



# MORNING COMMENTS

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Thursday, June 16, 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 (reached Friday June 10) and lowered their Soybean forecast from \$15 to \$14 per bushel (reached June 8 ), 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

**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** Watching corn and soybean futures decline at this time of the marketing year is not a surprise. Historically we do see futures on these two grains erode once planting is complete, especially if weather forecasts are benign. The current correction is more noticeable after corn's return to the record high of \$7.99 3/4. The likely next chance for a significant rally usually comes from a summer weather threat, until then, we could easily give up a lot of value in the futures.

Double cropping of soybeans after winter wheat is going nearly perfect in Southern IL and Northern Kentucky. Farmers have a very good winter wheat crop and are staying right behind the combine with the bean planting. Most farmers were harvesting & planting yesterday and will be doing so again today. The OH winter wheat crop appears to be yielding about 70-80 bushels an acres, a good crop but slightly lower yields than last year.

Basis is mixed across the Corn Belt. Interior buyers who still need coverage are being forced to pay substantial premiums to encourage grain movement, and even then the majority of deliveries are commercial. This is especially true in the Eastern Belt, where grain inventory is tight to begin with. Many of the producers in this region do not want to move any inventory until they have a better feel for their new crop yield potential. At least one significant ethanol plant has shut down in the eastern corn belt, presumably because of poor profitability. The corn basis in that region has been 50-70 cents over CBOT. The shutdown will free up 6-8 trains of corn a month, that equates to 2.7 – 3.6 million bushels each month to go to other plants.

The weekly ethanol manufacturing report showed that ethanol production the past last week dropped 4% to just 880,000 barrels per day. At the same time, ethanol stocks grew by 101,000 barrels. At this rate it is unlikely the U.S. ethanol industry will consume the 5 billion bushel of corn forecasted by USDA.

A major South Eastern US hog producer has been sourcing Canadian Feed wheat as a replacement for early fall corn that normally comes from the eastern corn belt to them.

Cedar Rapids IA farmers indicate that they have the best looking crops that they can ever remember for this time of year.

## Outside Markets:

<a href="#">U.S. Dollar Index</a>	76.435	+0.363	+0.48%	<a href="#">Euro FX</a>	1.40560	-0.00760	-0.54%	<a href="#">Ethanol Futures</a>	Jul 11	2.688p	-0.063
<a href="#">CRB CCI Index</a>	638.00p	-10.50	-1.62%	<a href="#">Canadian Dollar</a>	1.00890	-0.00790	-0.78%	<a href="#">Gasoline RBOB (E)</a>	Jul 11	2.9235p	-0.1411
<a href="#">Gold</a>	1525.3	-0.3	-0.02%	<a href="#">Japanese Yen</a>	1.23820	+0.00210	+0.17%	<a href="#">Diesel Gulf (Ulsd)</a>	Jul 11	3.0459s	-0.1407
<a href="#">Silver</a>	35.406p	-0.004	-0.01%	<a href="#">Australian Dollar</a>	1.03700	-0.00480	-0.46%	<a href="#">Heating Oil (E)</a>	Jul 11	2.9848p	-0.1410
<a href="#">DJI</a>	11901p	-186	-1.54%	<a href="#">Chinese Renminbi</a>	0.154300	-0.000100	-0.06%	<a href="#">Crude Oil Brent (E)</a>	Jul 11	117.10p	-3.06
<a href="#">S&amp;P 500 Index</a>	1265.40p	-24.50	-1.9%	<a href="#">Mexican Peso</a>	0.083600s	-0.001100	-1.3%	<a href="#">Natural Gas (E)</a>	Jul 11	4.577p	-0.004
<a href="#">Nasdaq 100</a>	2209.00p	-41.75	-1.85%	<a href="#">1-Month Libor</a>	99.7650	-0.0150	-0.02%	<a href="#">Polypropylene</a>	Jul 11	0.8200s	0.0000
<a href="#">Russell 1000 Growth</a>	581.40s	-10.40	-1.76%	<a href="#">T-Bond</a>	127-18	+0-25	+0.62%	<a href="#">Polyethylene</a>	Jul 11	0.6200p	0.0000
<a href="#">MSCI EmI Index</a>	1103.10	-13.30	-1.19%	<a href="#">3-Month T-Bill</a>	99.2700s	0.0000	-	<a href="#">Rme Biodiesel</a>	Jun 11	1530.227p	-1.046
<a href="#">Nikkei 225</a>	9400.00	-85.00	-0.9%	<a href="#">5-Year T-Note</a>	122-005	+1-000	+0.83%	<a href="#">Coal Futures</a>	Jul 11	77.37p	-1.46
<a href="#">Brazilian Real</a>	0.62340p	-0.00650	-1.03%	<a href="#">10-Year T-Note</a>	125-210	+0-175	+0.44%	<a href="#">Uranium</a>	Jun 11	55.00p	0.00

**Weather** Showers and thunderstorms fired up across the northern and eastern Midwest yesterday and produced totals of .25-.75" in most cases, with some 1"+ amounts also occurring- especially in central IL and central IN. Temps were a few degrees below average, with highs in the 70's in most cases. The forecast sees a few showers to finish up in the far eastern Midwest today, with the rest of the region to be fairly quiet.

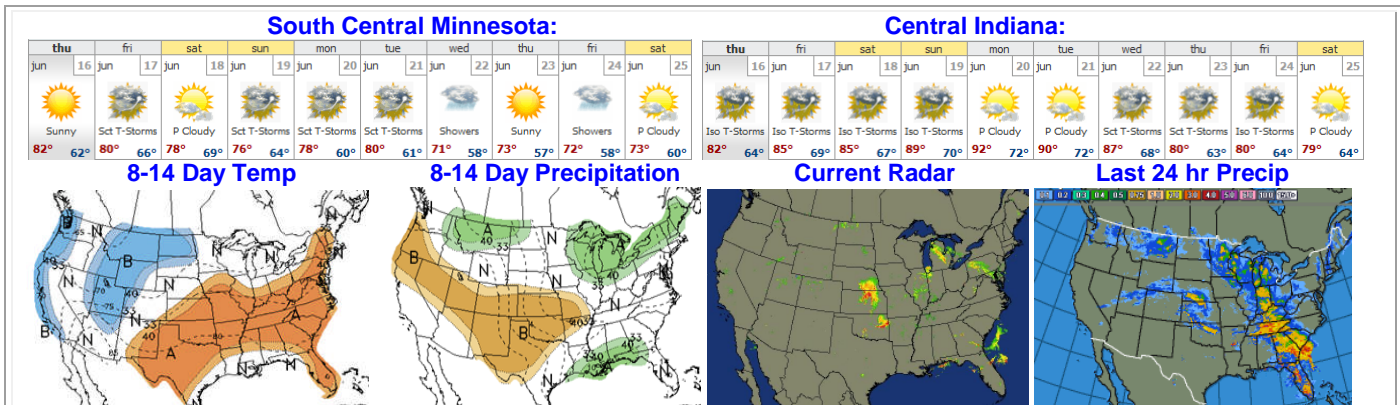
### Central Illinois:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
jun 16	jun 17	jun 18	jun 19	jun 20	jun 21	jun 22	jun 23	jun 24	jun 25
AM Showers	Sct T-Storms	Sct T-Storms	Iso T-Storms	P Cloudy	Sct T-Storms	Sct T-Storms	Sct T-Storms	Sct T-Storms	P Cloudy
84° 65°	85° 69°	87° 68°	90° 69°	91° 70°	88° 70°	84° 66°	80° 62°	79° 62°	79° 64°

### Central Iowa:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
jun 16	jun 17	jun 18	jun 19	jun 20	jun 21	jun 22	jun 23	jun 24	jun 25
M Sunny	Sct T-Storms	Iso T-Storms	Iso T-Storms	P Cloudy	Sct T-Storms	P Cloudy	M Sunny	Showers	P Cloudy
85° 68°	86° 71°	88° 71°	88° 71°	89° 72°	89° 69°	78° 65°	80° 65°	78° 65°	78° 68°

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**Official Weather Station -2011**

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

	Monday, June 13	Tuesday, June 14	Wednesday, June 15
<b>Air Temperature</b>	Max = 71; Min = 54	Max = 77; Min = 57	Max = 70; Min = 58
<b>Soil Temperature</b>			
2 inch	Max = 79; Min = 61; Ave = 70	Max = 81; Min = 61; Ave = 71	Not Available
4 inch	Max = 73; Min = 60; Ave = 67	Max = 73; Min = 60; Ave = 67	Max = 83; Min = 58; Ave = 71
8 inch	Max = 67; Min = 61; Ave = 64	Max = 68; Min = 61; Ave = 64	Max = 64; Min = 60; Ave = 62
<b>Daily Precipitation</b>	0.01"	0.00"	4.42"

**Corn:** Morning: July 11 Corn is at \$7.14 ¾, down 11 cents, Sept 11 Corn is at \$6.96 ¾, down 8 cents, Dec 11 Corn closed at \$6.59 ¾, down 6 ¾ cents. Mar 11 corn closed at \$6.70, down 7 ½ cents  
 Yesterday's Close: Jul 11 Corn closed at \$7.25 ¾, down 29 ¾ cents, Sep 11 Corn closed at \$7.04 ¾, down 24 ¼ cents, Dec 11 Corn closed at \$6.66, down 19 cents Dec 11 Corn closed at \$6.66, down 19 cents  
 Corn futures closed within a quarter cent of limit down and finished double digits lower on the other contracts. Corn broke below technical support on the old and new crop. The sharply higher dollar and the highest increase in the CPI number in three years were deemed bearish for corn. Funds sold an estimated 20,000 corn contracts. Index Funds held 237,889 net long contracts as of a week ago Tuesday according to Friday's CFTC report and Managed Money held a net long of 319,088 contracts. Open interest was down 18,854 on the July contract and down 9,598 contracts for total open interest on yesterday's down market. Trade estimates for tomorrow's weekly export sales report range from 700,000 to 1,200,000 MT (the number will include the 548,640 MT of corn sales to Mexico for 2011/12 delivery. Cash corn basis levels were firm in the interior but weaker at river terminals.

**Soybean Complex:** Morning: Jul 11 Soybeans closed at \$13.53 ¼, down 14 ¾ cents, Sept 11 Soybeans closed at \$13.50 ¾, dn 12 cents, Nov 11 Soybeans closed at \$13.52 ¼, down 14 ½ cents, Jan 11 Soybeans closed at \$13.62 ¼, down 13 ¾ cents  
 Yesterday's Close: Jul 11 Soybeans closed at \$13.68, unch, Aug 11 Soybeans closed at \$13.64 3/4, up 2 1/4 cents, Nov 11 Soybeans closed at \$13.66 3/4, up 3 cents, Jul 11 Soybean Meal closed at \$360.00, up \$1.30, Jul 11 Soybean Oil closed at \$57.05, up \$0.20  
 Soybean futures closed steady to slightly higher as did soybean meal and oil going against the general trend in commodities today. Estimates for tomorrow's weekly export sales report range from 100 to 200 thousand MT. Exports have been dismal to say the least and the rise in the dollar could send buyers elsewhere. Grain stocks at select export elevators and terminals were up 470 bushels from the previous week. Cool and wet weather in the Northern Plains will continue to delay planting and underpin price. Northern states are behind their five year average planting date. Southern states need to get the wheat off in order to get the more than 100% increase in double crop beans included in most balance sheets. Wheat harvest should not be an issue with a hot and dry forecast over the six to ten days. Crude oil futures were down over 400 points but did not reflect in the soybean complex. Cash basis levels were 5 cents higher at an elevator in Toledo Ohio and at a Council Bluffs I A processor. Flooding along the Missouri remains a difficult situation for many.

**Wheat:** Morning: Jul 11 CBOT Wheat closed at \$7.00 ½, down 8 cents, Jul 11 MGEX Wheat is at \$9.37, unchanged  
 Yesterday's Close: Jul 11 Soybeans closed at \$13.68, unch, Aug 11 Soybeans closed at \$13.64 3/4, up 2 1/4 cents, Nov 11 Soybeans closed at \$13.66 3/4, up 3 cents, Jul 11 Soybean Meal closed at \$360.00, up \$1.30, Jul 11 Soybean Oil closed at \$57.05, up \$0.20  
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**Cattle:** Yesterday's Close: Jun 11 Cattle closed at \$104.200, down \$0.075, Aug 11 Cattle closed at \$104.850, down \$0.500, Oct 11 Cattle closed at \$111.025, down \$0.500, Aug 11 Feeder Cattle closed at \$126.975, down \$0.275 Sep 11 Feeder Cattle closed at \$128.250, down \$0.425 Oct 11 Feeder Cattle closed at \$129.150, down \$0.450

Cattle futures reversed earlier direction to close lower on the day. Feeder cattle also closed lower. Pastures are expected to be good in the Northern Plains because of above normal precipitation this year. The cattle crush spread ended lower again today, dropping \$7 on the September and October crush to \$111 and \$104 respectively. Friday the USDA will release the monthly Cattle on Feed report. Traders are expecting the June 1 on feed number to come in at 105.4%, May placements at 92.2% and May Marketings at 103.2% on average. Traders believe higher cash feed prices will have curtailed expansion in the cattle industry. Cash cattle business has yet to develop this week. Demand is labeled mostly light. Bids and offers are widening with bids coming in around \$103 in TX and offers at \$107 to \$108. Prices last week ranged from \$105 in TX and KS and \$107 to \$108 in NE. Boxed beef prices closed lower. Choice beef was down \$0.87 at \$171.94 and Select beef was \$0.66 lower at \$166.01 .

**Hogs:** Yesterday's Close: Jul 11 Hogs closed at \$95.250, up \$0.800, Aug 11 Hogs closed at \$95.250, up \$0.800 Oct 11 Hogs closed at \$88.125, up \$0.450

Lean Hogs were one of the few markets to close higher on the day. The July contract closed near their high closing above the 40 day moving average for the third day. The cash market helped push the futures. Cash hogs were \$6.21 higher in IA/MN at \$95.39, WCB hogs were \$5.94 higher at \$95.13 and ECB hogs were \$0.78 higher at \$89.96. Packer demand is good with margins improving and export demand is also strong. Pork trading is slow with mostly moderate demand and light offerings. The carcass was higher with all cuts but Butts. The Carcass was up \$2.28.

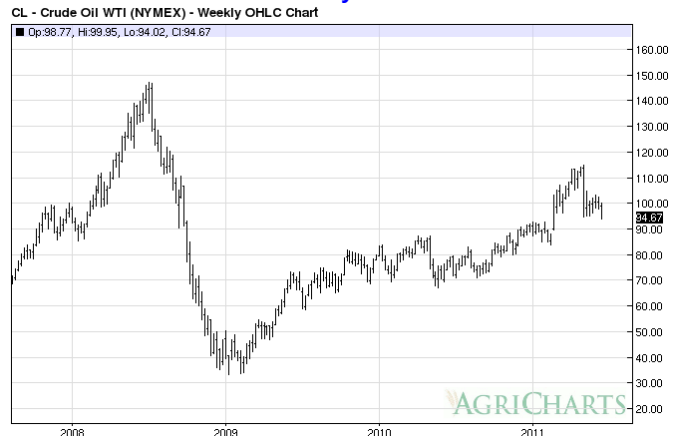
**Cotton:** Yesterday's Close: Jul 11 Cotton closed at 151.96, down 358 points, Oct 11 Cotton closed at 133.45, down 509 points Dec 11 Cotton closed at 125.8, down 598 points

Cotton futures closed lower, weighed by a sharply higher dollar and broad commodity weakness. Record dry weather continues across West Texas with no end apparent. Even irrigated fields are being stressed with waves of dry, hot windy weather. Cotton harvest is nearly complete in Brazil and many areas in Argentina and Paraguay are nearing completion.

**US Dollar Index Weekly**



**Crude Oil Weekly**



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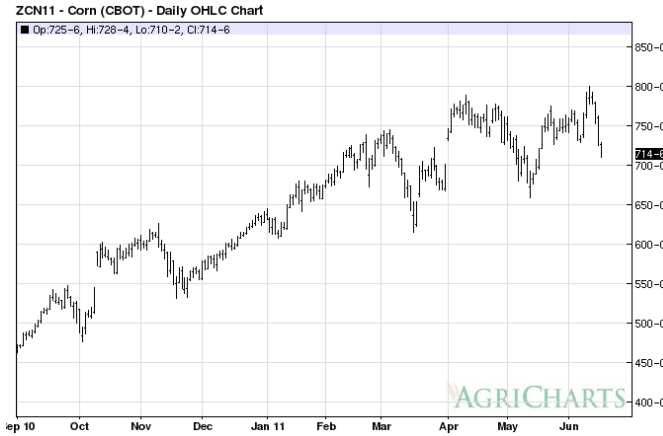
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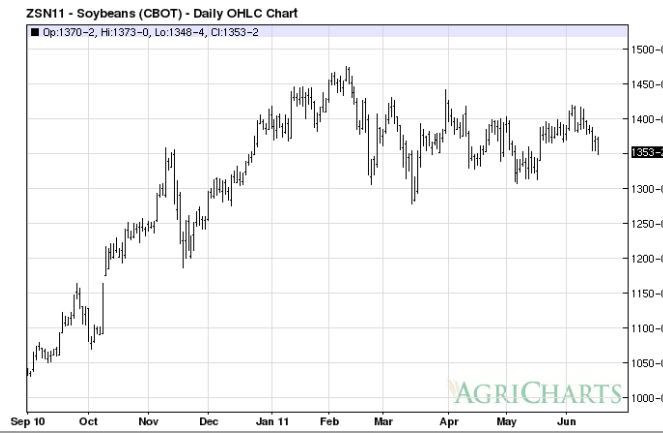
**July 11 Corn Daily Chart**



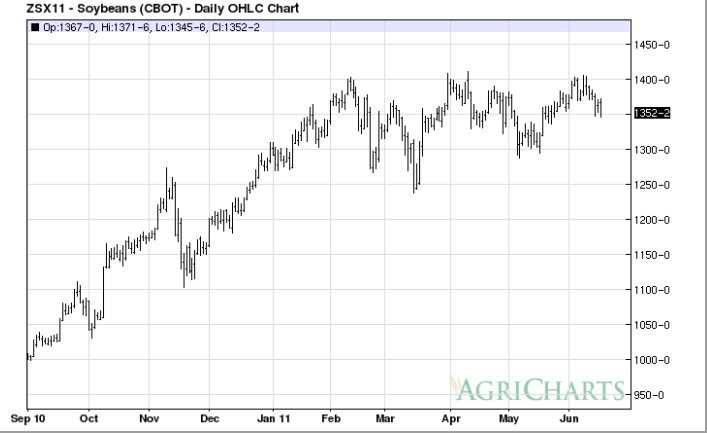
**Dec 11 Corn Daily Chart**



**July 11 Soybean Daily Chart**



**Nov 11 Soybean Daily Chart**



**July 11 Mpls Spring Wheat Daily Chart**



**Sept 11 Mpls Spring Wheat Daily Chart**



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