



MORNING COMMENTS

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Wednesday, September 14, 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 |

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.

HTA Basis Targets: For those with 2011 Dec corn HTA's that need a fall delivery and have not set the basis you should be talking to your elevator and negotiating the basis. Many So MN elevators have an Oct/Nov basis of -.45 with a few as wide as -.60 depending on their location and local market. Soybean basis remains slightly wider than many years but given the futures value seem somewhat reasonable. For 2011 Soybean HTA's that need a delivery you may need to accept a basis near -.80 if you need to have the cash flow, otherwise you could roll the Nov Soybean HTA out to Jan or March and wait to see if a more normal basis of near -.65 occurs. When futures have been over \$12.00 we have had limited opportunity for -.70 or better basis in Jan-Mar of 2010 and also in 2008.

Next Major USDA Reports: Friday September 30, 2011 Quarterly Grain Stocks ;
Wednesday October 12, 2011 WASDE & Crop Production ;

Market Talk: Corn, soybeans and wheat were all under pressure during yesterday's session as we saw technical selling develop early in the day. This was in continued reaction to yesterday's supply and demand report, and how data was not as friendly as traders had hoped for. **One hedge fund was reported to have sold 13,000 contracts of corn (65 million bushels) during a 2 minute period.** Better than expected corn yields also pressured today's trade. Losses were thought to be limited by increased chances of a freeze in the Upper Midwest, which could impact the nation's soybean crop.

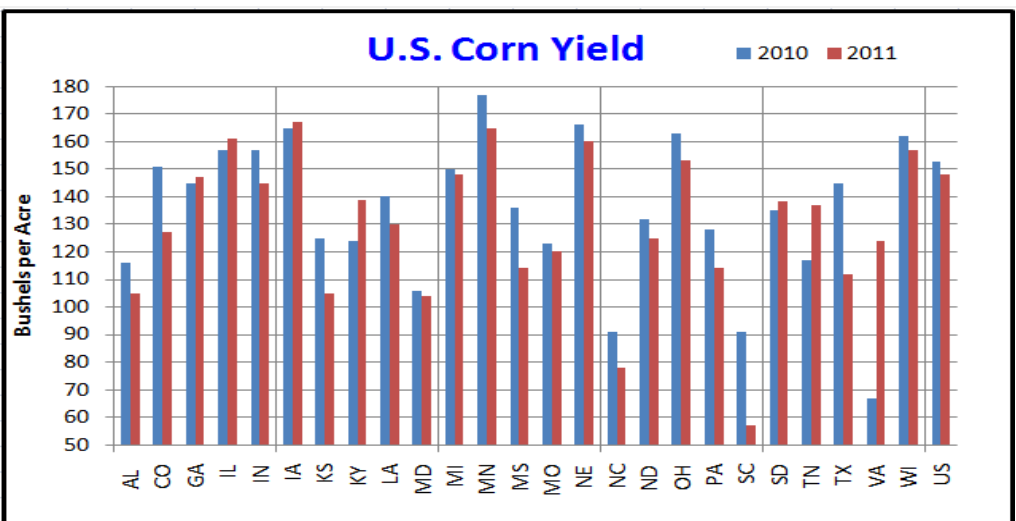
An overlooked part of yesterday's supply and demand report could be the large amount of feed wheat that is going to be used this marketing year as USDA expects global feed wheat usage to increase by 440 million bushel this year. This would put total feed wheat use at nearly 1.5 billion bushels and will displace a large amount of high-priced corn from the United States.

Another hot topic Weather was the chances of a frost or freeze for this Wed & Thursday as updated models indicate there is a good chance of widespread frost reaching all the way south through Iowa. For upper regions of the Midwest, a freeze is more likely. This is much more of an issue for soybeans, where even if plants are not damaged, soybean quality can be affected. A freeze in soybeans that are immature can cause the oil from the beans to have a green tint, making it unusable for many needs.

Monsanto officials have released a statement indicating corn seed may be in a shorter supply than normal next spring. This is a direct result of lower than expected corn yields this year, and the fact that more corn acres are expected to be seeded in the coming production year. As a result, economists are claiming the cost of production will increase next year as seed costs will rise if supply runs short. At the present time, economists are predicting a 5 to 10% increase in corn seed expenses. **Monsanto told dealers yesterday during a conference call that corn seed prices would be 5% higher this coming year. Refuge in a Bag will be priced just \$5.00 per bag higher for some varieties than the SmartStax were last year.**

USDA's current 2011 corn yield estimates for each state are shown in the red on the chart at the right. The blue bars show last year's final yield. The US 2010 crop yielded 152.8 while the forecast is for a 148.1 bushel average for 2011.

Iowa, Illinois, South Dakota, Kentucky and Tennessee are the only states where the corn yield is expected to be more than last year.



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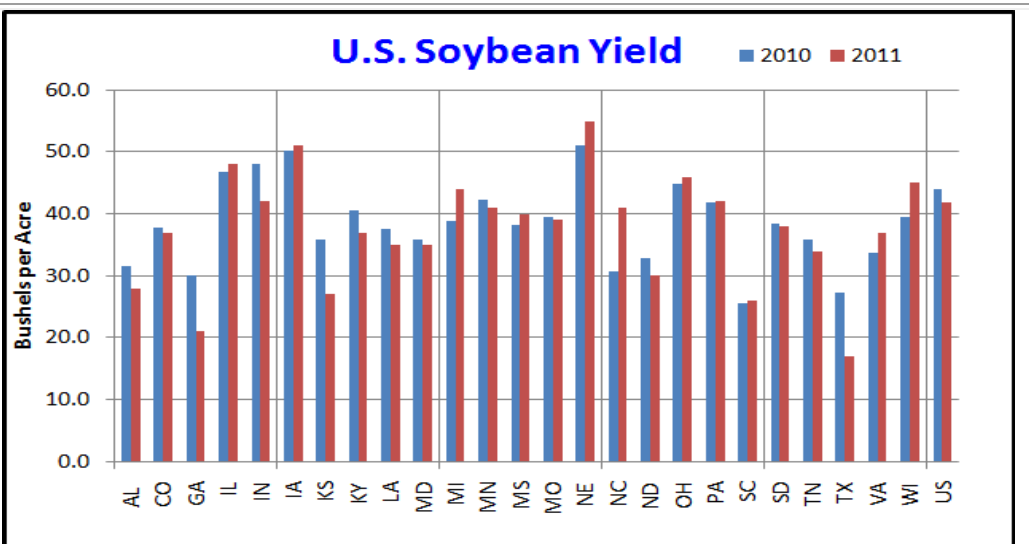
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USDA's current 2011 soybean yield estimates for each state are shown in the red on the chart at the right. The blue bars show last year's final yield. The US 2010 crop yielded 43.5 while the forecast is for a 41.8 bushel average for 2011.

Eleven states are expected to have a larger soybean crop than last year. Nebraska, Iowa, Illinois, Wisconsin and Ohio are the most notable states.



Outside Markets:

| | | | | | | | | | | | |
|---------------------|----------|----------|--------|-------------------|-----------|-----------|--------|---------------------|--------|-----------|---------|
| U.S. Dollar Index | 77.355 | +0.358 | +0.46% | Euro FX | 1.36250 | -0.00850 | -0.62% | Ethanol Futures | Oct 11 | 2.735p | -0.046 |
| CRB CCI Index | 644.50s | +0.50 | +0.08% | Canadian Dollar | 1.00890 | -0.00450 | -0.44% | Gasoline RBOB (E) | Oct 11 | 2.7424s | +0.0042 |
| Gold | 1836.3 | +9.5 | +0.52% | Japanese Yen | 1.29950 | -0.00170 | -0.13% | Diesel Gulf (ULSD) | Oct 11 | 2.9640s | -0.0129 |
| Silver | 41.175 | +0.052 | +0.13% | Australian Dollar | 1.02200 | -0.00960 | -0.93% | Heating Oil (E) | Oct 11 | 2.9361s | -0.0114 |
| DJIA | 11095s | +34 | +0.31% | Chinese Renminbi | 0.156470p | 0.000000 | - | Crude Oil Brent (E) | Oct 11 | 111.89s | -0.36 |
| S&P 500 Index | 1171.40s | +8.20 | +0.7% | Mexican Peso | 0.077325 | -0.000250 | -0.32% | Natural Gas (E) | Oct 11 | 3.980s | +0.095 |
| Nasdaq 100 | 2220.75s | +25.75 | +1.17% | 1-Month Libor | 99.7675s | +0.0050 | +0.01% | Polypropylene | Oct 11 | 0.8450s | 0.0000 |
| Russell 1000 Growth | 551.30s | +5.60 | +1.03% | T-Bond | 141-22 | +0-08 | +0.18% | Polyethylene | Oct 11 | 0.6000s | -0.0050 |
| MSCI EMI Index | 968.20 | +2.70 | +0.28% | 3-Month T-Bill | 992.7000s | 0.0000 | - | RME Biodiesel | Sep 11 | 1476.318s | -3.864 |
| Nikkei 225 | 8500.00 | -110.00 | -1.28% | 5-Year T-Note | 123-235 | +0-005 | +0.01% | Coal Futures | Oct 11 | 75.05s | +0.57 |
| Brazilian Real | 0.58080s | +0.00350 | +0.61% | 10-Year T-Note | 131-080 | +0-060 | +0.14% | Uranium | Sep 11 | 52.45s | 0.00 |

Weather The first of two cold fronts passed through the Midwest yesterday, but produced little to no rainfall across the region. Temps did cool into the 70's in most cases, with lows in the 50's. **The forecast sees** the first front to finish up in the far south, bringing totals of .35-1" to the southern 1/3rd of MO and IL today.

The second cold front will drop through the Midwest in the next 24-36 hours. It too will produce little in the way of rains, with totals generally under .35". Temps behind this second front will bring the chance for some frosty conditions in the NW tomorrow morning. Temps look to be down into the 30's in most of the Dakotas, MN, IA and WI, and northwest IL, with the potential for some sub freezing temps in the Red River Valley and northern 1/2 of MN. Temps will then warm during the day tomorrow and no further cold air threats are seen for the rest of the 10 day period. Things also look to remain quiet through the weekend and then a front looks to bring some rains to the Midwest by the early to middle of next week. The models have grown into disagreement on the details, with the GFS indicating mainly light rains and the European and Canadian still indicating fairly soaking amounts to occur.

Central Illinois:

| wed | thu | fri | sat | sun | mon | tue | wed | thu | fri |
|----------|---------|----------|---------|-------------|--------------|--------------|---------|----------|---------|
| sep 14 | sep 15 | sep 16 | sep 17 | sep 18 | sep 19 | sep 20 | sep 21 | sep 22 | sep 23 |
| M Cloudy | Sunny | P Cloudy | M Sunny | Few Showers | Sct T-Storms | Sct T-Storms | Sunny | P Cloudy | M Sunny |
| 72° 38° | 64° 44° | 68° 47° | 73° 54° | 75° 63° | 79° 62° | 77° 56° | 76° 59° | 76° 58° | 79° 55° |

South Central Minnesota:

| wed | thu | fri | sat | sun | mon | tue | wed | thu | fri |
|----------|----------|----------|----------|--------------|----------|----------|----------|---------|---------|
| sep 14 | sep 15 | sep 16 | sep 17 | sep 18 | sep 19 | sep 20 | sep 21 | sep 22 | sep 23 |
| P Cloudy | P Cloudy | P Cloudy | P Cloudy | Sct T-Storms | P Cloudy | P Cloudy | M Cloudy | Sunny | M Sunny |
| 59° 30° | 60° 43° | 67° 49° | 68° 57° | 74° 52° | 77° 55° | 67° 50° | 72° 51° | 76° 54° | 77° 55° |

Central Iowa:

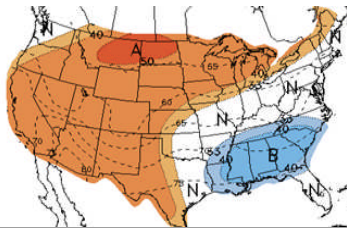
| wed | thu | fri | sat | sun | mon | tue | wed | thu | fri |
|---------|---------|------------|---------|--------------|--------------|----------|---------|---------|---------|
| sep 14 | sep 15 | sep 16 | sep 17 | sep 18 | sep 19 | sep 20 | sep 21 | sep 22 | sep 23 |
| AM Rain | M Sunny | AM Showers | Cloudy | Sct T-Storms | Iso T-Storms | P Cloudy | M Sunny | Sunny | Sunny |
| 62° 35° | 63° 47° | 65° 53° | 68° 59° | 75° 63° | 75° 58° | 74° 56° | 74° 58° | 78° 58° | 77° 58° |

Central Indiana:

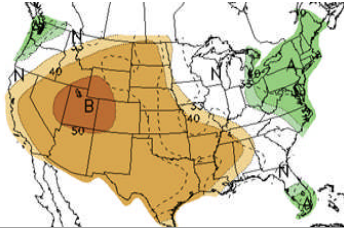
| wed | thu | fri | sat | sun | mon | tue | wed | thu | fri |
|------------|----------|----------|---------|----------|--------------|--------------|---------|----------|---------|
| sep 14 | sep 15 | sep 16 | sep 17 | sep 18 | sep 19 | sep 20 | sep 21 | sep 22 | sep 23 |
| PM T-Shwrs | P Cloudy | P Cloudy | Sunny | P Cloudy | Sct T-Storms | Sct T-Storms | Sunny | P Cloudy | M Sunny |
| 70° 46° | 65° 43° | 66° 47° | 73° 53° | 78° 60° | 78° 62° | 77° 59° | 74° 56° | 76° 58° | 78° 55° |

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8-14 Day Temp



8-14 Day Precipitation



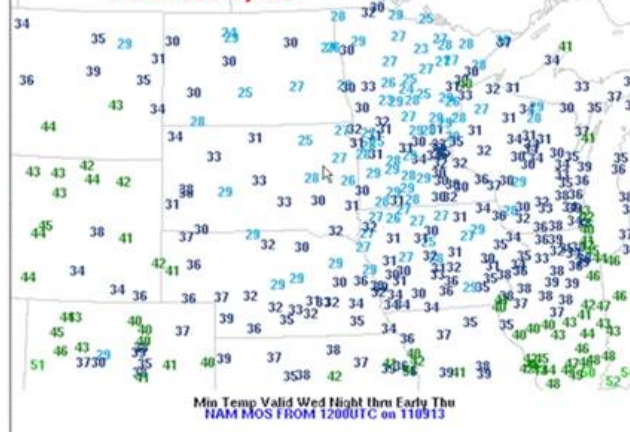
Current Radar



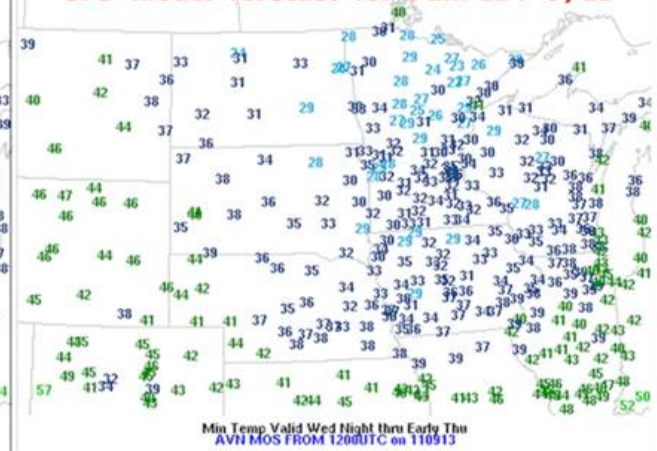
Last 24 hr Precip



Frost models don't agree about the low temps for tomorrow

NAM model forecast for temps
7am cdt 9/15


GFS model forecast for 7am CDT 9/15



Corn: Morning @ 6:50 am: Sept 11 Corn is at \$7.06 ½, down 2 ¾ cents, Dec 11 Corn closed at \$7.17 ½, down 5 ½ cents, Mar 11 corn closed at \$7.31, down 5 ¼ cents, July 12 Corn is at \$7.40 ¼, down 6 ¾ cents, Yesterday's Close: Sep 11 Corn closed at \$7.09 ¼, down 25 cents, Dec 11 Corn closed at \$7.23, down 22 ½ cents, Mar 12 Corn closed at \$7.36 ½, down 22 cents Dec 12 Corn closed at \$6.42, down 21 cents
Corn futures closed double digits lower when the buying dried up and the selling came in on reports of better than expected yields in IL and IN. Funds sold an estimated 15,000 contracts. Moving average support is around \$7.18 on the Dec contract. USDA revised their estimated August 2012 ending stocks to 672 million bushels from 714 million in August. World ending stocks were increased to 117.39 MMT. Cash basis levels were mostly steady with some bids increasing at river terminals. Farmers are focused on the seasons harvest for the most part.

Soybean Complex: Morning @ 6:50 am: Sept 11 Soybeans closed at \$13.81 ¼, unchg, Nov 11 Soybeans closed at \$13.86, dn 5 ¾ cents, Jan 11 Soybeans closed at \$13.97, down 5 ½ cents, Jul 12 Soybeans closed at \$14.13 ¼, down 6 ½ cents, Yesterday's Close: Sep 11 Soybeans closed at \$13.81 ¼, down 6 ¼ cents, Nov 11 Soybeans closed at \$13.91 ¾, down 4 ¼ cents, Jan 12 Soybeans closed at \$14.02 ½, down 3 ¾ cents, Nov 12 Soybeans closed at \$13.74 ¼, down 1 ¾ cents, Sep 11 Soybean Meal closed at \$357.30, down \$2.80, Sep 11 Soybean Oil closed at \$57.16, down \$0.09
Soybean futures closed lower pressured by selling in corn and wheat. Providing a foundation of support for the potential for a frost coming out of Canada first to North Dakota and then to Minnesota this week. The average frost dates for North Dakota are from Sep. 21 to 28th; a frost this week would be one to two weeks early. Yesterdays USDA average soybean yield estimate was 41.8 BPA, with total production of 3.085 billion bushels forecast on the monthly crop report. The WASDE ending stocks estimate for 2011/12 was moved from 168 to 165 million bushels, and was larger than the trade had expected. Analysts on average estimate the NOPA crush at 119.8 million bushels for Wednesdays report. The Crop Progress report showed the soybean condition rating was 56% good/excellent, unchanged from last week with a point moving from good to excellent. Cash basis levels were steady at elevators and processors and mixed at river terminals.

Wheat: Morning: Dec 11 CBOT Wheat closed at \$7.06 ¾, up 1cents, Dec 11 MGEX Wheat is at \$8.73 ½, down 3 ¼ cents
Yesterday's Close: Sep 11 CBOT Wheat closed at \$6.88 ¾, down 11 cents, Sep 11 KCBT Wheat closed at \$7.77 ½, down 25 ½ cents, Sep 11 MGEX Wheat closed at \$9.26 ¾, down 12 ¾ cents

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Wheat futures closed lower on all three exchanges under pressure from the increase in U.S. ending stocks on yesterday's monthly supply demand report. The CBOT and KCBT wheat closed below July-August trend line support and MGEX wheat closed below the 40 day moving average support. US ending stocks were hiked to 761 million bushels from 671 last month, with exports and food use cut, and Canadian imports hiked 10 million bushels. Global ending stocks increased to 194.59 MMT from 188.87 MMT in August. Global exports were higher on the report with shipments from Canada and the EU-27 more than offsetting reductions from the U.S. and Turkey. The weekly Crop Progress report showed winter wheat planted at 6%, 4 points below average. The report showed 83% of spring wheat harvested, down 4% from average but rapidly catching up. The long range weather forecast is predicting above normal rain for the Midwest south to the Kansas/Oklahoma border from September 18 to 22. The dollar closed 0.551 lower settling back some after the recent 4.320 point run up in value.

Cattle: Yesterday's Close: Oct 11 Cattle closed at \$119.600, up \$0.200, Dec 11 Cattle closed at \$119.750, up \$1.025, Feb 12 Cattle closed at \$122.650, up \$0.250, Sep 11 Feeder Cattle closed at \$134.875, up \$1.475 Oct 11 Feeder Cattle closed at \$137.025, up \$1.500 Nov 11 Feeder Cattle closed at \$138.050, up \$1.650

Cattle futures closed higher with the December contract surpassing the spot month. Cash cattle were \$4 higher than the previous week at \$118 last week in the live and \$187 in the dressed. Expectations for this week are for steady to higher cash with export business outpacing last year. Feeder steers at the Oklahoma City auction were \$2 to \$3 lower with the ongoing drought limiting demand. Steer calves were \$3 to \$8 lower. Feeder heifers and heifer calves were steady to \$2 lower. Yesterdays Crop Progress report showed pasture condition at 32% good/excellent, down a point from last week and 12 points below last year. The decline in corn prices today might help other auctions this week but cooler than normal weather could limit demand for calves. Choice boxed beef was up \$2.34 and Select beef was up \$1.02. Six strains of bacteria linked to illness from produce are expected to be banned from the sale of ground beef. The USDA will begin barring contaminated raw beef sold in stores March 2012, after going through the process of accepting and analyzing public comment on their plan.

Hogs: Yesterday's Close: Oct 11 Hogs closed at \$87.150, up \$0.475, Dec 11 Hogs closed at \$82.825, up \$0.100 Feb 12 Hogs closed at \$88.225, down \$0.575

Lean hog futures closed mixed with the front two months higher and the back months lower. The Lean Hog Index was down \$0.65 as of September 9th at \$86.43. October futures are currently higher than the Index. Pork trading was slow to moderate with light to moderate demand and offerings. The carcass cutout was higher. Cash hogs were \$1.96 higher in IA/MN, \$1.66 higher in WCB and \$0.07 higher in the ECB.

Cotton: Yesterday's Close: Oct 11 Cotton closed at 111.56, up 84 points, Dec 11 Cotton closed at 113.01, up 72 points Dec 12 Cotton closed at 101.03, up 109 points

Cotton futures closed mildly higher, supported by a sharply lower dollar, higher crude and more stable US equity markets. The market is still digesting the USDA report out yesterday morning and the unexpected drop in global stocks. Most US mills are filled up with supplies through the rest of the year and worldwide the world mills are still recovering from last year's precipitous price spike.

Lean Hogs Weekly

HE - Lean Hogs (CME) - Weekly OHLC Chart



Live Cattle Weekly

GF - Feeder Cattle (CME) - Weekly OHLC Chart



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Sept 11 Corn Daily Chart

ZCU11 - Corn (CBOT) - Daily OHLC Chart



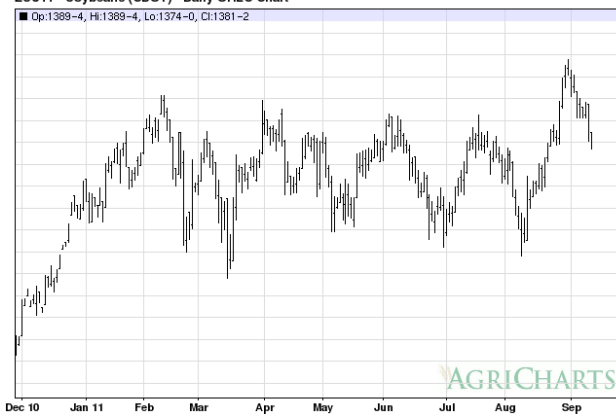
Dec 11 Corn Daily Chart

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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