Morning Comments

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Monday, September 19, 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

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 seam 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.

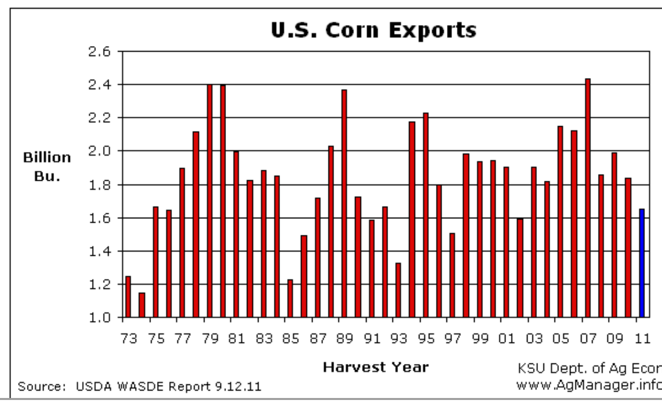
Next Major USDA Reports: Friday September 23 Cattle on Feed; Wednesday September 28, Hog & Pigs
Friday September 30, 2011 Quarterly Grain Stocks ; Wednesday October 12, 2011 WASDE & Crop Production ;

Corn Usage: This issue of the newsletter is devoted to looking at corn usage to look for clues that would indicate that demand has been lessoned with the higher prices that have lingered since last winter and the extremely high prices since early August. USDA will provide a Quarterly Grain Stocks report on September 30, 2011 that will provide a look at usage and carry out. From those numbers the trade will calculate what the quarterly demand is believed to have been and also the demand within each of the subclasses of usage. Usage or the trend of usage within the subclasses becomes a key as the trade looks into the future to forecast next year's carryout. The charts that fallow provide a visual look at some of those subclasses of corn usage. What we see is that only the ethanol subclass is increasing usage while exports and feed usage has decreased. Most every subclass of livestock feed usage is declining and appears to continue to decrease usage as herd size decreases. A possible exception is the US hog herd as sow slaughter has been lower than normal as a % of the total herd.

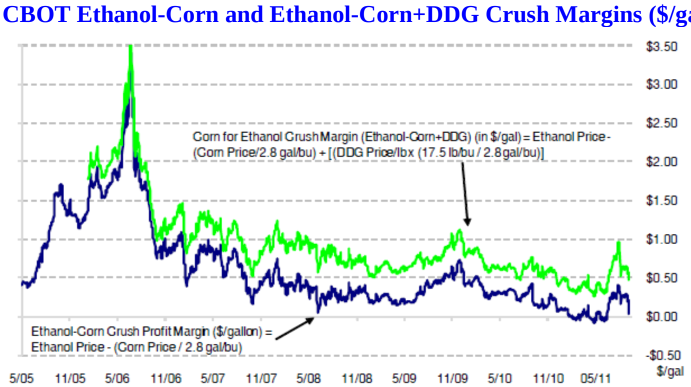
U.S Corn Exports forecast at 1.65 billion bushels for the 2011/12 crop year would be the lowest in nine years.

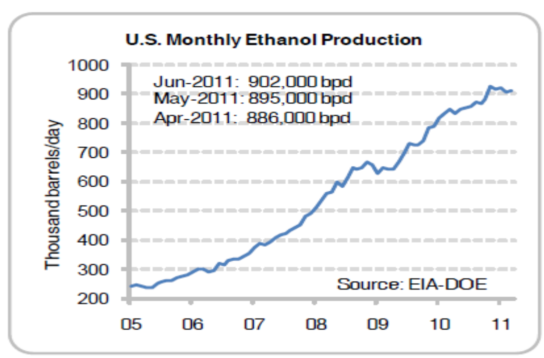
Much of the trade has perceptions about export demand and the impact world supply has on major exporters and the US. It needs to be noted that competition from several regions is showing up, and includes the Black Sea area, India, and later on possibly Brazil and certainly Argentina as they try to expand corn area. The idea is that with these alternatives, importers won't need to bid as aggressively for U.S. corn.

Total new crop corn export commitments now total 568 million bushels, down 62 million bushels from a year ago. However, weekly export sales were actually greater than expected last week at 44.4 million bushels.



CBOT Ethanol-Corn and Ethanol-Corn+DDG Crush Margins ($/gallon)





U.S. is world's largest ethanol exporter in second half of 2011 -- "For the remainder of 2011, it is likely that the United States will surpass Brazil as the world's largest ethanol exporter due to recent supply shortages and resulting high sugar prices in Brazil," according to the U.S. Energy Information Administration. U.S. ethanol exports during Jan-May 2011 more than doubled from the previous year. Brazilian ethanol prices have rallied by 27% since June to the current level of 1.43 reals per liter (about USD $3.30 per gallon), according to Bloomberg News.

Minnesota West Ag Services

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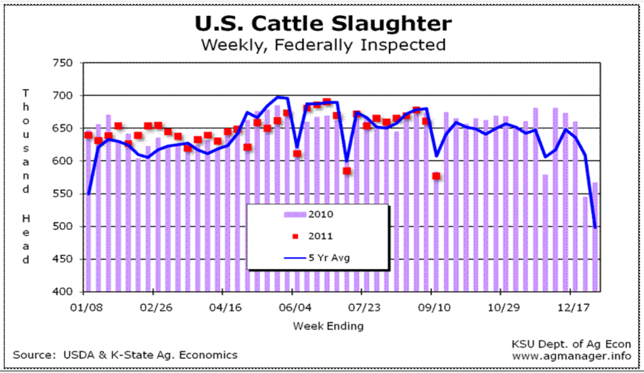

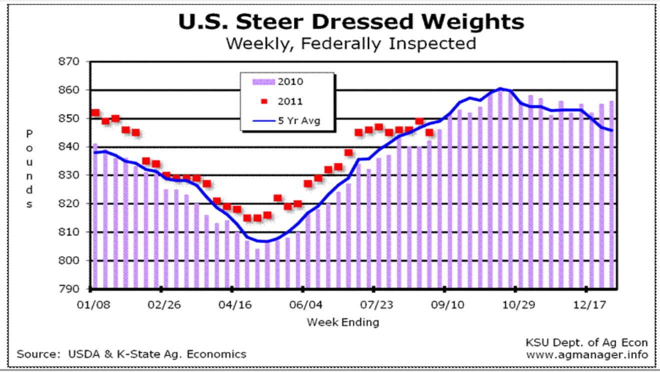

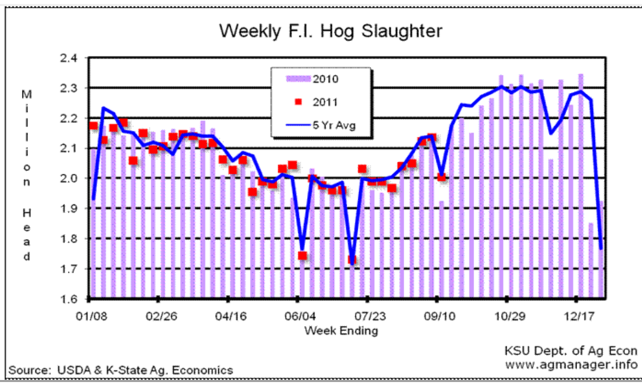

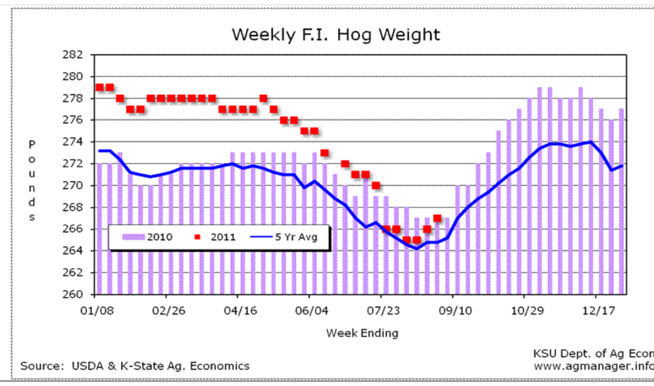

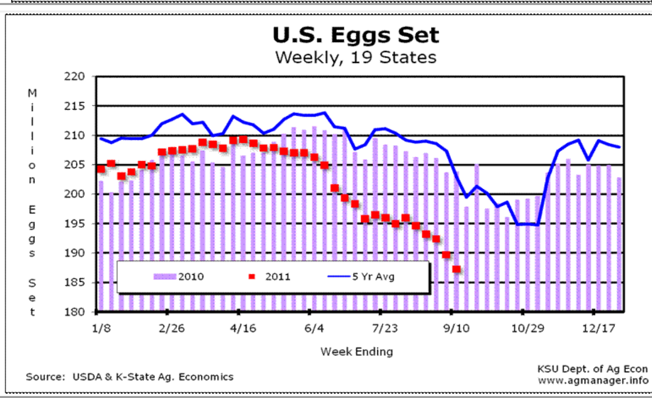

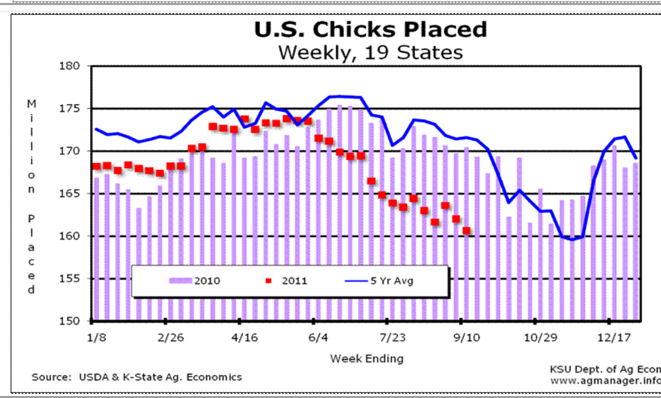

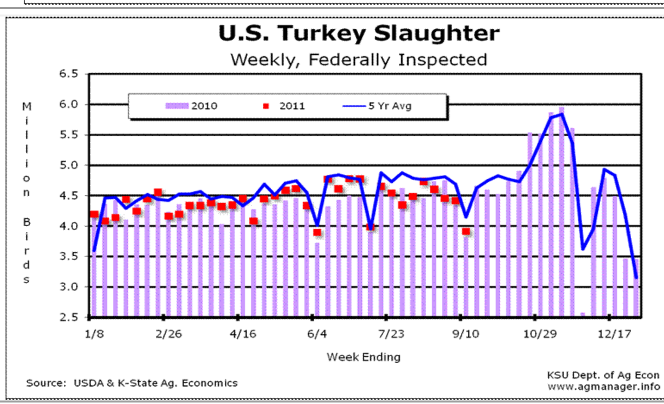

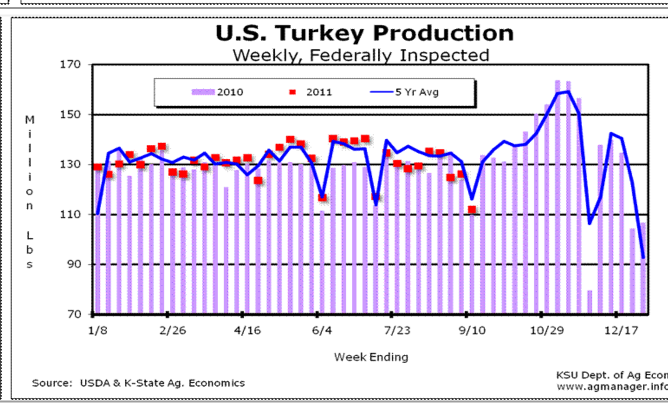

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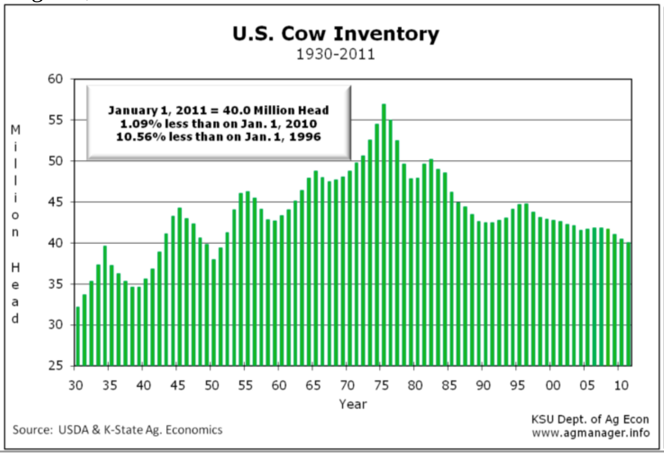
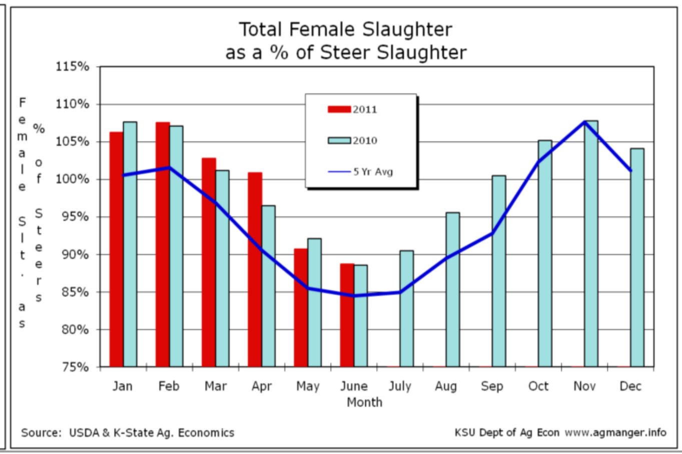
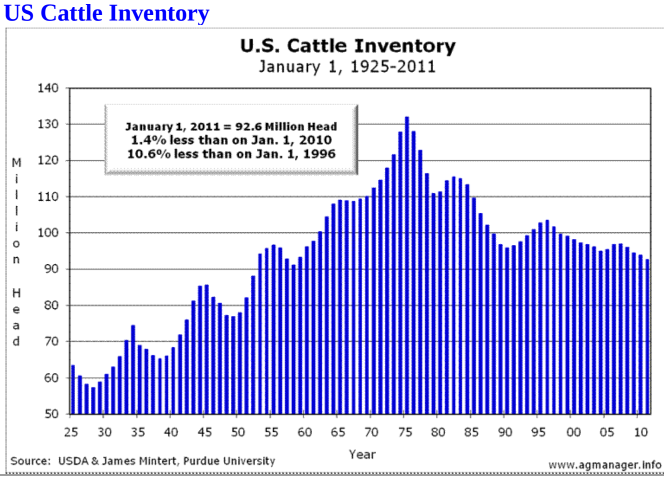
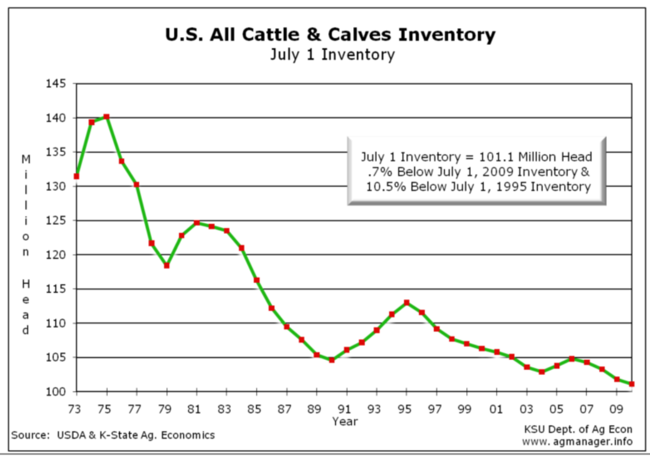
US Beef Cow Inventory has decrease in recent years and that herd reduction was accelerated this summer as a result of the Texas and southern US drought. Slaughter rates of US beef cows has been running about the five year historical average for almost all of last year and all of this year. That will translate into smaller fed cattle numbers in the foreseeable future and lower usage of all feedstuffs including corn, sorghum, DDG's and feed wheat.



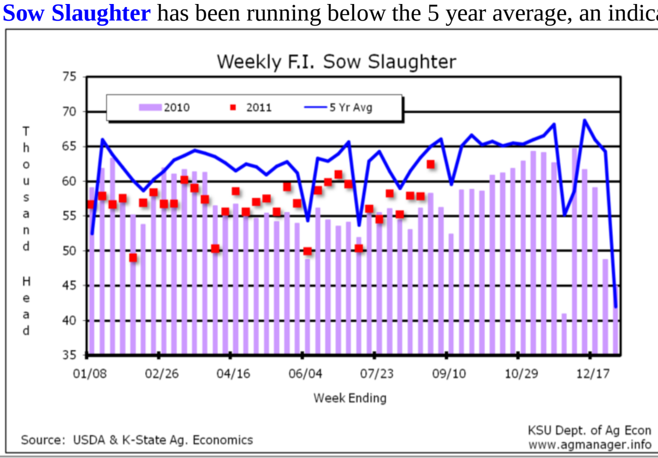


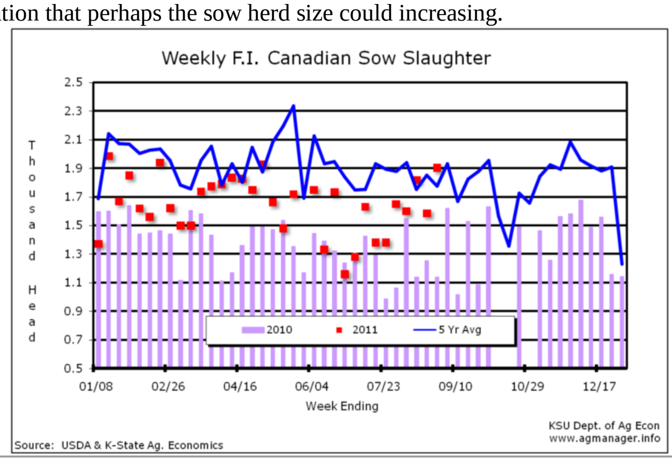
US Cattle Inventory





Sow Slaughter has been running below the 5 year average, an indication that perhaps the sow herd size could increasing.





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Outside Markets:

U.S. Dollar Index	77.050	+0.457	+0.6%	Euro FX	1.36850	-0.01100	-0.8%	Ethanol Futures	Oct 11	2.643p	-0.021
CRB CCI Index	636.75s	-2.65	-0.41%	Canadian Dollar	1.01830	-0.00240	-0.24%	Gasoline RBOB (E)	Oct 11	2.7841p	+0.0013
Gold	1814.7	+2.6	+0.14%	Japanese Yen	1.29940	-0.00160	-0.12%	Diesel Gulf (ULSD)	Oct 11	3.0411s	-0.0138
Silver	40.710	-0.071	-0.17%	Australian Dollar	1.03060	-0.00710	-0.68%	Heating Oil (E)	Oct 11	3.0089p	-0.0157
DJIA	11446p	+71	+0.62%	Chinese Renminbi	0.156520p	+0.000120	+0.08%	Crude Oil Brent (E)	Oct 11	115.10s	-0.24
S&P 500 Index	1197.00	-14.80	-1.22%	Mexican Peso	0.076850p	-0.000400	-0.52%	Natural Gas (E)	Oct 11	3.809p	-0.069
Nasdaq 100	2276.50	-30.75	-1.33%	1-Month Libor	99.7700p	0.0000	-	Polypropylene	Oct 11	0.8300s	-0.0150
Russell 1000 Growth	570.60s	+3.80	+0.67%	T-Bond	141-20	+0-29	+0.64%	Polyethylene	Oct 11	0.5900s	-0.0100
MSCI EMI Index	977.90	+0.60	+0.06%	3-Month T-Bill	99.2700s	0.0000	-	RME Biodiesel	Sep 11	1464.864p	-4.545
Nikkei 225	8755.00	-70.00	-0.79%	5-Year T-Note	123-7.5p	+0-2.5	+0.06%	Coal Futures	Oct 11	74.72p	-0.20
Brazilian Real	0.57850s	-0.00180	-0.31%	10-Year T-Note	130-155p	+0-025	+0.06%	Uranium	Sep 11	52.45p	0.00

Weather

Central Illinois:

mon	tue	wed	thu	fri	sat	sun	mon	tue	wed
sep 19	sep 20	sep 21	sep 22	sep 23	sep 24	sep 25	sep 26	sep 27	sep 28
AM Showers	M Sunny	AM Showers	P Cloudy	P Cloudy	M Sunny	P Cloudy	Sunny	Sunny	P Cloudy
73° 54°	79° 56°	74° 49°	66° 50°	66° 47°	71° 51°	76° 52°	76° 55°	75° 56°	75° 52°

Central Iowa:

mon	tue	wed	thu	fri	sat	sun	mon	tue	wed
sep 19	sep 20	sep 21	sep 22	sep 23	sep 24	sep 25	sep 26	sep 27	sep 28
AM Clouds	Iso T-Storms	P Cloudy	M Sunny	M Sunny	M Sunny	M Sunny	Sunny	M Sunny	Sunny
79° 57°	79° 49°	70° 48°	66° 44°	72° 48°	74° 53°	80° 55°	77° 55°	77° 56°	72° 52°

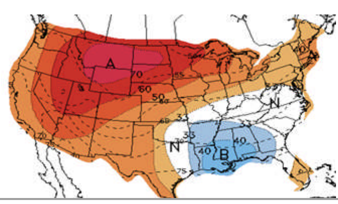
South Central Minnesota:

mon	tue	wed	thu	fri	sat	sun	mon	tue	wed
sep 19	sep 20	sep 21	sep 22	sep 23	sep 24	sep 25	sep 26	sep 27	sep 28
M Sunny	AM T-Storms	Showers/Wind	M Sunny	P Cloudy	M Sunny	M Sunny	Sunny	Sunny	Sunny
78° 57°	68° 47°	59° 41°	67° 42°	73° 48°	78° 52°	81° 50°	76° 51°	75° 52°	69° 49°

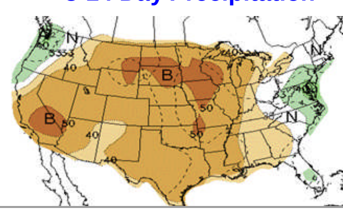
Central Indiana:

mon	tue	wed	thu	fri	sat	sun	mon	tue	wed
sep 19	sep 20	sep 21	sep 22	sep 23	sep 24	sep 25	sep 26	sep 27	sep 28
Sct T-Storms	Sunny	Iso T-Storms	P Cloudy	P Cloudy	M Sunny	M Sunny	Sunny	M Sunny	M Sunny
69° 56°	78° 58°	79° 52°	69° 49°	66° 51°	68° 50°	75° 52°	77° 55°	74° 54°	74° 54°

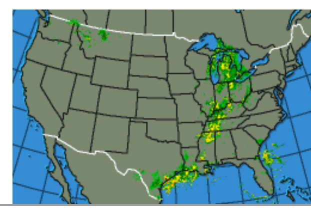
8-14 Day Temp



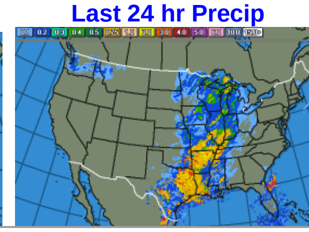
8-14 Day Precipitation



Current Radar



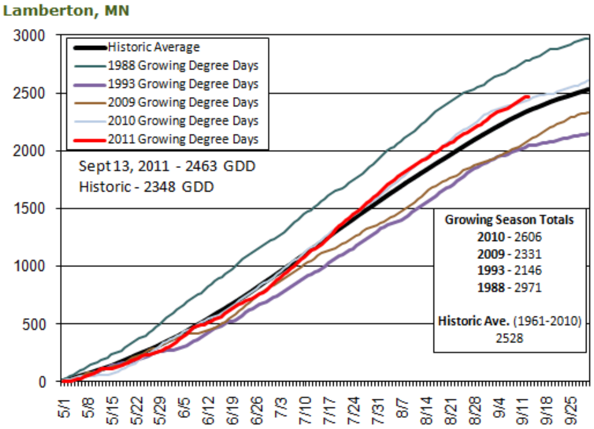
Last 24 hr Precip



Official Weather Station -2011

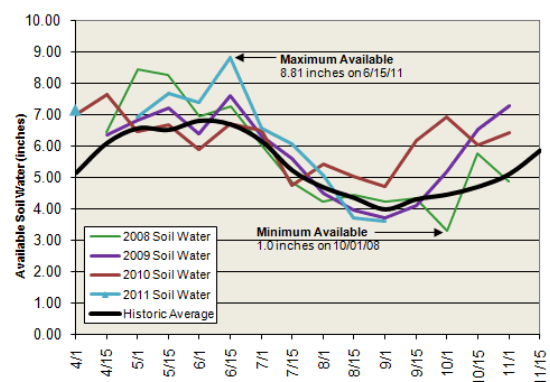
SW Research and Outreach Center
University of Minnesota
Lamberton, MN 56152

1988, 1993, 2009-2011 Growing Degree Totals vs. Historic Average
Growing Season: May 1 - September 30
Historic Average: 1961-2010
Southwest Research & Outreach Center
Lamberton, MN



2008-2011 Soil Water vs. Historic Average

Historic Average (1966 - 2010)
Southwest Research & Outreach Center
Lamberton, MN



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Corn: Morning: Dec 11 Corn closed at $6.85 ¾ , down 6 ¼ cents, Mar 11 corn closed at $6.98 ¼ , down 7 ¼ cents, July 12 Corn is at $7.10 ½ , down 6 ¾ cents, Dec 12 Corn closed at $6.22 , down 4 cents,
Friday's Close: Dec 11 Corn closed at $6.92, down 9 cents, Mar 12 Corn closed at $7.05 ½ , down 9 ¼ cents, May 12 Corn closed at $7.13 ½ , down 9 ¼ cents Dec 12 Corn closed at $6.26, down 6 cents
Corn futures closed lower on the day and down 44 cents for the week. Damages from the early season frost/freeze Wednesday night/Thursday morning clearly impacted late planted corn in the northern states but it will be awhile before the affects are fully known. Harvest should be in full swing in those states in a couple of weeks. The weekly CFTC report showed Managed Money decreased their net long in corn by 33,017 contracts. Technically prices are still trading below the 50 day moving average on the Dec contract and closed below $7.00 for the first time in over a month. The FSA showed an increase in planted and prevent plant acres from the August report on an updated report released yesterday. South America is projected to increase their corn production in the 2011/12 season. Cash basis levels were weak at ethanol plants in IL and IN, a central IA processor and on the IL River.

Soybean Complex: Morning: Nov 11 Soybeans closed at $13.47 ½ , down 8 cents, Jan 11 Soybeans closed at $13.59 , down 8 cents, Jul 12 Soybeans closed at $13.80 , down 8 ¼ cents , Nov 12 Soybeans closed at $13.35 , down 7 cents,
Friday's Close: Nov 11 Soybeans closed at $13.55 ½ , down 3 ¼ cents, Jan 12 Soybeans closed at $13.67, down 3 ¼ cents, Mar 12 Soybeans closed at $13.75 ¼ , down 2 ¾ cents, Nov 12 Soybeans closed at $13.42, down 4 ¼ cents, Oct 11 Soybean Meal closed at $348.70, down $0.90, Oct 11 Soybean Oil closed at $56.55, up $0.33
Soybean futures closed slightly lower on the day and down 71 cents for the week. The weekly CFTC report showed managed Money decreased their net long position by 15,410 contracts with the September contract expiring on the 14th. The FSA increased planted soybean acres and prevent plant acres from the August report in an updated report Thursday. Increased plantings might help to offset some of the damages from the freezing temperatures in the northern states Wednesday and Thursday. Crude oil closed 141 points lower adding pressure to bean prices. Cash basis levels were lower at processing plants, elevators and river terminals.

Wheat: Morning: Dec 11 CBOT Wheat closed at $6.80 ¾ , down 7 ½ cents, Dec 11 MGEX Wheat is at $8.49 , down 7 ¼ cents
Friday's Close: Dec 11 CBOT Wheat closed at $6.88 ¼ , down 7 ¾ cents, Dec 11 KCBT Wheat closed at $7.84, down 11 ¼ cents, Dec 11 MGEX Wheat closed at $8.56 ¼ , down 14 ¾ cents
Wheat futures closed lower on all exchanges. CBOT wheat was down 41 cents for the week. KCBT were down 48 cents for the week and MGEX wheat was down 51 cents for the week. Managed Money went from a net 13,495 contracts long to a net short of 11,150 contracts for a net change of 24,645 contracts from the previous week. Oklahoma is still getting rain but the system has moved east of KS and TX leaving behind a least some moisture in those states but certainly not enough to add to the water table. The long range forecast calls for above normal temps and below normal rainfall for most of the states west of the Mississippi River through the end of the month. Britain's Farm Ministry granted approval for a research trial project in 2012 and 2013 for genetically modified aphid resistant wheat in an effort to gather more insight on whether or not to grow GM wheat in Britain. Not all agree with the Ministry on where to put Britain's research dollars.

Cattle: Friday's Close: Oct 11 Cattle closed at $118.500, down $0.400, Dec 11 Cattle closed at $118.950, down $0.475, Feb 12 Cattle closed at $121.700, down $0.225, Sep 11 Feeder Cattle closed at $135.300, down $0.300 Oct 11 Feeder Cattle closed at $137.475, down $0.300 Nov 11 Feeder Cattle closed at $139.300, up $0.200
Cattle futures closed lower on the day but up 5 cents for the week. Cash traded at mostly steady to $1.00 lower than last week in the live at $116 to $117 and $2 to $3 lower in the dressed at $184 to $185. The weekly CFTC report showed Managed Money increased their net long position by 10,647 contracts from the previous week. Boxed beef was higher this afternoon. Choice was up $0.38and Select was up $0.84. Beef cow slaughter in OK, TX, NM, LA and AR is 47% higher than the same period last year because of the drought impacting mostly TX, OK and to a lesser degree NM. Higher feed costs also contributed to cow liquidation putting more beef on the market near term but causing a possible short fall down the road.

Hogs: Friday's Close: Oct 11 Hogs closed at $87.350, down $1.650, Dec 11 Hogs closed at $82.725, down $1.675 Feb 12 Hogs closed at $87.675, down $0.550
Lean hog futures closed sharply lower on the day but were up a dime for the week. Cash hogs in IA/MN ended $0.63 higher, WCB hogs were $0.62 higher and ECB hogs were $1.69 higher. Pork trade was slow with light to moderate demand and offerings. Slaughter is picking up seasonally and estimated numbers for Saturday's kill are 162,000 head. Managed Money added 4,514 contracts to their net long position in Lean Hogs from the previous week. Beef supplies are expected to be lower and pork supplies higher in the fourth quarter so the price of pork could be a good contender for beef over the holidays.

Cotton: Friday's Close: Oct 11 Cotton closed at 109.08, down 154 points, Dec 11 Cotton closed at 110.52, down 110 points Dec 12 Cotton closed at 100.95, down 41 points
Cotton futures closed lower, with a higher dollar and lower ag markets weighing on it following yesterday mornings disappointing export sales report. Cotton was 122 points lower or down 1.11% for the week. According to the USDA mills were willing to take early delivery of previously booked cotton due to increased finished product demand. Certificated stocks were up again at 29,088 bales vs. 26,572 bales the previous day.

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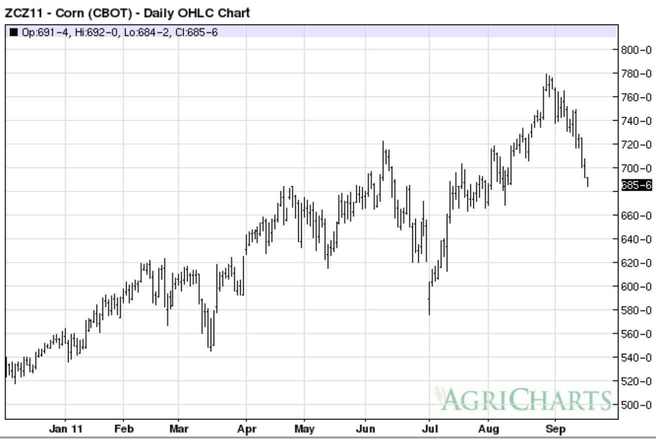
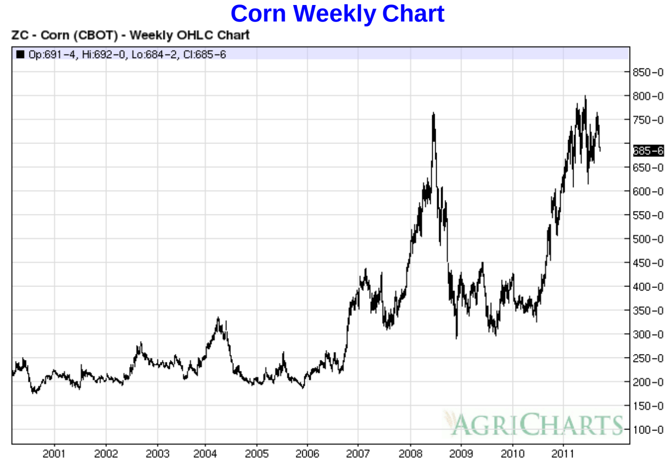
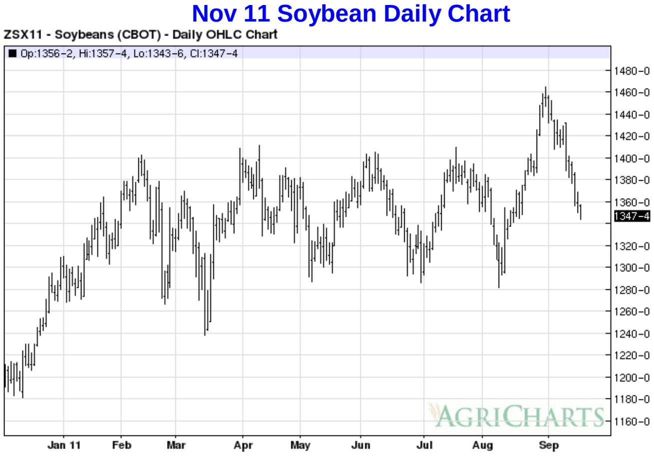
Dec 11 Corn Daily Chart



Corn Weekly Chart

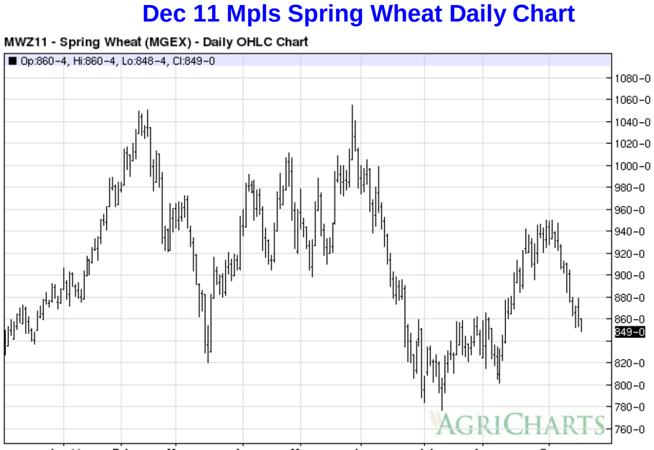


Nov 11 Soybean Daily Chart



Soybean Weekly Chart

Dec 11 Mpls Spring Wheat Daily Chart



Mpls Spring Wheat Weekly Chart