



MORNING COMMENTS

david@mnwestag.com

Office 1-877-365-3744

www.mnwestag.com

Thursday, September 1, 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	100% sold with basis set	50% sold HTA	30% sold HTA
Soybeans	100% 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. 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: Monday September 12, 2011 WASDE & Crop Production ;
Friday September 30, 2011 Quarterly 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 Month end positioning and profit taking took place yesterday. A lack of buying interest and mixed outside markets kept all grains under pressure during the session.

Soybeans were still able to post marginally higher values as the trade has concerns that the heat in July and early August has impacted the crops' development. The debate will continue about over how much corn China will import in the next marketing year. Several economists believe China will import close to 120 million bu. of corn, which would be a 50% increase from this year's imports. It would also be the most corn China has imported in the past 16 years. Others feel China's corn needs are much greater, and the country will import closer to 200 million bushel to satisfy usage.

There is just as much uncertainty surrounding China's future soybean needs. U.S.D.A. is currently projecting China's soybean imports this year at 54 million metric, but private analysts have it lower at 51 mmt. It is believed that in the future China's soybean needs are larger perhaps as much as 100 mmt per year. The increase is all expected to come from South America though, as it would be nearly impossible for the United States to increase soybean flow to China at this time.

There are several factors that will determine how much grain China actually does import. One of these is domestic production, as Chinese farmers are pushing higher yielding varieties of seed and using better farming practices. Chinese grain importers also have to pay high taxes which will keep their interest subdued. Above all, any developments in China's economy will influence commodity demand on a whole.

Corn S&D Estimates forecasts will be released once again on Monday Sept 12. Crop tours have been trying to estimate how the crop will yield so that they are not surprised. A look at an expanded S&D table helps us understand the situation. The Red is the current marketing year of 2010/11 and the blue shows the current crop year for 2011/12, and also shows two scenarios. The first is USDA's current estimate and the second is an alternative with just the yield lowered to 148.0 bushels per acre.

If this year's corn crop yields near 148 bushels / acre, then the bottom line is that the rationing job in front of us for corn is significant as a 12.4 billion bushel crop would leave a projected deficit of 680 million bushel for the crop year and an unobtainable 292 million carry out. In order to maintain a very tight 750 million bushel carry out something would need to change, such as 1.) We need to find that we have additional corn stocks which would increase this year's carry out 2.) Exports would need to decrease by about 30%, 3.) Ethanol usage needs to decline by 10%, 4.) Feed usage needs to decrease by 10%, or 5.) a combination of all four factors mentioned which is the most likely scenario.

U.S. Corn Supply / Demand (mb)									
	USDA	USDA	USDA	USDA	Aug USDA	Aug USDA	Alt	Early Look	
	06/07	07/08	08/09	09/10	10/11	11/12	11/12	12/13	
Planted	78.3	93.6	86.0	86.5	88.2	92.28	92.28	92.0	
Harvested	70.6	86.5	78.6	79.6	81.44	84.41	84.41	84.81	
% Harvested	90.2%	92.4%	91.4%	92.0%	92.17%	91.47%	91.47%	92.18%	
Yield	149.1	151.1	153.9	164.7	152.8	153.0	148.0	157.0	
Carryin	1,967	1,304	1,624	1,673	1,708	940	940	714	
Production	10,535	13,074	12,092	13,110	12,447	12,914	12,492	13,314	
Imports	13	18	13	9	30	20	20	11	
Supply	12,515	14,396	13,729	14,792	14,185	13,874	13,452	14,039	
Feed	5,598	6,002	5,246	5,159	5,000	4,900	4,900	5,000	
Seed, Food, Ind	3,488	4,345	4,953	5,938	6,420	6,510	6,510	6,400	
Ethanol Use	2,117	3,000	3,677	4,568	5,020	5,100	5,100	5,000	
Exports	2,125	2,425	1,858	1,987	1,825	1,750	1,750	1,800	
Demand	11,211	12,772	12,056	13,084	13,245	13,160	13,160	13,200	
Carryout	1,304	1,624	1,673	1,708	940	714	292	839	
CO/Use	11.6%	12.7%	13.9%	13.1%	7.1%	5.4%	2.2%	6.4%	
CO/Days Use	42	46	51	48	26	20	8	23	
Price	\$ 3.04	\$ 4.20	\$ 4.06	\$ 3.55	\$ 5.20	\$ 6.20			
range					\$ 5.30	\$ 7.20			

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Soybean S&D Estimates forecasts will be released once again on Monday Sept 12. Like corn the crop tours have been trying to estimate how the soybean crop will yield so that they are not surprised. A look at an expanded S&D table helps us understand the situation. The Red is the current marketing year of 2010/11 and the blue shows the current crop year for 2011/12, and also shows two scenarios. The first is USDA's current estimate and the second is an alternative with just the yield lowered to 148.0 bushels per acre.

If this year's corn crop yields near 41.8 bushels / acre as some think it could be, then the bottom line is that the carry out could grow larger as a 1.6 billion bushel crop would leave a projected deficit of only 61 million bushel for the crop year and a manageable 184 million carry out.

U.S. Soybean Supply / Demand (mb)									
	USDA	USDA	USDA	USDA	Aug USDA	Aug USDA	Alt	Early Look	
	06/07	07/08	08/09	09/10	10/11	11/12	11/12	12/13	
Planted	75.5	64.7	75.7	77.5	77.7	75.0	75.0	76.0	
Harvested	74.6	62.8	74.6	76.3	76.6	73.81	73.81	75.16	
% Harvested	98.8%	97.1%	98.6%	98.5%	98.80%	98.41%	98.41%	98.90%	
Yield	42.7	41.7	39.7	44.0	43.5	41.4	41.8	43.4	
Carryin	449	574	205	138	151	230	230	155	
Production	3,187	2,676	2,967	3,359	3,329	3,056	3,085	3,262	
Imports	10	10	13	15	15	15	15	15	
Supply	3,646	3,260	3,185	3,512	3,495	3,301	3,330	3,432	
Crush	1,806	1,802	1,662	1,752	1,645	1,635	1,635	1,650	
Exports	1,118	1,150	1,283	1,498	1,495	1,400	1,400	1,500	
Seed	78	94	95	90	87	90	90	92	
Residual	70	9	6	21	38	21	21	24	
Demand	3,072	3,055	3,047	3,361	3,265	3,146	3,146	3,266	
Carryout	574	205	138	151	230	155	184	166	
CO/Use	18.7%	6.7%	4.5%	4.5%	7.1%	4.9%	5.9%	5.1%	
CO/Days Use	68	25	17	16	26	18	21	19	
Price range	\$ 6.43	\$ 10.15	\$ 9.97	\$ 9.59	\$ 11.35	\$ 12.50	\$ 12.50	\$ 14.50	

Outside Markets:

U.S. Dollar Index	74.610	+0.437	+0.59%	Euro FX	1.42710	-0.01060	-0.74%	Ethanol Futures	Sep 11	2.913p	-0.009
CRB CCI Index	648.00p	+3.00	+0.47%	Canadian Dollar	1.02080	0.00000	-	Gasoline RBOB (E)	Oct 11	2.8763p	+0.0348
Gold	1819.1	-9.4	-0.51%	Japanese Yen	1.29700	-0.00900	-0.69%	Diesel Gulf (ULSD)	Oct 11	3.1199s	+0.0046
Silver	41.520	-0.179	-0.43%	Australian Dollar	1.06710	+0.00050	+0.05%	Heating Oil (E)	Oct 11	3.0840p	+0.0073
DJIA	11603p	+111	+0.97%	Chinese Renminbi	0.156850	+0.000040	+0.03%	Crude Oil Brent (E)	Oct 11	114.85p	+0.83
S&P 500 Index	1211.40	-6.30	-0.52%	Mexican Peso	0.080525	-0.000450	-0.56%	Natural Gas (E)	Oct 11	4.054p	+0.145
Nasdaq 100	2231.50	-9.25	-0.41%	1-Month Libor	99.7650p	+0.0025	-	Polypropylene	Oct 11	0.8625s	-0.0050
Russell 1000 Growth	570.30s	+5.90	+1.05%	T-Bond	137.24	+0.14	+0.32%	Polyethylene	Oct 11	0.6050s	0.0000
MSCI EMI Index	1037.90	0.00	-	3-Month T-Bill	992.7000s	0.0000	-	RME Biodiesel	Sep 11	1512.000p	0.000
Nikkei 225	9020.00	-10.00	-0.11%	5-Year T-Note	123.195	+0.035	+0.09%	Coal Futures	Oct 11	77.08p	+0.88
Brazilian Real	0.62675s	-0.00080	-0.13%	10-Year T-Note	130.075	+0.065	+0.16%	Uranium	Sep 11	49.15p	0.00

Weather

Central Illinois:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
sep 01	sep 02	sep 03	sep 04	sep 05	sep 06	sep 07	sep 08	sep 09	sep 10
Sunny	Sunny	Sct T-Storms	P Cloudy	Sunny	M Sunny	P Cloudy	Sunny	Sunny	Sct Showers
100° 75°	98° 72°	90° 65°	80° 55°	74° 52°	76° 54°	77° 57°	77° 58°	76° 57°	75° 55°

Central Iowa:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
sep 01	sep 02	sep 03	sep 04	sep 05	sep 06	sep 07	sep 08	sep 09	sep 10
Sunny	Sct T-Storms	Sct T-Storms	Sunny	Sunny	M Sunny	Sunny	Sunny	Sunny	M Sunny
98° 77°	86° 69°	84° 60°	75° 52°	74° 53°	75° 56°	76° 58°	74° 58°	73° 56°	75° 61°

South Central Minnesota:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
sep 01	sep 02	sep 03	sep 04	sep 05	sep 06	sep 07	sep 08	sep 09	sep 10
P Cloudy	AM T-Storms	Iso T-Storms	M Sunny	Sunny	Sunny	Sunny	Sunny	Sunny	Sunny
95° 67°	76° 56°	76° 50°	69° 44°	75° 54°	75° 55°	76° 54°	71° 51°	71° 52°	74° 53°

Central Indiana:

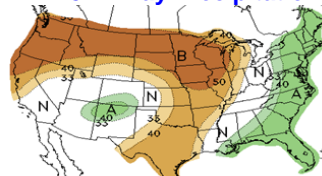
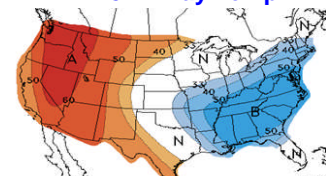
thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
sep 01	sep 02	sep 03	sep 04	sep 05	sep 06	sep 07	sep 08	sep 09	sep 10
Sunny	Sunny	Iso T-Storms	Iso T-Storms	Sunny	Sunny	M Sunny	Sunny	Sunny	Showers
97° 73°	99° 73°	94° 69°	83° 55°	75° 53°	77° 52°	78° 56°	80° 58°	79° 59°	76° 58°

8-14 Day Temp

8-14 Day Precipitation

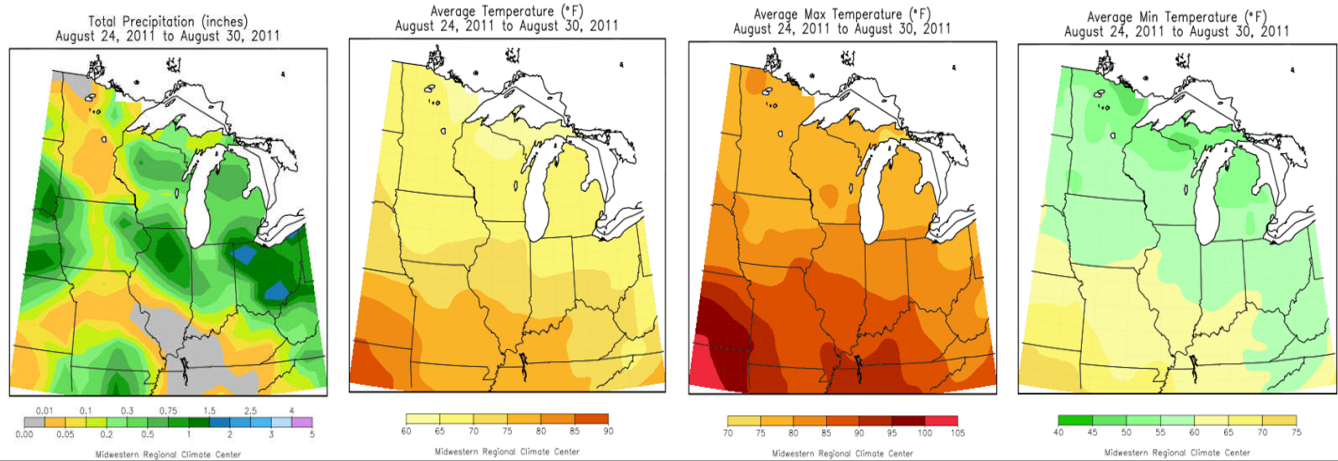
Current Radar

Last 24 hr Precip



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Official Weather Station -2011



Corn:

Yesterday's Close: Sep 11 Corn closed at \$7.57 ½, down 6 cents, Dec 11 Corn closed at \$7.67 ½, down 7 ¾ cents, Mar 12 Corn closed at \$7.79, down 8 ¼ cents Dec 12 Corn closed at \$6.65, down 2 ¼ cents

Corn futures finished lower on the day but stayed in the sideways pattern developed since posting new annual highs on Monday. Trade estimates for tomorrow's weekly export sales report range from 400 to 650 thousand MT. Last week's combined sales were 536,100 MT. Corn stocks at select export elevators and terminals were down 1.64 million bushels from the previous week as stocks dwindle ahead of harvest. Supplies increased at the gulf but decreased in other areas. Harvest is expected to gear up in about a week. Basis levels in some areas of the country where supplies are exceptionally tight are running as much as 50 cent over the futures. Overall open interest was down 8,208 contracts with first notice day today contributing to the liquidation of spot month contracts. Cash basis levels were lower at elevators, processors and river terminals and steady at ethanol plants.

Soybean Complex:

Yesterday's Close: Sep 11 Soybeans closed at \$14.49, up 1/4 cent, Nov 11 Soybeans closed at \$14.57 1/2, up 1/2 cent, Jan 12 Soybeans closed at \$14.67 1/4, up 1 cent, Nov 12 Soybeans closed at \$13.92, up 12 1/4 cents, Sep 11 Soybean Meal closed at \$380.80, down \$0.30, Sep 11 Soybean Oil closed at \$58.55, up \$0.35

Soybean futures closed slightly higher and at the midrange of today's trading range. Soybeans broke above 8 months of consolidation last Friday and have not looked back since. Trade estimates for tomorrow's weekly export sales report range from 350 to 600 thousand MT. Soybean stocks at select export elevators and terminals were up 411 thousand bushels from the previous week. The Corn/Soybean ratio for July 2012 is 1.85 so beans have some catching up to do to command more acres for 2012. China has been pushing U.S. soybean demand forward and buying near term needs from Brazil and Argentina's record crop. China is working to refill their edible oil and soy reserves with harvest just around the bend. China does have ample reserves of soybeans that they can draw on if needed. U.S. cash basis levels were unchanged at elevators and were lower at processors and river terminals.

Wheat:

Yesterday's Close: Sep 11 CBOT Wheat closed at \$7.45 ¼, down 5 cents, Sep 11 KCBT Wheat closed at \$8.71, up 3 ½ cents, Sep 11 MGEX Wheat closed at \$9.67, up 26 cents

Wheat futures ended mostly higher on the day with the exception of the spot CBOT contract. Trade estimates for tomorrow's weekly export sales report range from 350 to 550 thousand MT. Wheat stocks at select export elevators and terminals were down 39,000 bushels from the previous week. First notice day for deliveries is today with deliveries exceeding expectations. September deliveries in Chicago were 1,552 contracts, unexpected considering the reduction in winter wheat harvest and the carry the market is providing. Sunday and Monday show much needed rain in the TX/OK panhandle before diminishing Tuesday. Rain in the Northern Plains through the weekend will hamper harvest of the mature wheat but above normal heat and below normal rainfall is forecast in the 6 to 14 day outlook. The ongoing drought in TX and OK, states that historically have produced nearly a third of the winter wheat, shows no signs of letting up although there is rain forecast for the panhandles into the week end.

Cattle: Yesterday's Close: Aug 11 Cattle closed at \$113.000, down \$1.250, Oct 11 Cattle closed at \$114.025, down \$0.500, Dec 11 Cattle closed at \$115.900, down \$0.825, Sep 11 Feeder Cattle closed at \$132.450, down \$0.175 Oct 11 Feeder Cattle closed at \$132.700, down \$0.300 Nov 11 Feeder Cattle closed at \$133.950, down \$0.200

Cattle futures closed lower on the day resuming the down trend on all contracts. The August cattle contract expires today. Negotiated cash

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cattle trade was inactive on light demand in the Southern and Northern Plains. Trade in the western Corn Belt was limited on light demand with not enough sales to set an adequate market trend. Bids and offers are still far apart. Boxed beef continues to edge lower with Choice down \$1.78 at \$182.79 and Select at \$174.37 down \$1.70. The drought in the Southern Plains has sent cattle to feed lots ahead of normal and pasture conditions will not improve if the drought persists. Cattlemen have had to sell off herds because of the drought losing genetics bred to specific regions that have taken generations to develop. Although cattle numbers are down exports are up. Weekly export sales report will be out in the morning.

Hogs: Yesterday's Close: Oct 11 Hogs closed at \$85.500, down \$0.200, Dec 11 Hogs closed at \$82.900, down \$0.250 Feb 12 Hogs closed at \$86.850, down \$0.075

Lean hog futures closed lower but above midrange. The cash market got slaughtered again today. Cash hogs in IA/MN hogs \$2.48 at \$85.36, WCB hogs were \$2.66 lower at \$85.23 and ECB hogs were \$2.59 lower at \$87.52. Recent cooler temps have benefitted hog production increasing weights seasonally. Packers have met their needs ahead of the holiday and are backing off on bids. Saturday estimated hog slaughter is 45 to 50 thousand. Pork trading was slow with very light to light demand and mostly moderate to heavy offerings. The Carcass cutout was down \$1.55 at \$96.48. The lean hog index was lower as of Aug 27th at \$98.36, down \$1.39 from the previous day.

Cotton: Yesterday's Close: Oct 11 Cotton closed at 105.88, up 97 points, Dec 11 Cotton closed at 105.81, up 39 points Dec 12 Cotton closed at 98.51, down 4 points

Cotton futures closed mildly higher on the front months with the back months slightly lower. The extent of damages to east coast cotton from hurricane Irene is unknown which is slightly supportive. There is also some concern over the storm Katia. The Weekly Export Sales Report will be out tomorrow morning. September 26 is the first notice day for October ICE cotton contracts. Cotton output in China is expected to reach 7.48 MMT if weather conditions remain conducive to production. Commercial cotton stocks in China are about 45% higher than a year ago at 834,000 MT. Demand from textile mills is thought to be sluggish. Certificated Stocks were up from the previous day at 16,417.

US Dollar Index – Weekly

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

Op:73.785, Hi:74.865, Lo:73.565, Cl:74.590



Crude Oil Weekly

CB - Crude Oil Brent (ICE) - Weekly OHLC Chart

Op:110.77, Hi:115.27, Lo:110.53, Cl:113.85



Gold Weekly

GC - Gold (COMEX) - Weekly OHLC Chart

Op:1,838.0, Hi:1,840.9, Lo:1,776.3, Cl:1,821.8



S&P Index weekly

SP - S&P 500 Index (IOM) - Weekly OHLC Chart

Op:1,176.00, Hi:1,229.50, Lo:1,172.60, Cl:1,213.40



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Sept 11 Corn Daily Chart

ZCU11 - Corn (CBOT) - Daily OHLC Chart



Dec 11 Corn Daily Chart

ZCZ11 - Corn (CBOT) - Daily OHLC Chart



Sept 11 Soybean Daily Chart

ZSU11 - Soybeans (CBOT) - Daily OHLC Chart



Nov 11 Soybean Daily Chart

ZSX11 - Soybeans (CBOT) - Daily OHLC Chart



Sept 11 Mpls Spring Wheat Daily Chart

MWU11 - Spring Wheat (MGEX) - Daily OHLC Chart



Dec 11 Mpls Spring Wheat Daily Chart

MWZ11 - Spring Wheat (MGEX) - Daily OHLC Chart



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