



MORNING COMMENTS

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Monday, August 29, 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

Futures Prices: Last night, new crop December 11 corn futures posted a new high at \$7.79 while new crop November 11 Soybeans also posted a new high at \$14.41. Both crops are posting values that are historically very high prices. See charts below.

Next Major USDA Reports: Monday September 12, 2011 WASDE & Crop Production ;
Friday September 30, 2011 Quarterly Grain Stocks

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 US corn futures soar on supply worries, fresh export demand and outside market support. Prices pushed past recent technical resistance at \$7.50/bushel as a stream of troubling reports of this year's crop continue to emerge. Traders say gains came in part amid anticipation of Pro Farmer crop tour yield projection, released after the close, at 147.9 bushels/acre. "It's confirmation of everybody's suspicions," RJ O'Brien analyst Rich Feltes says. ProFarmer did not make any adjustments to harvested area relative to the USDA Aug stats...but did remark that they thought harvested area would eventually be lower.

The U.S. Department of Agriculture earlier this month estimated corn production at 12.914 billion bushels, with an average yield of 153 bushels an acre. Last year, the U.S. corn crop came in at 12.447 billion bushels with an average yield of 152.8 bushels an acre. The average yield for the U.S. crop hasn't been below 150 bushels an acre since 2006. USDA has been projecting demand for corn at 13.1 billion.

If this year's corn crop yields near 148 bushels / acre, then the bottom line is that the rationing job in front of us for corn is significant as a 12.4 billion bushel crop would leave a projected deficit of 680 million bushel for the crop year and an unobtainable 284 million carry out. In order to maintain a very tight 750 million bushel carry out something needs to change, such as 1.) We need to find that we have additional corn stocks which would increase this year's carry out 2.) Exports would need to decrease by about 30%, 3.) Ethanol usage needs to decline by 10%, 4.) Feed usage needs to decrease by 10%, or 5.) a combination of all four factors mentioned which is the most likely scenario.

It appears that rationing has already started in the livestock and export sectors...but it seems that ethanol sector is going to have to be throttled back to effectively ration supply, especially if the crop is closer to 12.3 billion bushels or less. Overall, downside in the corn remains somewhat limited and upside could be well in excess of \$8.00 to slow down the ethanol sector with ethanol priced in the \$2.70-2.90 / gallon price range.

Chinese soybean prices were up 41 cents last night.

ProFarmer Yield estimates

U.S. Corn: 12.484 billion bu.; Average yield of 147.9 bu. per acre

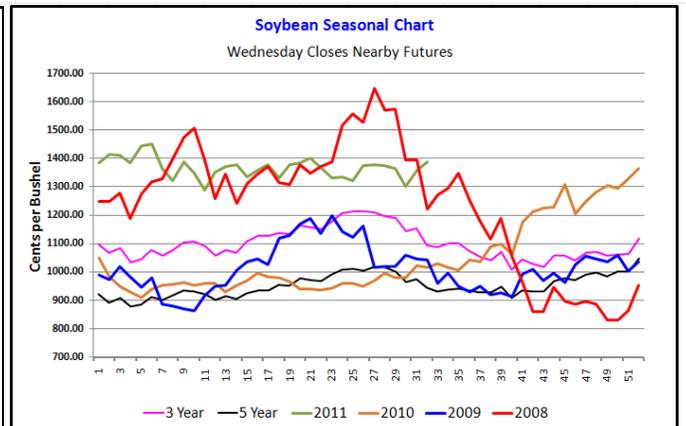
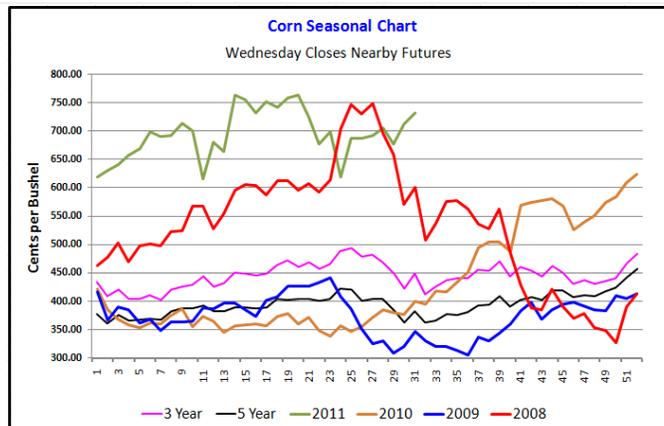
Corn +/- 1% = 146.45 bu. to 149.4 bu. per acre; 12.36 billion to 12.61 billion bushels.

U.S. Soybeans: 3.083 billion bu.; Average yield of 41.8 bu. per acre

Soybeans +/- 2% = 40.96 bu. to 42.64 bu. per acre; 3.02 billion to 3.14 billion bushels.

Corn: Ohio 160.0 ; Indiana 146.7; Illinois 154.8; Iowa 164.0; Minnesota 169.0; Nebraska 165.0; South Dakota 140.5

Soybeans: Ohio 45 ; Indiana 44; Illinois 49; Iowa 53 ; Minnesota 39 ; Nebraska 52.5 ; South Dakota 39



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Outside Markets: The dollar closed about 238 points higher ahead of Fed Chairman Bernank's speech Friday. Also, the stock market was lower as an initial reaction to Fed Chairman Bernanke's speech but closed the day 134.72 points higher.

U.S. Dollar Index	73.670	-0.199	-0.27%	Euro FX	1.45160	+0.00360	+0.25%	Ethanol Futures	Sep 11	2.929p	+0.035
CRB CCI Index	644.00p	+6.50	+1.02%	Canadian Dollar	1.02490	+0.01030	+1.02%	Gasoline RBOB (E)	Sep 11	2.9346p	-0.0333
Gold	1811.5	+17.3	+0.96%	Japanese Yen	1.30420	+0.00010	+0.01%	Diesel Gulf (ULSD)	Sep 11	3.0608s	+0.0216
Silver	41.140	+0.188	+0.46%	Australian Dollar	1.06020	+0.00730	+0.69%	Heating Oil (E)	Sep 11	3.0101p	+0.0246
DJIA	11279p	+148	+1.33%	Chinese Renminbi	0.156590p	0.000000	-	Crude Oil Brent (E)	Oct 11	111.06	-0.30
S&P 500 Index	1189.00	+13.00	+1.11%	Mexican Peso	0.080450	+0.000450	+0.56%	Natural Gas (E)	Oct 11	3.912p	+0.006
Nasdaq 100	2183.00	+19.00	+0.88%	1-Month Libor	99.7575p	+0.0025	-	Polypropylene	Sep 11	0.8509s	0.0000
Russell 1000 Growth	549.90p	+11.30	+2.1%	T-Bond	137-07	-0.30	-0.68%	Polyethylene	Sep 11	0.6009p	0.0000
MSCI EMI Index	984.00	+1.60	+0.16%	3-Month T-Bill	99.2700s	0.0000	-	RME Biodiesel	Aug 11	1470.957p	+1.696
Nikkei 225	8890.00	+90.00	+1.02%	5-Year T-Note	123-095	-0.25	-0.18%	Coal Futures	Oct 11	75.87p	+0.25
Brazilian Real	0.62290p	+0.00220	+0.35%	10-Year T-Note	129-270	-0.140	-0.34%	Uranium	Sep 11	49.15p	-1.00

Weather Dry weather dominated most of the Midwest over the weekend, with some rains bringing totals of generally less than .30" to eastern SD, eastern NE and western IA Sunday. Temps across the region were fairly close to average, with highs in the low to mid 80's in most cases, with some upper 80's in the south. Lows were in the 50's in most cases. The forecast sees mainly dry weather to occur in the region today and then by tomorrow and early Wednesday, some showers and thunderstorms will impact the northern 2/3rds of the Midwest, with mainly light to occasionally moderate totals north of a line from around Kansas City to Cleveland. A few showers may occur elsewhere in the Midwest Tue-Wed, but totals look to be light and scattered. Things then look to quiet down across the region for the end of the week and first part of the holiday weekend, with some rains seen by later in the holiday weekend. Totals with the weekend activity look to be in the moderate to heavy range in most cases. Things then look to quiet down in most areas for early next week, with some showers possible in the Great Lakes vicinity. Temps for the next week to ten days will not stray too far from average, with highs in the upper 70's to mid 80's in most locales.

Central Illinois:

mon	tue	wed	thu	fri	sat	sun	mon	tue	wed
aug 29	aug 30	aug 31	sep 01	sep 02	sep 03	sep 04	sep 05	sep 06	sep 07
Sunny	Iso T-Storms	Iso T-Storms	Sunny	M Sunny	Iso T-Storms	Iso T-Storms	Sunny	Sunny	P Cloudy
83° 60°	80° 63°	90° 70°	96° 73°	93° 73°	86° 65°	81° 59°	76° 56°	78° 60°	81° 60°

Central Iowa:

mon	tue	wed	thu	fri	sat	sun	mon	tue	wed
aug 29	aug 30	aug 31	sep 01	sep 02	sep 03	sep 04	sep 05	sep 06	sep 07
M Sunny	Sct T-Storms	P Cloudy	M Sunny	M Sunny	P Cloudy	M Sunny	P Cloudy	M Sunny	P Cloudy
84° 67°	76° 64°	86° 72°	92° 73°	91° 66°	84° 62°	77° 59°	75° 59°	80° 63°	80° 64°

South Central Minnesota:

mon	tue	wed	thu	fri	sat	sun	mon	tue	wed
aug 29	aug 30	aug 31	sep 01	sep 02	sep 03	sep 04	sep 05	sep 06	sep 07
M Sunny	Sct T-Storms	P Cloudy	P Cloudy	Sct T-Storms	Few Showers	M Sunny	P Cloudy	Sunny	P Cloudy
83° 63°	78° 62°	83° 67°	89° 68°	75° 52°	77° 54°	71° 53°	73° 58°	75° 59°	76° 58°

Central Indiana:

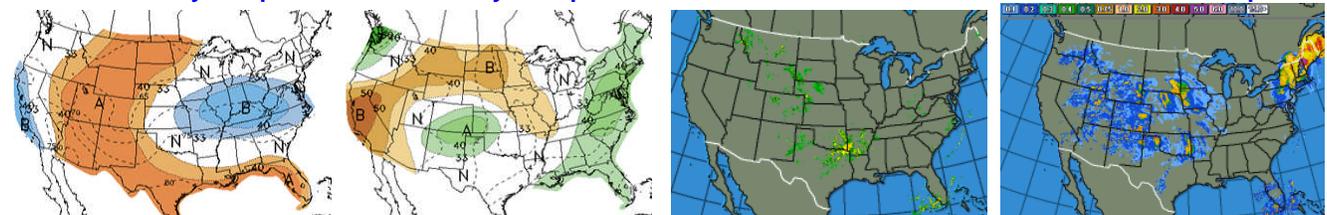
mon	tue	wed	thu	fri	sat	sun	mon	tue	wed
aug 29	aug 30	aug 31	sep 01	sep 02	sep 03	sep 04	sep 05	sep 06	sep 07
P Cloudy	P Cloudy	Iso T-Storms	M Sunny	M Sunny	Iso T-Storms	Sct T-Storms	M Sunny	Sunny	M Sunny
82° 58°	82° 63°	89° 68°	94° 72°	92° 72°	89° 68°	83° 62°	80° 58°	79° 57°	82° 59°

8-14 Day Temp

8-14 Day Precipitation

Current Radar

Last 24 hr Precip



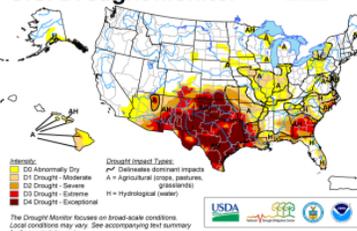
Official Weather Station -2011

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

	Thursday, August 25	Friday, August 26
Air Temperature	Max = 79; Min = 53	Max = 82; Min = 54
Soil Temperature		
2 inch	Max = 87; Min = 64; Ave = 75	Max = 90; Min = 64; Ave = 77
4 inch	Max = 82; Min = 65; Ave = 73	Max = 85; Min = 65; Ave = 75
8 inch	Max = 77; Min = 68; Ave = 73	Max = 77; Min = 67; Ave = 72
Daily Precipitation	0.00"	0.00"

U.S. Drought Monitor

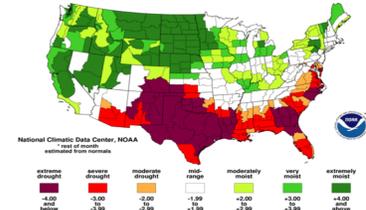
August 23, 2011



Palmer Hydrological Drought Index

Long-Term (Hydrological) Conditions

August 2011: through August 13, 2011*



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Corn: Morning: Sept 11 Corn is at \$7.60 , up 7 ¾ cents, Dec 11 Corn closed at \$7.74 , up 7 cents, Mar 11 corn closed at \$7.85 ¼ , up 7 cents, July 12 Corn is at \$7.90 , up 6 cents, Yesterday's Close: Sep 11 Corn closed at \$7.32 ¼ , up ½ cent, Dec 11 Corn closed at \$7.43 ½ , up ½ cent, Mar 12 Corn closed at \$7.55, up 1 cent Dec 12 Corn closed at \$6.55, up ¼ cent

Corn futures closed slightly higher on the day but at the upper end of the daily trading range. The crop tour results will be out after the close tomorrow. Weekly export sales were a combined total of 536,100 MT at midrange of trade estimates. There are about two weeks left to report before the 2010/11 marketing year ends and the 2011/12 marketing year begins. Accumulated exports as of August 18th were 43,803,415 MT or 1.724 billion bushels. The USDA estimated 2010/11 corn exports at 1.825 billion in the August WASDE report. Corn basis levels were steady to lower at elevators, processors and ethanol plants and steady to higher at river terminals.

Soybean Complex: Morning: Sept 11 Soybeans closed at \$14.27 ¾ , up 13 cents, Nov 11 Soybeans closed at \$14.36 ½ , up 13 cents, Jan 11 Soybeans closed at \$14.45 , up 12 ¼ cents, Jul 12 Soybeans closed at \$14.42 , up 12 cents , Yesterday's Close: Sep 11 Soybeans closed at \$13.86, down ½ cent, Nov 11 Soybeans closed at \$13.92 ¾ , down ¾ cent, Jan 12 Soybeans closed at \$14.03 ¼ , down ½ cent, Nov 12 Soybeans closed at \$13.39 ¾ , up 5 ¾ cents, Sep 11 Soybean Meal closed at \$368.00, up \$1.00, Sep 11 Soybean Oil closed at \$55.60, down \$0.18

Soybean futures ended the day slightly lower but in the upper half of the daily trading range. Weekly export sales were 657,626 MT near the lower end of trade estimates. Trade ideas for Census July crush averaged 129.6 mil bu, and the actual number was 129.56. The oil stocks average guess was 3.066 bil lbs vs. 3.128 bil last month and 3.594 bil July of 2010. Census put the actual number at 3.065 billion. Due to budget cuts the monthly soybean crush report has been terminated. The National Oilseed Processors Assoc, a private industry group, will be the only source of monthly data but only reports what association members have processed. The USDA Outlook Board also issues a forecast of the annual crush each month but it is an estimate. Cash basis levels at elevators, processors and river terminals were steady to lower.

Wheat: Morning: Sept 11 CBOT Wheat closed at \$7.67 , up 4 ¾ cents, Sept 11 MGEX Wheat is at \$9.58 ¾ , up 2 ½ cents Yesterday's Close: Sep 11 CBOT Wheat closed at \$7.62 ¼ , up 5 cents, Sep 11 KCBT Wheat closed at \$8.66, up 18 ¼ cents, Sep 11 MGEX Wheat closed at \$9.56 ¼ , up 21 ½ cents

Wheat futures closed higher on all three exchanges making new two month highs. CBOT wheat was 31 1/2 cents higher, KCBT was 11 1/4 cents higher and MGEX was 11 cents higher for the week. The weekly CFTC report showed Managed Money increased their net long position in both CBOT and KCBT wheat from the previous week. Lack of rain and extreme heat in the Southern Plains puts the winter wheat crop at risk for 2011/12 and limits cattle grazing. Morocco is tendering for 300,000 MT of U.S. wheat as part of a preferential tariff agreement. Algeria bought 300,000 MT of durum wheat from France, Spain and Mexico for August and early Dec shipment. Harvested wheat acres in Canada are expected to be up 2.6% at 19.8 million acres raising the crop 1/2 MMT from 2010 with average yields at 40 BPA.

Cattle: Yesterday's Close: Aug 11 Cattle closed at \$114,300, up \$0.450, Oct 11 Cattle closed at \$115,200, up \$1,100, Dec 11 Cattle closed at \$117,100, up \$0.650, Sep 11 Feeder Cattle closed at \$132,600, up \$0.975 Oct 11 Feeder Cattle closed at \$133,275, up \$1,075 Nov 11 Feeder Cattle closed at \$133,775, up \$0.875

Cattle futures closed higher on the day and unchanged for the week. The Southern Plains remain in an exceptional and extreme drought so pasture conditions are not expected to support much in the way of cattle feeding. Compared to last week calves and yearlings sold for \$2 to \$6 lower. Higher feed costs could limit expansion. The August 22nd USDA release stated all cows and heifers that calved were down 1% from a year ago at 40.6 million head. The weekly CFTC report showed Managed Money decreased their net cattle long by 16,409 contracts from the previous week. The Labor Day weekend forecast is for above normal temps and below normal precip for most of the U.S. Good grilling weather. Wholesale beef prices ended lower this afternoon. Choice was down \$1.49 at \$186.30 and Select beef was \$1.78 lower at \$179.21.

Hogs: Yesterday's Close: Oct 11 Hogs closed at \$87,100, down \$0.125, Dec 11 Hogs closed at \$84,575, up \$0.125 Feb 12 Hogs closed at \$87,875, up \$0.475

Lean hog futures closed slightly lower on the October contract and higher on the other months. The spot contract was down \$1.27 for the week. The CME Lean Hog Index is at \$101.76, down \$0.86 as of August 24th. Cash hogs were \$0.59 lower in IA/MN at \$92.15, \$0.84 lower in the WCB at \$91.86 and \$1.09 lower in the ECB at \$96.44. Pork was slow with mostly light demand and mostly moderate offerings. The Carcass cutout was lower closing down \$0.32 at \$101.79 this afternoon.

Cotton: Yesterday's Close: Oct 11 Cotton closed at 103.92, up 133 points, Dec 11 Cotton closed at 104.32, up 133 points Dec 12 Cotton closed at 96.6, up 9 points

Cotton futures closed slightly higher on the day and down 284 points for the week. The weekly CFTC report showed Managed Money increasing their net long by 4,806 contracts to 35,394 contracts from the previous week. Hurricane Irene poses a legitimate threat to the cotton crop along the eastern seaboard. Virginia, South and North Carolina are threatened. Heavy rains could damage open cotton bolls. Certificated Stocks were up at 15,772 from 15,802 bales the previous day. The USDA set the prevailing world market price for upland cotton at 91.96 cents per pound through September 1st.

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Sept 11 Corn Daily Chart



Dec 11 Corn Daily 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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