MORNING COMMENTS

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Wednesday, May 25, 2011

Position Management: The table shows how the Sample Farm is positioned at this time. Individual recommendations may vary.

	2010 Crop	2011 Crop	2012 Crop
Corn	90% sold with basis set	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 MNWestAg prior price targets have all been exceeded.
Goldman Sachs cut their three-month corn price forecast to $8/bushel and lowered their Soybean forecast from $15 to $14 per bushel, with the six and 12-month soybean price forecasts also down from $15.75 to $14.75 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 June 9, 2011 WASDE & Crop Production, Thursday June 30, 2011 Planted Acres & Grain Stocks

More thoughts for 2012 crop, This discussion is intended to spur the thought process about risk management and the tools that we currently have available to us for the 2012 crop year. The only price floor we have today for 2012 is loan rate of $1.85 corn and $4.90 soybeans. We recall that we won't know what the crop insurance floor will be until next February. We also would consider that the land cost is under control and that fertilizer costs are included in the budgeted costs used in the examples below.

If you were an Ag lender looking to finance next year's crop inputs, what price would you be willing to place in a cash flow? Would you be willing to use forward sales for pricing if they were made?

Let's look at corn opportunities, if the cost to produce a corn crop in 2012 is near $650 per acre and we have an APH of 175 bushels per acre, then the cost to produce 175 bushels is $3.71 per bushel. If we chose to sell 100 bushels per acre or 57% of the APH at today's offered value of $5.25 we would have revenue of $525 per acre. The remaining 75 bushel per acre would need a price of only $1.67 to meet the $125 per acre of cost not covered. If we were fortunate to produce a 200 bushel per acre crop then we need only $0.63 per bushel on the unsold 100 bushels per acre to meet our total cost of $650 per acre. We are able to sell those 100 bushels for $4.00 / bushel then we would have an additional $400 per acre to add to the $525 per acre of forward sales providing total revenue of $925 per acre and a net return of $275 per acre or a 42% profit margin!

Let's now look at 2012 soybean opportunities, if the cost to produce a soybean crop in 2012 is near $450 per acre and we have an APH of 50 bushels per acre, then the cost to produce those 50 bushels is $9.00 per bushel. If we chose to sell 30 bushels per acre or 60% of the APH at today's offered value of $12.50 we would have revenue of $375 per acre. The remaining 20 bushel per acre would need a price of only $3.75 to meet the $75 per acre of cost not covered. If we were fortunate to produce a 55 bushel per acre crop then we need only $2.14 per bushel on the unsold 25 bushels per acre to meet our total cost of $450 per acre. We are able to sell those 25 bushels for $11.00 / bushel then we would have an additional $275 per acre to add to the $375 per acre of forward sales providing total revenue of $650 per acre and a net return of $200 per acre or a 44% profit margin!

While the MNWestAg sample farm has recommended pricing 30% of the 2012 corn crop and 20% of the 2012 soybean crop, these illustrations would make a good case for pushing those levels higher. We can do a cost sensitivity analysis to help you understand what the financial implications are for you as you consider sales. That, along with the position management report helps us understand how those sales decisions impact our financial health. What they don't do is provide a crystal ball to tell us if prices will ultimately be higher or lower. Prices are ultimately impacted the unknowns of crop yield, crop acres, feed usage, corn for ethanol usage, export demand , world weather and economic conditions.

Market Talk The credible estimates on unplanted corn acres are between 1 and 3 million acres of corn not getting planted.
Those in Ohio indicate that they were planting corn yesterday and last night. Despite light rains today they could finish planting the entire corn crop by June 5th as the weather pattern appears to be changing to provide them an extended planting window. As of the last USDA planting progress report Ohio was reported at 11% planted. If they can plant 15-20% of the crop per day then they only need 5-6 days to complete planting. Do not look for massive abandonment of corn acres to soybeans as profitability for even early maturity corn varieties surpasses what soybeans have to offer.

Champaign IL area has about 90-95% of the corn planted and 60-65% of the soybeans are also planted. Waterloo IA region is 100% planted on corn and 90% planted on soybeans. They have near ideal conditions. Sheldon IA just south of Worthington MN in also 100% planted on corn and soybeans. Almost all of IA is in very good shape although it is too early to predict them as having a record yield potential.

Cash grain buyers are watching country grain movement. Normally we see a flush of farm stored grain move to town when the spring planting season starts to wind down, and buyers use this to refill inventory. Since a large number of deliveries have already taken place, the amount of grain that may move this year may be less than normal and grain buyers who have been hesitant to extend coverage may be forced to pay a premium to encourage sales.

Brazil's national fertilizer association reported April fertilizer sales up 24% from last year, with cumulative Jan-April sales at 6.4 MMT, up 14% from LY. Private analysts Celeres reported sales of the 2010/11 soybean crop at 65% this week, up 1% from last week and even with the 5YA, and 7% ahead of LY

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Outside Markets:

U.S. Dollar Index	76.165	+0.142	+0.19%
CRB CCI Index	637.00p	+3.00	+0.47%
Gold	1526.1	+2.9	+0.19%
Silver	37.155	+1.034	+2.86%
DJIA	12327p	-35	-0.28%
S&P 500 Index	1311.20	-2.40	-0.18%
Nasdaq 100	2300.25	-1.50	-0.07%
Russell 1000 Growth	603.60p	-1.20	-0.2%
MSCI Emi Index	0.00	-1121.60	-100%
Nikkei 225	9450.00	-30.00	-0.32%
Brazilian Real	0.61415p	+0.00330	+0.54%

Euro FX	1.40590	-0.00440	-0.31%
Canadian Dollar	1.02100	-0.00180	-0.18%
Japanese Yen	1.21850	-0.00250	-0.2%
Australian Dollar	1.04730	-0.00610	-0.58%
Chinese Renminbi	0.153580p	+0.000360	+0.23%
Mexican Peso	0.085150	-0.000275	-0.32%
1-Month Libor	99.8025p	+0.0075	+0.01%
T-Bond	125-11	+0-02	+0.05%
3-Month T-Bill	99.2700s	0.0000	-
5-Year T-Note	120-205	+0-070	+0.18%
10-Year T-Note	123-050	+0-025	+0.06%

Ethanol Futures	Jun 11	2.611p	-0.039
Gasoline RBOB (E)	Jun 11	2.9928p	+0.0547
Diesel Gulf (Ulsd)	Jun 11	2.9738s	+0.0616
Heating Oil (E)	Jun 11	2.9097p	+0.0626
Crude Oil Brent (E)	Jul 11	112.53p	+2.43
Natural Gas (E)	Jul 11	4.391p	-0.002
Polypropylene	Jun 11	0.8750s	0.0000
Polyethylene	Jun 11	0.6800p	0.0000
Rme Biodiesel	May 11	1470.250p	+3.800
Coal Futures	Jul 11	75.35p	+0.60
Uranium	May 11	57.50p	0.00

Weather Locally we received another .40" of rainfall over night.

Central Illinois:

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
may 25	may 26	may 27	may 28	may 29	may 30	may 31	jun 01	jun 02	jun 03
Strong Tstms	Rain/Thunder	M Cloudy	P Cloudy	P Cloudy	M Sunny	M Sunny	P Cloudy	Sunny	M Sunny
80° 60°	64° 45°	67° 58°	79° 62°	85° 64°	89° 68°	89° 66°	82° 66°	80° 64°	79° 64°

Central Iowa:

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
may 25	may 26	may 27	may 28	may 29	may 30	may 31	jun 01	jun 02	jun 03
T-Storms	AM Showers	Showers	Iso T-Storms	Iso T-Storms	P Cloudy	Iso T-Storms	Sunny	Sunny	P Cloudy
67° 49°	68° 48°	65° 55°	77° 63°	78° 68°	87° 69°	84° 65°	77° 64°	79° 62°	81° 65°

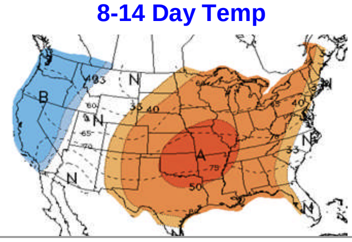
South Central Minnesota:

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
may 25	may 26	may 27	may 28	may 29	may 30	may 31	jun 01	jun 02	jun 03
Showers	Sunny	Showers	Sct T-Storms	Sct T-Storms	Iso T-Storms	M Sunny	Sunny	Sunny	P Cloudy
62° 45°	65° 45°	57° 49°	61° 53°	61° 57°	72° 63°	73° 55°	73° 59°	71° 59°	75° 61°

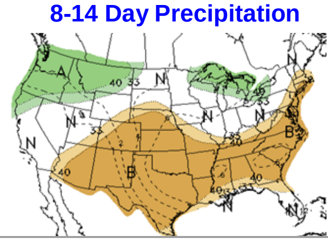
Central Nebraska:

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
may 25	may 26	may 27	may 28	may 29	may 30	may 31	jun 01	jun 02	jun 03
Strong Tstms	Strong Tstms	P Cloudy	Iso T-Storms	M Sunny	M Sunny	M Sunny	P Cloudy	Sunny	M Sunny
81° 66°	71° 55°	63° 59°	78° 66°	85° 69°	88° 70°	87° 68°	82° 67°	79° 66°	80° 65°

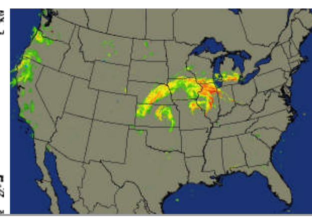
8-14 Day Temp



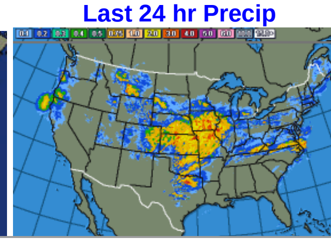
8-14 Day Precipitation



Current Radar



Last 24 hr Precip



Official Weather Station -2011

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

	Monday, May 23	Tuesday, May 24
Air Temperature	Max = 69; Min = 57	Max = 73; Min = 54
Soil Temperature		
2 inch	Max = 70; Min = 60; Ave = 65	Max = 71; Min = 59; Ave = 65
4 inch	Max = 62; Min = 56; Ave = 59	Max = 64; Min = 57; Ave = 60
8 inch	Max = 60; Min = 56; Ave = 58	Max = 62; Min = 56; Ave = 59
Daily Precipitation	0.00"	0.00"

Corn: Morning: July 11 Corn is at $7.38 ¼, up 5 cents, Sept 11 Corn is at $7.08 ½ , up 3 ½ cents,
Dec 11 Corn closed at $6.66 ½ , up 4 cents. Mar 11 corn closed at $6.75 ½ , 2 ¾ cents
Yesterday's Close: Jul 11 Corn closed at $7.33 ¼ , down 20 ¾ cents, Sep 11 Corn closed at $7.05, down 14 ¾ cents, Dec 11 Corn closed at $6.62 ½ , down 8 cents Dec 11 Corn closed at $6.62 ½ , down 8 cents
Corn futures closed lower on both old and new crop on Fund selling and chances of improving weather. Funds sold an estimated 20,000 contracts today. July corn Open Interest declined 10,644 contracts with the price reversal yesterday. Cashing out of last weeks longs also pushed prices lower. The first break in Indiana and Ohio rain is forecast for next Saturday. The forecasts then call for a big change in the weather to below normal rainfall with above normal temps from May 29th to June 6th. That weather prediction will cover most of the

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country east of the Rockies in terms of heat. Planting progress remains behind the five year average at 79% versus 87% for the five year average. China National Grain and Oils Information Center is projecting a 2.4 percent increase in corn production to a record 181.5 MMT. That compares to the USDA forecast of 172 MMT on the May WASDE report. Cash basis levels were firm at ethanol plants and steady at elevators and processors in the Midwest.

Soybean Complex: Morning: Jul 11 Soybeans closed at $13.78 ¼ , 6 cents , Sept 11 Soybeans closed at $13.66 ½ , 6 cents, Nov 11 Soybeans closed at $13.61 , up 6 ¾ cents, Jan 11 Soybeans closed at $13.71 ½ , up 9 ¼ cents
Yesterday's Close: Jul 11 Soybeans closed at $13.72 1/4, down 1 1/2 cents, Aug 11 Soybeans closed at $13.68, up 3/4 cent, Nov 11 Soybeans closed at $13.54 1/4, up 3 1/2 cents, Jul 11 Soybean Meal closed at $359.20, up $0.40, Jul 11 Soybean Oil closed at $57.48, up $0.26
Soybean futures were unable to hold onto earlier gains on the old crop and closed lower. Soybeans closed slightly higher on new crop but 14 cents off session highs closing in the lower portion of todays trading range. Soybean stocks at select export elevators and terminals were down 1.6 million bushels from the previous week. The forecasted open planting weather from May 29 to June 6 should provide great opportunity for soybean planting. Planted acres may fall below USDA forecasts however due to flooding this year but those acres could be offset by a shift from corn to beans in the east. Although not as tight as corn stocks, soybean stocks could drop further if production doesnâ€™t surpass last year. The stocks use ratio of 4.2% last year was the lowest in at least 13 years. Soybean planting at 41% as of Sunday is behind the five year average of 51%. Emergence is also behind the average but the upcoming open weather could change those numbers abruptly. Supporting the underside of the market today is higher crude oil prices and the lower dollar.

Wheat: Morning: Jul 11 CBOT Wheat closed at $7.84 ¼ , up 4 ½ cents, Jul 11 MGEX Wheat is at $9.92 ½ , up 3 ¾ cents
Yesterday's Close: Jul 11 CBOT Wheat closed at $7.79 ¾ , down 23 ¼ cents, Jul 11 KCBT Wheat closed at $9.12, down 19 cents, Jul 11 MGEX Wheat closed at $9.88 ¾ , down 12 ¼ cents
Wheat futures closed lower after last week's sharp advance. July wheat on the CBOT appears the weakest in technical terms when compared to July wheat on the KCBT and MGEX. Japan is tendering for 156,917 MT of wheat in a regular tender. Yesterday' s crop progress report showed winter wheat condition ratings were over 50% lower than last year. Spring wheat planting made good progress last week but remains behind the five year average at 54%. Hot and dry weather is forecast for most of the U.S. to the east of the Rockies with above normal rainfall indicated for the Northern Plains from May 29 to June 6th. The lower dollar is limiting the price decline. Wheat exports for old and new crop are significantly ahead of the last two years. Wheat stocks at select export elevators and terminals were down 2.67 million bushels from the previous week.

Cattle: Yesterday's Close: Jun 11 Cattle closed at $102.375, up $0.225, Aug 11 Cattle closed at $103.900, down $0.200, Oct 11 Cattle closed at $109.675, down $0.900, May 11 Feeder Cattle closed at $123.950, up $0.150 Aug 11 Feeder Cattle closed at $122.775, up $0.025 Sep 11 Feeder Cattle closed at $124.225, up $0.150
Cattle futures closed slightly higher on the June and lower on the other months. Feeder cattle were higher on the first three months. The September cattle crush closed at $123 and the October cattle crush closed at $117. Fridays Cattle on Feed numbers came in above trade expectations creating a bearish response. The COF report showed the largest May 1 on feed inventory since 2007, and larger than expected April placements. Spot cattle futures prices have dropped around $20 since the first of April so the market must have been expecting some of the increase in numbers. The Cold Storage report showed a 9.9% increase in total meat and poultry from last year but only a 4.5% increase over the 15 year average. Supplies are higher but not dramatically higher. Cash cattle in the TX/OK panhandle traded at mostly $104, down $3 to $4 from last week. NE sales came in at mostly $105 also down $2 to $4 from last week. Boxed beef prices were higher. Choice quotes were up $1.63 at $178.96 and Select was up 57 cents at $173.28.

Hogs: Yesterday's Close: Jun 11 Hogs closed at $87.45, down $1.80, Jul 11 Hogs closed at $86.92, down $2.40 Aug 11 Hogs closed at $89.10, down $1.40
Lean Hog futures were sharply lower today after hitting the limit lower on some of the contracts yesterday. Lean hogs have dropped $16.50 since the first of April. South Korea is contemplating an extension of tariff free pork imports on 20 thousand MT of pork. Much of the South Korean pig herd was lost because of foot and mouth disease last year. The monthly USDA Cold Storage report showed an increase of 13% in total pork in the U.S. freezers from last year as of April 30th but a 5% drop from the previous month. Total poultry in the monthly Cold Storage report for April was up 6% from the previous year and up 8% from the previous month. Pork trading was moderate with light to moderate demand and moderate to heavy offerings. Loins ended higher on the day after being $4 to $7 lower this morning. Cash hogs in IA/MN were $0.36 lower at $88.74, $0.55 lower in the WCB at $88.73 and $1.02 lower in the ECB at $89.86 on a weighted average.

Cotton: Yesterday's Close: Jul 11 Cotton closed at 153.88, down 1 point, Oct 11 Cotton closed at 138.68, up 511 points Dec 11 Cotton closed at 125.76, up 600 points
Cotton closed higher on all but the July contract. This was due to the ongoing drought and flooding that are reducing potential acreage. July was higher earlier in the session and sold off to the benefit of Dec in classic rolling behavior considering Oct has nearly no volume. The Indian government has decided to end tax subsidies of exports, which will affect cotton exports.

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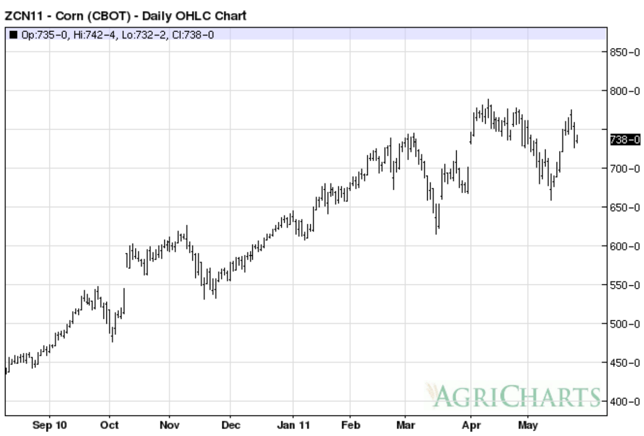
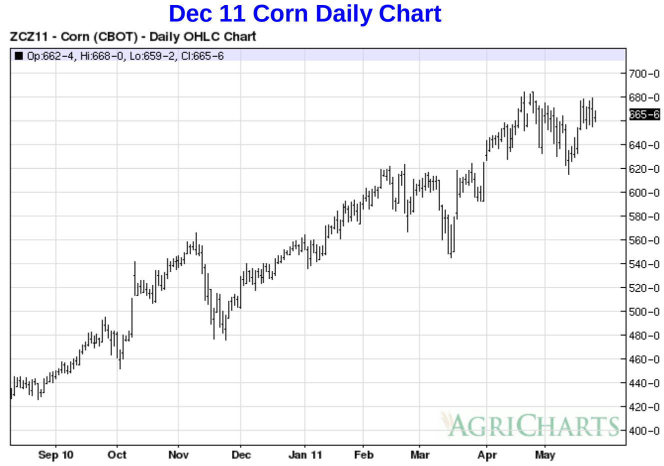
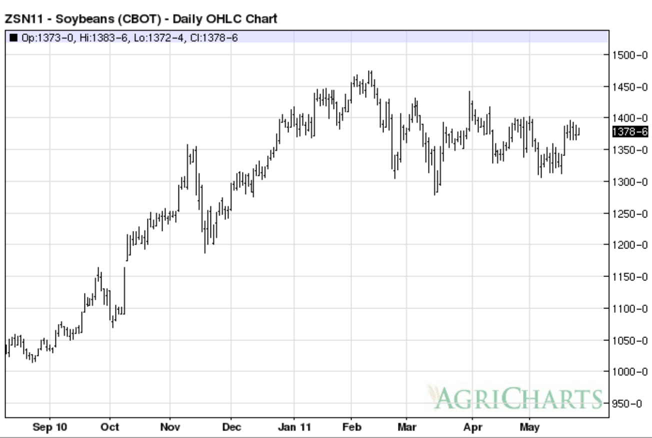
May 11 Corn Daily Chart



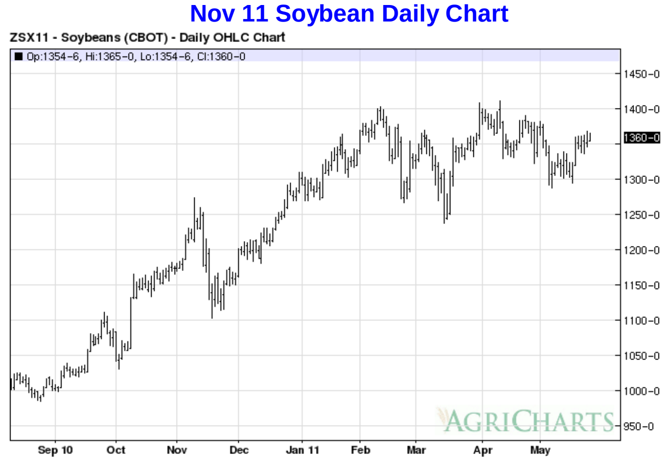
Dec 11 Corn Daily Chart



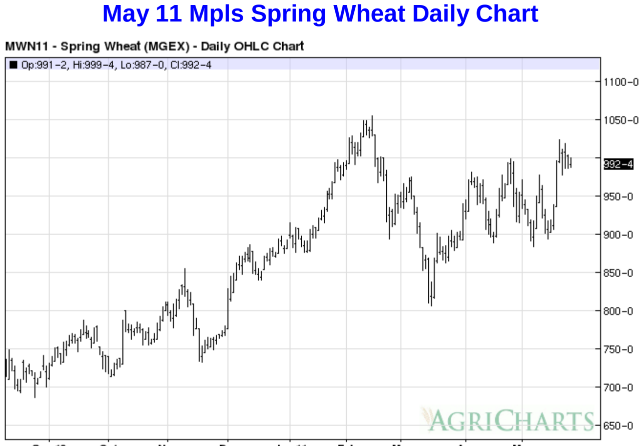
May 11 Soybean Daily Chart



Nov 11 Soybean Daily Chart



May 11 Mpls Spring Wheat Daily Chart



Sept 11 Mpls Spring Wheat Daily Chart