



## MORNING COMMENTS

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**Tuesday, August 9, 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

USDA is expected to release their revisions to planted acreage from the June report for the states of Minnesota, South Dakota, North Dakota and Montana that had spring weather problems causing serious planting delays. Yield estimates will likely get a lot of attention, but they will still be based mainly on stand counts.

Last year the private estimates overestimated the corn crop by up to one billion bushels. For the past seven years, private trade estimates have come in lower than the USDA's August estimate. Average guess for Thursday's report for corn yield is 155.2 bushels per acre or a 13.083 billion bushel crop. That is down 3.5 bushels per acre from the USDA's July report at 157.8.

In contrast to corn, in 8 of the past 9 years the average private estimate for soybean yields in August has been higher than the USDA. The average trade estimate for Thursday's report for soybeans is 42.8 bushels per acre or a 3.174 billion bushel crop. This is down .6 bushel per acre from the July USDA figure at 43.4.

**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** The CFTC is expected to approve the proposed increase to the daily limit on corn futures from 30 to 40 cents with an expansion to 90 cents. The federal review ends Monday and the proposal is expected to take effect soon after the review period. The move is thought to provide more liquidity to the markets. For example, the 30 cent limit was 10% of \$3.00 & only 4.2% of \$7.00 while the new 40 cent limit is 5.7% of \$7.00 with the expanded limit of 90 cents being 12.8% of \$7.00.

Three key outside markets, the U.S stock index, U.S. dollar index and crude oil, continue to have a major impact for the grain markets. If losses in the stock market continues, rallies in grain futures look to be limited for the short term.

Monday's crop ratings are the lowest we've seen for this week since 2007 and are 4 points behind the 5 year average. The August report will be based mainly on stalk counts and will not look at ear weights until September. More and more evidence of heat damage to pollination and potential yields are yet to be determined. Current bean crop condition ratings are 5% below this week a year ago and like corn the lowest we've seen since 2007.

**Hedge Funds:** The addition of electronic trading has made it impossible to see who is doing what and as a result virtually every report we hear of who is buying or selling is pure speculation. When all of the trading was being done in the pits traders could see who was executing orders and had a very good idea who the trade was being placed for. That obviously isn't taking place any more, thus it is not possible to see who is trading on behalf of whom.

On the issue of liquidity and the impact of hedge funds or even the big firms on Wall Street. It is not uncommon for hedge funds or large Wall Street firms to leverage a position to levels of multiples of existing capital by as much as 15-25 times. Many books have been written about this topic and the multiple rescues of the financial system over the years most recently the late 1990's rescue of the Long Term Capital Management Fund and the 2008 financial crisis that still impacts us today. It has not been uncommon for a fund to be in position that causes them to become trapped and unable to exit. Some of these funds have needed capital infusions of \$2-4 billion in very short time frames in order to stay the course long enough for the markets to stabilize so that they could find buyers of their distressed assets. Thus, their impact on a market is highly unpredictable as they tend to sell out of liquid positions to raise cash.... often commodities.

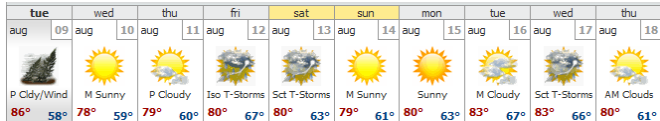
### Outside Markets:

<a href="#">U.S. Dollar Index</a>	74.625	-0.313	-0.42%	<a href="#">Euro FX</a>	1.42540	+0.00750	+0.53%	<a href="#">Ethanol Futures</a>	Sep 11	2.665p	-0.070
<a href="#">CRB CCI Index</a>	613.00p	-15.55	-2.47%	<a href="#">Canadian Dollar</a>	1.00540	-0.00100	-0.1%	<a href="#">Gasoline RBOB (E)</a>	Sep 11	2.6916p	-0.1136
<a href="#">Gold</a>	1741.9	+31.7	+1.85%	<a href="#">Japanese Yen</a>	1.29550	+0.00640	+0.5%	<a href="#">Diesel Gulf (Ulsd)</a>	Sep 11	2.8614s	-0.1399
<a href="#">Silver</a>	37.870	-1.504	-3.82%	<a href="#">Australian Dollar</a>	1.01120	-0.00450	-0.44%	<a href="#">Heating Oil (E)</a>	Sep 11	2.8017p	-0.1400
<a href="#">DJIA</a>	10726p	-676	-5.93%	<a href="#">Chinese Renminbi</a>	0.155370p	+0.000210	+0.14%	<a href="#">Crude Oil Brent (E)</a>	Sep 11	104.04	+0.30
<a href="#">S&amp;P 500 Index</a>	1122.10	+10.80	+0.97%	<a href="#">Mexican Peso</a>	0.081175s	-0.002100	-2.52%	<a href="#">Natural Gas (E)</a>	Sep 11	3.935p	-0.006
<a href="#">Nasdaq 100</a>	2061.25	+23.25	+1.14%	<a href="#">1-Month Libor</a>	99.7775p	-0.0100	-0.01%	<a href="#">Polypropylene</a>	Sep 11	0.8600s	0.0000
<a href="#">Russell 1000 Growth</a>	519.00p	-39.10	-7.01%	<a href="#">T-Bond</a>	134-23	-0.18	-0.42%	<a href="#">Polyethylene</a>	Sep 11	0.6075p	-0.0175
<a href="#">MSCI Emi Index</a>	961.00	+13.60	+1.44%	<a href="#">3-Month T-Bill</a>	99.2700s	0.0000	-	<a href="#">Rme Biodiesel</a>	Aug 11	1467.810p	-10.047
<a href="#">Nikkei 225</a>	9010.00	+265.00	+3.03%	<a href="#">5-Year T-Note</a>	122-065	-0.25	-0.31%	<a href="#">Coal Futures</a>	Sep 11	74.50p	-0.82
<a href="#">Brazilian Real</a>	0.61960p	-0.00785	-1.25%	<a href="#">10-Year T-Note</a>	128-025	-0.160	-0.39%	<a href="#">Uranium</a>	Aug 11	51.15p	-0.50

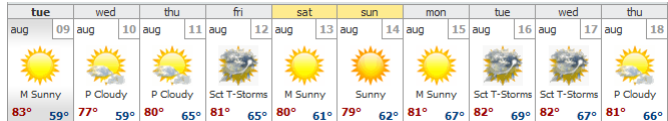
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**Weather** Showers and thunderstorms impacted most of IA, MO, IL, IN, MI and OH yesterday. Totals were in the .20-.60" range in most cases, however the southern 2/3rds of IL, IN and most of OH saw generally less than .20" occur. Later Thursday into Friday, the next wave of showers and thunderstorms will roll across the Midwest and bring light to moderate amounts to all of the region, with decent coverage. Dry weather then looks to build back in for the weekend and early part of next week, with some more showers and thunderstorms seen by the middle of next week. Temps for the next week to ten days will run average to a bit 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. Humidity levels will also be lower, which will allow overnight temps to drop into the 50's and low 60's in most of the region.

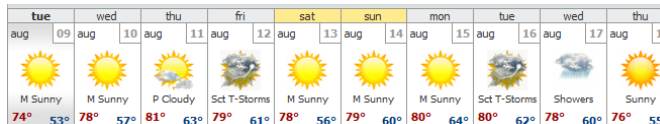
## Central Illinois:



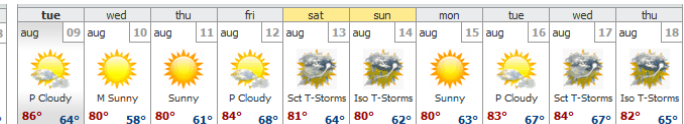
## Central Iowa:



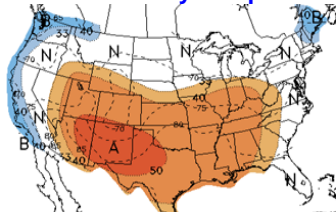
## South Central Minnesota:



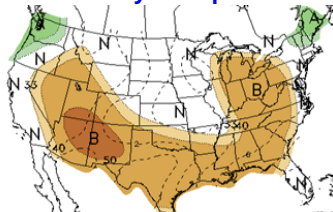
## Central Indiana:



## 8-14 Day Temp



## 8-14 Day Precipitation



## Current Radar

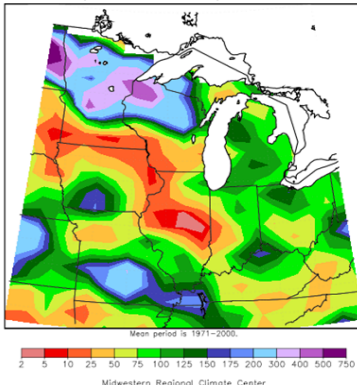


## Last 24 hr Precip

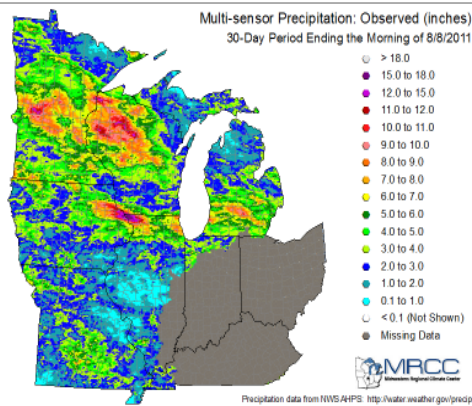


## Official Weather Station -2011

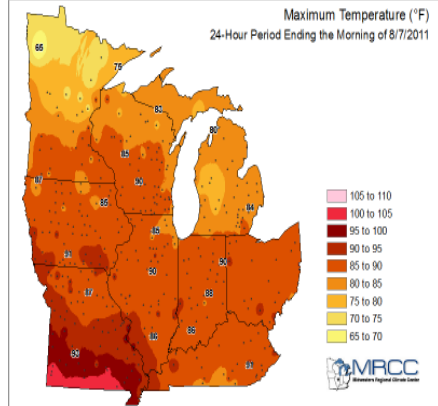
Total Precipitation: Percent of Mean  
August 1, 2011 to August 7, 2011



Multi-sensor Precipitation: Observed (inches)  
30-Day Period Ending the Morning of 8/8/2011



Maximum Temperature (°F)  
24-Hour Period Ending the Morning of 8/7/2011



**Corn:** Morning: Sept 11 Corn is at \$6.76 <sup>3</sup>/<sub>4</sub>, up 1 <sup>1</sup>/<sub>2</sub> cents, Dec 11 Corn closed at \$6.87, up 1 cents, Mar 11 corn closed at \$7.00 <sup>3</sup>/<sub>4</sub>, up 1 <sup>1</sup>/<sub>4</sub> cents, July 12 Corn is at \$7.11, up 2 <sup>3</sup>/<sub>4</sub> cents, Yesterday's Close: Sep 11 Corn closed at \$6.75 <sup>1</sup>/<sub>4</sub>, down 17 <sup>3</sup>/<sub>4</sub> cents, Dec 11 Corn closed at \$6.86, down 17 cents, Mar 12 Corn closed at \$6.99 <sup>1</sup>/<sub>2</sub>, down 16 <sup>1</sup>/<sub>2</sub> cents Dec 12 Corn closed at \$6.23, down 19 cents  
Corn futures closed sharply lower but off of earlier lows, affected by market turmoil with equity and commodity markets sharply lower. Crude oil tanked over \$5 while the Dow index was down 634.76. The USDA Export Inspections report this morning showed 31.748 million bushels inspected for export for the week ending August 4th with a total increase of 32.26 million bushels from last week after revisions to prior data. This is 12.5 million bushels behind last years weekly pace. The USDA reported 120 TMT corn sold to Egypt for 2010/11. A Reuters quick poll expected corn good/excellent condition ratings to decline a point to 61% in this afternoon's Crop Progress report. The report showed 60%. Corn silking was on par with average at 93% while dough was 6 points below at 32%.

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**Soybean Complex:** Morning: Sept 11 Soybeans closed at \$13.06  $\frac{3}{4}$ , up 2  $\frac{1}{4}$  cents, Nov 11 Soybeans closed at \$13.14, up 2  $\frac{1}{2}$  cents, Jan 11 Soybeans closed at \$13.24, up 1  $\frac{1}{4}$  cents, Jul 12 Soybeans closed at \$13.32  $\frac{3}{4}$ , down 2  $\frac{3}{4}$  cents, Yesterday's Close: Aug 11 Soybeans closed at \$13.09  $\frac{1}{4}$ , down 22  $\frac{1}{4}$  cents, Sep 11 Soybeans closed at \$13.04  $\frac{1}{2}$ , down 23  $\frac{1}{2}$  cents, Nov 11 Soybeans closed at \$13.11  $\frac{1}{2}$ , unchanged, Nov 12 Soybeans closed at \$12.90, down 23 cents, Aug 11 Soybean Meal closed at \$340.10, down \$5.10, Aug 11 Soybean Oil closed at \$53.82, down \$1.08

Soybean futures closed sharply lower this morning but off of the early lows. The USDA Export Inspections report this morning showed 5.642 million bushels inspected for export for the week ending August 4th with a total increase of 5.83 million bushels from last week after revisions to prior data. This is 1.59 million bushels behind last year's weekly pace. Chinese soy futures were down 9 cents per bushel on Monday. Soy oil prices are weakening on a pickup in crush after an apparent easing of price controls. The Chinese will soon be entering a higher demand period for veg oils due to a holiday. A Reuters poll expected soybean good/excellent condition ratings declining a point to 59% in this afternoon's Crop Progress report. The report showed 61% with very poor ticking up a point. Blooming was at 87%, down 2 points from average and setting pods was at 51%, down 12 points from average.

**Wheat:** Morning: Sept 11 CBOT Wheat closed at \$6.58  $\frac{1}{4}$ , up 1  $\frac{3}{4}$  cents, Sept 11 MGEX Wheat is at \$8.09  $\frac{1}{2}$ , up 4  $\frac{1}{4}$  cents Yesterday's Close: Sept 11 CBOT Wheat closed at \$6.56  $\frac{1}{2}$ , down 22  $\frac{1}{2}$  cents, Sept 11 KCBT Wheat closed at \$7.55  $\frac{1}{4}$ , down 25 cents, Sept 11 MGEX Wheat closed at \$8.05  $\frac{1}{4}$ , down 22  $\frac{1}{4}$  cents

Wheat futures closed sharply lower but recovered some from the lows of the morning. The USDA Export Inspections report this morning showed 25.238 million bushels inspected for export for the week ending August 4th with a total increase of 25.29 million bushels from last week after revisions to prior data. This is 10.44 million bushels more than the same week in 2010. MGEX margins were reduced to \$3,210 from \$3,445 for initial spec margin and \$2,500 from \$2,650 maintenance margin. Hedge margin will drop to \$2,500 from \$2,650. The USDA reported 100 TMT HRW sold to unknown destinations under the daily reporting system. The USDA Crop Progress report showed winter wheat harvested at 85%, down 6 points from average. Spring wheat headed was 96%, down 4 points from average and harvested was at 6%, down 18 points from average.

**Cattle:** Yesterday's Close: Aug 11 Cattle closed at \$114.100, down \$0.025, Oct 11 Cattle closed at \$117.600, down \$1.000, Dec 11 Cattle closed at \$119.550, down \$1.150, Aug 11 Feeder Cattle closed at \$132.575, down \$1.125, Sep 11 Feeder Cattle closed at \$133.650, down \$1.325, Oct 11 Feeder Cattle closed at \$134.475, down \$1.825

Cattle futures closed mildly lower. Choice boxed beef is up \$1.61 at \$174.25 and Select beef was up \$0.10 at \$169.77. Packers either anticipated this demand when they paid up for the cattle, or they are trying to make their new acquisitions "work". Pasture condition was 39% good/excellent, down 2 points and 18 points below last year.

**Hogs:** Yesterday's Close: Aug 11 Hogs closed at \$104.925, unchanged, Oct 11 Hogs closed at \$90.325, down \$1.525, Dec 11 Hogs closed at \$87.100, down \$1.650

Lean hog futures closed mixed with the front month higher and back months lower. Cash hogs were down \$1.24 in IA/MN, down \$.88 in the WCB and up \$.23 in the ECB. The carcass cutout posted another record high at \$110.19 but the cash hog market isn't following along. The meat price suggests higher hog futures but selling pressure in a number of commodities and equities could also require spec longs in hogs to cash out in order to meet margin calls.

**Cotton:** Yesterday's Close: Oct 11 Cotton closed at 99.01, down 247 points, Dec 11 Cotton closed at 97.72, down 386 points, Dec 12 Cotton closed at 92.29, down 40

Cotton futures closed lower along with nearly all other commodities amid concerns about the possibility of a double dip recession and the impact on consumer demand. That said, back to school sales in the U.S. have reportedly been strong thus far. Crude oil is down more than \$3 per barrel, while gold is setting new all time highs. The S&P downgrade of US debt is getting the headlines, but the dollar index settled higher. Treasuries are also higher as speculators seem to prefer parking cash in US debt rather than the alternatives.

**Credit Ratings:** Weiss Ratings, the nation's leading independent rating agency of U.S. financial institutions, credits Standard & Poor's for taking an important first step in the right direction, while renewing its public challenge to Moody's and Fitch to downgrade the long-term debt of the U.S. government.

Weiss Ratings president Dr. Martin D. Weiss commented: "S&P deserves credit for breaking with nearly a century of precedent and focusing the world's attention on the urgency of this problem. However, we do not believe a one-notch downgrade adequately reflects the rapid deterioration of the nation's finances since the debt crisis of 2008."

Weiss Ratings is the nation's leading independent provider of bank, credit union and insurance company financial strength ratings, accepting no payments for its ratings from rated institutions. Weiss Ratings also provides debt ratings on 49 sovereign nations.

By adhering to its independent business model, Weiss outperformed Standard and Poor's, Moody's, A.M. Best and Duff & Phelps (now Fitch) in warning of future life and health insurance company failures, according to a [1994 study by the U.S. Government Accountability Office \(GAO\)](#). Similarly, Weiss was the only one to identify, in advance, nearly all major banks that failed or required a federal bailout in the 2008 debt crisis.

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Sept 11 Corn Daily Chart

ZCU11 - Corn (CBOT) - Daily OHLC Chart



Dec 11 Corn Daily Chart

ZCZ11 - 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



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