



WEEKLY COMMENTS

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Friday, December 2, 2011

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

	2011 Crop	2012 Crop
Corn	50% sold HTA. If fall delivery needed basis is set.	30% sold HTA
Soybeans	50% sold HTA. If fall delivery needed basis is set.	20% sold HTA
Wheat	50% sold HTA. If fall delivery needed basis is set.	none

Price Targets: We have made all the sales that we are comfortable with at this time.

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.

Basis remains snug in central MN as supplies are tight and farmer selling is non-existent.

Next Major USDA Reports: Friday Dec 9, 2011 WASDE & Crop Production; Friday Dec 16, 2011 Cattle on Feed;
Friday Dec 23, 2011 Hogs & Pigs; Thursday Jan 12, 2012 WASDE & Crop Production & Grain Stocks

2011 Cattle Feeder Days: The Annual Minnesota Cattle Feeder Days are next week. This year's program will feature discussions on feedlot health, feedlot facilities and management, and optimizing feedyard efficiency. In addition, the U of M Beef Team will present an update of feedlot research conducted in the past year. Below are a list of date and locations:

December 5 - Morris, U of M West Central Research and Outreach Center

5:30 pm registration; 6:00-9:00 program. Register with Rhonda Wulf at 320-231-7890 or wulfr@umn.edu.

December 6 - Luverne, Blue Mound Banquet Center

5:30 pm registration; 6:00-9:00 program. Register with Grant Crawford at 320-234-0441 or craw0105@umn.edu.

December 7 - Tracy, The Caboose

9:30 am registration; 10:00-2:00 program. Register with Mike Boersma at 507-836-6927 or boers010@umn.edu.

December 8 - Rochester, America's Best Value Inn (Formerly La Quinta Inn)

5:30 pm registration; 6:00-9:00 program. Register with Devan Paulus at 425-246-6131 or paulu058@umn.edu.

Registration is \$35/person and \$20 for each additional person from the same farm or family. This fee includes a meal and all program materials. Visit the Beef Team at www.extension.umn.edu or on Facebook at University of Minnesota Beef Team.

Market Talk

Euro-Crisis. Finance ministers of 17 countries that use the euro met in Brussels Tuesday to consider "fiscal unity" that would require amending the 1999 EU treaty itself and take the 27 members far closer to what some would call "the United States of Europe." The talk included discussions on ceding fiscal sovereignty to a central authority that would guarantee one another's loans, but also require strong fiscal discipline from any country wanting membership. Failure to solve the Euro-Crisis could bring wide spread financial and economic pain that would rapidly spread west and east as the U.S. and Asia get ensnared in the credit freeze and their exports to Europe collapse.

The U.S. dollar was down hard with equities sharply higher on news central banks will shore up the global financial system. Most CBOT futures closed steady to higher for the week with the dollar falling on the Fed and Central Banks of the U.S., Eurozone, Japan, Canada, Great Britain and Switzerland's decision to increase bank liquidity to the global financial system by lowering the price on existing dollar swaps. China also lowered their bank reserve requirements to soften their currency prior to the Central Bank announcement. Standard and Poor's cut their rating on 15 big banks by altering the way they compute the rating. S&P rating system now does not factor in the fact of government intervention to hold up the banks because of the debt load of those countries.

China is expected to plant about 4.0% more corn this year and about 11.0% fewer soybeans. The huge soybean crop expected from South America is helping to allow the reduction in soybean acres. South American countries are well their way to being the world's primary origination point for all soybean needs as producers in the United States are finding corn a more desirable crop. Eventually US farmers may only need to produce enough soybeans to cover domestic needs, providing more acres available for corn production. Reports from China continue that they are not interested at this time in restocking their corn reserves as they expect to have a good crop or a good buying strategy.

Feed wheat is already at a \$65.00 per ton discount to corn, which is greatly reducing demand for U.S. corn offerings in the world market. Some analysts believe that the competition U.S. corn has seen in the world market from cheap feed wheat may actually increase later this marketing year. Australia is increasing its wheat harvest activity, and so far, it appears as though the protein content of this year's crop is down from normal. This means more of this wheat will likely make its way into the world feed grain market.

New crop balance sheets which will not be released until the May supply and demand report. See the MNWestAg newsletter from Nov 25, 2011 for comments, tables and graphs concerning the corn and soybean outlook. While the release of May S&D report is several months away the trade believes we will see larger new crop carryout estimates than what we will experience see this year. The increase results from increased production and decreased in corn and soybean demand. Indications point to U.S. grain demand slipping in the world market and also in the domestic market as well.

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The Volumetric Ethanol Excise Tax Credit of 45 cents per gallon will expire at the end of this year. What impact this will have on corn prices is yet to be determined, but some feel prices won't notice much of a change at all. Those of us in the cattle feeding business can recall a similar statement being made when the Dairy Herd Buyout program was announced and then getting clobbered hard as beef values plummeted when excess low value beef products undercut quality beef cuts. This should be different as no new production will be coming on line and usage is essentially mandated.

The tax credit is one of three parts of an ethanol policy that also includes tariff protection and usage mandates. There are about 200 ethanol plants across the U.S. that will consume about 5 billion bushels of corn. This infrastructure will not simply go away with the absence of the tax credit, but will make ethanol's competitiveness for corn depend more so on oil prices.

The Congressional Budget office estimates ethanol's impact on prices to be 50 to 80 cents per bushels. The tax credit is estimate to add 2 cents per bushel and about 11 cents from export tariffs. This implies little change to corn prices as a result. It's thought that eliminating the export tariffs would do little to change corn prices as well since Brazilian ethanol prices are driven by world sugar prices.

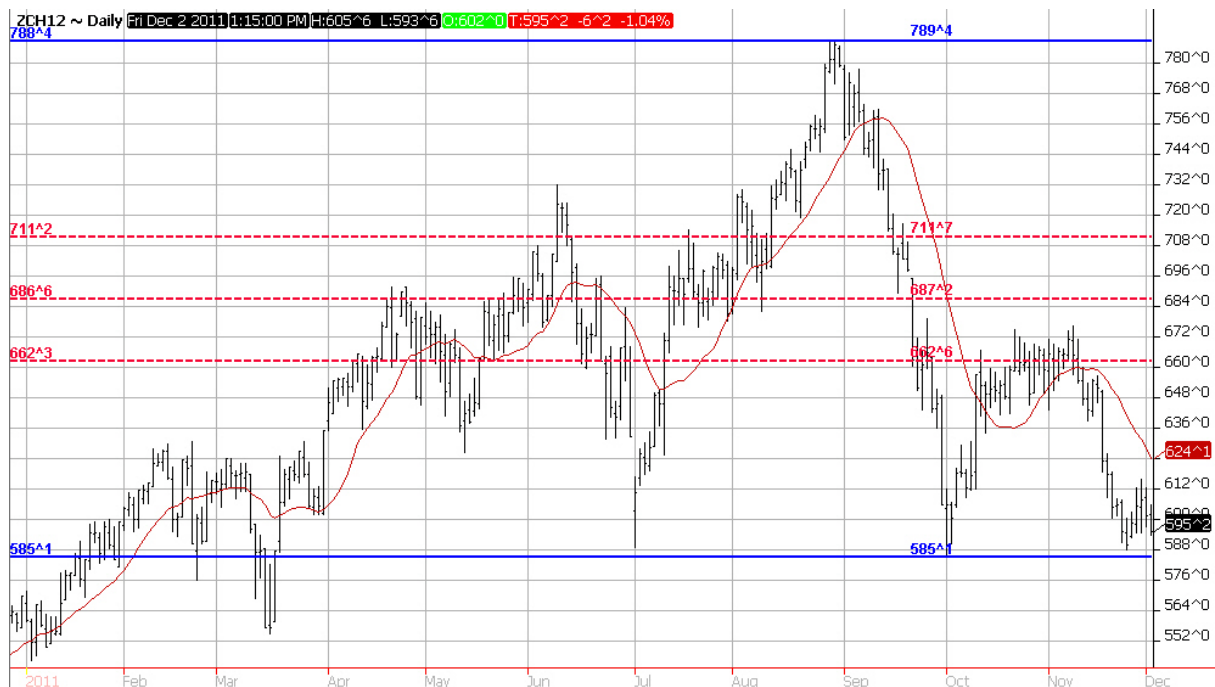
USDA Moving to Lower Insurance Premiums for Corn and Soybean Producers in 2012

WASHINGTON, Nov 28, 2011 - The U.S. Department of Agriculture's (USDA) Risk Management Agency (RMA) announced today that it will update the methodology to set crop insurance premiums, leading to lower insurance premium rates for many corn and soybean producers in the 2012 crop year. The rate adjustment is based on findings of an independent study and peer review process. The study is part of RMA's ongoing effort to improve the methodology of determining premium rates for crop insurance.

"We are improving the formulation of our rate-making methodology, and are moving to establish the most fair and appropriate premium rates for today's producers," said RMA Administrator William J. Murphy. "On average, these new rates should reduce corn farmers' rates by 7 percent and soybean farmers' by 9 percent. As good stewards of taxpayers' dollars, we welcome the opportunity to match premium rates more accurately with current risks." RMA will release actuarial documents by November 30 reflecting premium rates and other program information that will be effective for the 2012 spring crop season.

Unit Subsidies: RMA's website has information that indicates that the subsidies for Basic units and Enterprise units may be identical. This could be meaningful to a producer who rents land from a few landlords on shares but has most of the rental land with cash rent. By strategically using the two unit elections properly you could provide better protection at the same cost. Talk to MNWestAg about properly using unit structures to protect yourself and your landlords with crop share arrangements.

Mar 12 Corn Chart show support just below current values.



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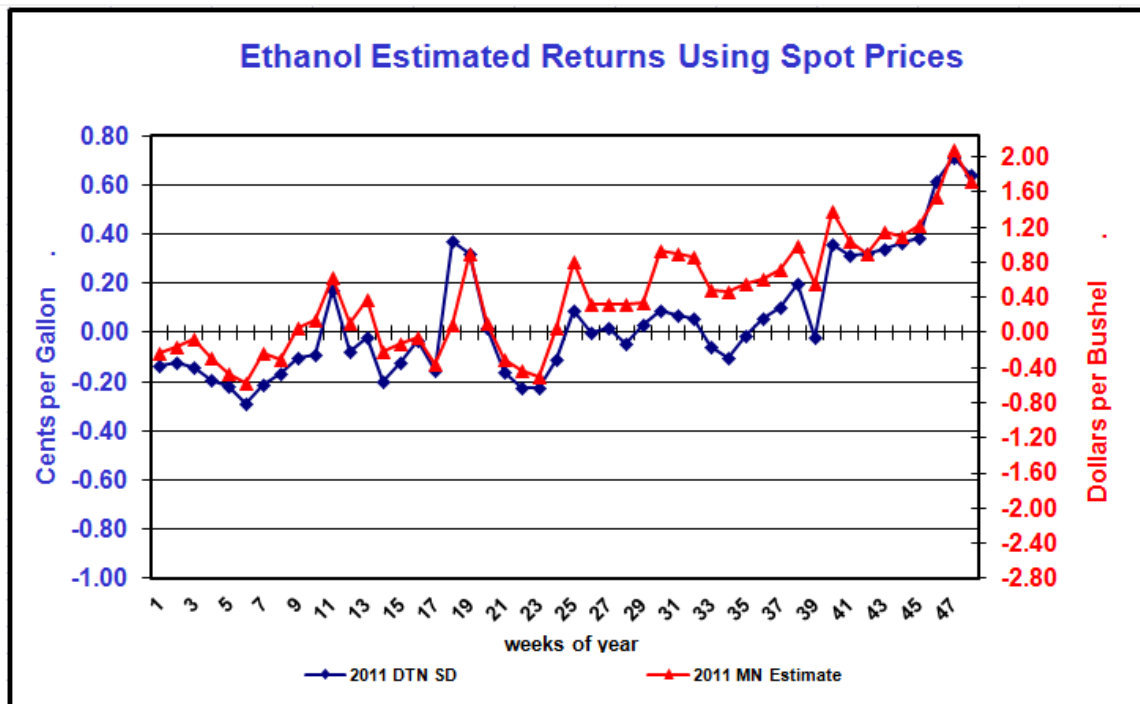
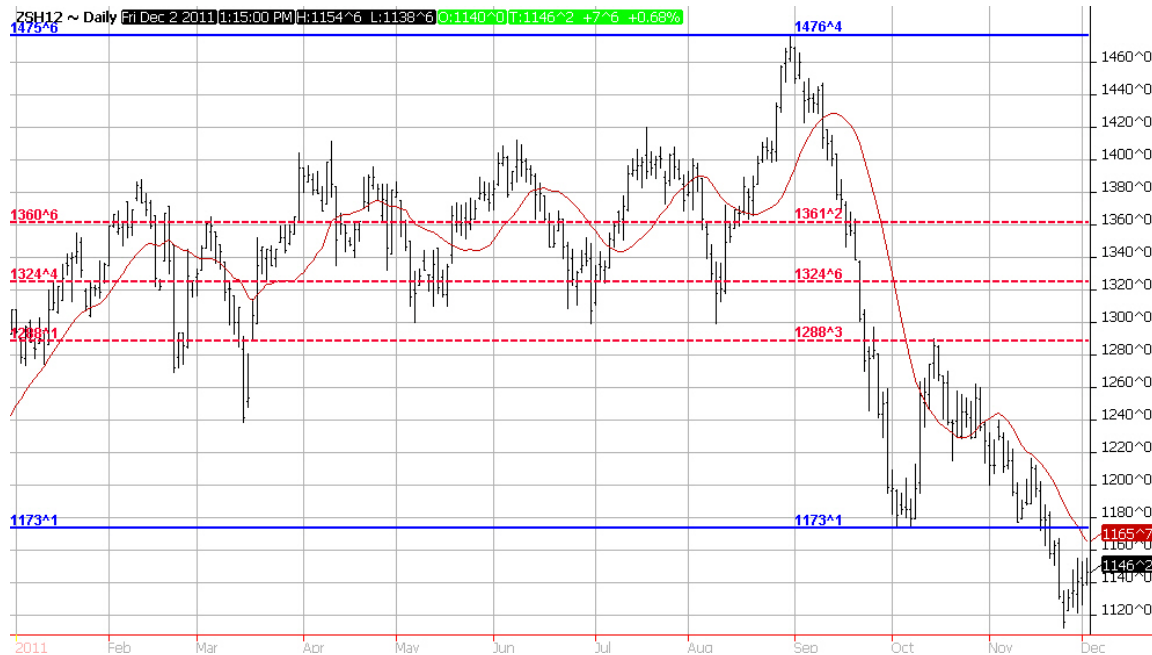
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Mar 12 Soybean Chart shows that prior support and now possibly now resistance is just above current values.



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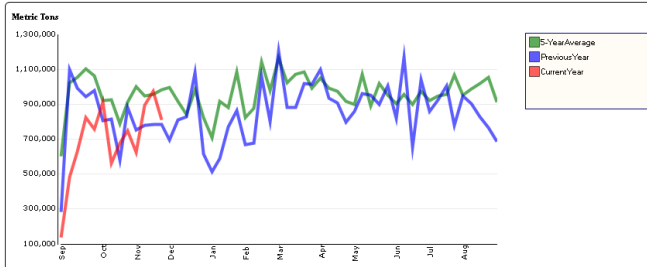
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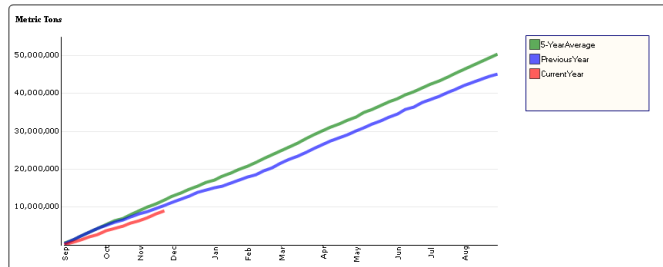
US Corn Exports 2011-12

November 18-24, 2011 Net sales of 280,600 MT for the 2011/2012 marketing year resulted as increases for South Korea (131,500 MT, including 117,000 MT switched from unknown destinations and decreases of 60,000 MT), Mexico (76,500 MT), Japan (71,000 MT, including 37,500 MT switched from unknown destinations), Venezuela (48,500 MT), and Guatemala (45,700 MT), were partially offset by decreases for unknown destinations (204,400 MT). Net sales of 71,600 MT for delivery in 2012/2013 were for Japan. Optional origin sales of 150,000 MT were reported for Mexico. Exports of 810,300 MT were down 17 percent from the previous week and unchanged from the prior 4-week average. The primary destinations were Japan (237,000 MT), Mexico (208,600 MT), South Korea (116,700 MT), China (60,200 MT), El Salvador (37,000 MT), and Costa Rica (32,600 MT).

Weekly



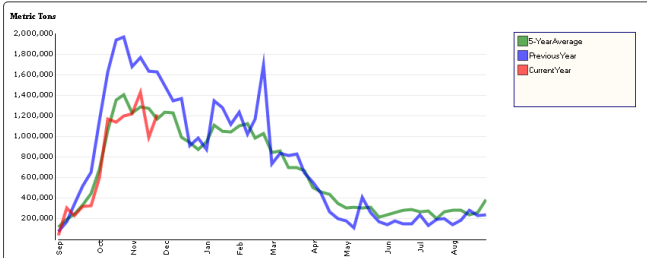
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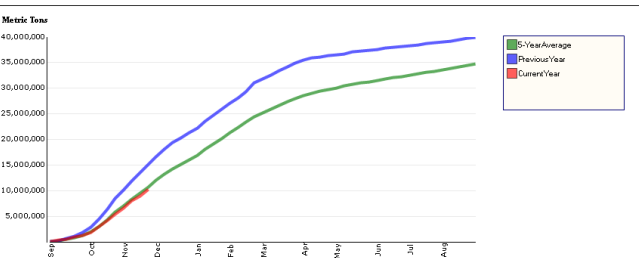
US Soybean Exports 2011-12

November 18-24, 2011 Net sales of 489,600 MT for the 2011/2012 marketing year resulted as increases for China (534,600 MT, including 282,500 MT switched from unknown destinations and decreases of 63,500 MT), Germany (81,000 MT, including 70,000 MT switched from unknown destinations), Indonesia (61,900 MT), Egypt (60,000 MT), Japan (49,100 MT, including 18,000 MT switched from unknown destinations), and Taiwan (35,600 MT), were partially offset by decreases for unknown destinations (370,500 MT) and Canada (6,100 MT). Exports of 1,217,100 MT were primarily reported to China (893,500 MT), Germany (81,000 MT), Thailand (69,400 MT), Japan (56,500 MT), Canada (28,300 MT), and Mexico (24,700 MT). Exports for own account were reported for Canada (2,500 MT).

Soybean Weekly Exports



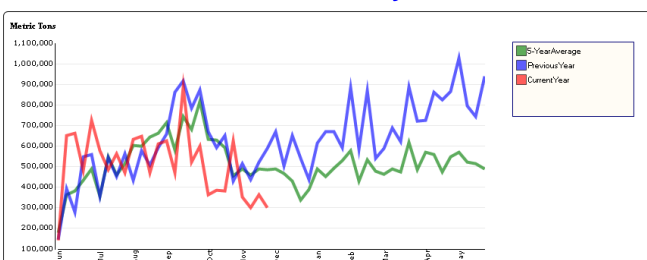
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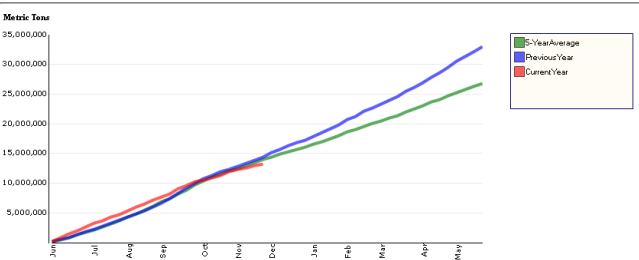
US Wheat Exports 2011-12

November 18-24, 2011 Net sales of 503,000 MT for the 2011/2012 marketing year were down 18 percent from the previous week, but up 30 percent from the prior 4-week average. Increases were primarily for the Philippines (113,200 MT), Thailand (87,100 MT), South Korea (76,700 MT), Nigeria (69,800 MT, including 67,300 MT switched from unknown destinations), Mexico (67,000 MT), and Taiwan (35,300 MT). Exports of 302,000 MT were down 17 percent from the previous week and 26 percent from the prior 4-week average. The primary destinations were Nigeria (74,400 MT), Mexico (73,400 MT), the Philippines (49,200 MT), Colombia (33,000 MT), Italy (22,300 MT), Haiti (19,800 MT), and Venezuela (13,000 MT).

Weekly



Accumulated



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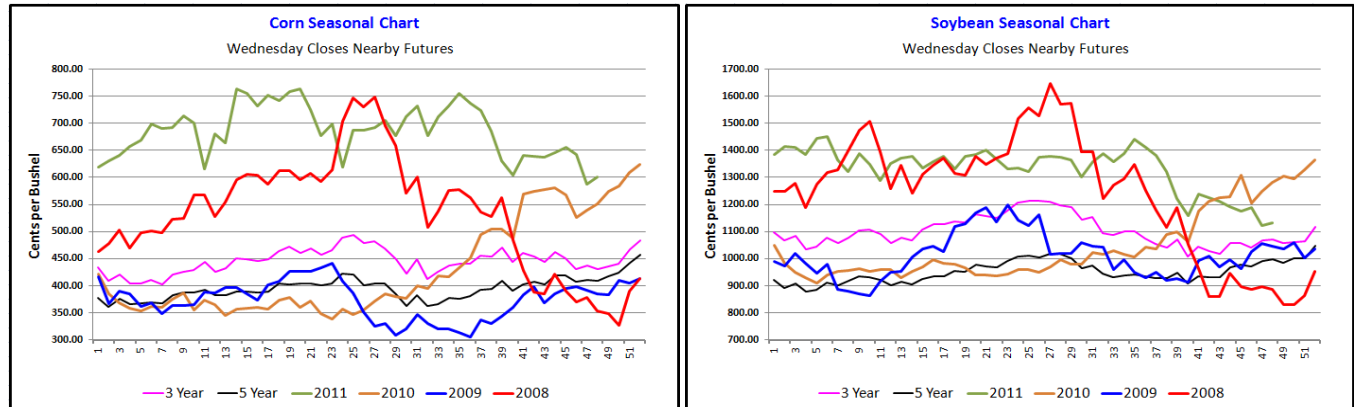
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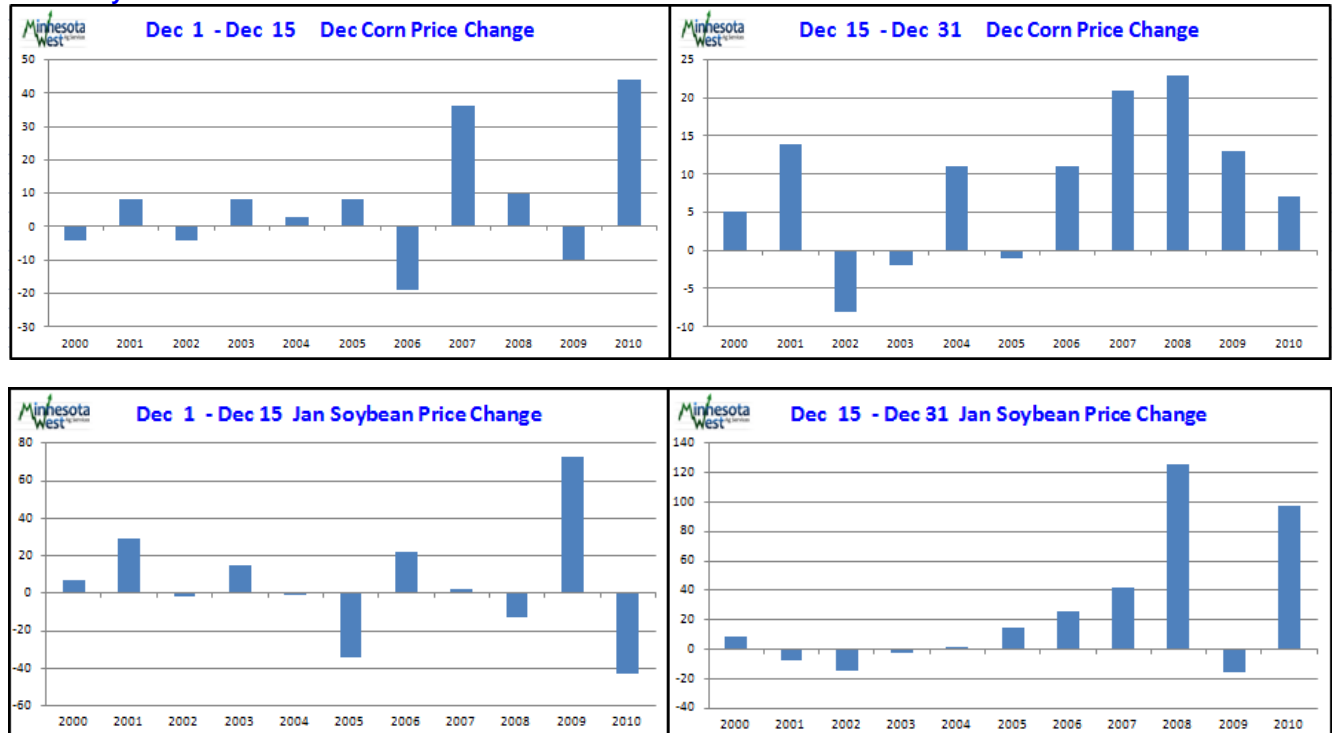
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Seasonal Price Charts:



Bi-Weekly Seasonal Price Charts:



Outside Markets:

U.S. Dollar Index	78.731s	+0.298	+0.38%
CRB CCI Index	583.00s	-1.00	-0.17%
Gold	1747.0s	+11.7	+0.67%
Silver	32.621s	-0.074	-0.23%
DJIA	12000s	-3	-0.02%
S&P 500 Index	1243.50s	-0.10	-0.01%
Nasdaq 100	2303.25s	-6.00	-0.26%
Russell 1000 Growth	582.10s	-1.20	-0.21%
MSCI EMI Index	956.10	-1.60	-0.17%
Nikkei 225	8655.00s	+60.00	+0.7%
Brazilian Real	0.55300s	+0.00505	+0.92%
Euro FX	1.34040s	-0.00520	-0.39%
Canadian Dollar	0.98200s	-0.00320	-0.32%
Japanese Yen	1.28140s	-0.00410	-0.32%
Australian Dollar	1.02130s	-0.00070	-0.07%
Chinese Renminbi	0.157440s	+0.000350	+0.22%
Mexican Peso	0.073825s	+0.000175	+0.24%
1-Month Libor	99.7250s	-0.0050	-0.01%
T-Bond	142-02s	+1-13	+1%
3-Month T-Bill	99.2700s	0.0000	-
5-Year T-Note	123-045s	+0-7.5	+0.17%
10-Year T-Note	130-160s	+0-165	+0.4%
Ethanol Futures	Dec 11	2.503s	-0.024
Gasoline RBOB	Jan 12	2.6162s	+0.0583
Diesel Gulf (ULSD)	Jan 12	2.9575s	+0.0205
RME Biodiesel	Dec 11	1388.409s	+12.727
Heating Oil	Jan 12	2.9900s	+0.0205
Natural Gas	Jan 12	3.584s	-0.064
Crude Oil Brent	Jan 12	109.94s	+0.95
Coal Futures	Jan 12	69.07s	-0.18
Uranium	Dec 11	52.00s	+0.25

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Corn: Friday's Close: Dec 11 Corn closed at \$5.86 1/2, down 8 1/4 cents, Mar 12 Corn closed at \$5.95 1/4, down 6 1/4 cents, May 12 Corn closed at \$6.03, down 6 1/4 cents Dec 12 Corn closed at \$5.53 1/4, down 1 cent
Corn futures closed lower on the dollar rally and what appeared to be spreading against the other grains. Corn was up 4 cents for the week however. Funds sold an estimated 7,000 contracts of corn with net long positions at the lowest level in 17 months. China corn production hit a record 191.75 MMT according to the National Bureau of Statistics which also pressured daily prices. . Cash basis bids were mostly steady in the Midwest with Processor bids higher. There is some grain movement as producers move grain before the coming winter storm.

Soybean Complex: Friday's Close: \$ Jan 12 Soybeans closed at \$11.35 3/4, up 7 3/4 cents, Mar 12 Soybeans closed at \$11.46 1/4, up 7 3/4 cents, May 12 Soybeans closed at \$11.56 1/4, up 7 1/4 cents, Nov 12 Soybeans closed at \$11.55 1/2, up 6 1/2 cents, Dec 11 Soybean Meal closed at \$286.40, down \$0.80, Dec 11 Soybean Oil closed at \$50.05, up \$0.53 0.295
Soybean futures finished higher on the day and up for the week. Industry analysts believe Southeast Asian palm oil production will not be able to keep up with demand this coming year. That could be a bonus for U.S. soybean oil. The Canadian canola crop will increase 1 MMT from last year according to analyst expectations. Statistics Canada will release 2011 numbers on Tuesday. Dryness persists in the major growing areas of Brazil with the recent rains doing nothing to add to soil moisture. There are chances of rain in the 6-10 day forecast. Cash basis levels in the Midwest and Gulf were steady with Indiana elevators pushing a bit.

Wheat: Friday's Close: Dec 11 CBOT Wheat closed at \$6.12 1/4, up 10 1/4 cents, Dec 11 KCBT Wheat closed at \$6.76, up 13 cents, Dec 11 MGEX Wheat closed at \$8.56, up 1 1/2 cents
Wheat futures closed higher on the day and up 37.75 (CBT), 32.5 (KCBT) and 28.5 (MGEX) cents for the week. Tight supplies of higher protein wheat let the pack today. The firmer tone in Chicago was tied to the emergence of an apparent commercial stopper for Dec wheat deliveries. The Ukraine Ag Ministry reduced the 2011/12 grain exports forecast to 23 to 25 MMT from 27 MMT because of reduced shipments. There is a possibility they could become an importer of wheat because of a 2012 reduction in winter wheat harvest forecasted. Tuesday, December 6th, Stats Canada will publish their final crop numbers. Analysts are expecting all wheat production to reach 24.5 MMT up from the October report and last year's number.

Cattle: Friday's Close: Dec 11 Cattle closed at \$121.900, unch, Feb 12 Cattle closed at \$123.250, down \$0.475, Apr 12 Cattle closed at \$126.900, up \$0.050, Jan 12 Feeder Cattle closed at \$147.075, up \$0.975 Mar 12 Feeder Cattle closed at \$149.250, up \$0.900 Apr 12 Feeder Cattle closed at \$150.075, up \$0.500
Live Cattle futures closed steady to lower on the front two months. Futures were up 80 cents for the week. Cash cattle sold for \$124 to \$126 in the Plains and mostly \$126 in Nebraska with dressed cattle selling for \$202 to \$203 and some reports of \$205. Wholesale beef prices took a major hit this afternoon. Choice beef was down \$2.25 and Select was down \$1.39. The cattle crush doesn't show much of a profitable hedge potential until fall.

Hogs: Friday's Close: Dec 11 Hogs closed at \$86.250, down \$1.325, Feb 12 Hogs closed at \$89.225, down \$1.050 Apr 12 Hogs closed at \$92.025, down \$0.775
Lean Hog futures were sharply lower gapping below support this morning on possible long liquidation. Lean Hogs were down \$2.05 for the week. Index Funds decreased their net longs but Managed Money increased their net longs. Cash hogs were under pressure with IA/MN weighted average prices down \$0.93, WCB down \$0.82 and ECB actually higher at \$82.20. The unemployment number dropped to 8.6% down from 9% but that doesn't necessarily translate into more pork demand, at least domestically. Pork trading was slow with light to moderate demand and offerings.

Cotton: Friday's Close: Dec 11 Cotton closed at 91.35, up 65 points, Mar 12 Cotton closed at 91.84, up 54 points Dec 12 Cotton closed at 88.93, up 10 points
Cotton closed a tad higher on the day. It was up 53 points for the week or .58%. ICAC sees lower prices dropping acres in the 2012/13 year by 8% globally leading to a 6.5% decline in production. Dec goes off the board the 7th so volume was thin in that contract. Cotton export commitments are already at 92% of USDAs much diminished expectations for this year. All we have to do is get the buyers to take delivery! Shipments to date are only about 16% of the yearly total. Typically they would be about 18% by now. Certificated stocks are at 77,116, but there were again no delivery notices vs. December futures. The CFTC Disaggregated Futures & Options report showed Managed Money adding a small amount of net longs as of Tuesday.

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US Dollar Index

DX - U.S. Dollar Index - Weekly OHLC Chart



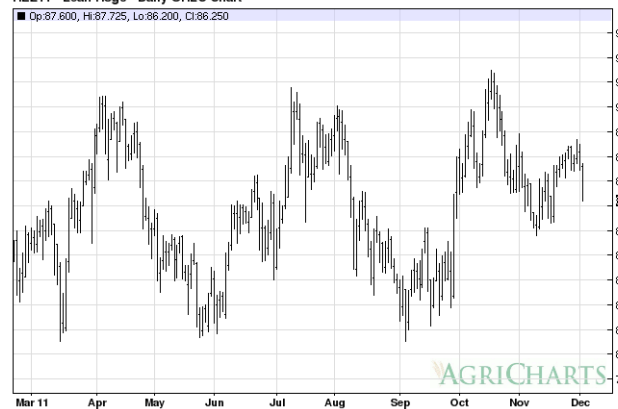
CRB CCI Index

CI - CRB CCI Index - Weekly OHLC Chart



Lean Hogs Daily

HEZ11 - Lean Hogs - Daily OHLC Chart



Lean Hogs Weekly

HE - Lean Hogs - Weekly OHLC Chart



Live Cattle Daily

LEZ11 - Live Cattle - Daily OHLC Chart



Live Cattle Weekly

LE - Live Cattle - Weekly OHLC Chart



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Dec 11 Corn Daily Chart

ZCZ11 - Corn - Daily OHLC Chart



Corn Weekly Chart

ZC - Corn - Weekly OHLC Chart



Mar 12 Soybean Daily Chart

ZSF12 - Soybeans - Daily OHLC Chart



Soybean Weekly Chart

ZS - Soybeans - Weekly OHLC Chart



Dec 11 Mpls Spring Wheat Daily Chart

MWZ11 - Spring Wheat - Daily OHLC Chart



Mpls Spring Wheat Weekly Chart

MW - Spring Wheat - Weekly OHLC Chart



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