bushels. Off farm stocks were down 5 percent from a year ago at 730 million bushels. Off farm Durum stocks were up 22 percent from last year at 13.1 million bushels and on farm stocks were down 8 percent at 22.1 million bushels. That stocks number will also be the year end carryover figure for wheat in the July WASDE report. Spring wheat and durum wheat acreage were down from the March Intentions. Spring wheat planting was 13.627 million acres compared to 14.427 million and Durum came in at 1.698 million acres, down from 2.365 million acres. Winter wheat planting was reduced 121 thousand acres. Harvested acres were forecasted to increase 268 thousand acres from the last report. Weekly export sales as of June 23rd were 545,123 MT below trade estimates of 550,000 to 750,000 MT.

**Cattle:** Yesterday's Close: Jun 11 Cattle closed at \$112.750, up \$1.025, Aug 11 Cattle closed at \$110.875, down \$0.700, Oct 11 Cattle closed at \$117.200, down \$1.200, Aug 11 Feeder Cattle closed at \$138.075, up \$0.300  
Sep 11 Feeder Cattle closed at \$138.925, up \$0.350, Oct 11 Feeder Cattle closed at \$139.225, up \$0.400  
Cattle futures ended the day mixed with the June going off the board a dollar higher than yesterday and the other months lower. Cheaper feed has the potential to translate into increased livestock numbers down the road. However the corn acreage number will most likely be revised down on future reports because of flooded acres not considered in today's report. Cash trade has yet to develop with expectations for bids to surface tomorrow. Bids and offers are still wide apart with bids at \$109 and offers at \$114. July 4th packer buying has passed so after the holiday we will see how the consumers emptied the coolers and what type of wholesale demand surfaces. Above normal temperatures are predicted for most of the west coast and southern states in the six to ten day forecast which typically limits consumer meat demand. Weekly beef export sales were 15,651 MT and year to date shipments are at 366,617 MT. Boxed beef prices were lower this afternoon. Choice was down \$178.41 down 2 cents with Select at \$172.79 down 59 cents.

**Hogs:** Yesterday's Close: Jul 11 Hogs closed at \$94.400, down \$0.825, Aug 11 Hogs closed at \$91.675, down \$1.500  
Oct 11 Hogs closed at \$86.225, down \$1.475  
Lean hogs closed lower on the day with most of the pressure in later months. Limit down corn gave the impression of a possible herd expansion if that trend continues. Cash hogs were lower today with packers filled for the 4th of July shortened work week next week. IA/MN hogs were \$6.10 lower at \$97.75, WCB hogs were \$5.80 lower at \$97.56 and ECB hogs were \$0.43 lower at \$95.61. Slaughter

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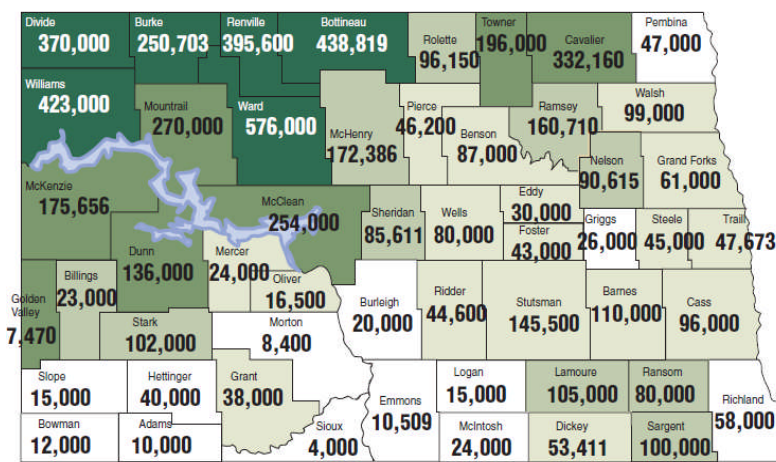
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numbers were on par with last year. The Lean Hog Index was at \$102.51, up \$0.16 for June 28th, \$4.50 above the cash price with 10 trading days left before spot contract expiration. The pork carcass cutout value dropped from yesterday on slow to moderate trading and light to moderate demand and offerings.

**Cotton:** Yesterday's Close: Jul 11 Cotton closed at 159.79, down 235 points, Oct 11 Cotton closed at 123.69, down 355 points

Dec 11 Cotton closed at 118.59, down 281 points

Cotton futures closed lower weighed by lower ag prices generally and planted acres higher than estimates and continued cancellations of old crop. Export sales were total combined net cancellations of 96,269 RB. Traders on average were looking for USDA to show 13.26 million cotton acres planted in today's Planted Acreage report and were surprised with the 13.73 million acre USDA number. Texas planted 7.1 million acres and Georgia planted 1,450 acres, the same as the March intentions for Georgia and 1 million more acres for Texas. Many Texas wheat and corn acres ended up being planted to cotton due to the worst drought since records have been kept in some areas of Texas. USDA is has no projections yet as to how many of those acres will be harvested.

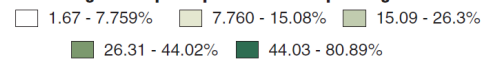


Estimated acres by county prevented from planting this spring in North Dakota.

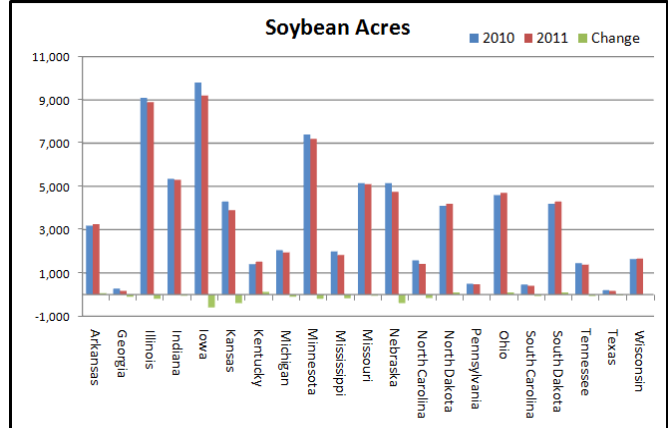
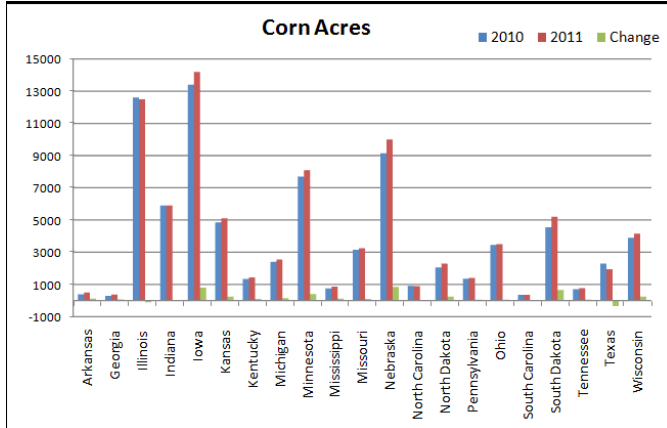
North Dakota FSA indicates that unplanted acres are estimated at 6,287,673 this year out of 28,157,907 acres of cropland.

However, USDA estimates North Dakota has planted or intended to plant 100,000 more acres of soybeans (4.2 million total) and 250,000 more acres of corn (2.3 million total) than last year and used those numbers in Thursday's planting report.

**Percentage of cropland prevented from planting**



**USDA Planted & Intended to plant total acres are shown in these charts**



**Basis:** Corn basis in Marshall is even the Sept futures for I believe the first time since 1996 that we have had basis at even or positive.

ADM Corn Processing				ADM Soybean Processing			
Marshall, MN				Mankato, MN			
	Flat	Basis	Opt.		Flat	Basis	Option
JULY	6.48	0.00	U	JULY	12.85	-0.15	Q
AUG	6.51	0.03	U	OCT/NOV '11	12.39	-0.55	X
SEPT	6.55	0.07	U	DEC '11	12.49	-0.55	F

July corn & soybean futures expire in just 8 trading days on July 14.

With July in delivery there is no trade limit. Thus bids are based on the next deferred month.

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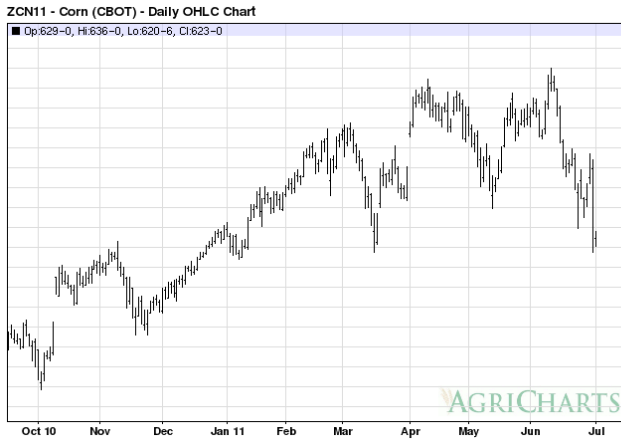
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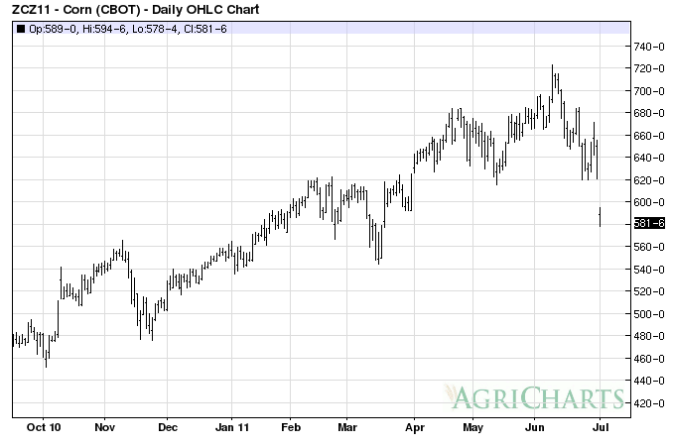
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**July 11 Corn Daily Chart**



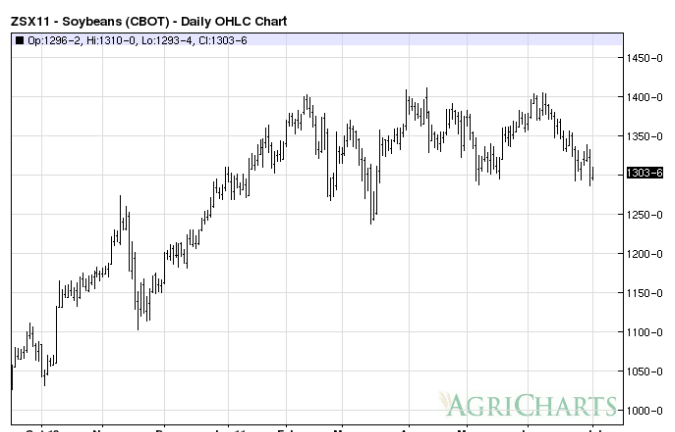
**Dec 11 Corn Daily Chart**



**July 11 Soybean Daily Chart**



**Nov 11 Soybean Daily Chart**



**July 11 Mpls Spring Wheat Daily Chart**



**Sept 11 Mpls Spring Wheat Daily Chart**



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