



MORNING COMMENTS

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Friday, July 8, 2011

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

Prior 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 from \$12 to \$14 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

Next Major USDA Reports: **Tuesday July 12, 2011 WASDE & Crop Production**, Friday July 22, 2011 Cattle on Feed
Thursday August 11, 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 Soybean futures have held above the key \$13 level, for most of the past 6-7 months. It appears that farmer selling shuts off (particularly in South America) and Chinese and other world buying kicks in near \$13. Thus, it is difficult to make an argument that soybeans should break below \$13 heading into the 2011/12 marketing year. US and world stocks look to decline somewhat over the next year even with trend line type yields in both the US and South America. If there are production problems in either the US or South America, the situation could become very interesting. If \$13 is the lower end of the trading range (at least until crop prospects are better understood), how much risk premium should the market add for US and South American production risk? 50 cents? \$1? It is difficult to say, but for now it looks like soybeans should remain in a \$13-14 trading range, perhaps retesting the \$13.50-14.00 upper end as we head into the most critical weather period for soybean crop development from late July through early September.

Sales report from the USDA reported 540 tmt new crop corn to China and 300 tmt to the unknown destination, which most suspect is China. If we assume last week's 380 old crop and 760 new crop sales to the unknown destination were also to China then confirmed sales on China's recent corn buying spree have been 1.98 mmt of corn.

Ethanol production in the week ending July 1 remained strong at 904 thousand bbls / day vs 893 in the previous week and 6% higher than last year. The latest production pace translated to annual production near 14.1 bln glns (RFS is 12.6) and annual corn grind near 5.100 billion bushels (USDA forecast is 5.000). Since the beginning of the crop year (Sep 1), average weekly ethanol production rates have translated to annual corn grind near 5.030 billion bushels.

Livestock Talk US Broiler sector appears to be in the midst of a slow down with output about 3% lower than last year. Egg sets the past three weeks have been 4.8%, 5.6% and 4.3% lower than the corresponding weeks last year. The largest year-on-year decline in chick placements

so far this year was 3.9% the week of June 25. Those placement numbers will almost certainly decline by larger percentages over the next 2-5 weeks given the lower egg sets since the incubation period for chicken eggs is 21 days.

The United Egg Producers (UEP) and the Humane Society of the United States (HSUS) announced Thursday that they had reached an agreement to petition Congress for legislation requiring commercial egg producers to move from conventional caged housing to "enriched" colony housing. That was the report from Feedstuffs newspaper written by correspondent Rod Smith.

The agreement also means that the pork industry will see increased pressure to make a similar deal regarding sow stalls. Several states, including Florida, Arizona and California, have passed ballot initiatives calling for stalls to be eliminated — usually 10 years hence. Oregon's legislature passed a similar law while producers in Colorado, Michigan and Ohio have agreed with HSUS to support state laws or regulations that have the same effect. Smithfield Foods announced that it would unilaterally eliminate gestation stalls from its company-owned operations. Most laws take effect 10 to 12 years down the road. Ohio's has a 15 year time horizon. Smithfield's original time frame was 10 years from the January 2007 announcement.

Ethanol It appears that the federal tax credit for ethanol blenders and the tariff on imported ethanol will end on July 31 Senator Dianne Feinstein (D, Calif.) announced that she had reached an agreement with Senators Klobuchar (D, Minn.) and Thune (R, SD) to end these two facets of the federal biofuels policy. After being extended for one year last December, they were scheduled to expire at the end of 2011 had Congress not taken this action. All of the reports that we could find cite \$1.3 billion in savings that would be applied to the federal deficit and \$668 million that will be devoted to infrastructure issues such as pipelines and blender pumps. It is not clear where the other \$4 billion of the roughly \$5.4 billion (\$0.45/gallon times roughly 12 billion gallons) that the blenders' tax credit has cost U.S. taxpayers the past two years will go.

MN State Cattlemen's Summer Tour & Trade Show

Rock-Nobles Cattlemen present the 2011 Summer Beef Tour on Tuesday, July 12, 2011 at Nobles County Fairgrounds, Worthington

http://www.mnsca.org/pdf/2011_Tour_Brochure_Version_2_Web.pdf

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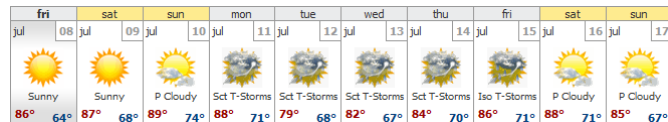
Friday, July 8, 2011

Outside Markets:

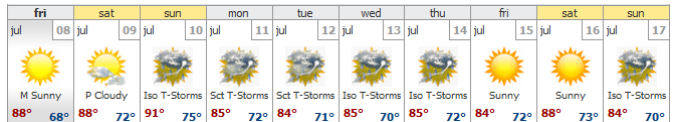
U.S. Dollar Index	75.645	+0.388	+0.52%	Euro FX	1.42170	-0.01030	-0.72%	Ethanol Futures	Aug 11	2.621p	+0.042
CRB CCI Index	641.00p	+6.50	+1.02%	Canadian Dollar	1.04160	+0.00090	+0.09%	Gasoline RBOB (E)	Aug 11	3.1270p	+0.1294
Gold	1527.0	-3.2	-0.21%	Japanese Yen	1.22870	-0.00260	-0.21%	Diesel Gulf (Ulsd)	Aug 11	3.1755s	+0.1314
Silver	36.270	-0.258	-0.71%	Australian Dollar	1.06670	-0.00110	-0.1%	Heating Oil (E)	Aug 11	3.1020p	+0.1387
DJIA	12681p	+112	+0.89%	Chinese Renminbi	0.154550p	-0.000050	-0.03%	Crude Oil Brent (E)	Aug 11	117.85	-0.74
S&P 500 Index	1351.60	-0.10	-0.01%	Mexican Peso	0.086650s	+0.000600	+0.7%	Natural Gas (E)	Aug 11	4.133p	-0.084
Nasdaq 100	2417.50	+2.00	+0.08%	1-Month Libor	99.8075p	+0.0025	-	Polypropylene	Aug 11	0.7725s	0.0000
Russell 1000 Growth	629.00s	+8.10	+1.3%	T-Bond	123-06	-0-03	-0.08%	Polyethylene	Aug 11	0.5725p	+0.0112
MSCI Emi Index	1174.00	-8.60	-0.73%	3-Month T-Bill	99.2700s	0.0000	-	Rme Biodiesel	Jul 11	1481.476p	+13.428
Nikkei 225	10190.00	-30.00	-0.29%	5-Year T-Note	119-2.5	-0-2.5	-0.03%	Coal Futures	Aug 11	77.37p	-0.08
Brazilian Real	0.63865s	+0.00460	+0.73%	10-Year T-Note	122-135	-0-015	-0.04%	Uranium	Jul 11	53.15p	+0.50

Weather Showers and thunderstorms impacted far southern IA, most of MO and the southern 1/2 of IL and IN yesterday and overnight. Totals in most cases were in the .20-.60" range, with some isolated heavier amounts occurring as well. Dry weather dominated the rest of the Midwest yesterday and temps were average to a bit above, with highs in the mid 80's to low 90's. The forecast still sees fairly quiet weather to dominate most of the Midwest for the next 2 days and then some rains to fall and favor the northern Midwest. Cooler and mainly dry weather looks to take over for the middle of next week and then some ridging looks to develop by the very end of next week and following weekend. Directly ahead of the ridging some scattered showers and thunderstorms are possible in much of the region. Temps will generally run in the 80's and a few low 90's for the next day or two, with some warming into early next week and then cooling for the middle of the week, with the potential for some hot temps to build in by the very end of next week and following weekend in association with the ridging.

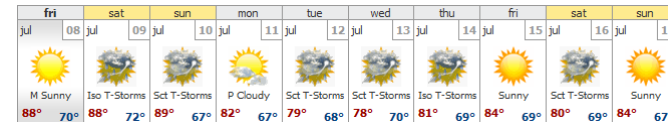
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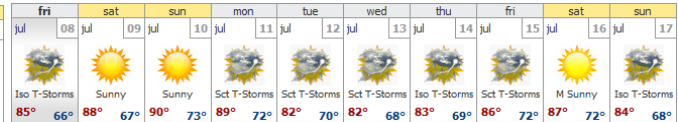
Central Iowa:



South Central Minnesota:



Central Indiana:

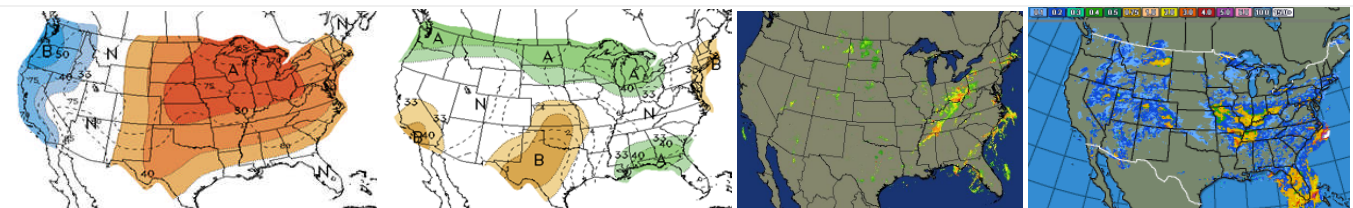


8-14 Day Temp

8-14 Day Precipitation

Current Radar

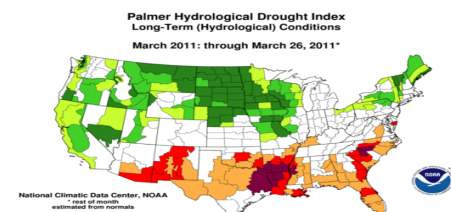
Last 24 hr Precip



Official Weather Station -2011

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

	Monday, July 4	Tuesday, July 5	Wednesday, July 6	Thursday, July 7
Air Temperature	Max = 86; Min = 64	Max = 88; Min = 68	Max = 84; Min = 61	Max = 87; Min = 65
Soil Temperature				
2 inch	Max = 96; Min = 73; Ave = 85	Max = 98; Min = 73; Ave = 85	Max = 97; Min = 72; Ave = 85	Max = 100; Min = 72; Ave = 86
4 inch	Max = 86; Min = 68; Ave = 77	Max = 86; Min = 69; Ave = 78	Max = 86; Min = 69; Ave = 79	Max = 88; Min = 69; Ave = 79
8 inch	Max = 78; Min = 69; Ave = 74	Max = 80; Min = 70; Ave = 75	Max = 80; Min = 72; Ave = 76	Max = 82; Min = 71; Ave = 76
Daily Precipitation	0.00"	0.01"	0.00"	0.00"



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Corn: Morning: July 11 Corn is at \$6.59 ¼ , up 9 ¼ cents, Sept 11 Corn is at \$6.31 ¼ , up 6 ¼ cents, Dec 11 Corn closed at \$6.20 , up 4 ½ cents, Mar 11 corn closed at \$6.33 ½ , up 5 cents
Yesterday's Close: Jul 11 Corn closed at \$6.52, up 3 ¼ cents, Sep 11 Corn closed at \$6.26 ¼ , up 7 ½ cents, Dec 11 Corn closed at \$6.16 ¼ , up 7 ¾ cents Dec 12 Corn closed at \$6.02 ¼ , up ¾ cent
Corn futures closed higher with most of the gains on the new crop on the new crop corn purchase by China. Private exporters announced the sale of 540,000 MT of corn to China for 2011/12 delivery. There was also a sale of 300,000 MT of corn to an unknown destination for 2011/12 delivery. Weather conditions in the major corn producing states will be heating up next week. Temperatures are forecast into the mid 90s for much of the Midwest and eastern Corn Belt in the six to ten day forecast. Above normal rainfall is predicted in the northwest, north central and eastern Corn Belt for the same period. Trade estimates for tomorrow's export sales report range from 700 to 1300 thousand MT. Cash basis levels are pushing higher on tight old crop supplies with ethanol plants the highest bidder. The basis was firm at elevators and processors around the Midwest this afternoon. Grain sales were spotty.

Soybean Complex: Morning: Jul 11 Soybeans closed at \$13.48 ¾ , up 3 ¼ cents , Sept 11 Soybeans closed at \$13.38 , up 1 cents, Nov 11 Soybeans closed at \$13.39 ¼ , up 1 ½ cents, Jan 11 Soybeans closed at \$13.46 ¾ , down ¾ cents
Yesterday's Close: Jul 11 Soybeans closed at \$13.46 ¼ , up 15 ¼ cents, Aug 11 Soybeans closed at \$13.41 ½ , up 19 ¼ cents, Nov 11 Soybeans closed at \$13.38 ¼ , up 19 ¾ cents, Jul 11 Soybean Meal closed at \$343.10, up \$1.40, Jul 11 Soybean Oil closed at \$56.40, up \$1.13
Soybean futures closed the day higher with the spread between old and new crop narrowing. Volume has been light compared to previous weeks. The lower dollar was supportive to price. The rally in crude oil helped boost oil prices. Trade estimates for tomorrow's weekly export sales report range from 400 to 700 thousand MT for soybeans. Cash basis levels were steady at Midwest elevators and firm at processor locations. Soybean gulf basis bids were steady to firm. Cash grain movement was limited. Above normal rainfall is forecast for the northwest, northern Plains and eastern Corn Belt with above normal temperatures predicted in the 6 to 10 day forecast as a blocking ridge develops over the Midwest. Cash basis levels in the Midwest were steady to up 5 cents at a Council Bluffs Iowa processor.

Wheat: Morning: Jul 11 CBOT Wheat closed at \$6.24 ½ unchg , Sept 11 MGEX Wheat is at \$8.21 , down 3 ¾ cents
Yesterday's Close: Jul 11 CBOT Wheat closed at \$6.25, up 13 ¾ cents, Jul 11 KCBT Wheat closed at \$7.00 ½ , down 8 ¼ cents, Jul 11 MGEX Wheat closed at \$8.52, down 11 3/4 cents
Wheat futures closed higher for CBOT wheat but KCBT and MGEX wheat ended lower although off the daily low by 15 to 17 cents. Harvest continues to move forward for SRW wheat with minimal damage (vomitoxin) and good test weights reported. Yield reports vary. The weather should continue to cooperate for the next few days before chances of rain could interrupt harvest progress. Russia is back in the export business, selling 180,000 MT to Egypt for August delivery. The European Union cleared 780,353 MT of wheat imports from countries other than the U.S. and Canada this week. Cash basis levels are steady for HRW and SRW wheat.

Cattle: Yesterday's Close: Aug 11 Cattle closed at \$114.725, up \$1.775, Oct 11 Cattle closed at \$121.225, up \$1.825, Dec 11 Cattle closed at \$124.550, up \$1.775, Aug 11 Feeder Cattle closed at \$143.900, up \$2.950 Sep 11 Feeder Cattle closed at \$144.850, up \$2.600 Oct 11 Feeder Cattle closed at \$145.375, up \$2.725
Cattle futures closed higher influenced initially by outside markets with cash business evidently holding off until tomorrow. Better than expected unemployment claims boosted the stock market. Crude oil prices also rallied on tighter than expected stocks. Packers are standing firm with bids at \$108 to \$109. Feedlots also have dug in their heels wanting \$114 to \$115 which is in line with today's futures price. Feeder cattle ended sharply higher making new all time highs on the weekly continuation chart on better volume than yesterday. Boxed beef prices closed at the highest level since May 4th this afternoon. Choice was up 29 cents at \$179.67 and Select was up 24 cents at \$174.17.

Hogs: Yesterday's Close: Jul 11 Hogs closed at \$97.150, up \$1.125, Aug 11 Hogs closed at \$96.275, up \$2.675 Oct 11 Hogs closed at \$89.875, up \$2.600
Lean hog futures closed sharply higher getting support from the outside markets and fund buying when prices moved above resistance. Stocks closed higher on better than expected economic data. The weather is supposed to turn hot next week which could limit meat demand along with the rise in crude oil futures driving gas prices up for the consumer. Cash hogs followed the morning trend to close lower across the country. Hogs in IA/MN were \$3.61 lower at \$92.58. Hogs in the WCB were down \$3.52 at \$92.43 and \$0.98 lower in the ECB at \$92.57. The Lean Hog Index was at \$100.19, down \$1.25 for July 5th. The spot July contract expires July 15th with the current spread between the CME Index and futures at about \$3.00. Pork trading on retail cuts was moderate with good demand and offerings while the trade for processed items was slow with light demand and offerings.

Cotton: Yesterday's Close: Jul 11 Cotton closed at 136.20, down 1920 points, Oct 11 Cotton closed at 116.20, down 78 points Dec 11 Cotton closed at 113.52, up 10 points
Cotton futures closed mixed with front month July a full 19.2 cents lower as it went off of the board and Dec sneaking in a ten point gain while all other back months closed higher as well. Export sales are due out tomorrow morning. There were 32 contracts issued for delivery and were stopped. Chinese cotton planting declined from last month's estimate by the China Cotton Association to 5.4 million hectares down from 5.472. Cotton planting is near completion in China.

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Sept 11 Corn Daily Chart

ZCQ11 - Corn (CBOT) - Daily OHLC Chart



Dec 11 Corn Daily Chart

ZCZ11 - Corn (CBOT) - Daily OHLC Chart



Aug 11 Soybean Daily Chart

ZSQ11 - Soybeans (CBOT) - Daily OHLC Chart



Nov 11 Soybean Daily Chart

ZSX11 - Soybeans (CBOT) - Daily OHLC Chart



Sept 11 Mpls Spring Wheat Daily Chart

MWU11 - Spring Wheat (MGEX) - Daily OHLC Chart



Dec 11 Mpls Spring Wheat Daily Chart

MWZ11 - Spring Wheat (MGEX) - Daily OHLC Chart



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