



MORNING COMMENTS

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Monday, August 8, 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

Next Major USDA Reports: Thursday August 11, 2011 WASDE & Crop Production

Crop size estimates by major firms indicate that they believe the corn crop is getting smaller. Trade estimates for the national corn yield now center on about 155 bushels per acre with some indicating a yield as low as 150 to 153 bushels. Informa Economics Inc. last week reportedly estimated the national average corn yield at 158.0 bu. per acre with a crop of 13.353 billion bushels. The research group also reportedly estimated soybean yields at 42.5 bu. Per acre with a crop of 3.139 billion bushels. (In July, USDA projected a corn yield of 158.7 bu. per acre and crop of 13.47 billion bushels. It put the bean yield at 43.4 bu. per acre with the crop at 3.225 billion bushels.) Dr. Michael Cordonnier lowered his national average corn yield estimate 1 bu., to 155.0 bu. per acre. Doane's national corn yield estimate is 157.5 bushels per acre for a production total of 13.221 billion bushels, up 6% from a year ago. Doane's yield forecast is 42.5 bu/a, very near the five-year average, but below the trend estimated by USDA at 43.4 bu/a. The forecast is less than last year's final soybean yield at 43.5 bu/a and the record of 44.0 bu/a set in 2009. FC Stone last week estimated the national average corn yield at 153.2 bu. Per acre with the corn crop at 13.002 billion bushels. FC Stone also estimated a national average soybean yield of 42.4 bu. per acre with production of 3.145 billion bushels.

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 Concerns are of the Standard's & Poor's downgrading of the U.S.'s AAA credit rating for the first time as they lowered the U.S. rating one level to AA+ and kept the outlook as 'Negative'. S&P said in a statement late Friday after the markets closed, "The downgrade reflects our opinion that the fiscal consolidation plan that Congress and the Administration recently agreed to falls short of what, in our view, would be necessary to stabilize the government's medium-term debt dynamics."

S&P put the U.S. government on notice on April 18 that it risked losing the AAA rating it had since 1941 unless lawmakers agreed on a plan by 2013 to reduce budget deficits and the national debt. It indicated last month that anything less than \$4 trillion in cuts would jeopardize the rating. Lawmakers agreed on Aug. 2 to raise the nation's \$14.3 trillion debt ceiling and put in place a plan to enforce \$2.4 trillion in spending reductions over the next 10 years, less than the \$4 trillion S&P had said it preferred. The U.S. immediately lashed out at S&P after the downgrade, with a Treasury Department spokesman saying the firm's analysis contains a \$2 trillion error.

U.S. Treasury yields average about 0.70 percentage point less than the rest of the world's sovereign debt markets, Bank of America Merrill Lynch indexes show. The difference has expanded from 0.15 percentage point in January. Investors from China to the U.K. are lending money to the U.S. government for a decade at the lowest rates of the year. For many of them, there are few alternatives outside the U.S., no matter what its credit rating. Only 18 sovereign entities have the AAA rating from S&P.

Standard's & Poor's ratings of U.S. mortgage securities in 2008 were at the highest possible "AAA" prior to the financial meltdown, thus some analysts are not putting much stock into this rating change saying that S&P doesn't have much credibility. It normally takes a rating change by 2 of the big 3 rating agencies to impact interest rates. However, the outside markets are reacting to a degree as Gold is higher this morning.

Outside Markets:

U.S. Dollar Index	74.955	+0.153	+0.2%	Euro FX	1.41930	-0.00570	-0.4%	Ethanol Futures	Sep 11	2.735p	+0.093
CRB CCI Index	623.65	-4.90	-0.78%	Canadian Dollar	1.01240	-0.00740	-0.73%	Gasoline RBOB (E)	Sep 11	2.8052p	+0.0680
Gold	1699.6	+50.8	+3.08%	Japanese Yen	1.28550	+0.01000	+0.78%	Diesel Gulf (ULSD)	Sep 11	3.0013s	+0.0470
Silver	39.795	+1.598	+4.18%	Australian Dollar	1.02910	-0.01220	-1.17%	Heating Oil (E)	Sep 11	2.9417p	+0.0478
DJIA	11402p	+31	+0.27%	Chinese Renminbi	0.155160p	-0.000080	-0.05%	Crude Oil Brent (E)	Sep 11	105.48	-3.89
S&P 500 Index	1169.80	-28.00	-2.34%	Mexican Peso	0.083275s	-0.000200	-0.24%	Natural Gas (E)	Sep 11	3.941p	0.000
Nasdaq 100	2137.00	-50.00	-2.29%	1-Month Libor	99.7875p	-0.0075	-0.01%	Polypropylene	Sep 11	0.8600s	+0.0200
Russell 1000 Growth	558.10p	-0.70	-0.13%	T-Bond	132-30	+0-24	+0.57%	Polyethylene	Sep 11	0.6250p	-0.0300
MSCI Emi Index	1015.00	-21.60	-2.08%	3-Month T-Bill	99.2700s	0.0000	-	Rme Biodiesel	Aug 11	1477.857p	-11.048
Nikkei 225	9115.00	-225.00	-2.41%	5-Year T-Note	122-2.5	+0-7.5	+0.38%	Coal Futures	Sep 11	75.32p	+0.65
Brazilian Real	0.62745p	-0.00030	-0.05%	10-Year T-Note	127-220	+0-205	+0.5%	Uranium	Aug 11	51.65p	-0.20

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Weather July 2011 is going down in the record books for weather. This was the warmest month on record in the United States since 1955. What is more concerning to trade is the last two weeks of July saw the average low temperature in Iowa at 74 degrees. This is the longest stretch in history that the state has been at this temperature or higher.

Showers and thunderstorms impacted IA, MO, WI, MI and northern sections of IL, IN and OH with rains of generally .50" or less Friday and Saturday, with some more showers and thunderstorms occurring in MO, IL and IN Sunday and bringing generally less than .50". Areas that saw little to no rains over the weekend were southern MN and central IL. Temps were close to average and in the mid to upper 80's in most cases, with some 90's in the far south and west. The forecast sees waves of showers and thunderstorms will roll across the Midwest through much of the week ahead. The activity will impact all areas, but the areas most heavily impacted by the rains will be south and west of a line from around Omaha NE to Louisville. Dry weather then looks to build in for the weekend and early part of next week. Temps this week will run average to below average, which will put low to mid 80's in across the heart of the region, with some 70's in the northern growing areas and some upper 80's in the far south. Even with the rains, humidity levels will be lower this week, which will allow overnight temps to drop into the 50's and low 60's in most of the region.

Central Illinois:

mon	tue	wed	thu	fri	sat	sun	mon	tue	wed
aug 08	aug 09	aug 10	aug 11	aug 12	aug 13	aug 14	aug 15	aug 16	aug 17
Sct T-Storms	M Sunny	M Sunny	M Sunny	Iso T-Storms	P Cloudy	M Sunny	M Sunny	Sct T-Storms	M Sunny
81° 65°	86° 59°	79° 59°	78° 63°	81° 68°	82° 64°	81° 64°	83° 65°	81° 64°	81° 64°

Central Iowa:

mon	tue	wed	thu	fri	sat	sun	mon	tue	wed
aug 08	aug 09	aug 10	aug 11	aug 12	aug 13	aug 14	aug 15	aug 16	aug 17
Sct T-Storms	M Sunny	P Cloudy	M Sunny	Sct T-Storms	Sunny	M Sunny	M Sunny	Sct T-Storms	AM Clouds
85° 67°	80° 58°	77° 61°	77° 66°	82° 65°	81° 63°	82° 66°	82° 67°	81° 66°	82° 67°

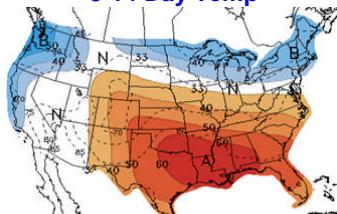
South Central Minnesota:

mon	tue	wed	thu	fri	sat	sun	mon	tue	wed
aug 08	aug 09	aug 10	aug 11	aug 12	aug 13	aug 14	aug 15	aug 16	aug 17
Sct T-Storms	M Sunny	M Sunny	M Sunny	Sct T-Storms	Sunny	M Sunny	P Cloudy	Sct T-Storms	AM Clouds
84° 58°	76° 53°	78° 58°	79° 63°	78° 58°	80° 58°	79° 63°	80° 61°	79° 61°	78° 59°

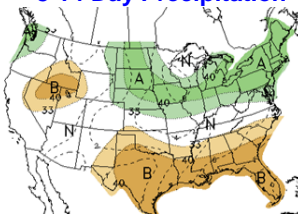
Central Indiana:

mon	tue	wed	thu	fri	sat	sun	mon	tue	wed
aug 08	aug 09	aug 10	aug 11	aug 12	aug 13	aug 14	aug 15	aug 16	aug 17
PM T-Storms	P Cloudy	M Sunny	M Sunny	P Cloudy	Iso T-Storms	M Sunny	M Sunny	M Cloudy	AM Clouds
87° 69°	87° 64°	80° 60°	81° 64°	83° 67°	83° 64°	81° 63°	83° 65°	83° 66°	83° 66°

8-14 Day Temp



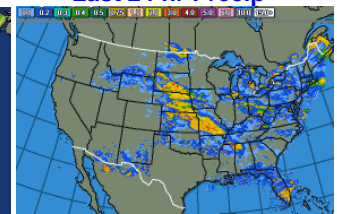
8-14 Day Precipitation



Current Radar



Last 24 hr Precip

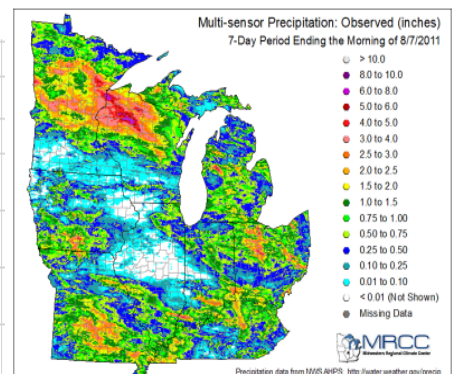


Official Weather Station -2011

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

	Monday, August 1	Tuesday, August 2	Wednesday, August 3
Air Temperature	Max = 91; Min = 73	Max = 94; Min = 75	Max = 85; Min = 59
Soil Temperature			
2 inch	Max = 102; Min = 78; Ave = 90	Max = 100; Min = 80; Ave = 90	Max = 97; Min = 72; Ave = 84
4 inch	Max = 94; Min = 76; Ave = 85	Max = 92; Min = 78; Ave = 85	Max = 90; Min = 72; Ave = 81
8 inch	Max = 86; Min = 76; Ave = 81	Max = 86; Min = 78; Ave = 82	Max = 85; Min = 75; Ave = 80
Daily Precipitation	0.00"	0.00"	0.00"

	Thursday, August 4	Friday, August 5
Air Temperature	Max = 86; Min = 61	Max = 86; Min = 62
Soil Temperature		
2 inch	Max = 100; Min = 72; Ave = 86	Max = 101; Min = 75; Ave = 88
4 inch	Max = 92; Min = 72; Ave = 82	Max = 93; Min = 74; Ave = 84
8 inch	Max = 84; Min = 74; Ave = 79	Max = 85; Min = 75; Ave = 80
Daily Precipitation	0.00"	0.00"



Corn: Morning: Sept 11 Corn is at \$6.79 ¼, down 13 ¾ cents, Dec 11 Corn closed at \$6.89 ¾, down 13 ¼ cents, Mar 11 corn closed at \$7.02 ¼, down 13 ¾ cents, July 12 Corn is at \$7.11, down 13 cents, Friday's Close: Corn closed at \$6.93, down ¾ cent, Dec 11 Corn closed at \$7.03, up 1 ½ cents, Mar 12 Corn closed at \$7.16, up 1 ¾ cents Dec 12 Corn closed at \$6.42, up 1 ½ cents
Corn futures closed slightly higher on most contracts and was up 27 ½ cents for the week on the spot month. Normal to below normal temperatures are forecast for Nebraska and states north and east from August 10th to 12th. Above normal rainfall is also predicted in the 6 to

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10 day forecast. The heat then starts to moves back North. The weekly CFTC report showed the Managed Money added 21,555 contracts to their net long corn position from the previous week. We are getting reports from producers that the unrelenting heat during pollination definitely had an impact on this years corn crop. Analysts surveyed by Reuters show an average corn yield of 155.2 BPA. Informa lowered their yield estimate to 158 bushel from their former 162 estimating a record corn crop of 13.353 billion bushels. On the last WASDE report USDA projected yields at 158.7 and ending stocks at 870 million bushels. The next WASDE report will be released August 11th. Sep 11

Soybean Complex: Morning: Sept 11 Soybeans closed at \$13.09 , down 19 cents, Nov 11 Soybeans closed at \$13.16 ½ , dn 19 ½ cents, Jan 11 Soybeans closed at \$13.29 ½ , down 17 ¾ cents, Jul 12 Soybeans closed at \$13.40 ¾ , down 17 ¼ cents ,
Friday's Close: Aug 11 Soybeans closed at \$13.31 ½ , down 7 ¾ cents, Sep 11 Soybeans closed at \$13.28, down 8 ¼ cents, Nov 11 Soybeans closed at \$13.35 1/4, down 3/4 cent, Nov 12 Soybeans closed at \$13.13, down 11 cents, Aug 11 Soybean Meal closed at \$345.20, down \$2.40, Aug 11 Soybean Oil closed at \$54.90, down \$0.28
Soybean futures closed lower on the day and were down 22 3/4 cents for the week. Improving weather as the soybean crop enters the pod filling stage in much of the growing area for the 6 to 10 day forecast weighed on prices. The weekly CFTC report showed Managed Money decreased their net longs by 13,665 contracts from the previous week. A Reuters survey of 10 analysts put the average U.S. 2011 bean yield estimate at 42.9 BPA. Informa Economic cut their 2011 soybean production forecast to 3.139 billion bushels from 3.203 in July dropping yields to 42.5 from 43.1. USDAs July WASDE report was 43.4 BPA and 3.225 billion bushel estimate. The U.S. Census reported U.S. soyoil stocks at 3.128 billion pounds in June, down from 3.177 billion in May. Soyoil usage for biodiesel has been increasing but needs to step it up to meet USDA projections for the year.

Wheat: Morning: Sept 11 CBOT Wheat closed at \$6.60 ¾ , down 18 ¼ cents, Sept 11 MGEX Wheat is at \$8.19 , down 8 ½ cents
Friday's Close: Sep 11 CBOT Wheat closed at \$6.79, down 2 ¾ cents, Sep 11 KCBT Wheat closed at \$7.80 ¼ , up 9 ¼ cents, Sep 11 MGEX Wheat closed at \$8.27 ½ , up 4 ¼ cents
Wheat futures rallied into the close to finish the day higher at the KCBT and MGEX. CBOT wheat closed slightly lower. The weekly change showed a 6 1/2 cent plus for CBOT and a 13 1/4 cent plus for KCBT wheat with a minus 3 1/4 cents for MGEX wheat for the week. Improving weather for Nebraska and states north and east limited the upside. Helping to support wheat are concerns over the U.S. 2011/12 corn crop. The heat during pollination could have curtailed yield prospects. If that were to be a reality we could see more wheat competing with corn for feed than we have already seen this year. Cash basis levels were steady to higher for SRW wheat. Gulf basis levels were steady for HRW.

Cattle: Friday's Close: Sep 11 CBOT Wheat closed at \$6.79, down 2 ¾ cents, Sep 11 KCBT Wheat closed at \$7.80 ¼ , up 9 ¼ cents, Sep 11 MGEX Wheat closed at \$8.27 ½ , up 4 ¼ cents
Wheat futures rallied into the close to finish the day higher at the KCBT and MGEX. CBOT wheat closed slightly lower. The weekly change showed a 6 1/2 cent plus for CBOT and a 13 1/4 cent plus for KCBT wheat with a minus 3 1/4 cents for MGEX wheat for the week. Improving weather for Nebraska and states north and east limited the upside. Helping to support wheat are concerns over the U.S. 2011/12 corn crop. The heat during pollination could have curtailed yield prospects. If that were to be a reality we could see more wheat competing with corn for feed than we have already seen this year. Cash basis levels were steady to higher for SRW wheat. Gulf basis levels were steady for HRW.

Hogs: Friday's Close: Aug 11 Hogs closed at \$104.925, down \$0.625, Oct 11 Hogs closed at \$91.850, down \$0.900 Dec 11 Hogs closed at \$88.750, down \$0.550
Lean hog futures closed lower on the day but were up \$2.15 for the week on the spot August contract. Cash hogs were down \$0.32 at \$105.98 in IA/MN, down \$0.58 at \$105.48 in the WCB and down \$0.30 at \$101.67 in the ECB. The CME Lean Hog Index is at \$105.46 up \$1.01 as of August 3rd. Pork trading was slow with light to moderate demand and mostly light offerings. The Carcass did it again today making another record high at \$108.87 up \$0.77. China has been importing what is termed a three piece frozen carcass from the U.S. which has raised the price of the trimmings used to make sausage and hotdogs to record levels along with the carcass price. China Total pork exports to China January through May were 130,489,000 pounds versus 6,547,000 pounds for the same period last year.

Cotton: Friday's Close: Oct 11 Cotton closed at 101.48, down 353 points, Dec 11 Cotton closed at 101.58, down 334 points Dec 12 Cotton closed at 92.69, down 118 points
Cotton futures closed lower on the day but were only down 60 points for the week. The weekly CFTC report showed Managed Money increased their net long by 1,007 contracts to 30,762 or roughly 10% of the total open interest in cotton. Index Funds also hold nearly 10% net longs at 28,811 contracts. Cotton open interest for August 4th was at 302,976 with volume nearly half of the previous day at 8,218 contracts. The Chinese government will implement a policy to buy cotton from farmers without a limit on volume on a new stockpile plan this year, the first such plan to stabilize production. Purchases will begin September 1 with the price set at 19,800 yuan or \$3,075 MT. Certificated stocks increased slightly to 14,377 bales from 13,927 bales yesterday.

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Sept 11 Corn Daily Chart

ZCU11 - Corn (CBOT) - Daily OHLC Chart

Op:680-6, Hi:690-6, Lo:675-2, Cl:679-2



Dec 11 Corn Daily Chart

ZCZ11 - Corn (CBOT) - Daily OHLC Chart

Op:691-0, Hi:701-0, Lo:685-4, Cl:689-6



Aug 11 Soybean Daily Chart

ZSQ11 - Soybeans (CBOT) - Daily OHLC Chart

Op:1323-0, Hi:1323-0, Lo:1315-4, Cl:1315-4



Nov 11 Soybean Daily Chart

ZSX11 - Soybeans (CBOT) - Daily OHLC Chart

Op:1320-0, Hi:1330-0, Lo:1315-2, Cl:1316-4



Sept 11 Mpls Spring Wheat Daily Chart

MWU11 - Spring Wheat (MGEX) - Daily OHLC Chart

Op:815-6, Hi:829-6, Lo:815-0, Cl:819-0



Dec 11 Mpls Spring Wheat Daily Chart

MWZ11 - Spring Wheat (MGEX) - Daily OHLC Chart

Op:825-6, Hi:834-4, Lo:823-4, Cl:824-2



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