



MORNING COMMENTS

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Wednesday, August 31, 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. 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 ;
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 Farmer selling of new crop appears to have come to a halt. Most have as much crop sold as they are comfortable with and with the tight carry over expectations they are willing to wait and see what yields are like. Also, with income tax considerations are a part of the concern.

Extended Listings for Live Cattle Options and Lean Hog Options

Effective on Monday, September 12, 2011 the listing cycles for options on live cattle futures and options on lean hog futures will be extended so that every listed futures contract has a corresponding listed option. Currently, the Exchange lists fewer options months than futures months for both live cattle and lean hogs. With this change, the same number of futures months and options months will be listed. As a result, the following additional options contract months will be added: Options on live cattle futures-October 2012, December 2012, February 2013; Options on lean hog futures-December 2012, February 2013

Price Perspective

The tables to the right show CBOT futures for nearby and new crop on the dates indicated.

With recent values of \$7.00+ corn and near \$14.00 soybeans a question has been what can happen after harvest. While the crystal ball we gaze into is foggy much of the trade believes that the expected very tight carry out for next summer will help keep prices elevated it is interesting to look back a couple of years to 2008.

Back then the year to year corn carryover was about 1.6 billion bushels as compared to this fall's expected carryover of 940 million bushels and 714 million for next fall. Demand in 2008 was 12.0 billion and today it is estimated to be 13.2 billion bushels. The carry out to use ratio was 13.9% compared to this fall at about 7.1% and a preliminary guess for next fall at 5.4% at 153 bu. yield.

Can corn prices go down 47% or \$2.70 per bushel like they did in the fall of 2008? That would be a decline of \$3.54 to \$4.16 to equal the same percentage drop. That would seem to be too big of a decline given the near pipeline carry out and low stocks/use ratio.

However, looking at soybeans through a similar crystal ball has us wondering if a price decline is possible. In 2008 the carryover was 138 million bu. with a stocks/use ratio of 4.5%. Today for the 2010 crop we expect a 230 million bu. c/o with a ratio of 7.1% and as we gaze towards next fall's carry out forecasts are for a 155 million or 4.9% ratio. That would indicate that without other factors a price decline like 2008 would be plausible. In 2008 soybean prices declined \$5.19 or 38% from pre harvest to post harvest. A similar move would equate to a drop of \$5.52 down to near \$9.00 for a year with carry out expectations that we currently have.

The BIG wild cards that are supporting the market today are expectations and fears of low yields and tight supplies for both corn and soybeans. If something takes place that changes the expected carry out to a considerably more comfortable level then the price historical price declines become much more possible.

Recent Values

	CORN		SOYBEANS	
	Nearby	Harvest	Nearby	Harvest
17-Aug-2011	711.50	725.50	1356.75	1366.75
24-Aug-2011	731.75	743.00	1386.50	1393.50
31-Aug-2011	759.25	770.75	1444.40	1452.25

Pre Harvest 2008

	CORN		SOYBEANS	
	Nearby	Harvest	Nearby	Harvest
27-Aug-2008	577.50	596.00	1348.00	1348.00
03-Sep-2008	562.50 Z	562.50 Z	1251.50 X	1251.50
10-Sep-2008	536.75	536.75	1178.00	1178.00

Post Harvest 2008

	CORN		SOYBEANS	
	Nearby	Harvest	Nearby	Harvest
10-Dec-2008	326.75	326.75	829.50	829.50
17-Dec-2008	389.50	389.50	864.00	864.00
24-Dec-2008	412.25	412.25	951.75	951.75

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Outside Markets:

U.S. Dollar Index	73.910	-0.086	-0.12%	Euro FX	1.44420	-0.00050	-0.03%	Ethanol Futures	Sep 11	2.922p	-0.004
CRB CCI Index	645.00p	-1.00	-0.15%	Canadian Dollar	1.02410	+0.00240	+0.23%	Gasoline RBOB (E)	Oct 11	2.8415p	+0.0720
Gold	1826.9	+0.2	+0.01%	Japanese Yen	1.30650	+0.00200	+0.15%	Diesel Gulf (ULSD)	Oct 11	3.1153s	+0.0581
Silver	41.635	+0.237	+0.57%	Australian Dollar	1.06660	-0.00190	-0.18%	Heating Oil (E)	Oct 11	3.0767p	+0.0594
DJIA	11492p	-25	-0.22%	Chinese Renminbi	0.156840p	+0.000030	+0.02%	Crude Oil Brent (E)	Oct 11	113.74	-0.28
S&P 500 Index	1220.30	+15.50	+1.29%	Mexican Peso	0.080350	+0.000525	+0.66%	Natural Gas (E)	Oct 11	3.909p	+0.079
Nasdaq 100	2248.00	+21.00	+0.94%	1-Month Libor	99.7675	+0.0050	+0.01%	Polypropylene	Oct 11	0.8675s	0.0000
Russell 1000 Growth	564.40p	-0.10	-0.02%	T-Bond	138-27	+0-09	+0.2%	Polyethylene	Oct 11	0.6050s	0.0000
MSCI EMI Index	1032.00	+16.60	+1.63%	3-Month T-Bill	992.7000s	0.0000	-	RME Biodiesel	Aug 11	1473.455p	+2.137
Nikkei 225	9025.00	+120.00	+1.35%	5-Year T-Note	123-7.5	+0-2.5	+0.08%	Coal Futures	Oct 11	76.20p	+0.30
Brazilian Real	0.62755s	+0.00220	+0.35%	10-Year T-Note	130-205	+0-080	+0.19%	Uranium	Sep 11	49.15p	0.00

Weather

Central Illinois:

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
aug 31	sep 01	sep 02	sep 03	sep 04	sep 05	sep 06	sep 07	sep 08	sep 09
Sunny	M Sunny	M Sunny	Sct T-Storms	P Cloudy	Sunny	P Cloudy	M Sunny	Sunny	Sunny
94° 72°	97° 73°	96° 71°	89° 66°	82° 55°	75° 54°	74° 57°	79° 55°	77° 60°	78° 56°

Central Iowa:

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
aug 31	sep 01	sep 02	sep 03	sep 04	sep 05	sep 06	sep 07	sep 08	sep 09
Sunny	Sunny	Iso T-Storms	M Cloudy	M Sunny	Sunny	Sunny	Sunny	Sunny	Sunny
92° 74°	94° 77°	86° 66°	84° 65°	74° 52°	73° 56°	76° 61°	78° 58°	74° 60°	79° 60°

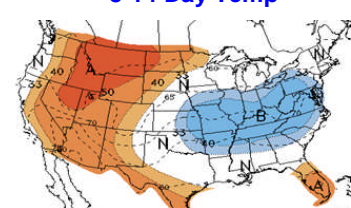
South Central Minnesota:

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
aug 31	sep 01	sep 02	sep 03	sep 04	sep 05	sep 06	sep 07	sep 08	sep 09
AM Clouds	P Cloudy	AM T-Storms	Iso T-Storms	M Sunny	Sunny	Sunny	Sunny	P Cloudy	Sunny
87° 69°	90° 66°	76° 55°	76° 54°	70° 46°	75° 53°	79° 52°	77° 53°	73° 50°	73° 53°

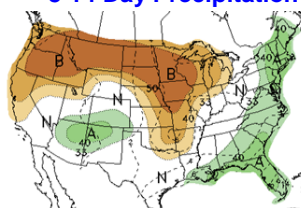
Central Indiana:

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
aug 31	sep 01	sep 02	sep 03	sep 04	sep 05	sep 06	sep 07	sep 08	sep 09
AM Showers	Sunny	Sunny	Iso T-Storms	Iso T-Storms	Sunny	M Sunny	Sunny	Sunny	M Sunny
91° 69°	96° 73°	98° 72°	89° 68°	85° 57°	76° 53°	75° 58°	79° 57°	79° 58°	79° 56°

8-14 Day Temp



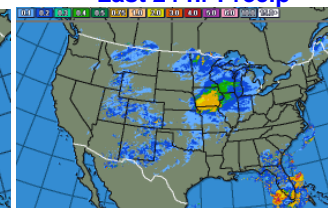
8-14 Day Precipitation



Current Radar



Last 24 hr Precip



Official Weather Station -2011

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

	Monday, August 29	Tuesday, August 30
Air Temperature	Max = 77; Min = 51	Max = 81; Min = 52
Soil Temperature		
2 inch	Max = 87; Min = 65; Ave = 76	Max = 88; Min = 65; Ave = 77
4 inch	Max = 81; Min = 65; Ave = 73	Max = 82; Min = 65; Ave = 73
8 inch	Max = 76; Min = 67; Ave = 71	Max = 76; Min = 66; Ave = 71
Daily Precipitation	0.08"	0.02"

Corn: Morning: Sept 11 Corn is at \$7.59 ¼, down 4 ¼ cents, Dec 11 Corn closed at \$7.70 ¾, down 4 ½ cents, Mar 11 corn closed at \$7.82 ¼, 5 cents, July 12 Corn is at \$7.88 ¾, down 5 ¼ cents, Yesterday's Close: Sep 11 Corn closed at \$7.63 ½, up 7 ¼ cents, Dec 11 Corn closed at \$7.75 ¼, up 5 ¼ cents, Mar 12 Corn closed at \$7.87 ¼, up 5 ½ cents Dec 12 Corn closed at \$6.67 ¼, up ¾ cent
Corn futures closed higher on the day after being lower most of the session. Funds have been steady buyers since last week and bought an estimated 9,000 contracts today. Crop condition ratings declined into week 34 of the marketing year and seasonally continue to deteriorate or level off into week 36. Crop condition ratings then begin to improve into harvest completion on average. Cash basis levels were steady at elevators, processors and ethanol plants and steady to lower at river terminals on waning export business. A slow moving weather system that is currently over the Midwest and Northern Plains will gradually work to the east into the Labor Day holiday. Chances are for a trace to an inch of precipitation. The long range forecast is calling for above normal temperatures for the Northern Plains and states west of the Rockies

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with below normal precipitation for most of the country, except for the east coast.

Soybean Complex: Morning: Sept 11 Soybeans closed at \$14.44 ½, dn ¼ cents, Nov 11 Soybeans closed at \$14.52 ¼, dn ¼ cents, Jan 11 Soybeans closed at \$14.62 ¼, 4 cents, Jul 12 Soybeans closed at \$14.56 ½, 4 ¼ cents, Yesterday's Close: Sept 11 Soybeans closed at \$14.48 ¾, up 10 ¾ cents, Nov 11 Soybeans closed at \$14.57, up 10 cents, Jan 12 Soybeans closed at \$14.66 ¼, up 10 ¼ cents, Nov 12 Soybeans closed at \$13.79 ¾, up 8 ¾ cents, Sep 11 Soybean Meal closed at \$381.10, up \$1.90, Sep 11 Soybean Oil closed at \$58.20, up \$0.20

Soybean futures closed higher on the day after a session of back and forth trading. China is expected to increase soybean buying in 2011/12 according to Oil World. The U.S. has shipped 25,594,844 MT of soybeans to China as of August 18th of the total 39,517,859 MT exported from the U.S. as of that date. For the 2011/12 crop year that begins September 1st China has purchased 8,648,298 MT of the 11,005,414 MT sold for 2011/12. Taiwan purchased 60,000 MT of soybeans from Brazil for October delivery. Crop condition ratings on average begin to level out into harvest completion. The years where there was an exception were 2008, 2004, 2000, 1995 and 1990 when the crop rating deteriorated substantially in the following week progress report. USDA projected 2011/12 ending stocks would be tight at 155 million bushels so weather is critical going into harvest. If the weather is too hot moisture could be driven from the bean making for a smaller bean with lower moisture content. Most of the above normal temperatures are forecast to stay west of the Rockies in the long range forecast but temps in the 90 to 95 range will blanket most of the soybean area from Wednesday to Saturday pushing maturity. Cash basis levels were steady at elevators and mostly steady at processing plants. Bids dropped significantly at river terminals.

Wheat: Morning: Sept 11 CBOT Wheat closed at \$7.38 ½, 11 ¾ cents, Sept 11 MGEX Wheat is at \$9.42, up 1 cent Yesterday's Close: Sept 11 CBOT Wheat closed at \$7.50 ¼, down 7 cents, Sep 11 KCBT Wheat closed at \$8.67 ½, down 6 ½ cents, Sep 11 MGEX Wheat closed at \$9.41, down 7 ¼ cents

Wheat futures closed lower on the day. Private exporters announced the sale of 102,500 MT of HRW wheat to unknown this morning. The CME Group increased the discount for wheat containing vomitoxin delivered against the CBOT wheat contract. Wheat containing four parts per million of vomitoxin is not eligible for delivery beginning with the September of 2013 contract. The Northern Plains are getting some rains that will last into Labor Day. The Southwest is also looking for some moisture along with the northern and southern tips of Texas.

Oklahoma and Kansas are also forecast to get rain which is much needed to help soil moisture in those states ahead of winter wheat seedings. Australia also received some much needed rain for their wheat crop. The dollar is higher which could curtail export business.

Cattle: Yesterday's Close: Aug 11 Cattle closed at \$114.250, up \$0.750, Oct 11 Cattle closed at \$114.525, down \$0.075, Dec 11 Cattle closed at \$116.725, down \$0.025, Sep 11 Feeder Cattle closed at \$132.625, up \$0.300 Oct 11 Feeder Cattle closed at \$133.000, up \$0.300 Nov 11 Feeder Cattle closed at \$134.150, up \$0.600

Cattle futures ended mixed on the day with the front month narrowing the gap to about 25 cents from a dollar this morning between the expiring August contract and the soon to be spot October contract. August cattle expire tomorrow. With a short kill week coming up, packers were expected to start the week with less than ambitious cash bids. Packers are bidding \$110 in TX/OK with no bids quoted in NE. Feedlots are asking \$115 in TX/OK and \$185 in NE. Cash trade today has been inactive on light demand in the North and South Plains as well as the western Corn Belt. Boxed beef has been edging lower over the past week and closed sharply lower this afternoon. Choice is down \$1.63 at \$184.57 and Select beef was also sharply lower at \$176.07 down \$3.01. Pasture condition ratings in the good/excellent category were down a point to 36% on yesterday's Crop Condition report.

Hogs: Yesterday's Close: Oct 11 Hogs closed at \$85.700, down \$0.700, Dec 11 Hogs closed at \$83.150, down \$0.525 Feb 12 Hogs closed at \$86.925, down \$0.575

Lean hog futures were unable to muster any strength and closed down near the lows of the day. The cash market looks weak, but futures are already discounting a substantial drop in values. Cash hogs were slammed again today. IA/MN hogs were down \$2.21 at \$87.81, WCB hogs were down \$2.14 at \$87.88 and ECB hogs were down \$1.51 at \$90.52. Cash hogs are also called \$0.50 to \$2.00 lower tomorrow. Estimated hog slaughter is 422,000 compared to 414,000 a year ago. Pork trading was slow to moderate with very light to light demand and moderate to heavy offerings. The Carcass cutout was down \$2.60. The lean hog index was lower as of Aug 26th at \$99.75, down \$0.99 from the prior day.

Cotton: Yesterday's Close: Oct 11 Cotton closed at 104.91, up 14 points, Dec 11 Cotton closed at 105.42, up 50 points Dec 12 Cotton closed at 98.55, up 153 points

Cotton futures closed mildly higher across the board, supported by friendly equity and commodity markets. Business Standard India reported India's cotton production is expected to be up 9% this year with the government raising its export forecast as well. The Texas cotton crop index was rated at 36 % good/excellent compared to 80 a year ago. Texas plants the majority of the cotton in the United States. Soil moisture in Texas is rated very short in the majority of the districts. Certificated Stocks were down slightly to 15,674 bales.

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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



Sept 11 Soybean Daily Chart

ZSU11 - Soybeans (CBOT) - Daily OHLC Chart



Nov 11 Soybean Daily Chart

ZSX11 - Soybeans (CBOT) - Daily OHLC Chart



Sept 11 Mpls Spring Wheat Daily Chart

MWU11 - Spring Wheat (MGEX) - Daily OHLC Chart



Dec 11 Mpls Spring Wheat Daily Chart

MWZ11 - Spring Wheat (MGEX) - Daily OHLC Chart



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