



## MORNING COMMENTS

[david@mnwestag.com](mailto:david@mnwestag.com)

Office 1-877-365-3744

[www.mnwestag.com](http://www.mnwestag.com)

Friday, June 3, 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

**Put Options:** Dec \$6.00 corn puts options traded for less than \$.30 yesterday and with a -.70 expected basis would provide an effective \$5.00 cash floor thru expiration on Nov 25<sup>th</sup>. Nov \$13.00 soybean put options traded for \$.43 yesterday and with a -.70 expected basis would provide an effective \$11.87 cash floor thru expiration on Oct 21<sup>st</sup>

**Market Talk** Corn, soybeans and wheat were higher all session yesterday as fund buying developed in the pits. Much of the buying was technical. The addition of more risk premium due to flooding in the Midwest and ongoing drought in the South also provided futures support. The advances were limited by weak outside markets and increased hedge pressure. Unchanged global grain production estimates and declining grain demand also weighed on futures trade.

Some of the trade remains concerned that relatively tight US new crop projected soy S&D could tighten further on any acreage reduction or less than strong yield prospects. This finding new speculative money flowing into soy with a general belief that November futures may be undervalued vs delicate new crop supply demand situation well into fall.

While much of the concern surrounding the floods on the Mississippi River and Delta has focused on production side of agriculture, other segments of the industry that will also be affected. One of these is the financial charges shippers are seeing from delays to barge movement. For every day a barge sits loaded, the shipper is charged an average of \$30,000.00 demurrage, who then passes the cost back to the seller in the form of a wider basis, which in turn eventually leads to a lower grain value to the producer.

South Korean officials announced that their agriculture imports will decline this coming marketing year. Economists in the country believe imports of grains and soybean meal will drop from 7 to 10% compared to a year ago. This is the result of livestock disease and how it has reduced feed grain demand. In 2010 South Korea was the United States' 5<sup>th</sup> largest export destination, taking \$5 billion of products.

Russian grain export officials have asked the government to impose export limits on grains. This request follows the Russian government's decision to lift all restrictions on wheat exports beginning July 1<sup>st</sup>. The concern surrounding this news is that Russian exporters will over-extend themselves in the world market to try and capture today's record wheat values. By doing so, it is feared it will create wheat shortages again next year.

Analysts believe that ethanol plants are slowing production considerably across the corn belt with sharp losses in the eastern belt. The weekly ethanol production report remained at a strong 909,000 vs 902,000 barrels last week. Ethanol blending margins remain solid.

Informa estimating Brazil corn production 1mmt above USDA despite lingering late season drought there.

Informa estimated US winter wheat production at 1421 in mid morning report vs USDA May estimate at 1424. With few changes in subclass estimates.

**Oil World** also sees Brazilian soybean exports at a record 31.12 million tones for 2010/11, up from 28.4 MMT in '09/10, with Paraguay's exports also at a record 5.64 MMT, compared to 4.87 MMT last season. Argentina's '10/11 exports are seen at 9.67 MMT, down from 9.67 MMT last year.

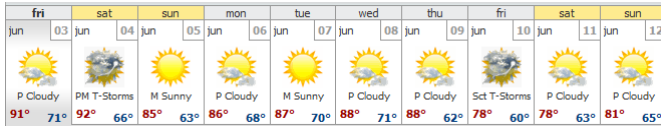
### Outside Markets:

U.S. Dollar Index	74.350	-0.025	-0.03%	Euro FX	1.44960	+0.00160	+0.11%	Ethanol Futures	Jul 11	2.663p	+0.013
CRB CCI Index	653.00p	+4.00	+0.62%	Canadian Dollar	1.02200	-0.00230	-0.22%	Gasoline RBOB (E)	Jul 11	2.9677p	-0.0096
Gold	1530.7	-1.3	-0.08%	Japanese Yen	1.24030	+0.00350	+0.28%	Diesel Gulf (Ulsd)	Jul 11	3.1069s	+0.0351
Silver	35.595	-0.605	-1.67%	Australian Dollar	1.06550	-0.00040	-0.04%	Heating Oil (E)	Jul 11	3.0439p	+0.0352
DJIA	12238p	-36	-0.29%	Chinese Renminbi	0.154160p	-0.000170	-0.11%	Crude Oil Brent (E)	Jul 11	114.94	-0.60
S&P 500 Index	1308.70	-3.70	-0.28%	Mexican Peso	0.085825	0.000000	-	Natural Gas (E)	Jul 11	4.794p	+0.165
Nasdaq 100	2318.75	-7.25	-0.31%	1-Month Libor	99.8050	0.0000	-	Polypropylene	Jul 11	0.8650s	0.0000
Russell 1000 Growth	605.30s	-0.20	-0.03%	T-Bond	126-13	+0-07	+0.17%	Polyethylene	Jul 11	0.6625p	0.0000
MSCI Emi Index	1160.60p	+10.30	+0.9%	3-Month T-Bill	99.2700s	0.0000	-	Rme Biodiesel	Jun 11	1536.591p	+9.500
Nikkei 225	9510.00	-55.00	-0.58%	5-Year T-Note	121-110	+0-075	+0.19%	Coal Futures	Jul 11	76.75p	+0.25
Brazilian Real	0.63015p	+0.00345	+0.55%	10-Year T-Note	124-180	+0-055	+0.14%	Uranium	Jun 11	57.00p	0.00
				Lumber	230.70	-0.30	-0.13%				

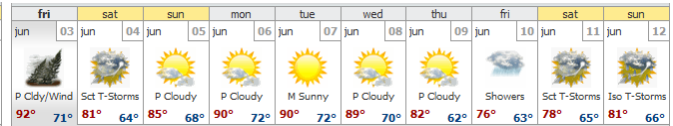
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**Weather** Locally we received .10" of rainfall this morning. Showers and thunderstorms impacted eastern and southern IA, northern MO and central IL yesterday, with totals of generally .20-.60", although some 1"+ amounts did occur in northeast MO and west central IL. Dry weather dominated the rest of the Midwest yesterday and temps were close to average, with highs in the 80's and 80's. No major changes. The overall pattern still sees fairly limited rains and above average temps to occur in the Midwest for the next week to ten days, allowing for much better planting weather than has been seen and pretty optimal conditions for germination and early growth.

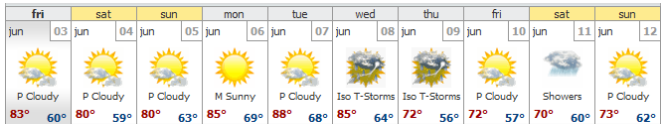
## Central Illinois:



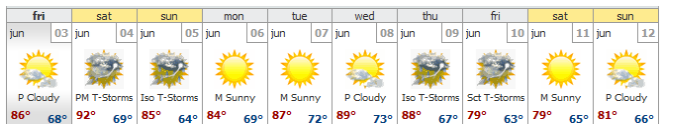
## Central Iowa:



## South Central Minnesota:



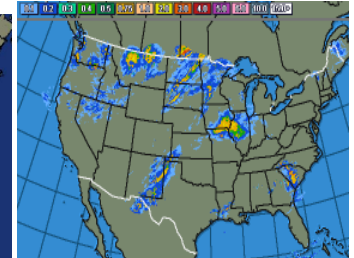
## Central Indiana:



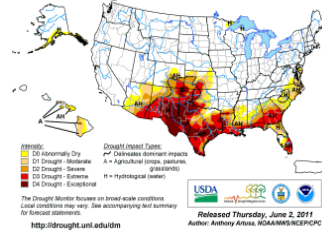
## Current Radar



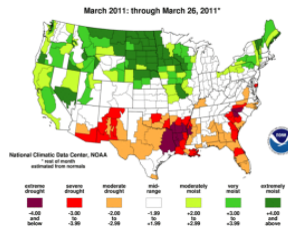
## Last 24 hr Precip



## U.S. Drought Monitor



## Palmer Drought Index



## Official Weather Station -2011

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

	Monday, May 30	Tuesday, May 31	Wednesday, June 1	Thursday, June 2
<b>Air Temperature</b>	Max = 66; Min = 55	Max = 90; Min = 59	Max = 69; Min = 47	Max = 77; Min = 56
<b>Soil Temperature</b>				
2 inch	Max = 63; Min = 59; Ave = 61	Max = 74; Min = 60; Ave = 67	Max = 69; Min = 56; Ave = 62	Max = 72; Min = 57; Ave = 65
4 inch	Max = 62; Min = 56; Ave = 59	Max = 71; Min = 59; Ave = 65	Max = 63; Min = 55; Ave = 59	Max = 66; Min = 55; Ave = 61
8 inch	Max = 57; Min = 56; Ave = 57	Max = 64; Min = 56; Ave = 60	Max = 63; Min = 57; Ave = 60	Max = 64; Min = 56; Ave = 60
<b>Daily Precipitation</b>	0.31"	0.36"	0.00"	0.00"

**Corn:** Morning: July 11 Corn is at \$7.64 ½, down 2 cents, Sept 11 Corn is at \$7.40 ¾, down ¾ cents, Dec 11 Corn closed at \$6.93 ¼, down 1 ¾ cents. Mar 11 corn closed at \$7.04 ¾, down ¾ cents  
Yesterday's Close: Jul 11 Corn closed at \$7.66 ½, up 8 cents, Sep 11 Corn closed at \$7.41 ½, up 13 ¼ cents, Dec 11 Corn closed at \$6.95, up 15 ½ cents Dec 11 Corn closed at \$6.95, up 15 ½ cents  
Corn futures closed higher, with December on its contract highs, shaking off the jittery equity markets and supported by strength in all grains tied to US crop production worries. Dec led July on the day while maintaining the overall inverse on the spread. Linn Group sees corn acres at 87.2 million acres, down from 89.5 last month and 5 million below the USDA Estimate. This is due to prevent plant expectations from the ECB and to a lesser degree the Dakotas. Trade estimates for export sales data due out tomorrow morning range from 500TMT-1MMT. Argentina is seen having harvested 73.7% of their corn with expectations of 20 MMT.

**Soybean Complex:** Morning: Jul 11 Soybeans closed at \$14.12 ½, up 5 ½ cents, Sept 11 Soybeans closed at \$13.99 ¾, up 3 ½ cents, Nov 11 Soybeans closed at \$13.97 ¾, up 4 ¾ cents, Jan 11 Soybeans closed at \$14.04, up 4 cents  
Yesterday's Close: Jul 11 Soybeans closed at \$14.07, up 20 ¾ cents, Aug 11 Soybeans closed at \$14.00 ½, up 18 ½ cents, Nov 11 Soybeans closed at \$13.92 ¾, up 18 cents, Jul 11 Soybean Meal closed at \$366.00, up \$5.30, Jul 11 Soybean Oil closed at \$58.91, up \$0.48  
Soybean futures closed higher, supported by a lower dollar and higher grains. Concerns about lower than expected soybean acreage have been supportive. Wet conditions are still hampering planting in some key soybean growing areas. Linn Group sees soybean acres at 74.9 million acres, down from the USDA estimate of 76.6. The Census Fats & Oils report this morning showed larger BO stocks than in the

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Crush report, but also showed a 23% pickup in biodiesel production vs. March. Trade estimates for export sales data due out tomorrow range from 150TMT-350TMT.

**Wheat:** Morning: Jul 11 CBOT Wheat closed at \$7.75 , up 5 ¼ cents, Jul 11 MGEX Wheat is at \$10.27 ¾ , up 8 ¼ cents

Yesterday's Close: Jul 11 CBOT Wheat closed at \$7.69 ¾ , up 10 ½ cents, Jul 11 KCBT Wheat closed at \$9.09, up 17 ½ cents, Jul 11 MGEX Wheat closed at \$10.19 ½ , up 14 cents

Wheat futures closed higher this morning. Private forecasting firm Informa sees US winter wheat production at 1.421 billion bushels, down from their May forecast. Spring wheat is having a hard time as some producers find it too wet to plant. EU wheat prices were supported by dry weather and a more measured reaction to the pending resumption in Russian exports. Lebanon bought 25 TMT of Ukrainian wheat. This was cheaper than Russian origin for that particular tender. Japan bought 73 TMT of US wheat in the weekly MOA tender. The Russian Grain Union has proposed a floating duty on exports if domestic prices rise above 7000 rubles/MT. Trade estimates for export sales data due out tomorrow export sales range from 200TMT-500TMT.

**Cattle:** Yesterday's Close: Jun 11 Cattle closed at \$102.600, up \$0.450, Aug 11 Cattle closed at \$103.675, down \$0.250, Oct 11 Cattle closed at \$109.950, down \$0.100, Aug 11 Feeder Cattle closed at \$123.875, unchanged, Sep 11 Feeder Cattle closed at \$124.900, down \$0.050 Oct 11 Feeder Cattle closed at \$126.100, down \$0.100

Cattle futures closed mixed. Most of the cash cattle trade was done Wednesday. There were an estimated 23,572 head traded in TX/OK and 27,282 head in KS at \$103 to \$104, steady to \$1 lower than last week. Over 24,500 head sold in NE between \$104 and \$107. Packers were aggressively buying on Wednesday but able to get them at lower money because of the weakness in futures and because of demand concerns. Choice boxed beef was down \$.48 at 177.76 on Thursday and select was down \$0.49 at 172.24. Unhedged feeding margins are horrible following the collapse in prices and the rise in feed costs over the past 60 days.

**Hogs:** Yesterday's Close: Jun 11 Hogs closed at \$89.075, down \$0.700, Jul 11 Hogs closed at \$87.975, down \$1.175 Aug 11 Hogs closed at \$89.575, down \$0.725

Lean Hog futures closed lower but off of their lows, shaken by lower cash hogs earlier in the week. The Lean Hog Index for May 31st was at 92.21, down \$0.45. That index will be used to settle the June futures at expiration. Cash hogs in IA/MN were \$2.39 higher at a weighted average of \$91.16. WCB hogs were \$.294 higher at \$91.23 and ECB were down \$.43 at \$87.16. Pork carcass values were quoted 31 cents higher this afternoon, with a bounce in loin and rib quotes. The pork belly component was pressured by a large net in movement of 1.8 million pounds of bellies into storage over the past week.

**Cotton:** Yesterday's Close: Jul 11 Cotton closed at 164.24, up 327 points, Oct 11 Cotton closed at 148.42, down 133 points Dec 11 Cotton closed at 139.23, up 196 points

Cotton futures closed mostly higher with old crop taking the lead while it still can. Dec recovered for a good finish. Dry weather and emptying of cert stocks are supportive. Cert stocks tanked 142,686 to 52,035, confirming rumors that a large merchant was going to decertify the deliveries it stopped in May.

### US Dollar Index

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



### Crude Oil

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



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**July 11 Corn Daily Chart**

ZCN11 - Corn (CBOT) - Daily OHLC Chart



**Dec 11 Corn Daily Chart**

ZCZ11 - Corn (CBOT) - Daily OHLC Chart



**July 11 Soybean Daily Chart**

ZSN11 - Soybeans (CBOT) - Daily OHLC Chart



**Nov 11 Soybean Daily Chart**

ZSX11 - Soybeans (CBOT) - Daily OHLC Chart



**July 11 Mpls Spring Wheat Daily Chart**

MWN11 - Spring Wheat (MGEX) - Daily OHLC Chart



**Sept 11 Mpls Spring Wheat Daily Chart**

MWU11 - Spring Wheat (MGEX) - Daily OHLC Chart



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