



MORNING COMMENTS

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Wednesday, July 20, 2011

Monday July 18: 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 2nd 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 1st 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 30th. 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 Electrical curtailment slowed down some ethanol plants over the last couple of days. Soybean processors have concerns about holding too much inventory into a possible inverse market when new crop becomes available. They are likely to be guarded in their soybean inventory once September nears.

Talk of the crop is very likely having pollination problems this week due to the extremely high temperatures. Many in the trade are starting to dial down their yield ideas and we expect to hear a lot of ideas in the 153-157 bpa range for US corn. Yields at this level create another minimum / less-than minimum carryover situation for 2011-12. Trade talk about how it remains difficult to see much downside in the corn market as crop prospects continue to deteriorate. ... The trade has been fooled more than once in the past. Demand will remain a major key as we move forward. We'll continue to watch livestock numbers and profitability for clues as to what could be taking place on the feed demand side. Wheat prices as compared to corn indicate that wheat continues to be a viable alternative to corn in cattle rations and could be displacing some corn usage. Russian and Australian wheat continue to be harvested with Russia undercutting all exporters prices to generate cash.

Travels in recent weeks throughout much of Southern Minnesota would have me believing that yield potential is likely near a ten year APH on a significant amount of the MN crop, this would be below trend line forecasts. This thought has no scientific measurement. There certainly are plenty of troubled regions north of Hwy 19 and even spots in fields elsewhere. However, nearly picture perfect fields, perhaps late on maturity, do exist in much of the southern 2 or 3 tiers of counties across Southern Minnesota.

The Wheat Quality Council's Spring Wheat Tour is next week (Jly 26-28) with their report expected Thurs p.m. They look at spring wheat in North and South Dakota and Minnesota (though not Montana.) Last year their tour estimate was 46.0 bu/a, very close to the USDA's current 46.1 bu/a, but in 2008 the tour estimate was almost 3 bu/a different from the final.

Cash Prices: **Negotiate** if pricing cash corn particularly to an end user as basis being posted is not always the best offer. In some cases farmers have been able to get .10 to .25 better prices than users have posted, especially for meaningful amounts. However, some ethanol plants are starting to get most of their needs covered and have widened basis by as much 35 cents already this week. Posted cash bids are about \$7.23 for spot delivery and \$7.38 for September with new crop at \$6.42, leaving no incentive to hold corn very long.

FSA Livestock Indemnity: The recent heat wave has resulted in death of livestock, most notably large cattle. FSA has an indemnity program available. If you experienced loss call your local FSA office ask for their procedures as they could vary by office. Document the loss by creating a log sheet and also with pictures, tag numbers, rendering pick-up documents, ect.

Reports of huge number of cattle falling over on Monday afternoon. When I asked one feedlot manager how they fared as I had heard that

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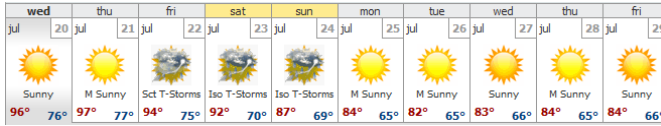
over 200 head were lost he said, "I wish, that would be less than one half of what we lost." Other reports from MN were over 400 head, more than 600 head and about 200 head..... and that was just for Monday afternoon. Apparently protective measures such as electrolytes in the drinking water and sprinkling were ineffective as temperatures and the heat index rose.

Outside Markets:

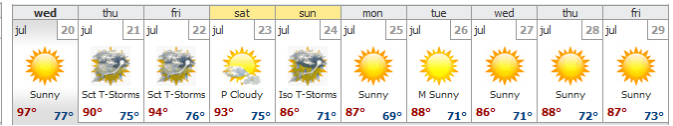
U.S. Dollar Index	75.105	-0.408	-0.54%	Euro FX	1.41930	+0.00850	+0.6%	Ethanol Futures	Aug 11	2.911p	+0.052
CRB CCI Index	651.45	+2.95	+0.45%	Canadian Dollar	1.05440	+0.00370	+0.35%	Gasoline RBOB (E)	Aug 11	3.1149p	+0.0175
Gold	1585.3	-15.6	-0.97%	Japanese Yen	1.26840	+0.00510	+0.4%	Diesel Gulf (Ulsd)	Aug 11	3.1682s	+0.0212
Silver	38.700	-1.511	-3.76%	Australian Dollar	1.06690	+0.00270	+0.25%	Heating Oil (E)	Aug 11	3.0980p	+0.0203
DJIA	12507p	+179	+1.45%	Chinese Renminbi	0.154680p	+0.000070	+0.05%	Crude Oil Brent (E)	Aug 11	118.34s	0.00
S&P 500 Index	1327.40	+6.20	+0.47%	Mexican Peso	0.085675s	+0.000650	+0.76%	Natural Gas (E)	Aug 11	4.533p	-0.013
Nasdaq 100	2409.75	+20.75	+0.87%	1-Month Liber	99.7775p	+0.0025	-	Polypropylene	Aug 11	0.7925s	0.0000
Russell 1000 Growth	620.30p	+11.80	+1.94%	T-Bond	126-15	-0-05	-0.12%	Polyethylene	Aug 11	0.5700p	0.0000
MSCI Emi Index	1142.90	+5.40	+0.47%	3-Month T-Bill	99.2700s	0.0000	-	Rme Biodiesel	Jul 11	1487.524p	+0.238
Nikkei 225	10040.00	+30.00	+0.3%	5-Year T-Note	121-230	-0-2.5	-0.24%	Coal Futures	Aug 11	77.02p	+0.32
Brazilian Real	0.63720s	+0.00520	+0.82%	10-Year T-Note	124-225	-0-070	-0.18%	Uranium	Jul 11	53.65p	0.00

Weather Dry weather again dominated the majority of the Midwest yesterday, with some showers and isolated thunderstorms bringing some rains to eastern MN near the Twin Cities, WI, northeast IN and most of OH. Total in most cases were generally under .25", with some isolated heavier totals occurring as well. Temps were hot, with highs in the mid 90's in most cases and some upper 90's and even a few 100's scattered into IA, MO and IL. **The forecast** sees ridging to continue across the Midwest for the rest of this week and then the ridge to break down and a cold front to work through all of the region over the weekend- bringing some rains and cooler temps A return to some ridging is seen for the middle to end of next week. Rainfall with the weekend front still does not look to be all that plentiful, with most amounts in the light to moderate range. The rains also look to favor the northern and eastern Midwest. Things then look to quiet back down some for Sunday and early next week, with some showers and thunderstorms possible in the far north.

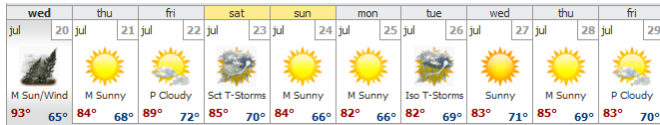
Central Illinois:



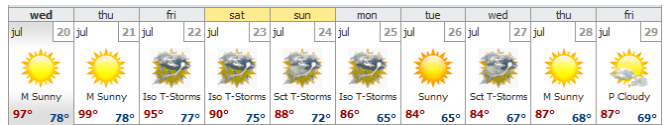
Central Iowa:



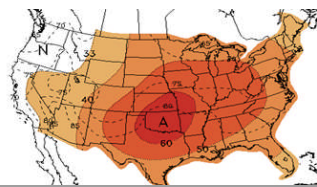
South Central Minnesota:



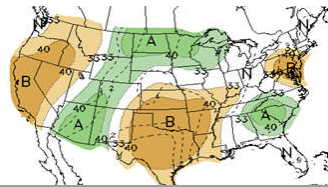
Central Indiana:



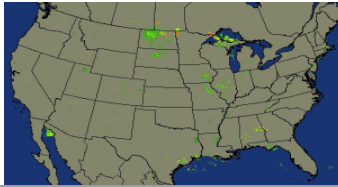
8-14 Day Temp



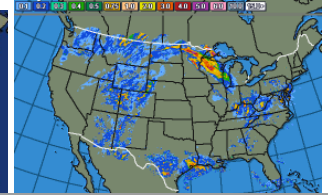
8-14 Day Precipitation



Current Radar



Last 24 hr Precip

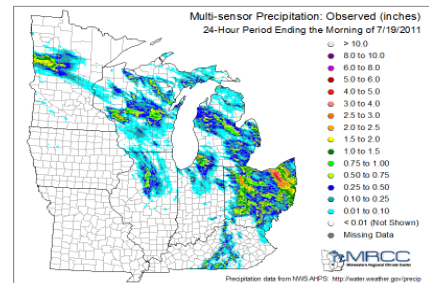


Official Weather Station -2011

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

	Monday, July 18	Tuesday, July 19
Air Temperature	Max = 94; Min = 76	Max = 99; Min = 80
Soil Temperature		
2 inch	Max = 93; Min = 78; Ave = 85	Max = 103; Min = 78; Ave = 90
4 inch	Max = 86; Min = 75; Ave = 80	Max = 94; Min = 75; Ave = 85
8 inch	Max = 81; Min = 75; Ave = 78	Max = 86; Min = 75; Ave = 81
Daily Precipitation	0.00"	0.00"

Relative Humidity (%)	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	137
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	135					
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										



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Corn: Morning: Sept 11 Corn is at \$7.04 ½ , up 6 ½ cents, Dec 11 Corn closed at \$6.93 , up 5 ¾ cents, Mar 11 corn closed at \$7.05 ¾ , up 6 ½ cents, July 12 Corn is at \$7.14 ¼ , up 5 ¼ cents, Yesterday's Close: Sep 11 Corn closed at \$6.98, up 1 ¾ cents, Dec 11 Corn closed at \$6.87 ¼ , up 10 ¼ cents, Mar 12 Corn closed at \$6.99 ¼ , up 10 ½ cents Dec 12 Corn closed at \$6.20 ½ , down 4 ¾ cents
Corn futures closed higher but near the lows of the day for old crop and about 5 to 6 cents off the lows for new crop. The technical picture raised the caution flag with today's close and the shifting weather forecast showing temperatures in the mid to high 80s after Sunday. The corn crop would really benefit from some rain right now but earlier season rains in mu helping to sustain the plant. The corn crop condition was rated 66 good/excellent for corn as of Sunday. Cash corn spot basis bids were steady to sharply higher at elevators, processors and river terminals around the Midwest. Old crop supplies are tight and new crop conditions are poor leading to increased bidding competition for corn.

Soybean Complex: Morning: Sept 11 Soybeans closed at \$13.84 ½ , up 7 ½ cents, Nov 11 Soybeans closed at \$13.89 , up 7 cents, Jan 11 Soybeans closed at \$14.00 , up 9 ¾ cents, Jul 12 Soybeans closed at \$13.94 , up 5 ¼ cents , Yesterday's Close: Aug 11 Soybeans closed at \$13.79 ¼ , down 6 ¼ cents, Sep 11 Soybeans closed at \$13.77, down 5 ¼ cents, Nov 11 Soybeans closed at \$13.82, down 4 ¼ cents, Nov 12 Soybeans closed at \$13.39 ½ , down 7 cents, Aug 11 Soybean Meal closed at \$360.10, up \$0.80, Aug 11 Soybean Oil closed at \$56.69, down \$0.23
Soybean futures ended lower on the day after trading higher and near the upper end of the last three months trading range earlier in the session. November soybeans took out the June high by 4 cents before reversing direction. Private exporters announced the sale of 110,000 MT of soybeans to an unknown destination for 2011/12 delivery this morning. Soybean exports have seasonally picked up slightly in the past for the next six weeks as the market heads into the next crop year. The lower dollar and higher crude oil prices helped to underpin soybean prices. Crop ratings were 64 percent good/excellent or three points behind a year ago. Soybean basis bids eased at some processing plants on pressure from weak profit margins and dull demand for soymeal.

Wheat: Morning: Sept 11 CBOT Wheat closed at \$7.00 , up 6 ¾ cents, Sept 11 MGEX Wheat is at \$8.42 ½ , up 9 ½ cents
Yesterday's Close: Sep 11 CBOT Wheat closed at \$6.93 ½ , up 4 cents, Sep 11 KCBT Wheat closed at \$7.78, up 17 cents, Sep 11 MGEX Wheat closed at \$8.33, up 10 1/2 cents
Wheat futures ended higher on the day but were down significantly from session highs. The weaker dollar was supportive to the export market. Grain stocks in select export elevators and terminals were up 4.6 million bushels from last week. Wheat production is not out of the woods yet. Weather forecasts keep temperatures above normal until August 1st for most of the country. There are chances of rain for the Great Lakes area, North Dakota, Iowa and Ohio with some precipitation forecast for the northern portions of Indiana and Illinois and the Delta from July 24 "28th. Wheat production in the Black Sea region has improved over the past year recovering from drought last year prompting dealers to estimate a 1 MMT increase in exports from 2.5 MMT last year to 3.5 MMT this year.

Cattle: Yesterday's Close: Aug 11 Cattle closed at \$110.500, up \$0.650, Oct 11 Cattle closed at \$116.375, up \$0.525, Dec 11 Cattle closed at \$119.800, up \$0.400, Aug 11 Feeder Cattle closed at \$135.575, up \$1.000 Sep 11 Feeder Cattle closed at \$136.250, up \$0.625 Oct 11 Feeder Cattle closed at \$136.800, up \$0.400
Cattle futures closed higher but near the lower end of the days trading range. The heat has been around for awhile which could influence the marketings on the monthly Cattle on Feed report this Friday. On June 1, cattle on feed for slaughter market for 1,000 head capacity lots totaled 10.9 million head. Feeder cattle at the Oklahoma City auction were \$2 to \$5 lower. Cash cattle sold for \$3 to \$4 lower last week and no bids or offers have surfaced yet this week. Boxed beef prices were mixed this afternoon with Choice down \$0.19 at \$180.90 and Select \$0.46 higher at 173.50.

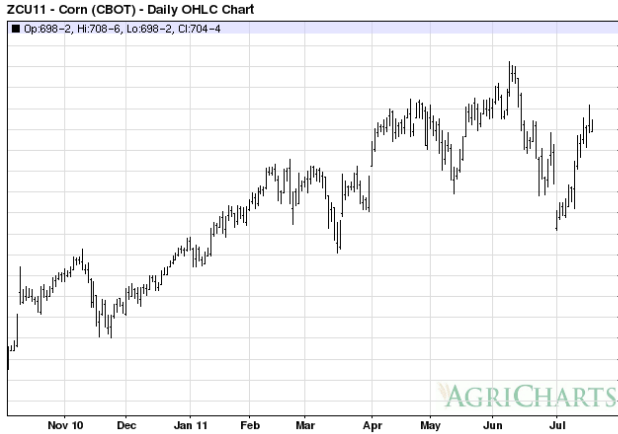
Hogs: Yesterday's Close: Aug 11 Hogs closed at \$99.650, up \$1.200, Oct 11 Hogs closed at \$91.675, up \$1.375 Dec 11 Hogs closed at \$87.850, up \$0.650
Lean hog futures closed higher recovering all of yesterdays drop plus more. The lean hog index was \$0.15 lower for July 15th at \$95.08. Cash hogs in IA/MN were \$0.26 lower at \$92.98, \$0.43 lower in the WCB at \$92.75 and \$0.50 higher in the ECB at \$90.17. Pork trade in the U.S. is slow to moderate with mostly light demand and moderate offerings. The cutout was lower.

Cotton: Yesterday's Close: Oct 11 Cotton closed at 101.95, up 400 points, Dec 11 Cotton closed at 100.84, up 400 points Dec 12 Cotton closed at 96.17, up 400 points
Cotton futures closed limit up, after extreme weakness lately. The stock market was sharply higher, the dollar was lower and commodities as a whole were doing well, benefiting cotton prices. There was a bi-partisan debt reduction proposal that propped up the equity market. Some were pointing to hot and dry weather for today's jump in cotton but that is not a new story. International demand weakness remains a concern due to weak yarn demand. Cotton harvest in Brazil is nearly complete through center-southern Brazil.

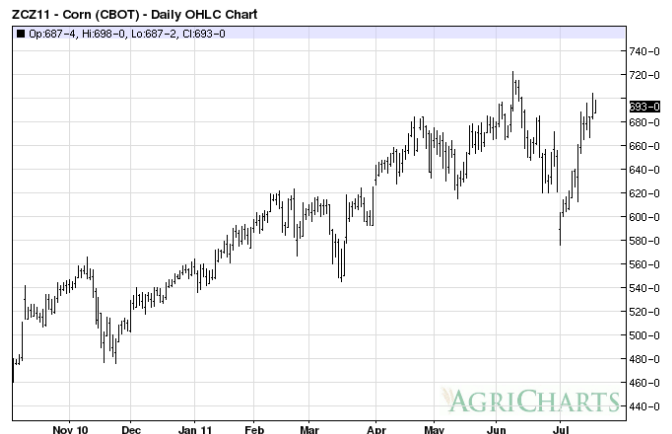
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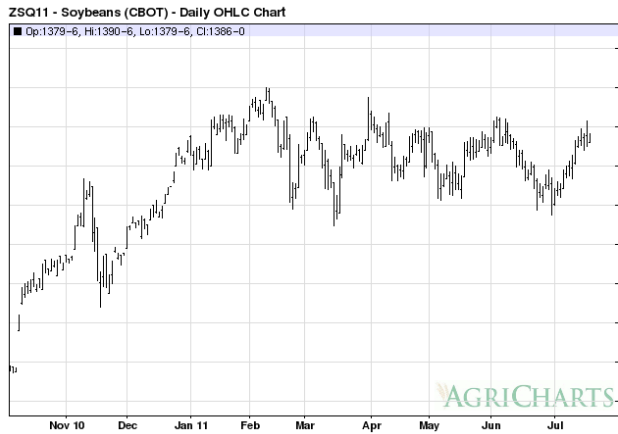
Sept 11 Corn Daily Chart



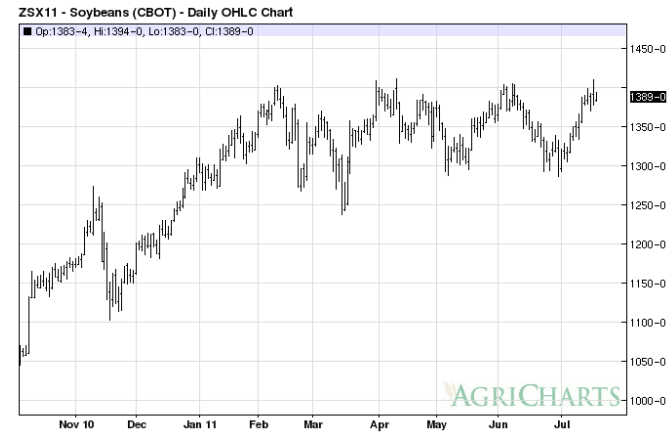
Dec 11 Corn Daily Chart



Aug 11 Soybean Daily Chart



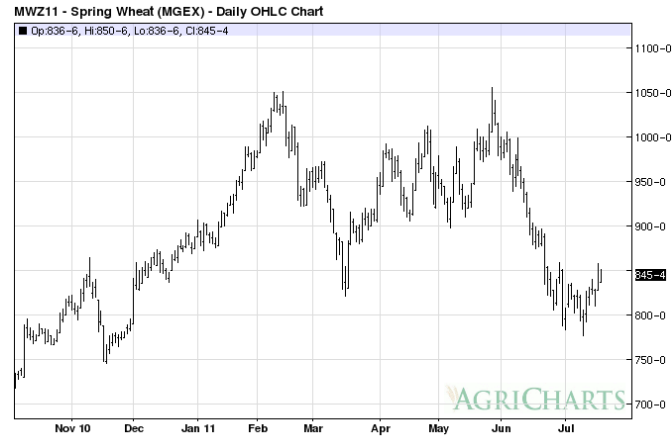
Nov 11 Soybean Daily Chart



Sept 11 Mpls Spring Wheat Daily Chart



Dec 11 Mpls Spring Wheat Daily Chart



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