



# MORNING COMMENTS

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Tuesday, July 19, 2011

**Yesterday's New Recommendation:** For the remainder of the both the 2010 corn and soybeans crop we are going to sweep the bins and sell the remaining 10% at the market. Cash corn bids are near \$6.80 to over \$7.00 across southern MN while cash soybeans are priced between \$13.20 and \$13.50 at most locations.

Reasons: Forecast is calling for cooler temps and wetter conditions over the next few weeks. US Dollar is uncertain and could disrupt markets pending the Aug 2<sup>nd</sup> US debt default deadline. Seasonal trends show the markets are usually choppy now through the end of September. Nearby corn has rallied from a low of \$6.16 to \$7.37 a move of \$1.21, new crop corn has also rallied from \$5.75 to \$6.96 also up \$1.21 from the July 1<sup>st</sup> low. Nearby soybeans have moved from \$12.95 to \$13.96 up \$1.01 while new crop soybeans have gone from \$12.86 back up to \$13.98 also up \$1.02 since June 30<sup>th</sup>. Basis has been improving for both corn and soybeans and now is more defensive in regions of the corn belt.

New crop corn basis has narrowed some with a few locations at -.45 while others are still -.64 under December futures. New crop soybean basis varies from -.85 to -.75 at local elevators with processors at -.55 November futures. We are waiting to set new crop HTA basis for fall delivery at this point. We would like both new crop corn and new crop soybean basis to narrow another .10 to set the basis, if this doesn't occur by mid Aug we will likely recommend setting the basis on those bushels that need a fall delivery.

**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	100% sold with basis set	50% sold HTA	30% sold HTA
Soybeans	100% 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** Lower yesterday on moderating extended weather forecasts with futures trading as much as 19 cents lower before recovering somewhat late in the day to close 5 lower in the nearby Sep and 5-8 cents lower in the 2011-crop contracts. The trade will be quite wary of potential yield losses this week with a portion of the crop attempting to pollinate in near 100F heat.

**USDA Crop Progress:** Corn crop ratings as of July 17 declined more than expected to 16% (17) excellent, 50% (52) good, 23% (22) fair, 7% (6) poor, and 4% (3) very poor. Rating declines were most noticeable in KS, MO, IL and PA with moderate declines in WI, MI, MN, and IN. OH and SD ratings improved while IA and NE were steady. The Crop Progress report for corn showed a 3 point drop in Good/Excellent condition to 66% due to extreme heat during the silking stage of development. Silking was at 35%, 12 points below average. This is also 27 points behind last year.

National soybean crop conditions declined by more than expected, losing 2% in the G/E category to 64% G/E and losing 6 points in the condition index. Conditions declined in 13 of the 18 major soybean states, with the most significant losses coming in NC, KS, IN, IL, MI, and MO. Many of these states have not had much rainfall recently and are finally beginning to show the impact. Conditions increased in only 4 of the 18 major states and held steady in one. Improvements were seen only in LA, SD, ND, and IA thanks to some timely rain in those states. IA rates very strong, but overall national conditions are now running close to the 5-year average. That was about as expected in the trade, with most traders expecting an even lower reading next week. Soybeans blooming was at 40%, down 12 points from average for this date.

## Outside Markets:

<a href="#">U.S. Dollar Index</a>	75.390	-0.403	-0.53%	<a href="#">Euro FX</a>	1.41450	+0.00880	+0.63%	<a href="#">Ethanol Futures</a>	<a href="#">Aug 11</a>	2.859p	-0.014
<a href="#">CRB CCI Index</a>	645.50p	-2.10	-0.32%	<a href="#">Canadian Dollar</a>	1.04590	+0.00540	+0.52%	<a href="#">Gasoline RBOB (E)</a>	<a href="#">Aug 11</a>	3.0974p	-0.0319
<a href="#">Gold</a>	1605.4	+3.3	+0.21%	<a href="#">Japanese Yen</a>	1.26620	+0.00090	+0.07%	<a href="#">Diesel Gulf (Ulsd)</a>	<a href="#">Aug 11</a>	3.1470p	-0.0387
<a href="#">Silver</a>	40.335	+0.002	-	<a href="#">Australian Dollar</a>	1.05990	+0.00830	+0.79%	<a href="#">Heating Oil (E)</a>	<a href="#">Aug 11</a>	3.0777p	-0.0403
<a href="#">DJIA</a>	12328p	-124	-1%	<a href="#">Chinese Renminbi</a>	0.154610p	-0.000090	-0.06%	<a href="#">Crude Oil Brent (E)</a>	<a href="#">Aug 11</a>	118.34s	0.00
<a href="#">S&amp;P 500 Index</a>	1309.50	+9.10	+0.7%	<a href="#">Mexican Peso</a>	0.085025s	0.000000	-	<a href="#">Natural Gas (E)</a>	<a href="#">Aug 11</a>	4.546p	0.000
<a href="#">Nasdaq 100</a>	2359.50	+19.50	+0.83%	<a href="#">1-Month Libor</a>	99.7800	+0.0050	+0.01%	<a href="#">Polypropylene</a>	<a href="#">Aug 11</a>	0.7925s	0.0000
<a href="#">Russell 1000 Growth</a>	608.50s	-5.50	-0.9%	<a href="#">T-Bond</a>	125-16	-0-06	-0.15%	<a href="#">Polyethylene</a>	<a href="#">Aug 11</a>	0.5700p	-0.0050
<a href="#">MSCI Emi Index</a>	1129.50	+6.90	+0.61%	<a href="#">3-Month T-Bill</a>	99.2700s	0.0000	-	<a href="#">Rme Biodiesel</a>	<a href="#">Jul 11</a>	1487.286p	-0.095
<a href="#">Nikkei 225</a>	9965.00	+85.00	+0.86%	<a href="#">5-Year T-Note</a>	121-7.5	-0-7.5	-0.56%	<a href="#">Coal Futures</a>	<a href="#">Aug 11</a>	76.70p	-0.05
<a href="#">Brazilian Real</a>	0.63200s	-0.00085	-0.13%	<a href="#">10-Year T-Note</a>	124-170	-0-125	-0.31%	<a href="#">Uranium</a>	<a href="#">Jul 11</a>	53.65p	0.00

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**Weather** Forecast maps suggested moderating temps and some improvement in moisture by the weekend / early next week.

**Central Illinois:**

tue	wed	thu	fri	sat	sun	mon	tue	wed	thu
19	20	21	22	23	24	25	26	27	28
M Sunny	M Sunny	Sct T-Storms	Iso T-Storms	Iso T-Storms	Sct T-Storms	M Sunny	M Sunny	Sunny	P Cloudy
98° 76°	97° 77°	92° 76°	92° 75°	94° 75°	90° 66°	83° 64°	81° 65°	86° 70°	83° 68°

**Central Iowa:**

tue	wed	thu	fri	sat	sun	mon	tue	wed	thu
19	20	21	22	23	24	25	26	27	28
Iso T-Storms	M Sun/Wind	P Cloudy	Iso T-Storms	Sct T-Storms	P Cloudy	Sunny	Sunny	Sunny	M Sunny
96° 78°	94° 68°	85° 69°	92° 72°	88° 68°	86° 64°	83° 59°	79° 62°	79° 64°	79° 64°

**South Central Minnesota:**

tue	wed	thu	fri	sat	sun	mon	tue	wed	thu
19	20	21	22	23	24	25	26	27	28
PM T-Storms	P Cloudy	M Sunny	P Cloudy	Iso T-Storms	Sct T-Storms	Iso T-Storms	Sunny	Sunny	M Sunny
92° 75°	94° 77°	98° 78°	94° 76°	94° 75°	92° 74°	90° 68°	82° 64°	83° 68°	85° 68°

**Central Indiana:**

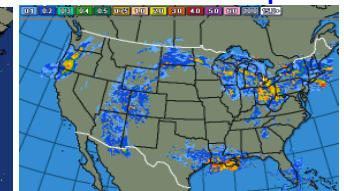
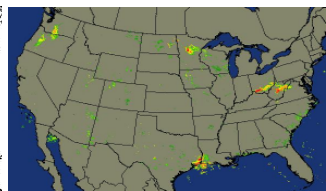
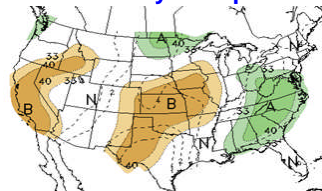
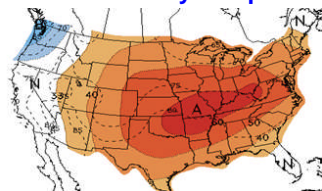
tue	wed	thu	fri	sat	sun	mon	tue	wed	thu
19	20	21	22	23	24	25	26	27	28
PM T-Storms	P Cloudy	M Sunny	P Cloudy	Iso T-Storms	Sct T-Storms	Iso T-Storms	Sunny	Sunny	M Sunny
92° 75°	94° 77°	98° 78°	94° 76°	94° 75°	92° 74°	90° 68°	82° 64°	83° 68°	85° 68°

**8-14 Day Temp**

**8-14 Day Precipitation**

**Current Radar**

**Last 24 hr Precip**



**Official Weather Station -2011**

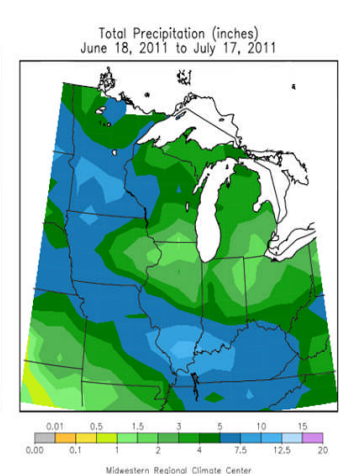
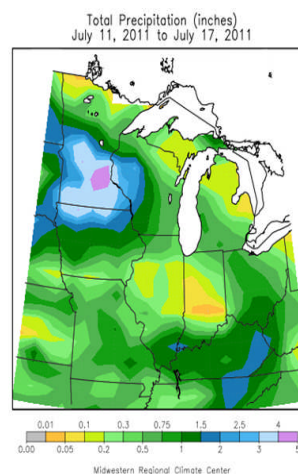
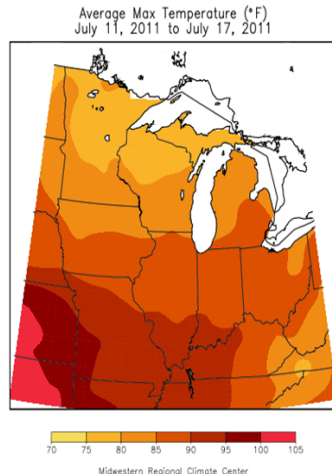
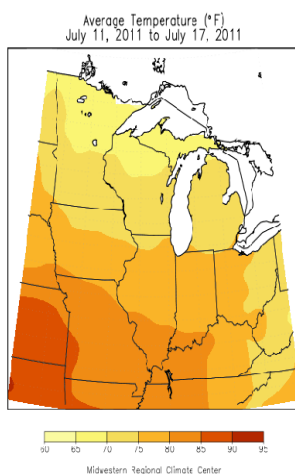
SW Research and Outreach Center  
University of Minnesota  
Lamberton, MN 56152

Monday, July 18	
<b>Air Temperature</b>	Max = 94; Min = 76
<b>Soil Temperature</b>	
2 inch	Max = 93; Min = 78; Ave = 85
4 inch	Max = 86; Min = 75; Ave = 80
8 inch	Max = 81; Min = 75; Ave = 78
<b>Daily Precipitation</b>	0.00"

Temperature (°F)

	80	82	84	86	88	90	92	94	96	98	100	102	104	106	108	110
40	80	81	83	85	88	91	94	97	101	105	109	114	119	124	130	136
45	80	82	84	87	89	93	96	100	104	109	114	119	124	130	137	
50	81	83	85	88	91	95	99	103	108	113	118	124	131	137		
55	81	84	86	89	93	97	101	106	112	117	124	130	137			
60	82	84	88	91	95	100	105	110	116	123	129	137				
65	82	85	89	93	98	103	108	114	121	128	136					
70	83	86	90	95	100	105	112	119	126	134						
75	84	88	92	97	103	109	116	124	132							
80	84	89	94	100	106	113	121	129								
85	85	90	96	102	110	117	126	135								
90	86	91	98	105	113	122	131									
95	86	93	100	108	117	127										
100	87	95	103	112	121	132										

Likelihood of Heat Disorders with Prolonged Exposure or Strenuous Activity  
 Caution Extreme Caution Danger Extreme Danger



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**Corn:** Morning: Sept 11 Corn is at \$7.16 , up 19 3/4 cents, Dec 11 Corn closed at \$6.97 1/4 , up 20 1/4 cents, Mar 11 corn closed at \$7.08 1/2 , up 19 3/4 cents, July 12 Corn is at \$7.17 , up 17 1/2 cents, Yesterday's Close: Sep 11 Corn closed at \$6.96 1/4 , down 5 cents, Dec 11 Corn closed at \$6.77, down 8 cents, Mar 12 Corn closed at \$6.88 3/4 , down 6 1/2 cents Dec 12 Corn closed at \$6.25 1/4 , unch

Corn futures closed lower, but well off the lows of the day. The weather forecasts offered slightly lower highs this coming weekend in the WCB, giving weak longs an excuse to take profits. Broad market weakness was also weighing on corn futures with the dollar up and energy futures down. The USDA Export Inspections report this morning showed 28.95 million bushels inspected for export for the week ending July 14 with a total increase of 31.825 million bushels from last week after revisions to prior data. This is 9 million bushels behind last year's weekly pace.

**Soybean Complex:** Morning: Sept 11 Soybeans closed at \$13.93 , up 10 3/4 cents, Nov 11 Soybeans closed at \$13.98 , up 11 3/4 cents, Jan 11 Soybeans closed at \$14.07 1/4 , up 11 1/4 cents, Jul 12 Soybeans closed at \$13.92 3/4 , up 9 1/2 cents , Yesterday's Close: Aug 11 Soybeans closed at \$13.85 1/2 , down 1/4 cent, Sep 11 Soybeans closed at \$13.82 1/4 , down 3/4 cent, Nov 11 Soybeans closed at \$13.86 1/4 , down 3/4 cent, Nov 12 Soybeans closed at \$13.46 1/2 , down 3 cents, Aug 11 Soybean Meal closed at \$359.30, down \$1.00, Aug 11 Soybean Oil closed at \$56.92, down \$0.43

Soybean futures closed slightly lower. Further European Union debt concerns and a firmer US dollar index were negative factors. The USDA Export Inspections report this morning showed 3.714 million bushels inspected for export for the week ending July 14 with a total increase of 5.9 million bushels from last week after revisions to prior data. This is 4.16 million bushels behind last year's weekly pace.

**Wheat:** Morning: Sept 11 CBOT Wheat closed at \$7.14 3/4 , up 25 1/4 cents, Sept 11 MGEX Wheat is at \$8.47 1/4 , up 24 3/4 cents Yesterday's Close: Sep 11 CBOT Wheat closed at \$6.89 1/2 , down 5 1/4 cents, Sep 11 KCBT Wheat closed at \$7.61, down 3 1/2 cents, Sep 11 MGEX Wheat closed at \$8.22 1/2 , down 1 1/4 cents

Wheat futures closed lower, but also well off of their lows for the day. The firmer dollar and weak broad markets hurt. The USDA Export Inspections report this morning showed 18.726 million bushels inspected for export for the week ending July 14 with a total increase of 18.94 million bushels from last week after revisions to prior data. This is 4.7 million bushels behind last years weekly pace. Winter wheat harvested was at 68%, down 4 points from average for this date. Nebraska was the primary laggard at 28% done vs 60% on average. Spring wheat headed was 60% vs 88% on average. Spring wheat condition was 73% Good/Excellent, 9% lower than last year.

**Cattle:** Yesterday's Close: Aug 11 Cattle closed at \$109.850, down \$0.750, Oct 11 Cattle closed at \$115.850, down \$1.000, Dec 11 Cattle closed at \$119.400, down \$1.450, Aug 11 Feeder Cattle closed at \$134.575, down \$1.125 Sep 11 Feeder Cattle closed at \$135.625, down \$1.175 Oct 11 Feeder Cattle closed at \$136.400, down \$1.425

Cattle futures closed lower, with the back months leading the decline. Cattle feedlots are operating under high stress conditions, and some lost production is expected. On the other hand, consumers likely are not grilling out as much with the heat index over 110 for several days this week. That leaves the market dependent on export sales. Boxed beef prices were mixed this afternoon with choice up \$.21 at 181.09 and Select \$1.47 lower at 173.04. Pasture condition in the Crop Progress report was 46% good or excellent, down 3 percentage points from last week and 18 points below last year.

**Hogs:** Yesterday's Close: Aug 11 Hogs closed at \$98.450, down \$0.500, Oct 11 Hogs closed at \$90.300, down \$1.350 Dec 11 Hogs closed at \$87.200, down \$0.675

Lean hog futures closed down sharply with October taking the heaviest losses. August is the new lead month. The pork carcass cutout was up 31 cents after a \$1.41 pop on Friday. The cutout value was the second highest on record. That didn't stop the futures from selling off. The lean hog index was \$.30 lower on July 14th. Cash hogs were mixed this afternoon with WCB \$.79 higher, ECB \$.09 lower and IA/MN \$.64 higher.

**Cotton:** Yesterday's Close: Oct 11 Cotton closed at 97.95, down 351 points, Dec 11 Cotton closed at 96.84, down 262 points Dec 12 Cotton closed at 92.17, down 58 points

Cotton futures closed off of limit down but trading lower with concerns about collapsing demand. Cotton was already weak and broad market weakness is adding pressure. The DJIA was 172 lower before firming, while gold broke above \$1600 in clear risk off behavior. In this afternoons Crop progress report cotton squaring was seen at 71%, down 8 points from average. Cotton setting bolls was 31% of the acreage, down 3 points from average.

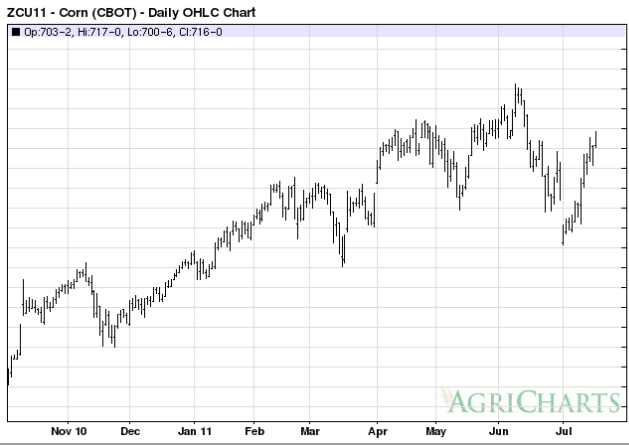
**TEXANS LIQUIDATING CATTLE HERDS IN RECORD NUMBERS** Jul. 18, 2011 Drovers/CattleNetwork reports:

KXAN-TV, Austin, TX, reports cattle auctions are keeping busy as Central Texas cattle ranchers are selling off their herds to survive the drought. This summer's drought conditions which are expected to cause damages exceeding \$3 billion in Texas alone have auction barns selling livestock in record numbers. The Jordan Cattle Auction in Mason County, Texas listed 3,000 cattle for bidding Monday morning.

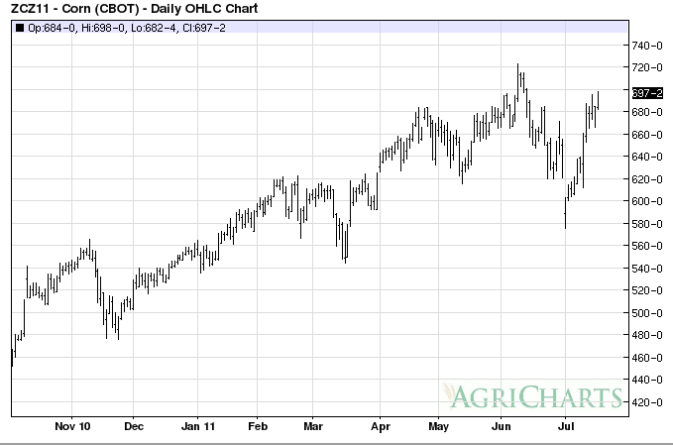
The drought has eliminated the possibility of grazing herds on pastures and feed costs are too high for many producers to retain their animals. Jordan Cattle Auction owner Willard Jordan said the auctions are busy because ranchers don't want to pay to feed their cattle anymore.

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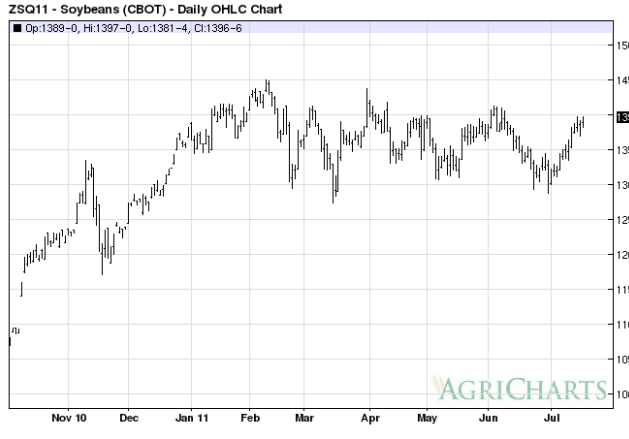
**Sept 11 Corn Daily Chart**



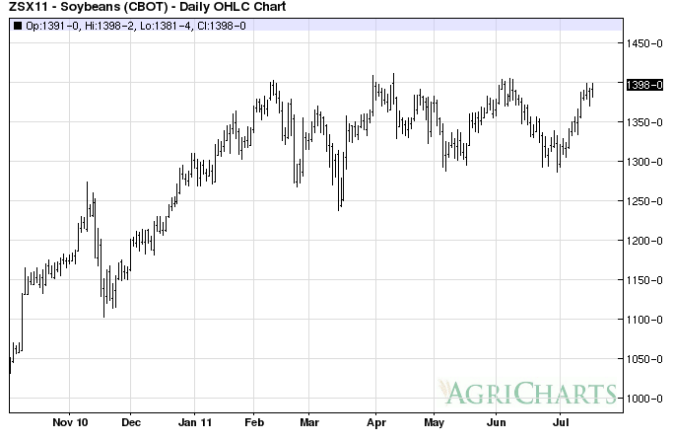
**Dec 11 Corn Daily Chart**



**Aug 11 Soybean Daily Chart**



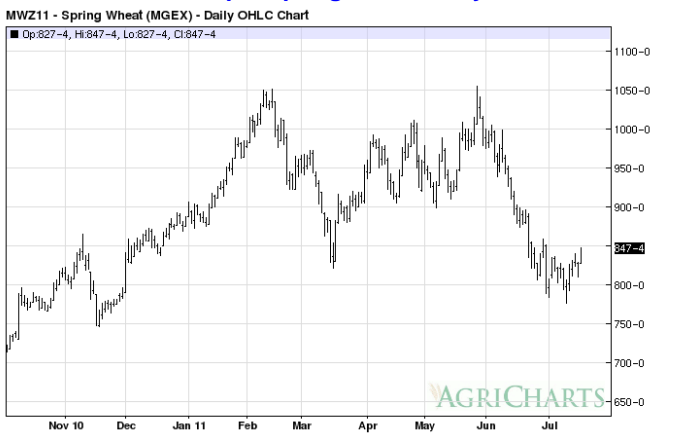
**Nov 11 Soybean Daily Chart**



**Sept 11 Mpls Spring Wheat Daily Chart**



**Dec 11 Mpls Spring Wheat Daily Chart**



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