



# MORNING COMMENTS

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Wednesday, September 21, 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 23 Cattle on Feed; Wednesday September 28, Hog & Pigs  
Friday September 30, 2011 Quarterly Grain Stocks ; Wednesday October 12, 2011 WASDE & Crop Production ;

**Weekly Newsletters will begin in October and continue during harvest at least through October and likely into November.**

**Prior Price Targets:** We have made all the sales that we are comfortable with prior to harvesting a crop.

**Market Talk** Standard and Poors downgraded Italian debt to A from A+. The U.S. Federal Reserve will meet for another day.

Dried distillers grains continue to be a large variable which affects corn supply and demand tables. Specifically on the demand side and how corn prices will impact usage of DDG's. DDG usage obviously displaces corn in feed rations, but price determines cost effectiveness in rations both domestically and overseas. Economists are still trying to come up with reliable correlations between feed wheat versus DDG's. Some economists suggest there is room for up to 100 million bushels of corn demand from the increase substitution of feed wheat and DDG's

**Direct Payments:** WASHINGTON - The deficit reduction plan President Obama introduced Monday will kill a farm subsidy that paid nearly \$10 billion to Minnesota farmers from 1995 to 2010. In addition, the president's plan shrinks federal contributions to crop insurance programs and a land conservation program in the state by tens of millions of dollars per year. "We reform agricultural subsidies, subsidies that a lot of times pay large farms for crops they don't grow," President Obama said. The president was referring to so-called "direct payments" that go to farmers based on crops they planted in past years. The payments are automatic and don't depend on commodity prices or demand. Critics call the subsidies money for nothing. ....The article appeared in the Mpls Star Tribune with comments on payments received by Minnesota Farmers for both Direct Payments and crop ins subsidies <http://www.startribune.com/business/130169158.html>

A comment posted on the Star Tribune website among all the outraged comments may have addressed the direct payment issue fairly well. "The Food Security Act of 1933 as amended by the Farm Bills since [passage] does provide a payment called a "Direct Payment" as a subsidy to aid farmers to provide the least expensive food in the world to US citizens. The payment was put in place at a time when farmers were failing financially. Congress has been afraid to reduce the payment fearing that those dollars may be needed at some point in the future in order to keep food prices affordable to the 40 million or so US citizens who live in poverty. A case could be made and even should be made that the direct payments should be eliminated in times when farmers are supported with good prices in the marketplace and then paid out when prices fall below a reasonable cost of production. Another argument could correctly be made that the payments are a subsidy to the landowner that is paid to the farm operator but passes through to the landowner in the form of lease payments. Since over 70% on MN farm land is owned by investor the subsidy in really a payment to those land investors who typically live in the larger communities and cities. Very often the landowner is the neighbor to those who live in the metropolitan regions."

## Outside Markets:

<a href="#">U.S. Dollar Index</a>	77.700	+0.172	+0.22%	<a href="#">Euro FX</a>	1.36700	-0.00080	-0.06%	<a href="#">Ethanol Futures</a>	Oct 11	2.652p	+0.013
<a href="#">CRB CCI Index</a>	627.00p	+2.00	+0.32%	<a href="#">Canadian Dollar</a>	0.99970	-0.00710	-0.71%	<a href="#">Gasoline RBOB (E)</a>	Oct 11	2.7014p	+0.0049
<a href="#">Gold</a>	1793.9	-12.7	-0.7%	<a href="#">Japanese Yen</a>	1.31140	+0.00030	+0.02%	<a href="#">Diesel Gulf (ULSD)</a>	Oct 11	2.9963p	+0.0180
<a href="#">Silver</a>	40.215	+0.134	+0.33%	<a href="#">Australian Dollar</a>	1.01170	-0.00480	-0.47%	<a href="#">Heating Oil (E)</a>	Oct 11	2.9616p	+0.0169
<a href="#">DJIA</a>	11360	+25	+0.22%	<a href="#">Chinese Renminbi</a>	0.156400p	-0.000140	-0.09%	<a href="#">Crude Oil Brent (E)</a>	Oct 11	115.10s	0.00
<a href="#">S&amp;P 500 Index</a>	1198.00	+2.00	+0.17%	<a href="#">Mexican Peso</a>	0.075575s	-0.000150	-0.2%	<a href="#">Natural Gas (E)</a>	Oct 11	3.798p	-0.031
<a href="#">Nasdaq 100</a>	2309.00	+12.50	+0.54%	<a href="#">1-Month Libor</a>	99.7625	0.0000	-	<a href="#">Polypropylene</a>	Oct 11	0.8300s	0.0000
<a href="#">Russell 1000 Growth</a>	564.60p	-1.90	-0.34%	<a href="#">T-Bond</a>	141-15	+0-03	+0.07%	<a href="#">Polyethylene</a>	Oct 11	0.5800s	-0.0100
<a href="#">MSCI EMI Index</a>	939.60	-3.70	-0.39%	<a href="#">3-Month T-Bill</a>	992.7000s	0.0000	-	<a href="#">RME Biodiesel</a>	Sep 11	1465.409p	+4.591
<a href="#">Nikkei 225</a>	8700.00	+55.00	+0.64%	<a href="#">5-Year T-Note</a>	123-7.5	-0-7.5	-0.02%	<a href="#">Coal Futures</a>	Oct 11	75.78p	+0.56
<a href="#">Brazilian Real</a>	0.55570s	-0.00270	-0.48%	<a href="#">10-Year T-Note</a>	130-180	+0-030	+0.07%	<a href="#">Uranium</a>	Sep 11	54.45p	+2.00

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**Weather** Some light rains worked through MN, northern IA and WI in the past 24 hours. Totals were generally under .20" in most cases and coverage was around 65%. Dry weather dominated the rest of the region and temps were close to average, with highs in the 70's in most cases and lows in the 50's. **The forecast sees** a few rains to continue in MN and WI and work through MI, IN, OH and northeast IL today and tomorrow, with totals of generally under .35". The upper air portion of the system will stall out in the western Great Lakes for the weekend and bring the chance for a few light showers across MI, IN and OH into the weekend, with dry weather elsewhere. By next week, dry weather looks to dominate all of the region. Temps will run below average from later today through the rest of the week, with highs in the 60's in most cases and a few 70's possible in the far south. Lows look to run in the 40's in most cases, with some 30's possible in the north, but no cold air threats are seen.

**Central Illinois:**

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
sep 21	sep 22	sep 23	sep 24	sep 25	sep 26	sep 27	sep 28	sep 29	sep 30
M Sunny	P Cloudy	Few Showers	Few Showers	Few Showers	Sunny	Sunny	Sunny	Sunny	Sunny
74° 48°	67° 46°	67° 43°	66° 45°	68° 48°	71° 50°	75° 54°	75° 56°	72° 53°	73° 57°

**Central Iowa:**

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
sep 21	sep 22	sep 23	sep 24	sep 25	sep 26	sep 27	sep 28	sep 29	sep 30
M Sunny	M Sunny	M Sunny	P Cloudy	Sunny	Sunny	Sunny	Sunny	Sunny	Sunny
70° 47°	66° 42°	66° 45°	73° 47°	73° 50°	73° 52°	77° 55°	76° 56°	73° 52°	76° 58°

**South Central Minnesota:**

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
sep 21	sep 22	sep 23	sep 24	sep 25	sep 26	sep 27	sep 28	sep 29	sep 30
Few Showers	P Cloudy	M Sunny	Sunny	Sunny	Sunny	M Sunny	Sunny	Sunny	Sunny
53° 40°	61° 38°	67° 42°	75° 46°	77° 50°	76° 51°	78° 53°	74° 49°	74° 47°	71° 53°

**Central Indiana:**

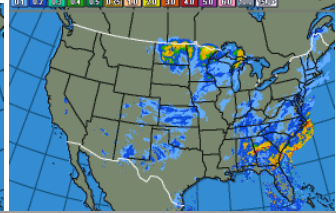
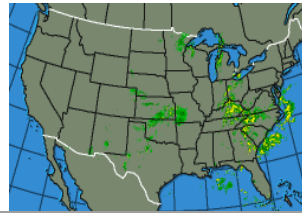
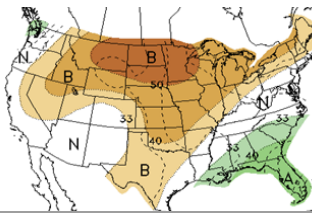
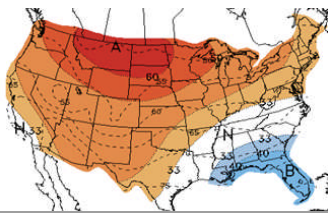
wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
sep 21	sep 22	sep 23	sep 24	sep 25	sep 26	sep 27	sep 28	sep 29	sep 30
P Cloudy	PM Showers	P Cloudy	Showers	Showers	Few Showers	Few Showers	Sunny	Sunny	Sunny
78° 53°	71° 51°	68° 47°	64° 46°	65° 49°	65° 52°	72° 53°	75° 57°	72° 52°	73° 53°

**8-14 Day Temp**

**8-14 Day Precipitation**

**Current Radar**

**Last 24 hr Precip**

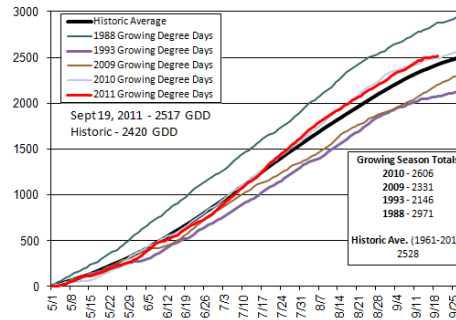


## Official Weather Station -2011

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

	Monday, September 19	Tuesday, September 20
<b>Air Temperature</b>	Max = 62; Min = 46	Max = 79; Min = 47
<b>Soil Temperature</b>		
2 inch	Max = 64; Min = 54; Ave = 59	Max = 76; Min = 53; Ave = 64
4 inch	Max = 62; Min = 55; Ave = 58	Max = 69; Min = 54; Ave = 62
8 inch	Max = 61; Min = 57; Ave = 59	Max = 65; Min = 55; Ave = 60
<b>Daily Precipitation</b>	0.02"	0.00"
<b>Cumm Precip Beginning 1/1/11</b>	24.36"	24.36"
<b>Cumm GDD Beginning 5/1/11</b>	2517	2531

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



**Corn:** Morning: Dec 11 Corn closed at \$6.93 , up 2 ¾ cents, Mar 11 corn closed at \$7.05 ¾ , up 2 ¾ cents, July 12 Corn is at \$7.16 ¾ , up 2 ½ cents, Dec 12 Corn closed at \$6.24 ½ , up 4 ¾ cents, Yesterday's Close: Dec 11 Corn closed at \$6.90 ¼ , down 2 cents, Mar 12 Corn closed at \$7.03, down 2 cents, May 12 Corn closed at \$7.10 ½ , down 2 ½ cents Dec 12 Corn closed at \$6.19 ¾ , up 2 cents  
Corn futures closed slightly lower, on the low of the day. The dollar was lower and equities closed higher. Argentina plans on upping their corn production to 27.5 MMT in 2012 from 22 MMT in 2010/11 and 23.1 MMT in 2009/10. Those plans are being challenged by dry weather that could result in switches to soybeans if it persists. Eight million MT of Argentine corn is allocated for domestic usage and this years export quota was 12 MMT. The price of Argentine corn has fallen to about half of the U.S. corn price since the export quota was met. U.S. cash basis levels were steady to lower. According to Reuters aflatoxin is becoming a problem in new crop corn from Southeast Kansas,

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driving sharp price discounts for some producers.

**Soybean Complex:** Morning: Nov 11 Soybeans closed at \$13.39 ½ , up 1 ½ cents, Jan 11 Soybeans closed at \$13.50 ½ , up 1 ¾ cents, Jul 12 Soybeans closed at \$13.71 ½ , up 3/ ½ cents , Nov 12 Soybeans closed at \$13.28 ¼ , up 3 ½ cents, Yesterday's Close: Nov 11 Soybeans closed at \$13.38, up 2 cents, Jan 12 Soybeans closed at \$13.48 ¾ , up 2 cents, Mar 12 Soybeans closed at \$13.56 ¼ , up 2 ¼ cents, Nov 12 Soybeans closed at \$13.24 ¾ , up 2 ¾ cents, Oct 11 Soybean Meal closed at \$345.80, up \$1.40, Oct 11 Soybean Oil closed at \$55.31, down \$0.22

Soybean futures closed a bit higher but near the lows of the day. Private exporters sold 120,000 MT of soybeans to China for 2011/12 delivery. Teucrium launched a soybean ETF: SOYB which will hold the 2nd and 3rd to expire futures contracts as well as the next March following the 3rd. This keeps the fund well away from the delivery period and most inverted market situations. Oil World sees a decline in world supplies of oilseeds and grains as consumption exceeds production.

**Wheat:** Morning: Dec 11 CBOT Wheat closed at \$6.75 ¼ , up ½ cents, Dec 11 MGEX Wheat is at \$8.41 ¼ , down 1 ¼ cents Yesterday's Close: Dec 11 CBOT Wheat closed at \$6.74 ¾ , up 1 ¾ cents, Dec 11 KCBT Wheat closed at \$7.65, down 3 cents, Dec 11 MGEX Wheat closed at \$8.42 ½ , up ¾ cent

Wheat futures closed mixed, closer to the lows of the day. The wheat market has been trading in a downward channel since September 8th. Algeria is tendering for 50,000 MT of optional origin durum wheat for November delivery. Russia is working to build market share with cheaper wheat and some of their lower quality wheat being exported as livestock feed to new trading partners. The Russian government grain firm (United Grain) is building a new Black Sea export terminal. Teucrium launched a wheat ETF: WEAT which will hold the 2nd and 3rd to expire contracts as well as the next March following the 3rd.

**Cattle:** Yesterday's Close: Oct 11 Cattle closed at \$118.700, up \$1.075, Dec 11 Cattle closed at \$119.200, up \$1.250, Feb 12 Cattle closed at \$121.775, up \$0.875, Sep 11 Feeder Cattle closed at \$134.350, down \$0.150 Oct 11 Feeder Cattle closed at \$137.525, up \$1.175 Nov 11 Feeder Cattle closed at \$139.775, up \$1.225

Cattle futures closed higher: rebounding after three hard days down. Feeder cattle are also sharply higher. There was light cash trade at 116 yesterday in TX and fairly good numbers in KS at \$116 in the live and \$184 in the dressed at steady to \$1 lower than last week. Cash last week sold for \$117 in the live and \$184 in the dressed. Feedlots are current enough to hold out for more money. Cutout values have been a little weaker, down \$.09 for choice and \$.87 for select. Paraguay, a top ten exporter of beef found an outbreak of foot and mouth disease in central Paraguay and has suspended beef exports. Russia and Chile are Paraguay's main market. According to a USDA attache report, Russia expects a decrease in their cattle herd by 495K to 26.5 million.

**Hogs:** Yesterday's Close: Oct 11 Hogs closed at \$89.025, up \$1.375, Dec 11 Hogs closed at \$82.975, up \$1.150 Feb 12 Hogs closed at \$87.300, up \$0.250

Lean hog futures closed much higher in the front months after bouncing off support yesterday. Cash hogs in IA/MN were \$0.93 higher, \$.76 higher in the WCB and \$.61 higher in the ECB. Slaughter is matching last week at 849,000 head through Tuesday, and is running 19,000 above last year for the same period. The lean hog index was up \$0.49 as of 9/16. The primal cutout value was \$.05 lower this afternoon. According to a USDA attache report, Russia intends to increase their hog herd by 1.415 million to 49.665 million head.

**Cotton:** Yesterday's Close: Oct 11 Cotton closed at 103.81, down 27 points, Dec 11 Cotton closed at 105.41, down 11 points Dec 12 Cotton closed at 97.67, down 33 points

Cotton futures closed slightly negative. Outside markets ended mildly higher with hope for Europe to make progress on the Greek debt issues but nothing concrete.

CI - CRB CCI Index (ICEFI) - Weekly OHLC Chart



GC - Gold (COMEX) - Weekly OHLC Chart



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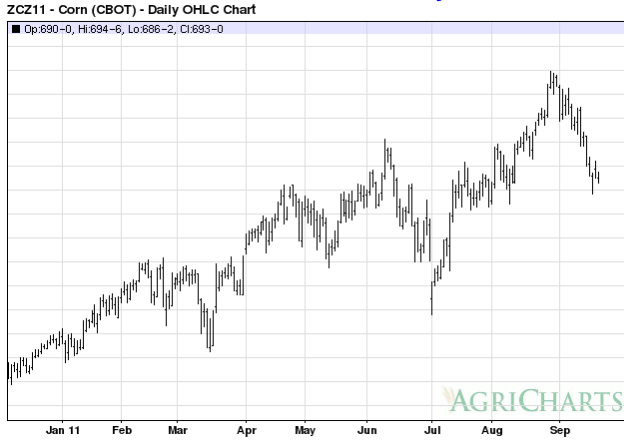
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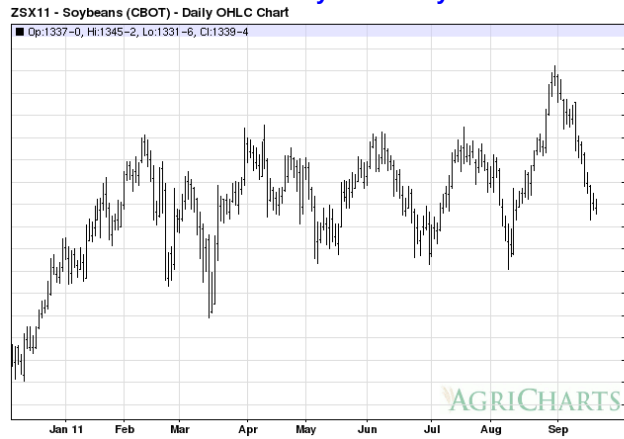
**Dec 11 Corn Daily Chart**



**Corn Weekly Chart**



**Nov 11 Soybean Daily Chart**



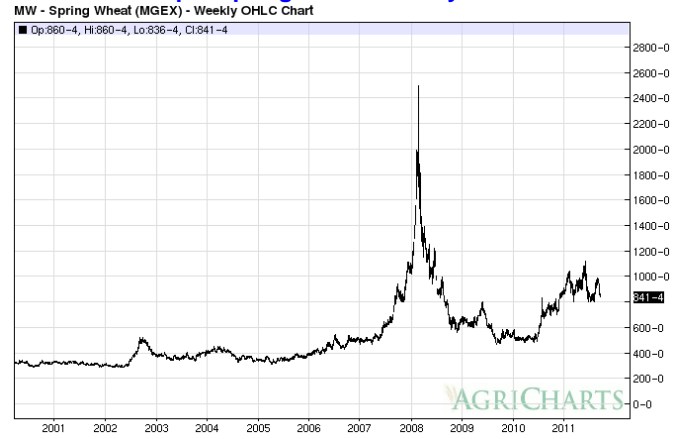
**Soybean Weekly Chart**



**Dec 11 Mpls Spring Wheat Daily Chart**



**Mpls Spring Wheat Weekly Chart**



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