



## MORNING COMMENTS

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Thursday, September 15, 2011

**Overnight Low of..... 34 Degrees** The local low temp was 34 degrees as the MN crop got a much needed reprieve last night from an early frost. The GFS model graphics we showed yesterday proved superior over the NAM model in predicting last nights low.

**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:** Some trade economists do not believe enough rationing has been done on old crop corn, and the U.S. will cut its new crop carryout on that grain even further next year. This may not be correct though, as in the year 2008 when the United States suffered similar circumstances, it needed to eliminate 7% of corn use for a comfortable carryout. This year the U.S. only needs to drop demand by 4%, and the case can be made that this is already done.

Another factor that is tempering the bullish story in corn is that we are now in a global market. This means the United States is no longer the focal point of the market, and more interest is being placed on other countries that produce corn. One the main one of these is Argentina, who claims their corn production will increase 9% this coming year. Another region being closely watched is the Black Sea, as Ukrainian officials have already lifted export duties on corn in anticipation of heavy sales.

### Outside Markets:

<a href="#">U.S. Dollar Index</a>	76.985	+0.110	+0.14%	<a href="#">Euro FX</a>	1.37280	-0.00210	-0.15%	<a href="#">Ethanol Futures</a>	<a href="#">Oct 11</a>	2.722p	-0.013
<a href="#">CRB CCI Index</a>	643.50s	-1.00	-0.16%	<a href="#">Canadian Dollar</a>	1.00820	-0.00190	-0.19%	<a href="#">Gasoline RBOB (E)</a>	<a href="#">Oct 11</a>	2.7258s	-0.0166
<a href="#">Gold</a>	1814.0	-9.5	-0.52%	<a href="#">Japanese Yen</a>	1.30420	-0.00030	-0.02%	<a href="#">Diesel Gulf (ULSD)</a>	<a href="#">Oct 11</a>	2.9786s	+0.0146
<a href="#">Silver</a>	40.560	+0.091	+0.22%	<a href="#">Australian Dollar</a>	1.02290	-0.00160	-0.16%	<a href="#">Heating Oil (E)</a>	<a href="#">Oct 11</a>	2.9450s	+0.0089
<a href="#">DJIA</a>	11248s	+153	+1.38%	<a href="#">Chinese Renminbi</a>	0.156400p	-0.000070	-0.04%	<a href="#">Crude Oil Brent (E)</a>	<a href="#">Oct 11</a>	112.40s	+0.51
<a href="#">S&amp;P 500 Index</a>	1188.60s	+17.20	+1.47%	<a href="#">Mexican Peso</a>	0.077350	+0.000100	+0.13%	<a href="#">Natural Gas (E)</a>	<a href="#">Oct 11</a>	4.039s	+0.059
<a href="#">Nasdaq 100</a>	2252.00s	+31.25	+1.41%	<a href="#">1-Month Libor</a>	99.7675s	0.0000	-	<a href="#">Polypropylene</a>	<a href="#">Oct 11</a>	0.8450s	0.0000
<a href="#">Russell 1000 Growth</a>	560.60s	+9.30	+1.69%	<a href="#">T-Bond</a>	142-01	+0-15	+0.33%	<a href="#">Polyethylene</a>	<a href="#">Oct 11</a>	0.6000s	0.0000
<a href="#">MSCI EMI Index</a>	965.30	-2.90	-0.3%	<a href="#">3-Month T-Bill</a>	992.7000s	0.0000	-	<a href="#">RME Biodiesel</a>	<a href="#">Sep 11</a>	1469.818s	-6.500
<a href="#">Nikkei 225</a>	8600.00	+15.00	+0.17%	<a href="#">5-Year T-Note</a>	123-235	+0-7.5	+0.07%	<a href="#">Coal Futures</a>	<a href="#">Oct 11</a>	75.00s	-0.05
<a href="#">Brazilian Real</a>	0.57730s	-0.00350	-0.6%	<a href="#">10-Year T-Note</a>	131-030	+0-065	+0.16%	<a href="#">Uranium</a>	<a href="#">Sep 11</a>	52.45s	0.00

### Weather

#### Central Illinois:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
sep 15	sep 16	sep 17	sep 18	sep 19	sep 20	sep 21	sep 22	sep 23	sep 24
M Sunny	M Cloudy	M Sunny	Sct T-Storms	Sct T-Storms	Iso T-Storms	Iso T-Storms	P Cloudy	Sunny	Sunny
64° 47°	66° 48°	72° 54°	78° 63°	80° 63°	81° 63°	81° 55°	81° 55°	79° 56°	85° 55°

#### Central Iowa:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
sep 15	sep 16	sep 17	sep 18	sep 19	sep 20	sep 21	sep 22	sep 23	sep 24
P Cloudy	AM Showers	Cloudy	Sct T-Storms	P Cloudy	P Cloudy	P Cloudy	Showers	Sunny	Sunny
63° 48°	63° 53°	69° 59°	70° 57°	78° 61°	81° 57°	83° 59°	74° 55°	78° 56°	76° 57°

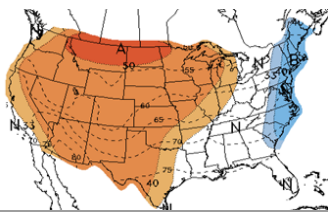
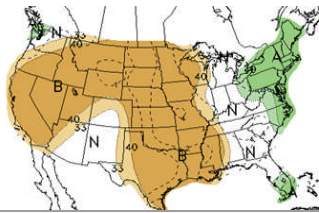
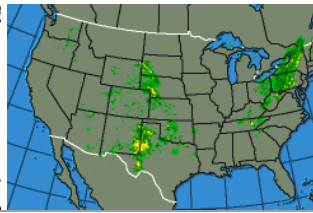
#### South Central Minnesota:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
sep 15	sep 16	sep 17	sep 18	sep 19	sep 20	sep 21	sep 22	sep 23	sep 24
P Cloudy	P Cloudy	Cloudy	Sct T-Storms	M Sunny	Few Showers	P Cloudy	Sunny	Sunny	Sunny
61° 43°	64° 48°	66° 55°	74° 49°	82° 57°	76° 49°	65° 51°	72° 51°	77° 52°	79° 52°

#### Central Indiana:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
sep 15	sep 16	sep 17	sep 18	sep 19	sep 20	sep 21	sep 22	sep 23	sep 24
P Cloudy	M Cloudy	Sunny	P Cloudy	Sct T-Storms	Sct T-Storms	Sct T-Storms	P Cloudy	Sunny	Sunny
64° 45°	67° 48°	73° 52°	78° 62°	78° 64°	78° 64°	82° 59°	76° 58°	76° 54°	82° 56°

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**8-14 Day Temp**

**8-14 Day Precipitation**

**Current Radar**

**Last 24 hr Precip**


**Corn:** Morning @ 6:00 am: Dec 11 Corn closed at \$7.17 <sup>3</sup>/<sub>4</sub>, down 6 <sup>1</sup>/<sub>2</sub> cents, Mar 11 corn closed at \$7.31 <sup>1</sup>/<sub>4</sub>, down 3 <sup>3</sup>/<sub>4</sub> cents, July 12 Corn is at \$7.42, down 6 <sup>3</sup>/<sub>4</sub> cents, Dec 12 Corn is at \$6.48, down 3 <sup>3</sup>/<sub>4</sub> cents, Yesterday's Close: Sep 11 Corn closed at \$7.13, up 3 <sup>3</sup>/<sub>4</sub> cents, Dec 11 Corn closed at \$7.24 <sup>1</sup>/<sub>4</sub>, up 1 <sup>1</sup>/<sub>4</sub> cents, Mar 12 Corn closed at \$7.38, up 1 <sup>1</sup>/<sub>2</sub> cents Dec 12 Corn closed at \$6.51 <sup>3</sup>/<sub>4</sub>, up 9 <sup>3</sup>/<sub>4</sub> cents

Corn futures closed lower on most contracts. The spread between Dec 2011 and Dec 2012 corn narrowed over 10 cents today. Chances of frost for NE, IA and IL as well as states to the north are expected Thursday. The crop report on Monday said only 9% of the corn crop is mature in NE vs. the five year average of 20% and 10% in MN vs. 20% for the five year average. IA and IL corn maturity is ahead of the five year average with IA at 33% vs. 30% and IL at 46% vs. 41%. NE, MN, IA and IL are four of the major corn producing states in the U.S. Corn stocks at select export elevators and terminals were down 1.851 million bushels from the previous week. Trade estimates for tomorrow's weekly export sales report range from 400 to 700 thousand MT. Cash basis levels were steady to lower at elevators, processors, river terminals and ethanol plants. Ethanol stocks were up .1 million barrels from last week but down .7 million barrels from a year ago. Ethanol exports to Canada and Brazil are up.

**Soybean Complex:** Morning: Nov 11 Soybeans closed at \$13.80, down 2 <sup>3</sup>/<sub>4</sub> cents, Jan 11 Soybeans closed at \$13.92, down 1 <sup>3</sup>/<sub>4</sub> cents, Jul 12 Soybeans closed at \$14.06 <sup>3</sup>/<sub>4</sub>, down 3 <sup>3</sup>/<sub>4</sub> cents, Nov 12 Soybeans closed at \$13.65 <sup>1</sup>/<sub>4</sub>, down 3 <sup>1</sup>/<sub>2</sub> cents, Yesterday's Close: Sep 11 Soybeans closed at \$13.74, down 7 <sup>1</sup>/<sub>4</sub> cents, Nov 11 Soybeans closed at \$13.82 <sup>3</sup>/<sub>4</sub>, down 9 cents, Jan 12 Soybeans closed at \$13.93 <sup>3</sup>/<sub>4</sub>, down 8 <sup>3</sup>/<sub>4</sub> cents, Nov 12 Soybeans closed at \$13.68 <sup>3</sup>/<sub>4</sub>, down 5 <sup>1</sup>/<sub>2</sub> cents, Sep 11 Soybean Meal closed at \$357.90, up \$0.60, Sep 11 Soybean Oil closed at \$56.75, down \$0.41

Soybean futures closed lower. The September soybean contract expires today. The NOPA crush showed August crushings at 118.767 million bushels of soybeans down about four million from last month and last year. Soybean meal exports were up from last month by 86,485 short tons and 19,951 short tons from last year. Soybean stocks at select export elevators and terminals were down 41,000 bushels from the previous week. Trade estimates for tomorrow's weekly export sales report range from 400 to 600 thousand MT. Frost is forecast for NE, IA, IL and states north. The weekly crop report showed IL, IA, MN and NE were all significantly behind the five year average in maturity so an early frost could damage the still maturing plant. Cash basis levels were firm at processing plants in the eastern Midwest, steady at elevators and steady to lower at river terminals.

**Wheat:** Morning: Dec 11 CBOT Wheat closed at \$6.98 <sup>1</sup>/<sub>4</sub>, down 6 <sup>1</sup>/<sub>4</sub> cents, Dec 11 MGEX Wheat is at \$8.60 <sup>1</sup>/<sub>2</sub>, down 4 <sup>1</sup>/<sub>4</sub> cents Yesterday's Close: Sep 11 CBOT Wheat closed at \$7.01 <sup>3</sup>/<sub>4</sub>, up 13 cents, Sep 11 KCBT Wheat closed at \$7.65 <sup>1</sup>/<sub>2</sub>, down 12 cents, Sep 11 MGEX Wheat closed at \$9.29, up 2 <sup>1</sup>/<sub>4</sub> cents

Wheat futures closed mixed. CBT wheat was higher along with MGEX wheat. KCBT wheat closed lower with rain in the forecast over the next week benefitting wheat seeding by improving current shallow soil moisture in KS and OK. September wheat contracts expire today. Wheat stocks at select export elevators and terminals were 1.994 million bushels from the previous week. Trade estimates for tomorrow's weekly export sales report range from 300 to 600 MT. The La Nina is expected to continue to plague TX, OK and KS next year although a milder version of what was experienced in 2011. Cash basis levels are steady in the Midwest and the Gulf.

**Cattle:** Yesterday's Close: Oct 11 Cattle closed at \$121.000, up \$1.400, Dec 11 Cattle closed at \$120.900, up \$1.150, Feb 12 Cattle closed at \$123.725, up \$1.075, Sep 11 Feeder Cattle closed at \$136.700, up \$1.825 Oct 11 Feeder Cattle closed at \$138.950, up \$1.925 Nov 11 Feeder Cattle closed at \$139.900, up \$1.850

Cattle and Feeder Cattle futures were sharply higher on the day. Cash business has yet to develop with no bids surfacing yet. Feedlots are asking \$119 to \$120 following the futures up move. Boxed beef finished out this afternoon 40 cents higher for Choice and 47 cents lower for Select. Plant margins remain profitable but are tighter than a week ago. A milder version of the current La Nina is expected to hang over TX next year and many cattle feeders are looking for feed alternatives to the worst pasture conditions in several years. The cost of feed across the board is significantly higher than last year over the past several months which is reflected in the tighter cattle numbers.

**Hogs:** Yesterday's Close: Oct 11 Hogs closed at \$88.450, up \$1.300, Dec 11 Hogs closed at \$83.850, up \$1.025 Feb 12 Hogs closed at \$88.425, up \$0.200

Lean hog futures closed higher with most of the rise in the front two months supported by higher cash prices. Cash hogs are \$1.47 higher in IA/MN, \$1.47 higher in the WCB and \$0.33 higher in the ECB. Pork supplies for the fourth quarter of 2011 will seasonally increase which has been in the market for several months although USDA did lower their annual projection by 45 million pounds from last month. Pork

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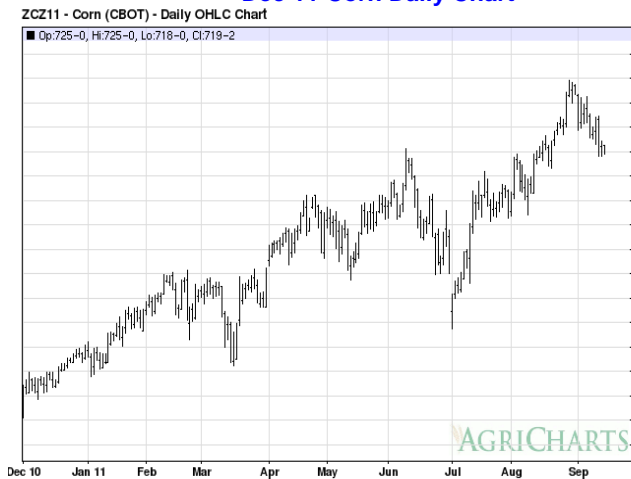
Thursday, September 15, 2011

trading was slow with light to moderate demand and offerings. The Lean Hog Index for September 12 was 86.10, down 0.33. The Carcass cutout was up 88 cents. Feed costs have been rising but soybean meal has shown the least percentage increase in price compared to other major feed products over the past several months when compared to last year.

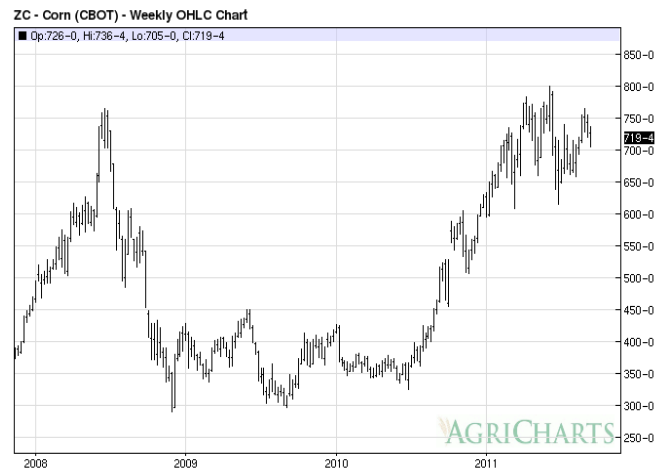
**Cotton:** Yesterday's Close: Oct 11 Cotton closed at 113.39, up 183 points, Dec 11 Cotton closed at 113.67, up 66 points Dec 12 Cotton closed at 101.77, up 74 points

Cotton futures closed mildly higher, with October trying to jump into the #1 price spot but still lagging Dec by 32 points. Retail sales were a disappointment to the market with a downward revision for June and July and no improvement shown for August. A USDA Attache report (not officially USDA data) showed Brazil's 2010/11 production 500K bales lower to 8.5 million on dry weather. It was 8.7 in the recent WASDE. Certificated stocks were up at 23,162 bales.

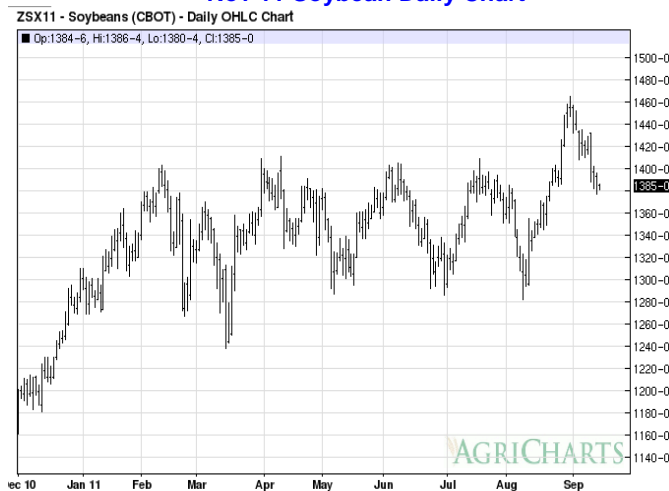
**Dec 11 Corn Daily Chart**



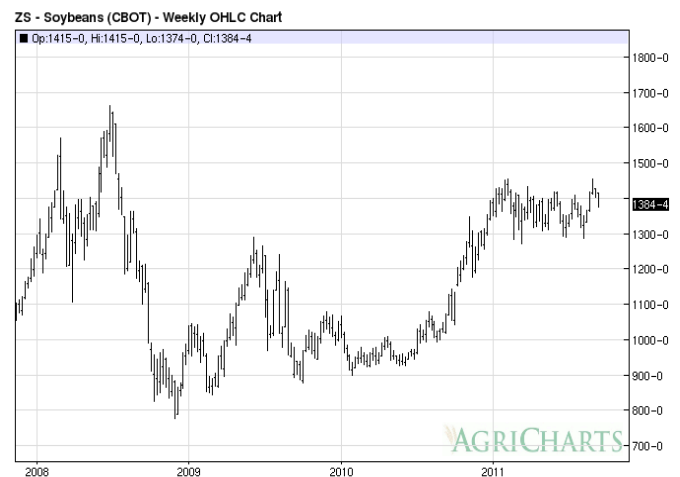
**Corn Weekly Chart**



**Nov 11 Soybean Daily Chart**



**Soybean Weekly Chart**



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### Dec 11 Mpls Spring Wheat Daily Chart

MWZ11 - Spring Wheat (MGEX) - Daily OHLC Chart



### Mpls Spring Wheat Weekly Chart

MW - Spring Wheat (MGEX) - Weekly OHLC Chart



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