



# MORNING COMMENTS

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Friday, July 22, 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	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

**USDA Report: Friday July 22, 2011 Cattle on Feed**

	Average of Estimates	Implied Cattle #	Range of Estimates
On Feed Jul 1	102.7%	10,343	101.5% - 104.1%
Placed on Feed in Jun	93.4%	1,521	88.1% - 101.4%
Marketed in Jun	102.8%	2,053	101.5% - 104.6%

Analysts talk of one of the key numbers will be the estimate for the calf crop in 2011. The calf crop for 2010 was last pegged at 35.685 million head, the smallest level since 1950. Analysts expect the upcoming report to show another 1.5% drop in the calf crop and lower cow inventories. The beef cow herd is expected to be down 1.9% to 31.2 million head.

**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.

**Consider Put Options:** If you have a concern about prices collapsing and are not willing to sell physical crop then put options provide a means of price protection without having a commitment to deliver. **They provide a means to manage price risk with a known and fixed cost.** They provide upside from a potentially higher priced cash sale. The put option strikes levels we like are the December Corn \$6.40 put costing about \$.38 and the November Soybean \$13.60 put costing about \$.52 as they provide a futures floor of near \$6.00 corn and \$13.00 soybeans. Both of which protect good returns with a near normal yield and have reasonable cost. See yesterday's newsletter for a more detail explanation of the mechanics of put options coupled with cash marketing.

For more information on options visit us at <http://www.mnwestag.com/pages/custom.php?id=17911>

2011 Corn - Example	Revenue Insurance floor			\$6.01 base	
Coverage Election	65%	70%	75%	80%	85%
Futures Equivalent Price	\$ 3.91	\$ 4.21	\$ 4.51	\$ 4.81	\$ 5.11
Basis	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)
Cash Equivalent	\$ 3.31	\$ 3.61	\$ 3.91	\$ 4.21	\$ 4.51

Assumes producing a crop that yields equal to your crop insurance APH

Put Option Opportunity Using	Dec 11	Corn Put Options					
Strike Price	\$ 6.80	\$ 6.60	\$ 6.40	\$ 6.20	\$ 6.00	\$ 5.80	\$ 5.60
Less Premium Cost	\$ (0.60)	\$ (0.49)	\$ (0.38)	\$ (0.34)	\$ (0.25)	\$ (0.19)	\$ (0.14)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 6.19	\$ 6.10	\$ 6.01	\$ 5.85	\$ 5.74	\$ 5.60	\$ 5.45
Less Expected Basis	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)	\$ (0.60)
Expected Minumim Cash Price	\$ 5.59	\$ 5.50	\$ 5.41	\$ 5.25	\$ 5.14	\$ 5.00	\$ 4.85

2011 Soybean Example	Revenue Insurance floor			\$13.49 base	
Coverage Election	65%	70%	75%	80%	85%
Futures Price	\$ 8.77	\$ 9.44	\$ 10.12	\$ 10.79	\$ 11.47
Basis	\$ (0.75)	\$ (0.75)	\$ (0.75)	\$ (0.75)	\$ (0.75)
Cash Equivalent	\$ 8.02	\$ 8.69	\$ 9.37	\$ 10.04	\$ 10.72

Assumes producing a crop that yields equal to your crop insurance APH

Put Option Opportunity Using	Nov 11	Soybean Put Options					
Strike Price	\$14.00	\$13.80	\$13.60	\$13.40	\$13.20	\$13.00	\$12.80
Less Premium Cost	\$ (0.70)	\$ (0.62)	\$ (0.51)	\$ (0.40)	\$ (0.34)	\$ (0.25)	\$ (0.22)
Less Transaction Cost	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Futures Floor	\$ 13.29	\$ 13.17	\$ 13.08	\$ 12.99	\$ 12.85	\$ 12.74	\$ 12.57
Less Expected Basis	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)	\$ (0.70)
Expected Minumim Cash Price	\$ 12.59	\$ 12.47	\$ 12.38	\$ 12.29	\$ 12.15	\$ 12.04	\$ 11.87

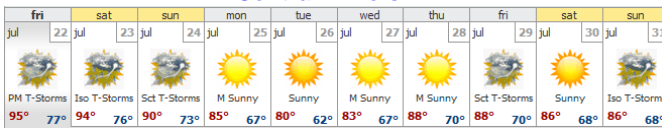
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**Outside Markets:**

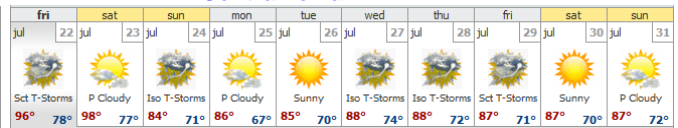
<a href="#">U.S. Dollar Index</a>	74.231s	-0.863	-1.15%	<a href="#">Euro FX</a>	1.43900s	+0.01890	+1.33%	<a href="#">Ethanol Futures</a>	Aug 11	2.895s	+0.003
<a href="#">CRB CCI Index</a>	644.50s	-4.50	-0.69%	<a href="#">Canadian Dollar</a>	1.05760s	+0.00360	+0.34%	<a href="#">Gasoline RBOB (E)</a>	Aug 11	3.0995s	-0.0475
<a href="#">Gold</a>	1586.8s	-9.9	-0.62%	<a href="#">Japanese Yen</a>	1.27500s	+0.00500	+0.39%	<a href="#">Diesel Gulf (Ulsd)</a>	Aug 11	3.1704s	-0.0191
<a href="#">Silver</a>	38.937s	-0.609	-1.54%	<a href="#">Australian Dollar</a>	1.07630s	+0.01030	+0.97%	<a href="#">Heating Oil (E)</a>	Aug 11	3.0992s	-0.0192
<a href="#">DJI</a>	12690s	+183	+1.46%	<a href="#">Chinese Renminbi</a>	0.154980s	+0.000070	+0.05%	<a href="#">Crude Oil Brent (E)</a>	Sep 11	117.51s	-0.64
<a href="#">S&amp;P 500 Index</a>	1343.80	+1.30	+0.1%	<a href="#">Mexican Peso</a>	0.086150s	+0.000450	+0.53%	<a href="#">Natural Gas (E)</a>	Aug 11	4.395s	-0.105
<a href="#">Nasdaq 100</a>	2410.00	0.00	-	<a href="#">1-Month Labor</a>	99.7900s	+0.0050	+0.01%	<a href="#">Polypropylene</a>	Aug 11	0.7925s	0.0000
<a href="#">Russell 1000 Growth</a>	625.00	+6.90	+1.12%	<a href="#">T-Bond</a>	125-03s	-0.25	-0.62%	<a href="#">Polyethylene</a>	Aug 11	0.5700s	0.0000
<a href="#">MSCI Emi Index</a>	1159.30	+18.30	+1.6%	<a href="#">3-Month T-Bill</a>	99.2700s	0.0000	-	<a href="#">Rme Biodiesel</a>	Jul 11	1488.190s	+1.571
<a href="#">Nikkei 225</a>	10125.00	+5.00	+0.05%	<a href="#">5-Year T-Note</a>	120-7.5s	-0.275	-0.71%	<a href="#">Coal Futures</a>	Aug 11	77.50s	+0.33
<a href="#">Brazilian Real</a>	0.64250s	+0.00225	+0.35%	<a href="#">10-Year T-Note</a>	124-000s	-0.190	-0.48%	<a href="#">Uranium</a>	Jul 11	52.65s	-1.00

**Weather**

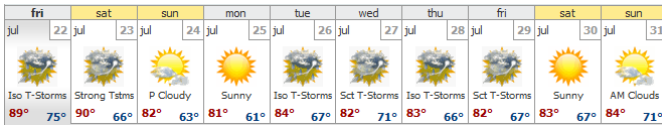
**Central Illinois:**



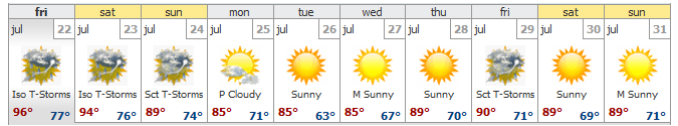
**Central Iowa:**



**South Central Minnesota:**



**Central Indiana:**

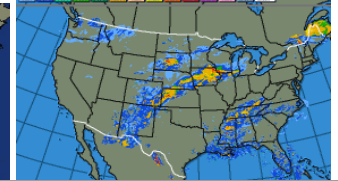
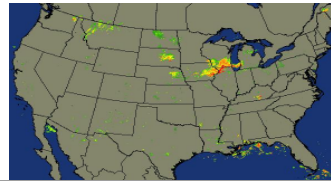
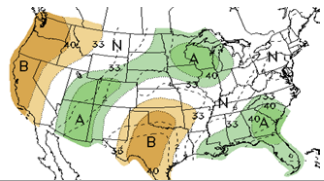
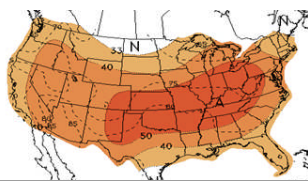


**8-14 Day Temp**

**8-14 Day Precipitation**

**Current Radar**

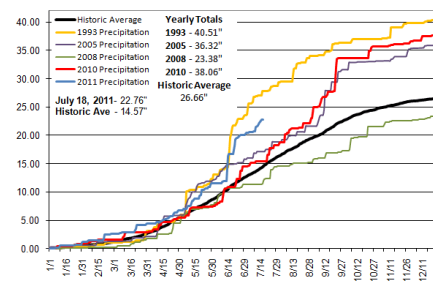
**Last 24 hr Precip**



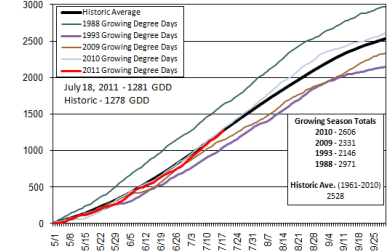
**Official Weather Station -2011**

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

2005-2011 Yearly Precipitation Totals vs. Historic Average  
Southwest Research and Outreach Center  
Lamberton, MN



1988, 1993, 2009-2011 Growing Degree Totals vs. Historic Average  
Growing Season: May 1 - September 30  
Historic Average: 1961-2010  
Southwest Research & Outreach Center  
Lamberton, MN



**Corn:** Morning: Sept 11 Corn is at \$6.79 ¼, down 8 ¾ cents, Dec 11 Corn closed at \$6.73 ¼, down 4 ¾ cents, Mar 11 corn closed at \$6.85 ¾, down 4 cents, July 12 Corn is at \$6.98 ½, down 4 cents, Yesterday's Close: Sep 11 Corn closed at \$6.79 1/4, down 8 3/4 cents, Dec 11 Corn closed at \$6.73, down 4 3/4 cents, Mar 12 Corn closed at \$6.85 3/4, down 4 cents, Dec 12 Corn closed at \$6.13, up 1 1/4 cents  
Corn futures closed lower as a cool front brought thunderstorms to central and eastern NE and the northern half of IA. The system expands over the weekend to cover much of the growing region into next Tuesday bringing much needed moisture to balance out the heat in part of the region that needs rain. Rain is also forecast for North and South Dakota and Minnesota. Those states already have substantial soil moisture. Funds sold an estimated 7,000 contracts. Weekly export sales were down 22 percent from the four week average at 428,700 MT

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for 2010/11 delivery and sales of 472,800 MT for 2011/12 delivery were reported for mostly an unknown destination (252,700 MT). Corn basis levels have backed off some from record levels earlier this week. Basis levels dropped at river terminals and a western IL ethanol plant and were steady elsewhere around the Midwest.

**Soybean Complex:** Morning: Sept 11 Soybeans closed at \$13.81 ¼ , up 2 ¼ cents, Nov 11 Soybeans closed at \$13.88 , up 4 cents, Jan 11 Soybeans closed at \$13.97 ¼ , up 4 cents, Jul 12 Soybeans closed at \$13.97 , up 5 cents , Yesterday's Close: Aug 11 Soybeans closed at \$13.80 1/4, up 2 cents, Sep 11 Soybeans closed at \$13.81 1/4, up 2 1/4 cents, Nov 11 Soybeans closed at \$13.88, up 4 cents, Nov 12 Soybeans closed at \$13.44, up 7 cents, Aug 11 Soybean Meal closed at \$362.70, up \$0.80, Aug 11 Soybean Oil closed at \$56.48, down \$0.29  
Soybean futures rebounded as the day session came to a close to finish higher on the day. Net export sales for 2010/11 delivery were 257,019 MT, up from last week and sales for 2011/12 were 188,913 MT, down sharply from the previous week. Bean oil exports were up from last week and the four week average while soybean meal exports were down. The Argentine government lowered their soybean output to 48.8 MMT down from last months 49.6 MMT. Argentina ranks number 1 in soybean oil and soybean meal exports and number 3 in soybean exports globally. Soybean basis levels fell in the U.S. at major central IL processors and were mostly steady at elevators and river points in the Midwest. The dollar broke technical support and crude oil prices ended higher and as a result supported soybean prices. Rainfall in NE and IA are benefitting the crop and the rains will continue to move east before the system breaks up next Tuesday/Wednesday bringing some relief to the extreme heat in the forecast before things turn hot and dry again.

**Wheat:** Morning: Sept 11 CBOT Wheat closed at \$6.77 ¼ , down 19 ¾ cents, Sept 11 MGEX Wheat is at \$8.33 ¾ , down 19 cents  
Yesterday's Close: Sep 11 CBOT Wheat closed at \$6.77 1/4, dn 19 3/4 cents, Sep 11 KCBT Wheat closed at \$7.74 1/4, dn 19 3/4 cents, Sep 11 MGEX Wheat closed at \$8.33 3/4, down 19 cents  
Wheat futures closed lower on all three exchanges. Export sales for 2011/12 were 344,427 and the first sale for 2012/13 delivery of 59,101 MT was reported for Mexico. Cattle feedlots in search of cheaper feed have been bidding up for newly harvested wheat in the west. Western wheat yields are better than expected but protein levels are not. China sold 17 TMT out of 376 TMT of wheat offered from their reserves. The EU granted export licenses for 236,000 MT of soft wheat with totals running behind a year ago. Their 2010/11 season ended June 30th. The Iraqi Grain Board issued a tender to buy 100,000 MT of optional origin wheat. Jordan is also in the market for 50,000 MT of hard wheat. Cash basis levels are holding steady for HRW wheat.

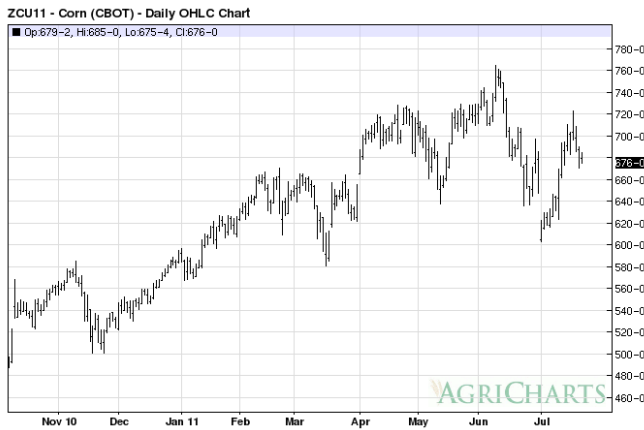
**Cattle:** Yesterday's Close: Aug 11 Cattle closed at \$110.000, up \$0.400, Oct 11 Cattle closed at \$115.400, up \$0.100, Dec 11 Cattle closed at \$118.750, down \$0.250, Aug 11 Feeder Cattle closed at \$135.200, up \$0.275  
Sep 11 Feeder Cattle closed at \$135.800, up \$0.175, Oct 11 Feeder Cattle closed at \$137.000, up \$0.125  
Cattle futures closed higher on the first two contracts and lower on the remaining contracts with all months closing near the lows of the day. Traders are positioning ahead of tomorrow's Cattle on Feed report. Trade estimates average 102.7 for July 1 on feed, 93.4 for June placements and 102.8 for June marketings. Boxed beef prices were down sharply on the day. Choice was off \$1.65 at 176.59 and Select was down \$1.46 at 171.28. Export beef shipments for the week ending July 14th were at a marketing year high pushing accumulated exports to 417,723 MT for 2011. Mexico, South Korea and Japan remain our best customers so far this year.

**Hogs:** Yesterday's Close: Aug 11 Hogs closed at \$98.100, up \$0.250, Oct 11 Hogs closed at \$90.650, up \$0.250  
Dec 11 Hogs closed at \$87.375, unch  
Lean hog futures closed mixed with most of the contracts finishing on the lower end of today's price range. The lean hog index was up \$0.24 for July 19th at \$95.37. Cash hogs were higher on the day. IA/MN hogs were up \$1.44 at \$95.67, WCB hogs were \$1.61 higher at \$95.56 and ECB hogs were \$1.49 higher at \$91.79. The heat and humidity have stressed livestock but weights held steady with last week from the previous week at 266.6 pounds. Weights were down from last years 267.3 pounds for last week. Pork trading was slow to moderate with light to moderate demand and offerings. The Carcass was higher.

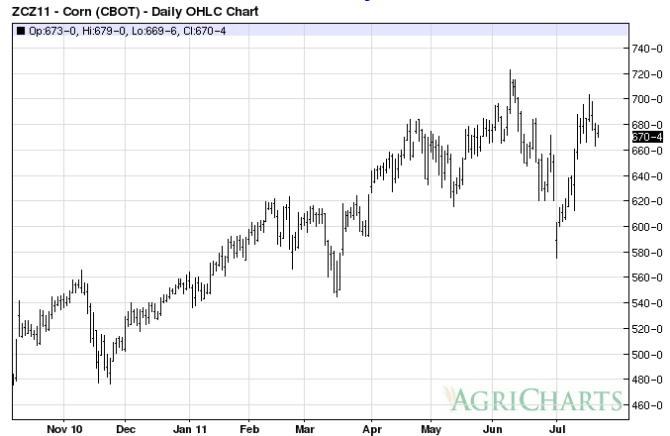
**Cotton:** Yesterday's Close: Oct 11 Cotton closed at 99.33, down 196 points, Dec 11 Cotton closed at 98.63, down 212 points  
Dec 12 Cotton closed at 94.61, down 35 points  
Cotton futures closed lower, weighed on by weak exports, market uncertainty and a contraction in manufacturing activity in China. Export sales were a net reduction of 6,800 RB for 2010/11 delivery and a net gain of 31,200 RB for 2011/12 (China). Cotton importers have been rolling old crop sales to new crop since March 2011. Volume for futures and options had been holding around 14,000 contracts with open interest holding in the 260 and just breaking above the 275,000 range.

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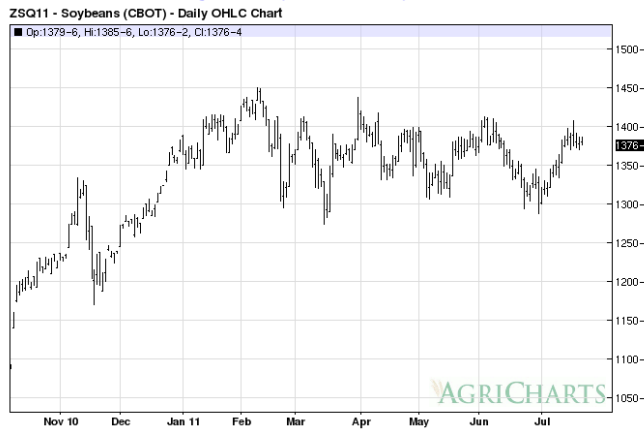
**Sept 11 Corn Daily Chart**



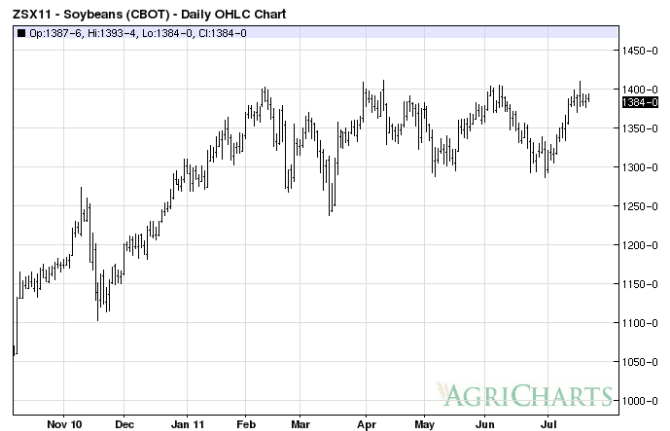
**Dec 11 Corn Daily Chart**



**Aug 11 Soybean Daily Chart**



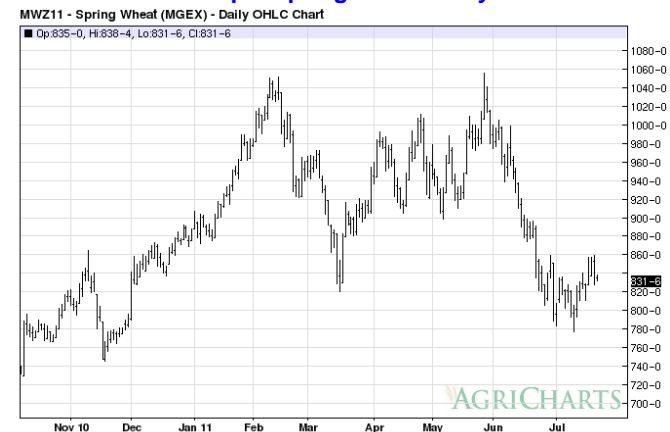
**Nov 11 Soybean Daily Chart**



**Sept 11 Mpls Spring Wheat Daily Chart**



**Dec 11 Mpls Spring Wheat Daily Chart**



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