



## MORNING COMMENTS

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Thursday, July 14, 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** U.S. corn values are still too high for most buyers in the global market. This is a result of competition from discounted feed wheat. The price spread between U.S. corn and feed wheat out of Australia still favors wheat usage by over \$1.00 per bushel. Even in the domestic market U.S. feeders can buy wheat for \$25.00 per ton less than corn.

The Fed Chairman's talk gave the markets a boost that could misfire. Moody's Investors Service said they would review the U.S. credit rating if lawmakers fail to increase the country's debt ceiling and miss debt payments. The United States' Federal Reserve announced it is considering another stimulus package for the U.S. economy. The reaction to this news was bullish for commodities, as it is believed the package will increase consumer spending. This proposition also weighed on the U.S. dollar, which will help negate some of the rally we saw in futures when it comes to making exports.

Weather is a leading story in the corn and soybean markets. A dome of high pressure is expected to set up over the Corn Belt this weekend. The trade recalls what impact these elevated temperatures can do to corn yield, after last year's high temperatures cut yields, mostly from the fact that it never cooled off at night.

Crop reports from the Black Sea region of the world show improving yields, as do the possibilities of increased exports. Many countries in this region claim their exports of small grains such as wheat will double from a year ago. This also appears to be happening in Europe, where even though drought has cut yield potential, crops are going to be larger than initially thought. This likely means more cheap wheat for U.S. corn to compete with in the world market.

### Outside Markets:

U.S. Dollar Index	75.135	-0.412	-0.55%	Euro FX	1.42060	+0.00890	+0.63%	Ethanol Futures	Aug 11	2.844p	+0.075
CRB CCI Index	653.00s	+10.50	+1.63%	Canadian Dollar	1.04180	+0.00050	+0.05%	Gasoline RBOB (E)	Aug 11	3.1516s	+0.0534
Gold	1585.2p	+23.3	+1.49%	Japanese Yen	1.27220	+0.00560	+0.44%	Diesel Gulf (Ulsd)	Aug 11	3.1737s	+0.0138
Silver	38.335	+0.187	+0.49%	Australian Dollar	1.06720	+0.00070	+0.07%	Heating Oil (E)	Aug 11	3.0997s	+0.0121
DJIA	12425s	+12	+0.1%	Chinese Renminbi	0.154550s	+0.000190	+0.12%	Crude Oil Brent (E)	Aug 11	118.78p	+1.03
S&P 500 Index	1308.90	-3.30	-0.25%	Mexican Peso	0.085675s	+0.000625	+0.73%	Natural Gas (E)	Aug 11	4.403s	+0.070
Nasdaq 100	2340.00	-4.50	-0.19%	1-Month Libor	99.8025	-0.0075	-0.01%	Polypropylene	Aug 11	0.7725s	0.0000
Russell 1000 Growth	611.90s	+1.30	+0.21%	T-Bond	126-19	-0.04	-0.1%	Polyethylene	Aug 11	0.5825s	+0.0050
MSCI Emi Index	1139.60p	+15.60	+1.39%	3-Month T-Bill	99.2700s	0.0000	-	Rme Biodiesel	Jul 11	1482.048s	+10.096
Nikkei 225	9950.00	0.00	-	5-Year T-Note	121-7.5	-0.005	-0.01%	Coal Futures	Aug 11	76.87s	+0.10
Brazilian Real	0.63345s	+0.00320	+0.51%	10-Year T-Note	124-240	-0.015	-0.04%	Uranium	Jul 11	53.65s	0.00

**Weather** A few showers and thunderstorms impacted much of IA and MO, with totals generally under .10". Dry weather dominated the rest of the region yesterday and then overnight, showers and thunderstorms have rolled into MN and sections of northern IA. Temps dropped to below average in much of the region, with 70's to the north of I-80 and generally low 80's to the south.

**The forecast** sees some showers and thunderstorms to occur in the north today and tomorrow. Ridging then looks to take over the weather across the region and produce little in the way of rainfall and the hottest temps of the season by later in the weekend and the first half of next week at least. The ridging across the region still looks to continue into most of next week, with the European and Canadian breaking it down by the end of next week and the GFS continuing it through the 10 day period.

### Central Illinois:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
14	15	16	17	18	19	20	21	22	23
82° 64°	87° 68°	90° 73°	94° 74°	90° 75°	91° 76°	92° 74°	89° 73°	88° 70°	87° 70°

### Central Iowa:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
14	15	16	17	18	19	20	21	22	23
86° 71°	91° 75°	90° 75°	92° 76°	92° 76°	91° 74°	95° 73°	87° 72°	86° 71°	86° 71°

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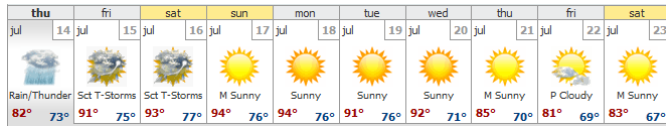
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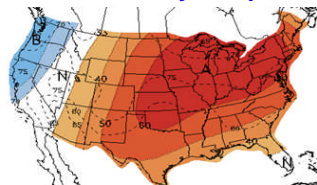
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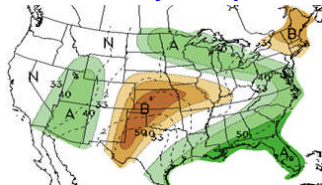
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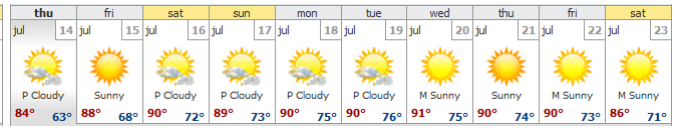
#### 8-14 Day Temp



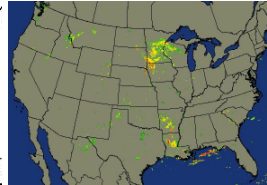
#### 8-14 Day Precipitation



### Central Indiana:



#### Current Radar



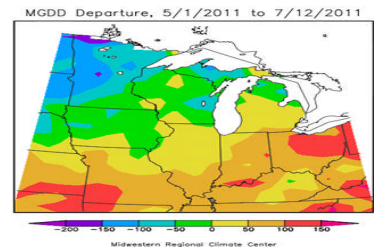
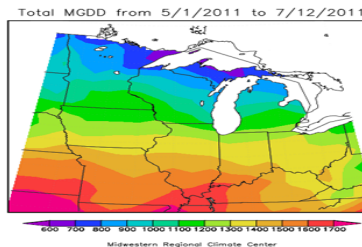
#### Last 24 hr Precip



## Official Weather Station -2011

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

	Monday, July 11	Tuesday, July 12	Wednesday, July 13
<b>Air Temperature</b>	Max = 91; Min = 67	Max = 84; Min = 66	Max = 84; Min = 66
<b>Soil Temperature</b>			
2 inch	Max = 105; Min = 75; Ave = 90	Max = 91; Min = 73; Ave = 82	Max = 91; Min = 73; Ave = 82
4 inch	Max = 99; Min = 73; Ave = 86	Max = 85; Min = 73; Ave = 79	Max = 85; Min = 73; Ave = 79
8 inch	Max = 84; Min = 73; Ave = 78	Max = 81; Min = 73; Ave = 77	Max = 81; Min = 73; Ave = 77
<b>Daily Precipitation</b>	0.72"	0.21"	0.10"



### Corn:

Yesterday's Close: Jul 11 Corn closed at \$7.26 <sup>3</sup>/<sub>4</sub>, up 29 <sup>3</sup>/<sub>4</sub> cents, Sep 11 Corn closed at \$6.86 <sup>3</sup>/<sub>4</sub>, up 22 <sup>3</sup>/<sub>4</sub> cents, Dec 11 Corn closed at \$6.79 <sup>3</sup>/<sub>4</sub>, up 21 <sup>3</sup>/<sub>4</sub> cents Dec 12 Corn closed at \$6.38 <sup>1</sup>/<sub>4</sub>, up 10 <sup>1</sup>/<sub>4</sub> cents

Corn futures closed sharply higher on weather concerns this afternoon. The National Weather Service is forecasting much above normal temperatures from now through July 27th for all but five western U.S. states. The corn crop is at risk with ending stocks already forecast to fall below the one billion bushel pipeline supply in 2011/12. USDA put projected stocks at 870 bushels for 2011/12. Ethanol futures hit the highest level since 2008 today on rising sugar and corn prices. Fed Chairman Bernanke said that the central bank is considering further economic stimulus which boosted commodities in general. Funds bought an estimated 20,000 contracts. Estimates for tomorrow's weekly export sales report range from 1.5 to 2 thousand MT. Cash corn basis levels were steady to firm in the Midwest with farmer selling continuing to be slow.

### Soybean Complex:

Yesterday's Close: Jul 11 Soybeans closed at \$13.87, up 20 <sup>1</sup>/<sub>2</sub> cents, Aug 11 Soybeans closed at \$13.74 <sup>3</sup>/<sub>4</sub>, up 19 <sup>1</sup>/<sub>4</sub> cents, Nov 11 Soybeans closed at \$13.79 <sup>3</sup>/<sub>4</sub>, up 21 <sup>1</sup>/<sub>2</sub> cents, Jul 11 Soybean Meal closed at \$353.20, up \$4.70, Jul 11 Soybean Oil closed at \$57.45, up \$1.15

Soybean futures closed higher rallying for the 8th day. The weather is driving prices up against resistance from the recent sideways price range. New crop and old crop soybeans have been in a trading range for the last several months. Bio-fuel prices were higher today with the lower dollar and higher sugar prices. Estimates for tomorrow's weekly export sales report range from 450,000 to 650,000 MT. U.S. soybean supplies are going to be tighter by 25 million bushels from last year. New crop ending stocks are projected to be 175 million bushels. A major New York spec and investment player is encouraging end users to remain long November futures due to the tighter 2011 crop production situation. Soybean cash basis levels were higher at river terminals and lower at processors. Some of that was for scheduled downtime. Demand for soybean meal is soft.

### Wheat:

Yesterday's Close: Jul 11 CBOT Wheat closed at \$7.02, up 39 <sup>1</sup>/<sub>4</sub> cents, Jul 11 KCBT Wheat closed at \$7.41, up 27 <sup>1</sup>/<sub>4</sub> cents, Jul 11 MGEX Wheat closed at \$8.21 <sup>1</sup>/<sub>4</sub>, up 9 <sup>3</sup>/<sub>4</sub> cents

Wheat futures also closed sharply higher. Trade estimates for tomorrow's weekly export sales report range from 350,000 to 650,000 MT. The recent rains have stalled out the wheat harvest in Colorado, Nebraska and northwest Kansas supporting prices. The above normal temperatures forecast can cause potential damage to the crop that is still maturing. China wheat harvest is expected to increase 1.4 percent over the 2010 crop despite earlier drought conditions in the growing season. The U.S. wheat crop had shown improvement from the previous week but is still behind year ago ratings. Cash basis levels are firming. Farmers are choosing to store versus sell wheat because of

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the carry in the market. Wheat prices in the EU were also higher today.

**Cattle:** Yesterday's Close: Aug 11 Cattle closed at \$113.400, down \$0.625, Oct 11 Cattle closed at \$119.900, down \$0.050, Dec 11 Cattle closed at \$124.200, down \$0.325, Aug 11 Feeder Cattle closed at \$139.900, down \$2.125 Sep 11 Feeder Cattle closed at \$140.550, down \$2.125

Cattle futures closed lower breaking minor support to the downside. Prices had been trading sideways and closed at the lower end of the five day trading range. Boxed beef prices were higher at today's end. Choice was up \$1.27 at \$181.27 and Select was \$0.23 higher at \$176.70. The extended weather forecast is calling for much above normal temperatures through July 27th. If there is no wind accompanying the heat cattle death loss can increase. Some death loss was reported earlier in the week when temps hit above 100 degrees Fahrenheit. The average on farm cash price was projected to increase \$0.50 to \$112.50 in yesterday's USDA WASDE report. Feedlots are offering \$116 to \$117 with one bid reported in NE at \$180 in the dressed. NE cattle sold for \$185 in the dressed last week.

**Hogs:** Yesterday's Close: Jul 11 Hogs closed at \$95.600, up \$0.450, Aug 11 Hogs closed at \$99.275, up \$1.350 Oct 11 Hogs closed at \$93.225, up \$1.025

Lean hog futures were higher on the day but closed in the lower portion of the trading range. August hogs will become spot month when July hogs go off the board on Friday. The Chinese government did announce today they will be providing financial subsidies to farmers to encourage sow breeding. China pork supplies were down because of disease and higher feed costs. Cash hogs were lower around the country. IA/MN hogs were \$1.50 lower at \$91.82, WCB hogs were \$1.57 lower at \$91.42 and ECB hogs were \$0.64 lower at \$89.20. The Lean Hog Index is at \$96.53 for July 11th, and rapidly converging with the July futures ahead of expiration. Pork trading was slow to moderate with light to moderate demand and offerings. The pork cutout was higher.

**Cotton:** Yesterday's Close: Oct 11 Cotton closed at 110.35, up 376 points, Dec 11 Cotton closed at 108.46, up 407 points Dec 11 Cotton closed at 108.46, up 407 points

Cotton futures closed higher, rebounding slightly from the six week 44.4 cent sell off in the October futures. Supportive was the strong Chinese GDP growth number including a sharp increase in clothing sales. Texas continues to be a bleak situation, highlighted by the drop in harvested acres on the WASDE report Tuesday morning.. Certificated stocks were up from the previous day at 55,587 bales.

### US Dollar Index Weekly

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



### Ethanol Weekly

AK - Ethanol Futures (P) (CBOT) - Weekly OHLC Chart



### Lean Hogs Weekly

HE - Lean Hogs (CME) - Weekly OHLC Chart



### Live Cattle Weekly

LE - Live Cattle (CME) - Weekly OHLC Chart



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**Sept 11 Corn Daily Chart**

ZCU11 - Corn (CBOT) - Daily OHLC Chart



**Dec 11 Corn Daily Chart**

ZCX11 - 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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