



MORNING COMMENTS

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Wednesday, July 13, 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: 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 Waterloo IA area reports indicate that perhaps as much as 1 million acres that are down and fairly flat from wind damage and pollination is at risk. The locals are talking about not harvesting much of that area from Waterloo towards the Mississippi River. The corn crop has remarkable abilities to recover if it isn't green snapped. This is more likely a wait and see region.

Monday USDA crop progress report showed the corn crop 69% G/E unchanged from last week and vs 73% last year. Iowa, South Dakota, Missouri and Illinois rated better than last year. Only 14% of the national crop silking vs 38% last year and 26% average. Only 2% silking in North Dakota vs 9% last year. 0% silking in South Dakota and Minnesota. Trade will now debate ongoing production potential into the first surveyed August production estimate. Trade recognizes that a 71% G/E rating last year on August 1 prompted the USDA to forecast a robust 165 yield. Final yields however declining sharply by January. Trade will debate the directional change of a yield estimate from the 158.7 in today's report to the August forecast. With growing US demand, small changes in production estimates now will be critical to determining the tightness of new crop supplies. Trade also debating final harvested acres with 100 year rare straight line winds taking a toll on Iowa corn production this week. Some estimating high winds affecting over 275,000 acres there.

USDA crop progress report on Monday showed national soy crop 66% G/E, unchanged from last week and vs 65% last year. Iowa, Nebraska, South Dakota, Missouri and Illinois soy rated better than last year. USDA forecasting new crop average soy cash price at \$13.00 vs \$11.35 this past year. A similar soy rating last year on August 1 saw USDA forecast August yields at 44 bu/acre with final yields at 43.5.

US spring wheat rated 73% G/E vs 82% last year. North Dakota spring wheat 0% headed vs 72% last year yet rated 75% G/E. US winter wheat 63% harvested, equal to average pace. USDA forecasting all US wheat production at a larger 2106 vs 2058 in June. US ending stocks however declining nearly 200 million bushels year to year with USDA adding 100 million bushels to US export forecast. US hard red winter wheat production up 14 million from June, SRW up 24 million. Spring wheat production above trade expectations at 551 but below 616 last year. USDA apparently implying a 41.6 new crop yield vs 46.1 last year. New subclass balance table projections for new crop finds HRW carryout moving from 386 to 199 next year. Spring wheat carryout at 173 vs 185 with 70 million bushel export cut. SRW carryout at 183 vs 170 last year with exports up nearly 60 million bushels. World ending stocks down 2 mmt from the June estimate with Canada production down 3.5 mmt. Feeding up 1.5 mmt. World wheat carryout to use ratio now projected at 27%.

Tuesday July 12, 2011 World Ag Supply & Demand Estimates USDA S&Ds showed carryovers a little less than expected which merely highlighted that there is no margin for error in either corn yields or harvested area.

Carry Out	2010-11	USDA Grain Carry Out Estimates (billions/bu)			Carry Out	2011-12	USDA Grain Carry Out Estimates (billions/bu)		
	USDA July 10/11	Average Trade Est.	Range of Trade Est.	USDA June 10/11		USDA July 11/12	Average Trade Est.	Range of Trade Est.	USDA June 11/12
Corn	0.880	0.905	0.805-1.050	0.730	Corn	0.870	0.994	0.757-1.177	0.695
Soybeans	0.200	0.198	1.180-0.220	0.180	Soybeans	0.175	0.169	0.134-0.197	0.190
					Wheat	0.670	0.702	0.650-0.761	0.687

Constructive for Corn: USDA increased the 2010/11 U.S. corn carryout by 150 million bushels to 880 million bushels.

The 2010/11 corn carryout is 25 million less than the average trade estimate and within the trade range. The implied 2010/11 carry out was near 1 billion bushels after the June 30 stocks report. USDA estimates the 2011/12 U.S. corn carryout at 870 million bushels, up 175 million bushels. The 2011/12 corn carryout estimate is 122 million below the average trade estimate and near the lower trade estimate.

Supportive for Soybeans USDA increased the 2010/11 U.S. soybean carryout by 20 million bushels to 200 million bushels. The 2010/11 soybean carryout is 2 million above the average trade estimate and within the trade range. USDA decreased the 2011/12 U.S. soybean carryout by 15 million bushels to 175 million bushels. The 2011/12 soybean carryout estimate is 6 million above the average trade estimate and near the midrange of estimates.

Neutral for Wheat USDA decreased the 2011/12 U.S. wheat carryout by 7 million to 670 million bushels. The 2011/12 wheat carryout is 32 million below the average trade estimate and near the lower end of the trade range.

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Outside Markets: Ireland debt ratings now downgraded to Junk Status. Financial markets have continued concerns of Italy's and Portugal's inability to meet debt payments without new measures. This after Greek getting help from EU community. Markets are also watching closely the Aug 2nd date for US to pass a budget and avoid government shutdown along with the potential for a significant financial market reaction should the US fail to reach a compromise.

U.S. Dollar Index	76.125	-0.109	-0.14%	Euro FX	1.40130	+0.00130	+0.09%	Ethanol Futures	Aug 11	2.769p	+0.056
CRB CCI Index	642.50p	+7.50	+1.18%	Canadian Dollar	1.03640	+0.00060	+0.06%	Gasoline RBOB (E)	Aug 11	3.0982p	+0.0277
Gold	1570.8	+8.9	+0.57%	Japanese Yen	1.26120	+0.00120	+0.1%	Diesel Gulf (Ulsd)	Aug 11	3.1599s	+0.0017
Silver	36.885	+1.256	+3.53%	Australian Dollar	1.05840	+0.00450	+0.43%	Heating Oil (E)	Aug 11	3.0876p	+0.0001
DJIA	12413p	-76	-0.61%	Chinese Renminbi	0.154360p	-0.000180	-0.12%	Crude Oil Brent (E)	Aug 11	117.75p	+0.51
S&P 500 Index	1315.40	+4.70	+0.36%	Mexican Peso	0.085050s	-0.000075	-0.09%	Natural Gas (E)	Aug 11	4.333p	+0.045
Nasdaq 100	2356.75	+12.25	+0.52%	1-Month Libor	99.7950	-0.0125	-0.01%	Polypropylene	Aug 11	0.7725s	0.0000
Russell 1000 Growth	610.60s	-4.50	-0.73%	T-Bond	126-09	-0-06	-0.15%	Polyethylene	Aug 11	0.5775p	+0.0050
MSCI Emi Index	1133.00	+9.00	+0.8%	3-Month T-Bill	99.2700s	0.0000	-	Rme Biodiesel	Jul 11	1471.952p	-7.762
Nikkei 225	9970.00	+135.00	+1.37%	5-Year T-Note	121-085	-0-095	-0.24%	Coal Futures	Aug 11	76.77p	+0.34
Brazilian Real	0.63025s	-0.00005	-0.01%	10-Year T-Note	124-150	-0-050	-0.13%	Uranium	Jul 11	53.65p	0.00

Weather An area of showers and thunderstorms rolled from eastern NE through southern MN, the northern 1/2 of IA, southern WI, northern IL into southern MI and northern sections of IN and OH yesterday. The storms produced rains of around .50" or less in most cases, with some 1"+ amounts reported from NW IA and SW MN. The storms also contained some strong winds. Dry weather dominated the rest of the region and temps were above average and in the upper 80's to mid 90's in most cases, with some upper 90's in the far south. The forecast sees a front to continue to work south through the Midwest in the next day or two, producing some showers and thunderstorms- mainly to the south of I-80 in the next day or so. Things will then quiet down in the south with some showers and thunderstorms to occur in the north both tomorrow and early Friday and again over the weekend as a ridge builds in this weekend.

Central Illinois:

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
13	14	15	16	17	18	19	20	21	22
AM T-Storms	P Cloudy	Iso T-Storms	P Cloudy	P Cloudy	Sunny	M Sunny	Sunny	Iso T-Storms	Sunny
80°	61°	83°	67°	88°	71°	88°	73°	90°	72°

Central Iowa:

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
13	14	15	16	17	18	19	20	21	22
Iso T-Storms	Sct T-Storms	P Cloudy	P Cloudy	Sunny	Sunny	Sunny	Sunny	Iso T-Storms	Sunny
82°	67°	86°	73°	92°	75°	92°	75°	91°	74°

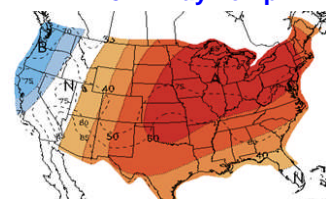
South Central Minnesota:

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
13	14	15	16	17	18	19	20	21	22
P Cloudy	Sct T-Storms	Iso T-Storms	Iso T-Storms	P Cloudy	M Sunny	Sunny	Sunny	Sunny	M Sunny
77°	64°	83°	70°	91°	75°	89°	76°	93°	76°

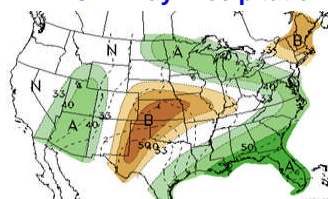
Central Indiana:

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
13	14	15	16	17	18	19	20	21	22
P Cloudy	P Cloudy	Iso T-Storms	P Cloudy	P Cloudy	P Cloudy	P Cloudy	Sunny	M Sunny	Sunny
82°	62°	84°	64°	87°	69°	88°	71°	90°	72°

8-14 Day Temp



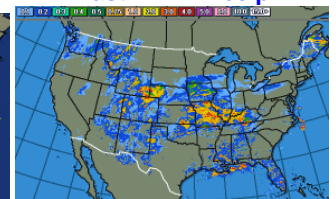
8-14 Day Precipitation



Current Radar



Last 24 hr Precip



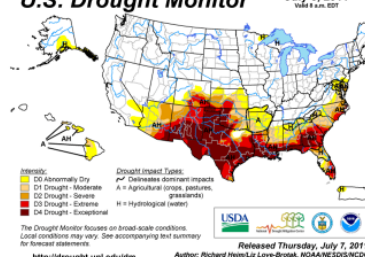
Official Weather Station -2011

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

	Monday, July 11	Tuesday, July 12
Air Temperature	Max = 91; Min = 67	Max = 84; Min = 66
Soil Temperature		
2 inch	Max = 105; Min = 75; Ave = 90	Max = 91; Min = 73; Ave = 82
4 inch	Max = 99; Min = 73; Ave = 86	Max = 85; Min = 73; Ave = 79
8 inch	Max = 84; Min = 73; Ave = 78	Max = 81; Min = 73; Ave = 77
Daily Precipitation	0.72"	0.21"

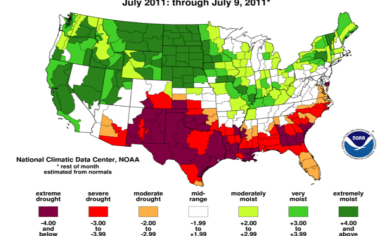
U.S. Drought Monitor

July 5, 2011
10:00 A.M. EDT



Palmer Hydrological Drought Index

Long-Term (Hydrological) Conditions
July 2011: through July 9, 2011*



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Corn: Morning: July 11 Corn is at \$7.12 , up 15 ½ cents, Sept 11 Corn is at \$6.72 ¾ , up 8 ¾ cents, Dec 11 Corn closed at \$6.63 ¾ , up 5 ¾ cents. Mar 11 corn closed at \$6.75 ½ , up 4 ¾ cents
Yesterday's Close: Jul 11 Corn closed at \$6.97, up 15 ½ cents, Sep 11 Corn closed at \$6.64, up 21 cents, Dec 11 Corn closed at \$6.58, up 25 1/4 cents Dec 12 Corn closed at \$6.28, up 16 ¼ cents

Corn futures ended higher after the release of the monthly WASDE report. The USDA increased beginning stocks to 880 mbu by cutting exports and feed use for 2010/11. Projected ending stocks for 2011/12 increased to 870 bushels. Although stocks were higher than the June report they were below trade estimates prompting short covering. Private exporters announced the sale of 233,000 MT of corn for 2011/12 delivery to unknown this morning and 110,000 MT of corn for 2011/12 delivery to South Korea. Cash basis levels were up sharply at river terminals on export demand. Bids were also higher at ethanol plants in competition with export business. Bids were steady at processors and elevators in the Midwest.

Soybean Complex: Morning: Jul 11 Soybeans closed at \$13.61 , down 5 ½ cents , Sept 11 Soybeans closed at \$13.63 , up 8 cents, Nov 11 Soybeans closed at \$13.67 , up 8 ¾ cents, Jan 11 Soybeans closed at \$13.76 ¼ , up 8 ¾ cents
Yesterday's Close: Jul 11 Soybeans closed at \$13.66 ½ , up 14 cents, Aug 11 Soybeans closed at \$13.55 ½ , up 9 cents, Nov 11 Soybeans closed at \$13.58 ¼ , up 11 ¼ cents, Jul 11 Soybean Meal closed at \$348.50, up \$2.50, Jul 11 Soybean Oil closed at \$56.30, up \$0.10
Soybean futures closed higher on the day continuing to trade sideways in keeping with the last several months. USDA lowered new crop soybean ending stocks to 175 million bushels and increased old crop ending stocks by 20 million bushels from last month. Old crop exports were trimmed 20 million bushels. USDA also raised ending stocks for Argentina (from 21.70 to 22.90 MMT) and Brazil (from 17.47 to 18.36 MMT). Soybean basis bids were mixed at processing plants. Hot temperatures and high winds in the Midwest are stressing crops and the 6 to 14 day forecast calls for more of the same through July 26th.

Wheat: Morning: Jul 11 CBOT Wheat closed at \$6.69 ¾ , up 7 cents, Sept 11 MGEX Wheat is at \$7.94 ½ , up 1 ½ cents
Yesterday's Close: Jul 11 CBOT Wheat closed at \$6.62 ¾ , up 26 ¾ cents, Jul 11 KCBT Wheat closed at \$7.13 ¾ , up 21 ¾ cents, Jul 11 MGEX Wheat closed at \$8.11 ½ , down 3 cents
Wheat futures ended much higher on the day. There was minor selling pressure on the soon to expire July and the September MGEX wheat but other contracts including those for the CBOT and KCBT wheat were up sharply. HRW wheat production was 791 million bushels and ending stocks 199 million. Spring wheat production was 504 million bushels and ending stocks 173 million compared to last years 570 and 185 million bushels. Total U.S. wheat production was raised to 2.106 billion from 2.058 billion last month. USDA lowered Canadian wheat production to 21.5 MMT down from 25 MMT last month. Japan is in the market for 139,411 MT of food wheat. Cash basis levels are steady to higher at the Gulf and steady at elevators in the Midwest.

Cattle: Yesterday's Close: Aug 11 Cattle closed at \$114.025, down \$0.675, Oct 11 Cattle closed at \$119.950, down \$0.700, Dec 11 Cattle closed at \$124.525, down \$0.475, Aug 11 Feeder Cattle closed at \$142.025, down \$1.325 Sep 11 Feeder Cattle closed at \$142.675, down \$1.325 Oct 11 Feeder Cattle closed at \$143.600, down \$1.000
Cattle futures ended lower on the day. Dec and Feb cattle have been trading at a \$10 to \$11 premium to the spot August contract. USDA is projecting Beef output for the first quarter of 2012 at 5.935 billion pounds, the lowest amount of supply since the first quarter of 2005 which is reflected in the premium futures price. Boxed beef prices ended higher this afternoon. Choice was at \$180.70 up \$1.69 and Select was \$1.91 higher at \$176.47. The Crop Progress report showed pasture at 49% good/excellent, down 2 points from last week and 16 points worse than last year. That continues to drive cattle into feedlots earlier than when pastures are in better condition. Cash cattle trade remains at a standstill. Feedlots are asking \$116 to \$117, \$1.50 to \$2.00 higher than last week. There are no packer bids available yet. The last two weeks trade was put off until Friday and the same is expected this week.

Hogs: Yesterday's Close: Jul 11 Hogs closed at \$95.150, down \$0.975, Aug 11 Hogs closed at \$97.925, down \$1.250 Oct 11 Hogs closed at \$92.200, down \$0.550
Lean hog futures closed lower on profit taking after reaching limit up on the August and October contracts Monday. USDA estimates pork production for the first and second quarter of 2012 will surpass 2011 first and second quarter output by 45 and 70 million pounds respectively. China is putting a priority on stabilizing pork prices, which have gone up along with other food costs despite a massive expansion in pork production. That might mean more imports which could curb U.S. ending stocks although USDA raised pork ending stocks by 50 million pounds this morning. Lean Hog values decline after the August contract with discounts noted out through December before prices begin to pick up. Cash hogs in IA/MN closed sharply higher, up \$4.02 at \$93.57. WCB hogs were \$3.69 higher at \$93.19 and ECB hogs were \$0.94 lower at \$89.88. The Lean Hog Index was at \$97.54, down \$1.03 for July 8th. The spot July contract expires July 15th. Pork trading was slow to moderate with light to moderate demand and offerings.

Cotton: Yesterday's Close: Oct 11 Cotton closed at 106.59, down 499 points, Dec 11 Cotton closed at 104.39, down 449 points Dec 11 Cotton closed at 104.39, down 449 points
Cotton futures closed sharply lower again, weighed by higher world stocks. The USDA lowered the average on farm price by 5 cents. The USDA put 2011/12 US ending stocks at 3 million bales and global at 51. Harvested acres were lowered to 9.6 million acres even with increased planted acres of 13.73. This lowered production a million bales to 16.0 million. The use all came out of exports, down a million bales. This combined with increasing old crop stocks 500k bales due to a reduction in exports.

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Sept 11 Corn Daily Chart

ZCU11 - 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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