



## MORNING COMMENTS

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**Monday, August 15, 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

**Price Targets:** The prior MNWestAg price targets have all been exceeded. 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:** Monday September 12, 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** After having had another day to digest the USDA Aug crop stats ...

Trade is concerned that IA is not going to make the 177 USDA corn yield (the state's third highest ever and vs 165 last year) and IL at 170 (vs 157 last year) appears to be not attainable while many think that 160 is a better number. Also, USDA has OH at 158 while traders think 148 is more realistic. Combine this with expected reductions in harvested area when the USDA reconciles their survey data with FSA certification data...it seems that we are eventually looking at a crop closer to 12.5 vs the 12.9 that the USDA gave us on Thursday. One merchandiser and major end user re-ran his numbers and lowered his estimate from 151.8 down to 150.4 for a national yield.

It appears that more rationing of corn is needed. While the boiler industry has cut back numbers the ethanol plants, hog & cattle feeding are set for the next 6 months. There isn't anybody in the industry that's excited about having to pay \$7 for corn for the balance of the crop year...which keeps user buying interest subdued as they buy only as they need it and scramble around to find substitutes and ways to cut corners / use less. Some traders we would look at \$7.50 as an upside target for December corn futures. The old resistance at \$7.00 has now become support.

Pro Farmer will begin their Midwest crop tour on August 22nd. Their goal is to provide an accurate late season estimate of corn and soybean yields on a state and regional level. Pro Farmer's crop tour takes actual field samples from South Dakota to Ohio and uses the data to make their production estimate. Their methods for gathering data are disciplined and thought to produce consistent results. Although their yield estimates may occasionally have some wondering about methods what is important to watch for is the difference from prior years for a clue as to what they are finding.

### Outside Markets:

<a href="#">U.S. Dollar Index</a>	74.525	-0.218	-0.29%	<a href="#">Euro FX</a>	1.43050	+0.00670	+0.47%	<a href="#">Ethanol Futures</a>	<a href="#">Sep 11</a>	2.785p	+0.008
<a href="#">CRB CCI Index</a>	636.65	+4.65	+0.74%	<a href="#">Canadian Dollar</a>	1.01310	+0.00420	+0.42%	<a href="#">Gasoline RBOB (E)</a>	<a href="#">Sep 11</a>	2.8222p	-0.0051
<a href="#">Gold</a>	1737.8	-2.4	-0.14%	<a href="#">Japanese Yen</a>	1.30310	+0.00020	+0.02%	<a href="#">Diesel Gulf (Ulsd)</a>	<a href="#">Sep 11</a>	2.9665s	+0.0079
<a href="#">Silver</a>	39.101p	+0.445	+1.15%	<a href="#">Australian Dollar</a>	1.03620	+0.00520	+0.5%	<a href="#">Heating Oil (E)</a>	<a href="#">Sep 11</a>	2.9037p	+0.0045
<a href="#">DJIA</a>	11250p	+166	+1.5%	<a href="#">Chinese Renminbi</a>	0.156900	0.000000	-	<a href="#">Crude Oil Brent (E)</a>	<a href="#">Sep 11</a>	108.03p	+0.01
<a href="#">S&amp;P 500 Index</a>	1183.60	+6.80	+0.58%	<a href="#">Mexican Peso</a>	0.081300	+0.000175	+0.22%	<a href="#">Natural Gas (E)</a>	<a href="#">Sep 11</a>	4.060p	-0.048
<a href="#">Nasdaq 100</a>	2182.50	+5.00	+0.23%	<a href="#">1-Month Libor</a>	99.7275p	-0.0025	-	<a href="#">Polypropylene</a>	<a href="#">Sep 11</a>	0.8509s	+0.0031
<a href="#">Russell 1000 Growth</a>	552.80s	+7.30	+1.34%	<a href="#">T-Bond</a>	136-09	-0.21	-0.48%	<a href="#">Polyethylene</a>	<a href="#">Sep 11</a>	0.6040p	+0.0045
<a href="#">MSCI Emi Index</a>	1016.70	+10.30	+1.02%	<a href="#">3-Month T-Bill</a>	99.2700s	0.0000	-	<a href="#">Rme Biodiesel</a>	<a href="#">Aug 11</a>	1473.762p	-5.048
<a href="#">Nikkei 225</a>	9080.00	+30.00	+0.33%	<a href="#">5-Year T-Note</a>	123-7.5	-0.75	-0.07%	<a href="#">Coal Futures</a>	<a href="#">Sep 11</a>	77.15p	+1.10
<a href="#">Brazilian Real</a>	0.61650p	+0.00395	+0.64%	<a href="#">10-Year T-Note</a>	129-215	-0.065	-0.16%	<a href="#">Uranium</a>	<a href="#">Aug 11</a>	50.65p	0.00

**Weather** The Friday-Saturday rain event for the dry areas of IL, IA and southern MN appears to be a bust. Showers and thunderstorms impacted most of the Midwest over the weekend. Amounts were in the .35-.75" range in most cases, with some isolated heavier totals occurring and coverage of around 80%. It is important to note that central IL saw amounts of generally under .25" and spotty coverage. Temps were average to a bit below, with highs in the 70's and 80's in the north and 80's in the south.

**The forecast** sees an area of showers and thunderstorms to work through the far SW Midwest in the next 24 hours, with mainly dry weather elsewhere today and tomorrow. A front will then work through all of the region on Wednesday and Thursday, bringing showers and thunderstorms to most areas. Totals look to be on the light to moderate side with that activity.

**Central Illinois:**

**Central Iowa:**

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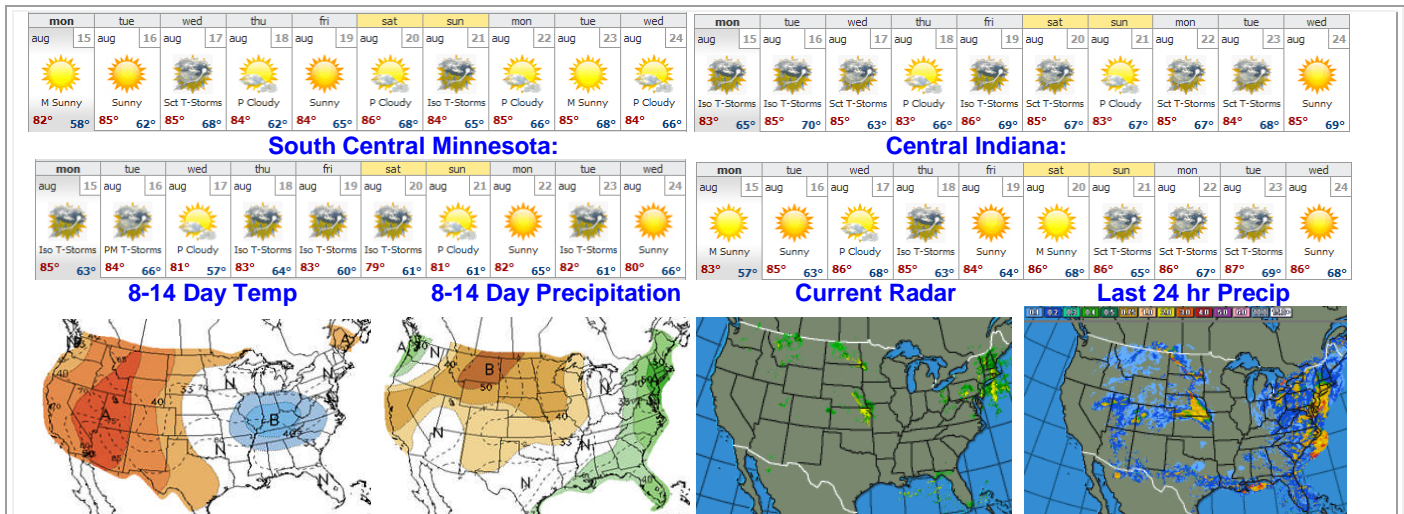
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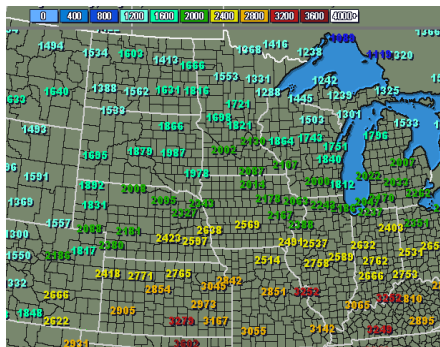
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Monday, August 15, 2011



## Official Weather Station -2011

### Growing Degree Days



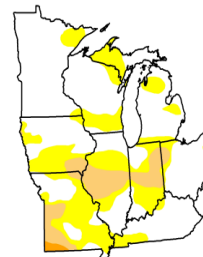
## U.S. Drought Monitor

### Midwest

	D0	D1	D2	D3	D4
Current	82.00	38.00	10.00	0.00	0.00
Last Week (09/10/2011)	82.16	37.84	5.19	0.00	0.00
3 Months Ago (09/10/2011)	94.80	5.20	0.00	0.00	0.00
Start of Calendar Year (12/26/2010)	79.27	20.73	4.91	1.31	0.28
Start of Water Year (03/26/2011)	74.54	25.46	9.61	2.68	0.00
One Year Ago (08/03/2010)	85.97	14.03	6.81	1.67	0.00

**Intensity:**  
 D0 Abnormally Dry  
 D1 Drought - Moderate  
 D2 Drought - Severe  
 D3 Drought - Extreme  
 D4 Drought - Exceptional

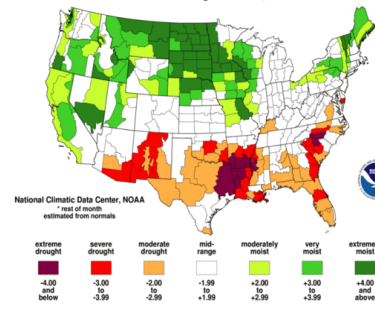
August 9, 2011  
 Valid 7 a.m. EST



## Palmer Drought Index

### Long-Term (Meteorological) Conditions

#### March 2011: through March 26, 2011\*



**Corn:** Morning: Sept 11 Corn is at \$7.05 1/2 cents up 3 3/4, Dec 11 Corn closed at \$7.19, up 4 1/2 cents, Mar 11 corn closed at \$7.31 1/4, up 3 3/4 cents, July 12 Corn is at \$7.40, up 5 1/2 cents, Friday's Close: Sep 11 Corn closed at \$7.01 3/4, down 3/4 cent, Dec 11 Corn closed at \$7.14 1/2, up 1/2 cent, Mar 12 Corn closed at \$7.27 1/2, up 3/4 cent Dec 12 Corn closed at \$6.42 1/2, up 4 1/2 cents  
 Corn futures closed mixed on the day and up 8 3/4 cents for the week on the spot September contract. Prices rallied the thirty cent limit yesterday on the USDA report but prior to Thursday the general trend for prices had been lower. USDA projected 2011/12 ending stocks at 714 million bushels. Yields are expected to average 153 BPA for a production number of 12.914 billion bushels. USDA also raised the average on farm price by 70 cents a bushel. Price will eventually ration the available stocks. The CFTC Disag report showed Managed Money decreased their net longs by 9,286 contracts as of Tuesday from the previous week. Corn basis levels were steady to slightly lower at elevators and processors in the Midwest. Most of the growing area in the Midwest is getting rain or forecast to get rain with the weather system bringing rain across the country moving to the east coast by next Tuesday. Precipitation after that stays mostly in ND and MN through August 25th.

**Soybean Complex:** Morning: Sept 11 Soybeans closed at \$13.38 1/4, up 10 1/2 cents, Nov 11 Soybeans closed at \$13.45, up 10 1/4 cents, Jan 11 Soybeans closed at \$13.55 1/2, up 9 3/4 cents, Jul 12 Soybeans closed at \$13.66, up 9 1/4 cents, Friday's Close: Aug 11 Soybeans closed at \$13.37, up 3 1/4 cents, Sep 11 Soybeans closed at \$13.27 3/4, up 3 cents, Nov 11 Soybeans closed at \$13.34 3/4, up 3 cents, Nov 12 Soybeans closed at \$13.06 3/4, up 5 1/2 cents, Aug 11 Soybean Meal closed at \$348.60, up \$1.40, Aug 11 Soybean Oil closed at \$54.60, up \$0.57  
 Soybean futures closed up slightly on the day and up 5 1/2 cents for the week. Like corn soybean prices had been trending lower prior to Thursdays report. August soybeans, soybean meal and oil expired today with the September coming on as spot month at a 10 cent discount. Yesterday on the monthly WASDE report USDA dropped projected soybean yields to 41.4 BPA leaving projected production at 3.056

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billion bushels and ending stocks at 155 million bushels. USDA also raised the on farm price by 50 cents a bushel. The weekly CFTC report showed Managed Money decreased their net long soybean position by 47,238 contracts from the previous week as of Tuesday, the reporting period. Cash basis levels were steady to weaker at elevators and processors in the Midwest. Bids were 3 to 5 cents lower in Indiana. More moderate temperatures this past week along with some precipitation in the major bean production states over the next few days will be beneficial to the crop. Above normal temperatures and below normal precipitation are in the forecast for August 17 to 25 for most of the soybean producing areas.

**Wheat:** Morning: Sept 11 CBOT Wheat closed at \$7.12  $\frac{3}{4}$ , up 10  $\frac{1}{4}$  cents, Sept 11 MGEX Wheat is at \$8.02  $\frac{1}{2}$ , up 6  $\frac{3}{4}$  cents  
Friday's Close: Sept 11 CBOT Wheat closed at \$7.02  $\frac{1}{2}$ , up 1  $\frac{1}{4}$  cents, Sept 11 KCBT Wheat closed at \$7.96, down 12 cents, Sept 11 MGEX Wheat closed at \$8.61  $\frac{1}{4}$ , down 1  $\frac{1}{4}$  cents  
Wheat futures were unable to hold onto earlier gains and closed lower on the day but for the week were up 23  $\frac{1}{2}$  cents at the CBOT, 17  $\frac{1}{4}$  cent at the KCBT and 33  $\frac{3}{4}$  cents at the MGEX. Traders were most likely evening up ahead of the weekend. Total wheat production was cut 131 million bushels from 2010/11. Winter wheat stocks increased from the July report with stocks for the other wheat classes declining. Late planting of the spring wheat showed up in a 95 million bushel drop in production. In a report released today the Canadian Wheat Board said there were good chances spring wheat yields would improve with hot weather drying the flooded areas and created optimal crop development conditions. Spring wheat development is now ahead of earlier planted varieties according to the wheat board. Canadian wheat harvest is expected to accelerate over the next couple of weeks. The CFTC weekly report showed a reduction in the Managed Money net long for KC and CBOT wheat a combined 2049 contracts. There appeared to be a general sell down by Money Managers and Index Funds as of Tuesday from the previous week.

**Cattle:** Friday's Close: Aug 11 Cattle closed at \$117.900, up \$1.450, Oct 11 Cattle closed at \$120.450, up \$0.925, Dec 11 Cattle closed at \$122.675, up \$1.075, Aug 11 Feeder Cattle closed at \$135.850, up \$1.250  
Sept 11 Feeder Cattle closed at \$137.525, up \$1.225, Oct 11 Feeder Cattle closed at \$138.700, up \$1.375  
Cattle futures closed sharply higher on the day and up \$3.77 for the week. Cash cattle traded at \$115.50 to \$117 on the live and \$184 to \$186 in the dressed this week with the majority of the business done Thursday. The weekly CFTC report showed Managed Money and Index Funds decreased their net longs from the previous week. Weekly Beef export sales have been good and are ahead of last year for this past week with an accumulated total of 471,397 MT for 2011. Russia has been importing U.S. beef in a bigger way since 2008 (except for 2009) with totals as of August 4th at 30,925 MT outpacing the previous three years. That compares to South Korean to date totals of 88,151 MT. Total U.S. beef production for 2011 is projected at 26,110 million pounds down 16 million pounds from the July report. Boxed beef values continue to climb. Choice ended the day \$1.78 higher at \$179.81 and Select \$2.46 higher at \$176.53.

**Hogs:** Friday's Close: Aug 11 Hogs closed at \$107.450, up \$0.250, Oct 11 Hogs closed at \$89.475, up \$1.375  
Dec 11 Hogs closed at \$86.200, up \$1.200  
Lean hog futures closed higher on the day but down \$2.38 for the week. The August contract went off the board at \$107.45 and the October contract became spot month at \$89.47. Weekly support for October hogs is \$86.50 and resistance is about \$91.50. The weekly CFTC report showed a net decrease in long positions by Index Funds and Money Managers in the hogs from the previous week. Strong export sales the first half of the year and record carcass prices have supported the lead month of futures. The latest U.S. Census pork export figures for June should be out later today or Monday. Pork production was reduced by 19 million pounds for 2011 on the August WASDE report from the July report. Production is estimated at 22680 million pounds for 2011 and 23049 for 2012. Pork trading was slow to moderate with light to moderate demand and offerings. The Carcass was up 42 cents on the day and up 98 cents from last Friday.

**Cotton:** Friday's Close: Oct 11 Cotton closed at 100.72, up 293 points, Dec 11 Cotton closed at 100.52, up 400 points  
Dec 12 Cotton closed at 94.25, up 286 points  
Cotton futures closed limit up on Dec and March, supported by positive equity markets. The USDA WASDE reported that all cotton production is down 9 percent from last years 18.1 million bales to 16.6 million 480 pound bales. Certificated Stocks were unchanged from yesterday at 14,908 bales.

**Sept 11 Corn Daily Chart**

**Dec 11 Corn Daily Chart**

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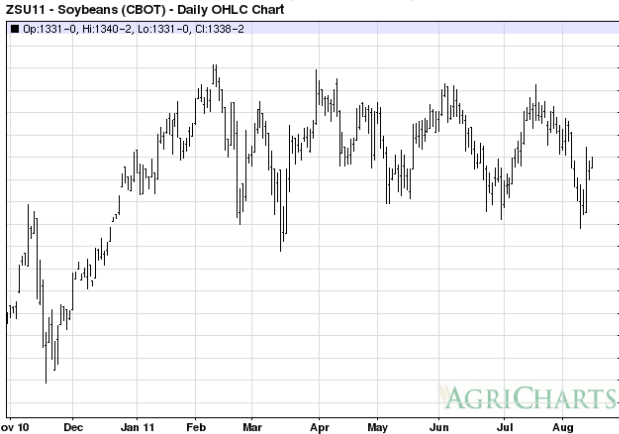
ZCU11 - Corn (CBOT) - Daily OHLC Chart



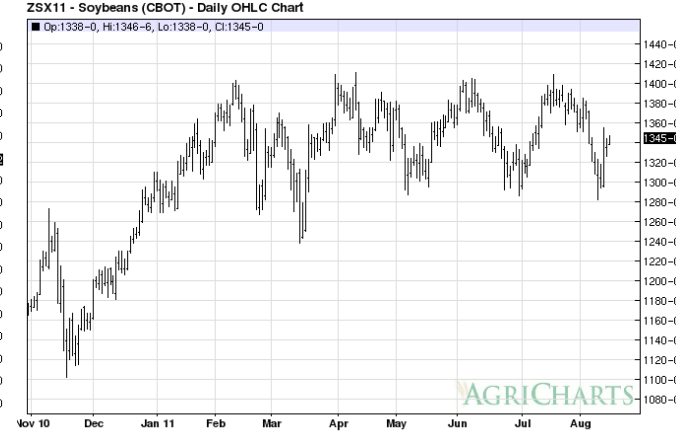
ZCZ11 - Corn (CBOT) - Daily OHLC Chart



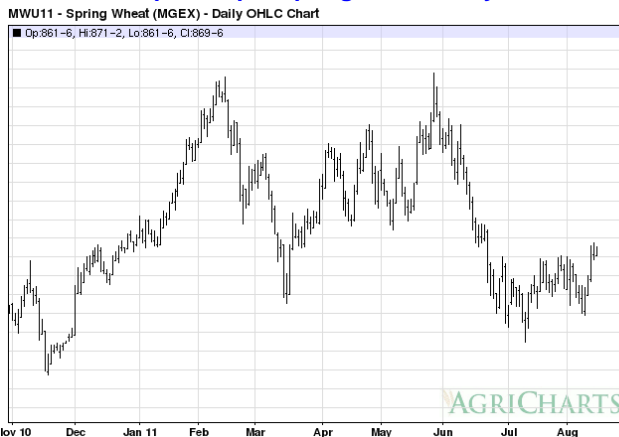
Sept 11 Soybean Daily Chart



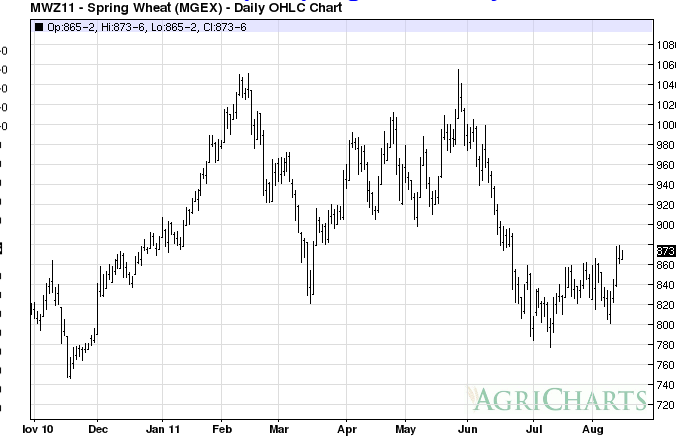
Nov 11 Soybean Daily Chart



Sept 11 Mpls Spring Wheat Daily Chart



Dec 11 Mpls Spring Wheat Daily Chart



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