



MORNING COMMENTS

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Thursday, May 12, 2011

New recommendations were made on Wednesday May 4, 2011 to add to sales. See email previously sent.

Set Basis July Corn HTA's: For July corn HTA's we were watching the basis to set it on the 20% that the basis is open. We were targeting the time frame when planting is in full swing to potentially set the basis. **Some locations now offering a -.38 basis for June corn and -.36 basis for July corn.** We are recommending that you set the basis as it is an acceptable level and with the rain delay you have time to address it. We don't wish to have you distracted once planting resumes and we see little potential benefit from waiting. At the time we placed the HTA the basis was a -.75 for forward contracts so we have gained \$.39 less the HTA fee from decoupling the futures price and basis.

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 | 90% sold-20% basis open July | 50% sold HTA | 30% sold HTA |
| Soybeans | 90% 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 price targets have all been exceeded.

Next USDA Reports: Thursday June 9, 2011 WASDE & Crop Production, Thursday June 30, 2011 Planted Acres & Grain Stocks

USDA WASDE Report Yesterday's report surprised the trade but was not that bearish, however it caused some liquidation and buyers stayed on the side.

Corn: USDA increased the 2010/11 U.S. corn carryout by 55 million bushels to 730 million bushels. The 2010/11 corn carryout is 69 million above the average trade estimate and above the high trade estimate. USDA estimates the 2011/12 U.S. corn carryout at 900 million bushels. The 2011/12 corn carryout is 92 million above the average trade estimate and within the trade range.

Soybeans: USDA increased the 2010/11 U.S. soybean carryout by 30 million bushels to 170 million bushels. The 2010/11 soybean carryout is 17 million above the average trade estimate and within the trade range. USDA estimates the 2011/12 U.S. soybean carryout at 160 million bushels. The 2011/12 corn carryout is 7 million below the average trade estimate and within the trade range.

Wheat: USDA left the 2010/11 U.S. wheat carryout unchanged at 839 million bushels. The 2010/11 Wheat carryout is 6 million below the average trade estimate and near the low trade estimate. USDA estimates the 2011/12 U.S. wheat carryout at 702 million bushels. The 2011/12 wheat carryout is 44 million above the average trade estimate and within the trade range.

| Carry Out | 2010-11 | USDA Grain Carry Out Estimates (billions/bu) | | | | Carry Out | 2011-12 | USDA Grain Carry Out Estimates (billions/bu) | | | |
|-----------|-------------------|--|------------------------|-------------------|---------------|-----------|-------------------|--|------------------------|-------------------|--|
| | USDA May 10/11 | Average Trade Est. | Range of Trade Est. | USDA Apr 10/11 | USDA 09/10 | | USDA May 11/12 | Average Trade Est. | Range of Trade Est. | USDA Apr 11/12 | |
| Corn | 0.730 | 0.661 | 0.565-0.700 | 0.675 | 1.708 | Corn | 0.900 | 0.808 | 0.574-1.025 | NA | |
| Soybeans | 0.170 | 0.153 | 0.138-0.180 | 0.140 | 0.151 | Soybeans | 0.160 | 0.167 | 0.122-0.210 | NA | |
| Wheat | 0.839 | 0.845 | .831-.868 | 0.839 | 0.976 | Wheat | 0.702 | 0.658 | 0.432-0.800 | NA | |

Market Talk Limitless May Corn finished 37 cents lower yesterday while synthetic July Corn closed down 36. Daily corn trading limits expand to 45 cents on Thursday. Another bearish topic was a surprisingly low ethanol production figure for the week ending May 6 at 862 thousand bbls / day vs 875 in the previous week. The latest production pace translated to annual production near 13.4 bln gallons. Lower production and larger ethanol stocks on hand, in spite of very attractive blending margins, may be suggesting that the industry has reached the "blend wall" and is just unable to use any more ethanol until E15 is implemented and /or more E85 vehicles are produced.

Limited planting progress in much of Renville county with much of it too wet. North of Hwy 212 has seen some progress with farmers choosing field here and there. South of US Hwy 212 very limited planting, some producers working around low spots or tracking through. These certainly are not ideal conditions, as the possibility of creating a hard pan exists. This crop will likely need some help later in the year.

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Outside Markets:

| | | | | | | | | | | | |
|---------------------|----------|----------|--------|-------------------|-----------|-----------|--------|---------------------|--------|-----------|---------|
| U.S. Dollar Index | 75.675 | +0.158 | +0.21% | Euro FX | 1.41540 | -0.00300 | -0.21% | Ethanol Futures | Jun 11 | 2.481p | -0.094 |
| CRB CCI Index | 631.00p | -15.00 | -2.32% | Canadian Dollar | 1.03390 | -0.00500 | -0.48% | Gasoline RBOB (E) | Jun 11 | 3.1228p | -0.2569 |
| Gold | 1486.8 | -14.3 | -0.95% | Japanese Yen | 1.23570 | -0.00020 | -0.02% | Diesel Gulf (Ulsd) | Jun 11 | 2.9683s | -0.1062 |
| Silver | 33.220 | -2.289 | -6.45% | Australian Dollar | 1.05700 | -0.00690 | -0.65% | Heating Oil (E) | Jun 11 | 2.8983p | -0.1029 |
| DJIA | 12597p | -103 | -0.81% | Chinese Renminbi | 0.154080s | -0.000090 | -0.06% | Crude Oil Brent (E) | Jun 11 | 110.88 | -1.69 |
| S&P 500 Index | 1332.80 | -5.90 | -0.44% | Mexican Peso | 0.085650s | -0.000775 | -0.9% | Natural Gas (E) | Jun 11 | 4.181p | -0.065 |
| Nasdaq 100 | 2375.75 | -17.75 | -0.74% | 1-Month Libor | 99.8050p | +0.0025 | - | Polypropylene | Jun 11 | 0.9000s | 0.0000 |
| Russell 1000 Growth | 617.20p | -6.80 | -1.09% | T-Bond | 124-17 | +0-04 | +0.1% | Polyethylene | Jun 11 | 0.6813p | 0.0000 |
| MSCI Emi Index | 0.00 | -1151.20 | -100% | 3-Month T-Bill | 99.2700s | 0.0000 | - | Rme Biodiesel | May 11 | 1464.400p | -9.500 |
| Nikkei 225 | 9675.00 | -115.00 | -1.17% | 5-Year T-Note | 119-7.5 | +0-050 | +0.13% | Coal Futures | Jun 11 | 73.50p | -1.28 |
| Brazilian Real | 0.61375p | -0.00545 | -0.88% | 10-Year T-Note | 122-175 | +0-040 | +0.1% | Uranium | May 11 | 57.00p | +0.50 |

Weather

Central Illinois:

| thu | fri | sat | sun | mon | tue | wed | thu | fri | sat |
|--------------|--------------|---------|--------------|-------------|---------|----------|----------|---------|---------|
| may 12 | may 13 | may 14 | may 15 | may 16 | may 17 | may 18 | may 19 | may 20 | may 21 |
| Sct T-Storms | Sct T-Storms | Showers | Showers/Wind | P Cldy/Wind | M Sunny | P Cloudy | P Cloudy | Showers | Showers |
| 83° 63° | 76° 54° | 63° 51° | 59° 43° | 59° 39° | 60° 43° | 63° 48° | 68° 52° | 68° 54° | 66° 55° |

Central Iowa:

| thu | fri | sat | sun | mon | tue | wed | thu | fri | sat |
|--------------|--------------|---------|---------|----------|---------|----------|----------|---------|-----------|
| may 12 | may 13 | may 14 | may 15 | may 16 | may 17 | may 18 | may 19 | may 20 | may 21 |
| Sct T-Storms | Sct T-Storms | Cloudy | Showers | P Cloudy | Sunny | M Cloudy | M Cloudy | Showers | AM Clouds |
| 86° 59° | 61° 48° | 55° 48° | 56° 43° | 65° 43° | 66° 47° | 69° 50° | 68° 55° | 66° 53° | 70° 51° |

South Central Minnesota:

| thu | fri | sat | sun | mon | tue | wed | thu | fri | sat |
|----------|---------|---------|-------------|---------|---------|----------|----------|----------|-----------|
| may 12 | may 13 | may 14 | may 15 | may 16 | may 17 | may 18 | may 19 | may 20 | may 21 |
| T-Storms | Cloudy | Cloudy | Few Showers | Sunny | M Sunny | P Cloudy | P Cloudy | P Cloudy | AM Clouds |
| 58° 46° | 51° 44° | 49° 49° | 53° 40° | 60° 43° | 63° 47° | 64° 47° | 65° 49° | 65° 50° | 67° 49° |

Central Nebraska:

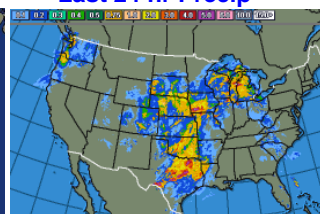
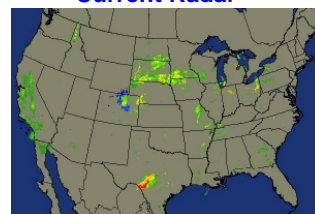
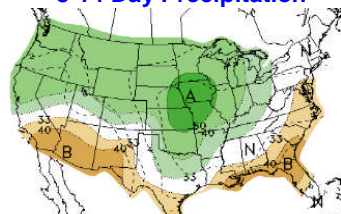
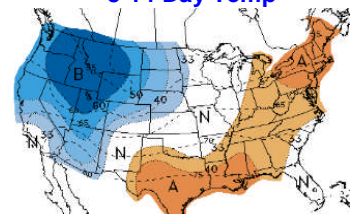
| thu | fri | sat | sun | mon | tue | wed | thu | fri | sat |
|--------------|--------------|-----------|---------|--------------|----------|----------|----------|---------|---------|
| may 12 | may 13 | may 14 | may 15 | may 16 | may 17 | may 18 | may 19 | may 20 | may 21 |
| Iso T-Storms | Sct T-Storms | T-Showers | Showers | Showers/Wind | P Cloudy | P Cloudy | M Cloudy | Showers | Showers |
| 87° 65° | 77° 60° | 68° 57° | 63° 51° | 57° 45° | 60° 48° | 63° 49° | 68° 54° | 70° 55° | 70° 57° |

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, May 9 | Tuesday, May 10 | Wednesday, May 11 |
|----------------------------|---------------------------------|---------------------------------|---------------------------------|
| Air Temperature | Max = 71; Min = 53 | Max = 70; Min = 54 | Max = 89; Min = 58 |
| Soil Temperature | | | |
| 2 inch | Max = 66; Min = 55; Ave = 61 | Max = 67; Min = 56; Ave = 61 | Max = 75; Min = 56; Ave = 66 |
| 4 inch | Max = 59; Min = 53; Ave = 56 | Max = 60; Min = 53; Ave = 57 | Max = 67; Min = 53; Ave = 60 |
| 8 inch | Max = 56; Min = 52; Ave = 54 | Max = 57; Min = 53; Ave = 55 | Max = 62; Min = 53; Ave = 58 |
| Daily Precipitation | 0.46" | 0.00" | 0.01" |

Corn: Morning: May 11 corn closed at \$6.59 ¼, down 9 ½ cents, July 11 Corn is at \$6.59 ¾, down 17 ½ cents, Sept 11 Corn is at \$6.38 ½, down 12 ¾ cents, Dec 11 Corn closed at \$6.16, down 10 cents.
Yesterday's Close: May 11 Corn closed at \$6.68 ¾, down 37 ¼ cents, Jul 11 Corn closed at \$6.77 ¼, down 30 cents, Sep 11 Corn closed at \$6.51 ¼, down 30 cents Dec 11 Corn closed at \$6.26, down 26 ¾ cents
Corn futures closed limit lower on the front July and September contracts and the spot month down over 30 cents. The spot month is in delivery so limits don't apply. Limits will be expanded to 45 cents tomorrow. Coming in this morning there were 2,621 contracts of open interest left in the May contract. Funds sold an estimated 20,000 corn contracts. This morning's USDA report put corn ending stocks at 730

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million bushels for 2010/11 and 900 million bushels for 2011/12. The 2011/12 number took many analysts by surprise with the average trade guess at 811 million bushels. The USDA is projecting yields to average 158.7 BPA and lists the average farm price for 2011/12 at \$5.50 to \$6.50. There does not seem to be a break in the rain for the eastern Corn Belt until next week. Ohio is very wet with many farmers unable to plant corn until conditions improve and the ideal time for the optimum yield is quickly passing. Ohio was 2% planted as of Sunday 54% is the five year average for that same week. The long range weather forecast changed to below normal temps and above normal rainfall from earlier today from May 17th through May 21st for most of the growing area. Ethanol was down nine cents and the exchange suspended gasoline trading after gas traded 27 cents lower on the day.

Soybean Complex: Morning: May 11 Soybeans closed at \$13.21 $\frac{3}{4}$, dn 11 $\frac{3}{4}$ cents, Jul 11 Soybeans closed at \$13.14 $\frac{3}{4}$, dn 17 cents, Sept 11 Soybeans closed at \$13.06, down 19 $\frac{1}{4}$ cents, Nov 11 Soybeans closed at \$13.02, down 19 cents, Yesterday's Close: May 11 Soybeans closed at \$13.33 $\frac{1}{2}$, down 6 $\frac{1}{2}$ cents, Jul 11 Soybeans closed at \$13.31 $\frac{3}{4}$, down 6 $\frac{1}{4}$ cents, Nov 11 Soybeans closed at \$13.21, down 1 $\frac{1}{2}$ cents, May 11 Soybean Meal closed at \$344.10, down \$2.20, May 11 Soybean Oil closed at \$56.07, down \$0.42

Soybean futures closed lower on both old and new crop but rallied off earlier lows. USDA estimated soybean ending stocks for 2010/11 at 170 million bushels and 160 million bushels for 2011/12 on this mornings report. Average analysts estimates expected ending stocks to come in at 153 million bushels for the 2010/11 crop and 167 million bushels for the 2011/12 crop. USDA put 2011/12 production at 3.285 billion bushels. USDA increased domestic crushing by 5 million bushels from last marketing year and decreased exports by 10 million bushels with South American production higher. USDA put Brazilian soybean output at 72.5 MMT and Argentine production at 53 MMT on this mornings WASDE report. The average analyst estimates for World soybean ending stocks for 2010/11 were 61.552 MMT and 61.281 MMT for 2011/12. USDA put the actual numbers at 63.81 for 2010/11 and 61.85 for 2011/12. USDA is predicting the average on farm price at \$12.00 to \$14.00 for the 2011/12 marketing year. Crude oil prices were down over \$5 a gallon and the dollar was up over 700 points.

Wheat: Morning: July 11 CBOT Wheat closed at \$7.38 $\frac{1}{4}$ cents, July 11 MGEX Wheat is at \$9.10, down 15 $\frac{1}{2}$ cents Yesterday's Close: May 11 CBOT Wheat closed at \$7.27 $\frac{3}{4}$, down 41 $\frac{1}{4}$ cents, May 11 KCBT Wheat closed at \$9.05, down 27 $\frac{1}{2}$ cents, May 11 MGEX Wheat closed at \$9.37, down 34 cents

Wheat futures closed sharply lower with most of the pressure on the CBOT wheat. The USDA is projecting 2011 winter wheat production at 1.424 billion bushels. Analysts average estimate for U.S. All Winter Wheat production was 1.395 billion bushels. HRW production is projected at 761.95 million bushels, SRW production is projected at 427.1 million bushels, Hard White wheat is projected at 11.6 million bushels and Soft White wheat is projected at 223.6 million bushels. The USDA All wheat production estimate is 2.043 billion bushel and with a 839 million bushel carry in brings total wheat supply forecasts to 2.992 billion bushels. The 2010/11 supply was 3.294 billion bushels. Food and Feed usage were increased and exports and seed were decreased bringing the all wheat carry out for 2011/12 to 702 million bushels. U.S. exports are expected to be lower with the Black Sea Region wheat production improving supplying an increase in exports from that region, however not as much as the trade was anticipating. Global wheat ending stocks for 2010/11 were 182.2 MMT. Ending stocks for 2011/12 were 181.26 MMT. Not much change is anticipated from last year. The average cash price is projected at \$6.80 to \$8.20 for 2011/12.

Cattle: Yesterday's Close: Jun 11 Cattle closed at \$109.05, down \$0.12, Aug 11 Cattle closed at \$110.65, down \$0.07, Oct 11 Cattle closed at \$116.30, down \$0.77, May 11 Feeder Cattle closed at \$128.82, up \$0.75 Aug 11 Feeder Cattle closed at \$133.02, up \$0.65 Sep 11 Feeder Cattle closed at \$134.00, up \$0.65

Cattle futures closed lower today but rallied off earlier lows. June cattle are resting on Fibonacci 38% correction of the entire contract range. USDA increased beef production for 2011 to 26.221 billion pounds from 26.095 billion pounds in April in the WASDE report this morning. USDA is projecting the average steer price for all grades at \$111 to \$115 for 2011 and \$111 to \$120 for 2012. Cash cattle trade was mostly inactive yesterday. Bids were at \$112 to \$112 and offers were \$114 to \$115. Cattle sold last week for \$115 in the live and \$182 in the dressed. Boxed beef values were lower this afternoon. Choice was down \$2.14 at \$176.99 and Select was down \$0.50 at \$170.98.

Hogs: Yesterday's Close: May 11 Hogs closed at \$92.02, down \$0.02, Jun 11 Hogs closed at \$93.22, down \$0.25 Jul 11 Hogs closed at \$93.42, down \$0.45

Lean Hog closed lower with most of the pressure in the August contract forward. The USDA put 2011 pork production at 22.625 billion pounds versus 22.595 billion pounds on the April WASDE report. Barrow and Gilt prices for 2011 are estimated at \$62 to \$65 and \$60 to \$64 for 2012. Cash hogs ended higher. IA/MN hogs were up \$0.19 at \$90.14, WCB hogs were up \$0.35 at \$89.67 and ECB hogs were up \$0.98 at \$87.65 this afternoon. First quarter pork production for 2012 is estimated at 5.73 billion pounds compared to the first quarter of 2011 at 5.72 billion pounds. It appears there is no expansion anticipated. Fourth quarter pork production is expected to be around 6.015 billion pounds compared to the fourth quarter of 2010 at 6.126 billion pounds. Pork trading was slow with good retail demand and very light to light offerings, processing cuts were light to moderate demand and offerings.

Cotton: Yesterday's Close: Jul 11 Cotton closed at 150.3, down 110 points, Oct 11 Cotton closed at 135.3, down 302 points Dec 11 Cotton closed at 125.19, down 73 points

Cotton closed lower after being tossed around by the day's commodity shakeout with the Continuous CRB losing 2.41%. July cotton had a

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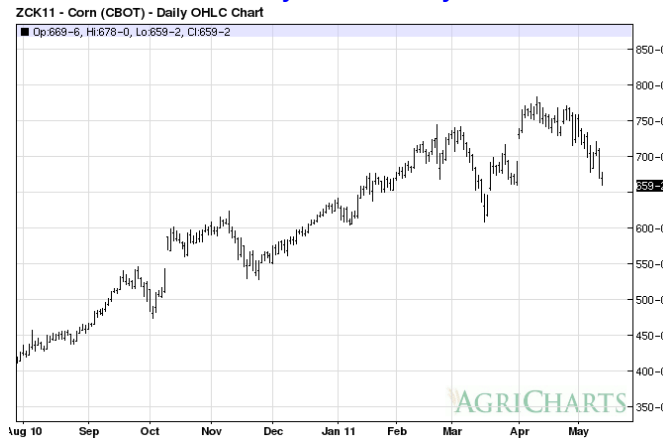
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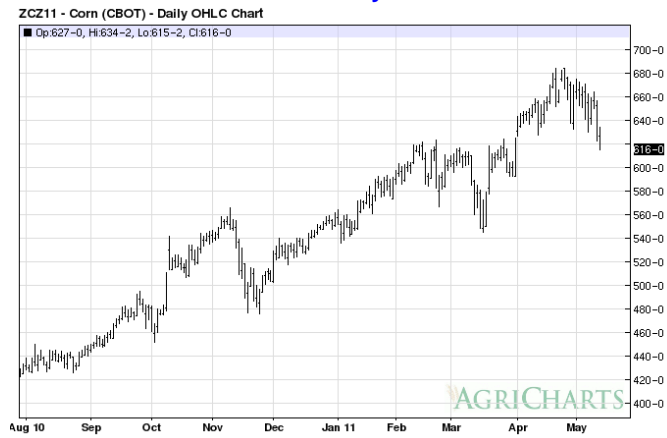
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7.36 cent range. USDA put projected 2011/12 US ending stocks at 2.5 million bales in their first estimate since the Ag Forum in February. The average on farm price is expected to be 95 to 115 cents a pound for 2011/12. Exports are expected to decline 2 million bales from 2010/11 to 13.5 million bales. World cotton ending stocks are expected to be 47.93 million bales, higher than either of the past two years.

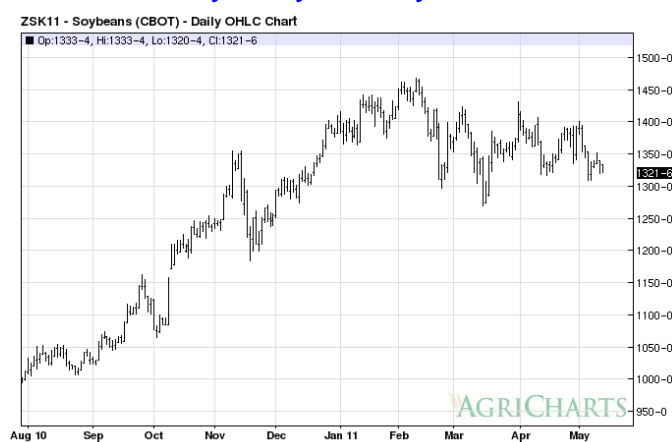
May 11 Corn Daily Chart



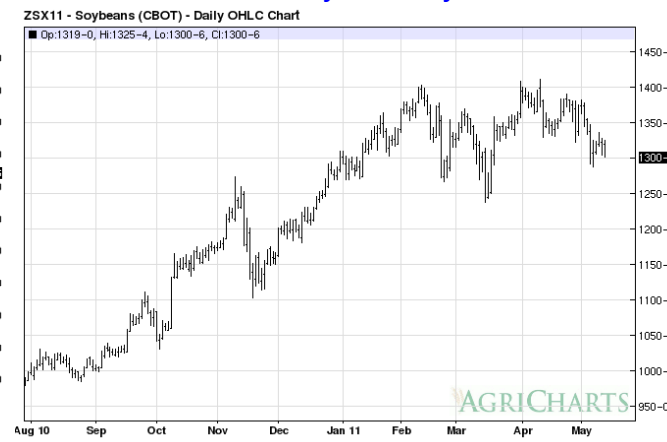
Dec 11 Corn Daily Chart



May 11 Soybean Daily Chart



Nov 11 Soybean Daily Chart



May 11 Mpls Spring Wheat Daily Chart



Sept 11 Mpls Spring Wheat Daily Chart



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