



MORNING COMMENTS

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Thursday, May 26, 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 | 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 prior MNWestAg 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

Market Talk CBOT grains trade was higher yesterday as technical short covering develop following recent declines. Concerns over the possibility of unplanted acres due to flooding and increasing talk of drought conditions in the Corn Belt. Advances were limited by overhead resistance and concerns the U.S. is again pricing itself out of the global market.

Ethanol production in the US was slight higher last week as ethanol production averaged 902,000 barrels per day, a 2,000 barrel increase from the previous week. Ethanol stocks increased a record 385,000 barrels as a result of slowing energy demand on a whole, the largest one-week growth in ethanol stocks since records began being kept in June of 2010. The increase in ethanol stocks could lead to a reduction in production, and reduced corn demand. Corn and soybean demand on a whole is being questioned today, as several buyers and processors have started reporting negative margins

Presidential candidate Tim Pawlenty has voiced his opinion surrounding ethanol subsidies. Pawlenty states that there should be "no sacred cows when it comes to cuts in federal spending." Pawlenty says all forms of federal spending need to be revised, and nothing should be left as is. This stance has met the support of several influential conservatives. Members of the Renewable Fuels Association claim they welcome subsidy revisions, but also want payments to the petroleum industry revamped too.

Outside Markets:

| | | | | | | | | | | | |
|---------------------|----------|----------|--------|-------------------|-----------|-----------|--------|---------------------|--------|-----------|---------|
| U.S. Dollar Index | 75.615 | -0.415 | -0.55% | Euro FX | 1.41790 | +0.01090 | +0.77% | Ethanol Futures | Jun 11 | 2.632p | +0.021 |
| CRB CCI Index | 647.00p | +10.00 | +1.57% | Canadian Dollar | 1.02280 | -0.00010 | -0.01% | Gasoline RBOB (E) | Jun 11 | 3.0162p | +0.0234 |
| Gold | 1520.5 | -6.2 | -0.41% | Japanese Yen | 1.22150 | +0.00200 | +0.16% | Diesel Gulf (Ulsd) | Jun 11 | 2.9773s | +0.0035 |
| Silver | 36.990 | -0.644 | -1.71% | Australian Dollar | 1.05680 | +0.00700 | +0.67% | Heating Oil (E) | Jun 11 | 2.9803p | +0.0706 |
| DJIA | 12351p | +24 | +0.19% | Chinese Renminbi | 0.153590p | +0.000010 | +0.01% | Crude Oil Brent (E) | Jul 11 | 114.50 | -0.43 |
| S&P 500 Index | 1319.90 | +3.30 | +0.25% | Mexican Peso | 0.085775 | +0.000325 | +0.38% | Natural Gas (E) | Jul 11 | 4.423p | +0.032 |
| Nasdaq 100 | 2310.25 | +0.75 | +0.03% | 1-Month Libor | 99.8075 | +0.0075 | +0.01% | Polypropylene | Jun 11 | 0.8750s | 0.0000 |
| Russell 1000 Growth | 606.20s | +2.60 | +0.43% | T-Bond | 124-25 | -0.09 | -0.22% | Polyethylene | Jun 11 | 0.6650p | -0.0150 |
| MSCI EmI Index | 0.00 | -1123.80 | -100% | 3-Month T-Bill | 99.2700s | 0.0000 | - | Rme Biodiesel | May 11 | 1474.100p | +3.850 |
| Nikkei 225 | 9555.00 | +70.00 | +0.74% | 5-Year T-Note | 120-7.5 | -0.75 | -0.23% | Coal Futures | Jul 11 | 75.65p | +0.30 |
| Brazilian Real | 0.61315p | -0.00100 | -0.16% | 10-Year T-Note | 122-315 | -0.050 | -0.13% | Uranium | May 11 | 57.50p | 0.00 |

Weather

Central Illinois:

| thu | fri | sat | sun | mon | tue | wed | thu | fri | sat |
|---------|----------|--------------|----------|---------|--------------|----------|-----------|----------|----------|
| may 26 | may 27 | may 28 | may 29 | may 30 | may 31 | jun 01 | jun 02 | jun 03 | jun 04 |
| Rain | P Cloudy | Iso T-Storms | P Cloudy | M Sunny | Iso T-Storms | P Cloudy | AM Clouds | P Cloudy | P Cloudy |
| 56° 44° | 69° 54° | 75° 64° | 84° 65° | 85° 66° | 85° 65° | 85° 60° | 81° 64° | 81° 63° | 82° 66° |

Central Iowa:

| thu | fri | sat | sun | mon | tue | wed | thu | fri | sat |
|----------|------------|-----------|--------------|----------|--------------|---------|--------------|--------------|-----------|
| may 26 | may 27 | may 28 | may 29 | may 30 | may 31 | jun 01 | jun 02 | jun 03 | jun 04 |
| P Cloudy | PM Showers | T-Showers | Iso T-Storms | P Cloudy | Iso T-Storms | Sunny | Sct T-Storms | Sct T-Storms | AM Clouds |
| 69° 48° | 67° 52° | 76° 67° | 76° 68° | 83° 69° | 83° 61° | 80° 65° | 79° 66° | 81° 64° | 82° 65° |

South Central Minnesota:

| thu | fri | sat | sun | mon | tue | wed | thu | fri | sat |
|---------|---------|--------------|-------------|--------------|---------|---------|----------|----------|----------|
| may 26 | may 27 | may 28 | may 29 | may 30 | may 31 | jun 01 | jun 02 | jun 03 | jun 04 |
| Sunny | Rain | Sct T-Storms | Few Showers | Sct T-Storms | Sunny | Sunny | P Cloudy | P Cloudy | P Cloudy |
| 67° 49° | 55° 49° | 68° 56° | 68° 58° | 75° 62° | 72° 54° | 72° 58° | 74° 60° | 76° 59° | 74° 59° |

Central Indiana:

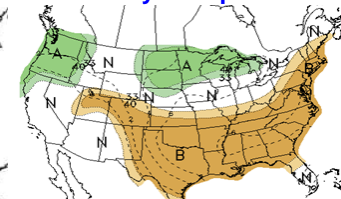
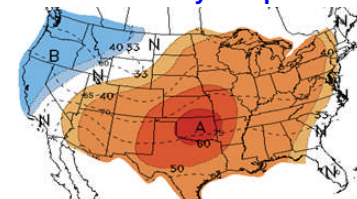
| thu | fri | sat | sun | mon | tue | wed | thu | fri | sat |
|----------|----------|--------------|---------|---------|----------|--------------|----------|----------|---------|
| may 26 | may 27 | may 28 | may 29 | may 30 | may 31 | jun 01 | jun 02 | jun 03 | jun 04 |
| T-Storms | M Cloudy | Iso T-Storms | M Sunny | Sunny | P Cloudy | Iso T-Storms | P Cloudy | P Cloudy | M Sunny |
| 68° 52° | 65° 55° | 76° 65° | 86° 68° | 87° 69° | 86° 69° | 82° 61° | 80° 63° | 80° 63° | 82° 66° |

8-14 Day Temp

8-14 Day Precipitation

Current Radar

Last 24 hr Precip



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Thursday, May 26, 2011

Official Weather Station -2011

SW Research and Outreach Center
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| | Monday, May 23 | Tuesday, May 24 | Wednesday, May 25 |
|----------------------------|---------------------------------|---------------------------------|---------------------------------|
| Air Temperature | Max = 69; Min = 57 | Max = 73; Min = 54 | Max = 68; Min = 50 |
| Soil Temperature | | | |
| 2 inch | Max = 70; Min = 60; Ave = 65 | Max = 71; Min = 59; Ave = 65 | Max = 67; Min = 57; Ave = 62 |
| 4 inch | Max = 62; Min = 56; Ave = 59 | Max = 64; Min = 57; Ave = 60 | Max = 63; Min = 55; Ave = 59 |
| 8 inch | Max = 60; Min = 56; Ave = 58 | Max = 62; Min = 56; Ave = 59 | Max = 60; Min = 56; Ave = 58 |
| Daily Precipitation | 0.00" | 0.00" | 0.32" |

Corn: Morning: July 11 Corn is at \$7.47 $\frac{3}{4}$, up 5 $\frac{1}{2}$ cents, Sept 11 Corn is at \$7.20, up 5 $\frac{1}{4}$ cents, Dec 11 Corn closed at \$6.76 $\frac{1}{4}$, up 5 $\frac{1}{2}$ cents. Mar 11 corn closed at \$6.87 $\frac{1}{4}$, up 5 $\frac{1}{2}$ cents
Yesterday's Close: Jul 11 Corn closed at \$7.42 $\frac{1}{4}$, up 9 cents, Sep 11 Corn closed at \$7.14 $\frac{3}{4}$, up 9 $\frac{3}{4}$ cents, Dec 11 Corn closed at \$6.70 $\frac{3}{4}$, up 8 $\frac{1}{4}$ cents Dec 11 Corn closed at \$6.70 $\frac{3}{4}$, up 8 $\frac{1}{4}$ cents
Corn futures ended higher on the day remaining above the 40 day moving average. The market has been sideways for several days and that might not change before the upcoming three day weekend. Weather is still presenting challenges for the eastern Corn Belt with the first break in Indiana and Ohio rain forecast for next Saturday, May 29th to June 6th. That weather prediction is projecting below normal rainfall and above normal temperatures for most states east of the Rockies. Many Midwest corn fields will be ineligible for federal crop insurance after next week. Trade estimates for the weekly export sales report range from 500 to 900 thousand MT. Open interest dropped 6,840 contracts on the July corn contract and increased 2,556 contracts on the December contract yesterday. The Fund roll is beginning and December corn futures have more than double the open interest of the September contract. Cash basis levels were steady to sharply higher in southern Ohio.

Soybean Complex: Morning: Jul 11 Soybeans closed at \$13.86, up 9 cents, Sept 11 Soybeans closed at \$13.74 $\frac{3}{4}$, up 7 $\frac{3}{4}$ cents, Nov 11 Soybeans closed at \$13.70, up 9 cents, Jan 11 Soybeans closed at \$13.77 $\frac{3}{4}$, up 8 cents
Yesterday's Close: Jul 11 Soybeans closed at \$13.77, up 4 $\frac{3}{4}$ cents, Aug 11 Soybeans closed at \$13.73, up 5 cents, Nov 11 Soybeans closed at \$13.61, up 6 $\frac{3}{4}$ cents, Jul 11 Soybean Meal closed at \$358.30, down \$0.90, Jul 11 Soybean Oil closed at \$57.96, up \$0.48
Soybean futures were up slightly on the close. Soybeans, like corn, have been trading sideways for the last six days. Supply and demand are at equilibrium for now. Trading volume may slow up ahead of the holiday weekend but then the Fund roll may keep volatility interesting. The weather is expected to change for the better in the eastern Corn Belt about the time the deadline for federal crop insurance is up for corn. Analysts in a Reuter's survey believe about two million acres that were intended for corn will not go to corn. They predict 160,000 of those acres will go to soybeans. The remaining acres could go for other crops or to prevent plant. The forecasted open planting weather from May 29 to June 6 should provide great opportunity for soybean planting. Traders estimate soybean export sales at 150 to 325 thousand MT. Cash basis levels are firm at central Illinois processors and on the Illinois River but were lower on the Mississippi River.

Wheat: Morning: Jul 11 CBOT Wheat closed at \$8.13 $\frac{1}{4}$, up 16 $\frac{3}{4}$ cents, Jul 11 MGEX Wheat is at \$10.47, up 27 cents
Yesterday's Close: Jul 11 CBOT Wheat closed at \$7.96 $\frac{1}{2}$, up 16 $\frac{3}{4}$ cents, Jul 11 KCBT Wheat closed at \$9.28 $\frac{3}{4}$, up 16 $\frac{3}{4}$ cents, Jul 11 MGEX Wheat closed at \$10.20, up 31 $\frac{1}{4}$ cents
Wheat futures ended the day higher. The wheat market has been trading sideways at the CBOT and KCBT but took out the weekly highs on the MGEX. The UK Ag Ministers report projected wheat ending stocks for 2010/11 will be at the lowest stocks/use ratio since 1997/98 at 1.51 MMT. Rain predictions for Germany and France were scaled back. Germany and France are currently experiencing drought conditions. Russia is expected to make a decision on whether or not to resume exports over the next few days. The ban was initiated as a result of last year's drought in Russia and the Black Sea area. The ban accomplished the goal of keeping supplies and prices at appropriate levels for the country. Trade estimates for tomorrow's weekly export sales report range from 400 to 700 thousand MT. Hot and dry weather is forecast for most of the U.S. east of the Rockies with above normal rainfall indicated for the Northern Plains from May 29 to June 6th.

Cattle: Yesterday's Close: Jun 11 Cattle closed at \$104.550, up \$2.175, Aug 11 Cattle closed at \$105.225, up \$1.325, Oct 11 Cattle closed at \$110.800, up \$1.125, May 11 Feeder Cattle closed at \$124.675, up \$0.725 Aug 11 Feeder Cattle closed at \$124.525, up \$1.750 Sep 11 Feeder Cattle closed at \$125.550, up \$1.325
Cattle futures closed higher recovering this week's entire post COF report drop. Spot cattle futures prices had dropped around \$20 since the first of April so the market may have built in some of COF report numbers. Hedgers may be taking some profits with cash coming more in line with futures and a three day weekend coming up. Cash cattle so far this week have traded at mostly \$104-\$105, down \$3 to \$4 from last week in TX/OK and KS. NE sales were mostly \$106, down \$2 in the live and \$171-\$172 in the dressed. There was a little cash business

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done today but it looks like clean up business. Boxed beef prices were slightly mixed. Choice was up \$0.08 at \$179.03 and Select was down \$0.09 at \$173.18.

Hogs: Yesterday's Close: Jun 11 Hogs closed at \$88.300, up \$0.850, Jul 11 Hogs closed at \$87.400, up \$0.475 Aug 11 Hogs closed at \$89.300, up \$0.200

Lean Hog futures closed higher on the day but have a long ways to go to get even for the week. Prices had dropped \$8 in the previous seven days and there could be some profit taking ahead of the long weekend. Markets will be closed Monday in observance of Memorial Day. The board and direct cash hogs are close to the same price. Cash hogs in IA/MN were \$0.54 lower at \$88.47, WCB hogs were down \$0.58 at \$88.40 and ECB hogs were down \$0.34 at \$89.50. The Lean Hog Index for May 23rd is at 95.61 down \$0.36. Pork trading was slow to moderate with mostly light demand and mostly offerings. The afternoon Carcass was higher.

Cotton: Yesterday's Close: Jul 11 Cotton closed at 156.03, up 215 points, Oct 11 Cotton closed at 144.1, up 542 points Dec 11 Cotton closed at 131.35, up 559 points

Cotton closed higher on all contracts with new crop leading the way as contract rolling takes the focus off of July and weather concerns add premium to a market that some had written off as dead. Dec and July were close to limit up earlier in the session with July pulling back and conceding to Dec. Dec 12 is offering prices at \$1.0380/lb with very light volume. The May WASDE showed harvested acres only slightly above last year based on the drought conditions.

May 11 Corn Daily Chart

ZCN11 - Corn (CBOT) - Daily OHLC Chart



Dec 11 Corn Daily Chart

ZCZ11 - Corn (CBOT) - Daily OHLC Chart



May 11 Soybean Daily Chart

ZSN11 - Soybeans (CBOT) - Daily OHLC Chart



Nov 11 Soybean Daily Chart

ZSX11 - Soybeans (CBOT) - Daily OHLC Chart



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May 11 Mpls Spring Wheat Daily Chart

MWN11 - Spring Wheat (MGEX) - Daily OHLC Chart

Op:1024-4, Hi:1048-2, Lo:1022-6, Cl:1044-2



Sept 11 Mpls Spring Wheat Daily Chart

MWU11 - Spring Wheat (MGEX) - Daily OHLC Chart

Op:1005-0, Hi:1030-0, Lo:1004-0, Cl:1030-0



US Dollar Index Weekly

DX - U.S. Dollar Index (ICEFI) - Weekly OHLC Chart

Op:75.845, Hi:76.540, Lo:75.580, Cl:75.650



Crude Oil Weekly

CL - Crude Oil WTI (NYMEX) - Weekly OHLC Chart

Op:99.68, Hi:101.90, Lo:96.37, Cl:101.27



Lean Hogs Weekly

HE - Lean Hogs (CME) - Weekly OHLC Chart

Op:91.500, Hi:91.500, Lo:86.925, Cl:88.025



Live Cattle Weekly

LE - Live Cattle (CME) - Weekly OHLC Chart

Op:104.150, Hi:104.975, Lo:101.625, Cl:104.775



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