



MORNING COMMENTS

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Thursday, September 22, 2011

Position Management: The table shows how the Model Farm is positioned at this time. Individual recommendations may vary.

	2011 Crop	2012 Crop
Corn	50% sold HTA. If fall delivery needed basis is set.	30% sold HTA
Soybeans	50% sold HTA. If fall delivery needed basis is set.	20% sold HTA
Wheat	50% sold HTA. If fall delivery needed basis is set.	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.

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

Market Talk Harvest momentum builds across the Midwest and the bearish outlook for soybeans becomes more credible. Soybean yields are better than many expected this year a result of a few timely late-season rains. These allowed soybean plants to set more pods than earlier thought, as well as increase bean size. It is also becoming apparent soybean demand is not as great as initially predicted, which will lead to increased carryout totals.

Still at question is the MN and northern IA soybean crop that was frost damaged. Green beans will mature but is will take time and they would be aided by warmer temperatures which are forecast for next week. Some will likely use drying bins to help equalize the beans but that is still yet to be seen.

Harvest is gaining momentum in the United States, but in South America, all interest is on planting. The main crop producing countries of Brazil and Argentina both claim they will expand their plantings of corn and soybeans this year given current market values. These acres are needed to help satisfy any potential shortfall in U.S. grain production. As a result of these needs, it is doubtful we will see a collapse in grain values until acres are seeded. The production of Genetically Modified soybeans in Brazil continues to increase as this year's soybean crop is expected to be seeded to 83% GMO traits. Countries with strict GMO import regulations face a hard time finding supplies to buy. The cost of segregating these non-GMO soybeans makes them very costly, and brings the import policies into question.

US Dollar: A stronger US dollar is a result of a European Central Bank study that suggests sustainability of the Euro as a currency is questionable given all of the sovereign debt issues within the community. A reaction and fear of global economic slowing has been a sell off of Gold which has triggered stop losses and has fostered price pressure lower of \$67-70. Quantitative easing and threat of recession and need to raise margin capital because of other markets may also be factors. The trade estimates the Fed will begin to shift to longer-term securities as a larger portion of their balance sheet dubbed Operation Twist in an effort to stimulate the economy. The rebalancing is expected to stimulate home buying.

DXZ11 - U.S. Dollar Index (ICEFI) - Daily OHLC Chart



GCU11 - Gold (COMEX) - Daily OHLC Chart



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Outside Markets:

U.S. Dollar Index	79.100	+1.241	+1.59%	Euro FX	1.34380	-0.02270	-1.66%	Ethanol Futures	Oct 11	2.649p	-0.003
CRB CCI Index	601.00	-20.50	-3.3%	Canadian Dollar	0.96860	-0.02630	-2.64%	Gasoline RBOB (E)	Oct 11	2.6665p	-0.0349
Gold	1748.0	-57.5	-3.18%	Japanese Yen	1.31270	+0.00580	+0.44%	Diesel Gulf (ULSD)	Oct 11	2.9692p	-0.0271
Silver	36.850	-3.570	-8.83%	Australian Dollar	0.97200	-0.03040	-3.03%	Heating Oil (E)	Oct 11	2.9342p	-0.0274
DJI	11007p	-328	-2.89%	Chinese Renminbi	0.156400p	0.000000	-	Crude Oil Brent (E)	Nov 11	105.49	-4.87
S&P 500 Index	1124.70	-31.10	-2.69%	Mexican Peso	0.073925p	-0.001650	-2.18%	Natural Gas (E)	Oct 11	3.730p	-0.068
Nasdaq 100	2194.00	-51.50	-2.29%	1-Month Libor	99.7400	-0.0100	-0.01%	Polypropylene	Oct 11	0.8300s	0.0000
Russell 1000 Growth	549.80p	-14.80	-2.62%	T-Bond	144.31	+1.25	+1.24%	Polyethylene	Oct 11	0.5800s	0.0000
MSCI EMI Index	863.90	-44.30	-4.88%	3-Month T-Bill	992.7000s	0.0000	-	RME Biodiesel	Sep 11	1463.636p	-1.773
Nikkei 225	8385.00	-155.00	-1.81%	5-Year T-Note	124.035	+0.090	+0.23%	Coal Futures	Oct 11	75.28p	-0.50
Brazilian Real	0.53900s	-0.01670	-3.01%	10-Year T-Note	131.145	+0.225	+0.54%	Uranium	Sep 11	54.45p	0.00

Weather

Central Illinois:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
22	23	24	25	26	27	28	29	30	01
M Sunny	PM Showers	Few Showers	Few Showers	P Cloudy	P Cloudy	M Sunny	Sunny	M Sunny	AM Clouds
69° 44°	69° 46°	64° 44°	67° 47°	69° 52°	68° 54°	74° 55°	75° 55°	75° 56°	77° 57°

Central Iowa:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
22	23	24	25	26	27	28	29	30	01
P Cloudy	Sunny	M Sunny	M Sunny	M Sunny	Sunny	Sunny	Sunny	P Cloudy	Sunny
65° 43°	69° 45°	72° 47°	71° 47°	72° 53°	78° 55°	80° 54°	74° 54°	76° 56°	76° 56°

South Central Minnesota:

thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
22	23	24	25	26	27	28	29	30	01
M Sunny	M Sunny	M Sunny	Sunny	Sunny	Sunny	Sunny	Sunny	Sct Showers	Sunny
59° 36°	68° 41°	74° 45°	73° 45°	75° 51°	75° 51°	79° 49°	73° 48°	72° 50°	72° 50°

Central Indiana:

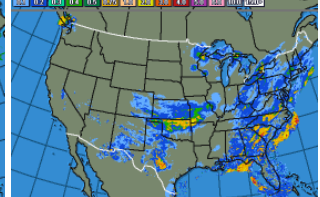
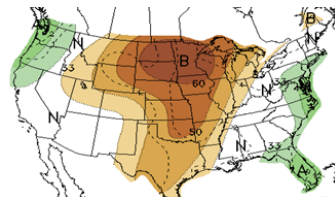
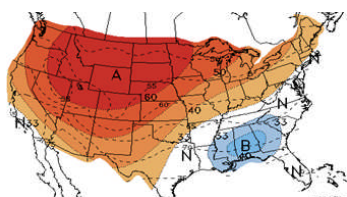
thu	fri	sat	sun	mon	tue	wed	thu	fri	sat
22	23	24	25	26	27	28	29	30	01
PM Showers	AM Showers	Showers	Iso T-Storms	Few Showers	P Cloudy	P Cloudy	Sunny	Sunny	Sunny
73° 51°	69° 49°	62° 48°	65° 52°	68° 51°	67° 54°	72° 54°	74° 54°	74° 58°	75° 54°

8-14 Day Temp

8-14 Day Precipitation

Current Radar

Last 24 hr Precip



Corn: Morning: Dec 11 Corn closed at \$6.66 , down 19 ¾ cents, Mar 11 corn closed at \$6.79 , down 19 ¾ cents, July 12 Corn is at \$6.90 ¼ , down 19 ¼ cents, Dec 12 Corn closed at \$6.04 ¾ , down 15 ½ cents, Yesterday's Close: Dec 11 Corn is at \$6.85 ¾ , down 4 ½ cents, Mar 12 Corn is at \$6.98 , dn 4 ¼ cents, May 12 Corn is at \$7.06 ¼ , down 4 ¼ cents, Dec 12 Corn is at \$6.20, up ¼ cents
Corn futures are trading slightly higher midday but close lower. The dollar is also higher on the spot month. Corn stocks at select export elevators and terminals were down 651 thousand bushels from the previous week. South Korea feed maker purchased 85 thousand MT of corn and 20 thousand MT of soybean meal for December delivery. Weekly export report will be out in the morning. Deputy head of grains at the China National Grains and Oils Information Center said \$7.00 corn is too expensive for China to import but 22% of last weeks inspections were for China. More would perhaps be purchased if prices were lower. U.S. cash basis levels were softening at Midwest river terminals and firm at ethanol plants in IA and IN and mostly steady at other locations.

Soybean Complex: Morning: Nov 11 Soybeans closed at \$12.94 ¾ , dn 26 ½ cents, Jan 11 Soybeans closed at \$13.04 ¾ , dn 27 ½ cents, Jul 12 Soybeans closed at \$13.24 ½ , down 26 ¾ cents , Nov 12 Soybeans closed at \$12.88 ¾ , down 23 ¼ cents, Yesterday: Nov 11 Soybeans are at \$13.20 ¼ , down 17 ¼ cents, Jan 12 Soybeans are at \$13.31 ½ , down 17 ¼ cents, Mar 12 Soybeans are at \$13.38 ½ , down 17 ¾
Soybean futures are trading lower today but activity is minimal. Oil World sees a decline in world supplies of oilseeds and grains as consumption exceeds production. In 2011 Argentina is expected to export 52 million gallons of biodiesel, making it the top global exporter with a follow-up in 2012 of 70 million gallons. Crude oil futures are making new highs on the day as of this writing after being lower earlier in the session. Soybean basis levels are firm at processing plants in the western Midwest. Basis levels were steady at elevators and steady to lower at river terminals. Soybean stocks at select export elevators and terminals were down 82,000 bushels from last week.

Wheat: Morning: Dec 11 CBOT Wheat closed at \$6.46 ¾ , down 20 ¼ cents, Dec 11 MGEX Wheat is at \$8.24 , down 16 ½ cents Yesterday: Dec 11 CBOT Wheat is at \$6.78 3/4, up 4 cents, Dec 11 KCBT Wheat is at \$7.72 3/4, up 7 3/4 cents, Dec 11 MGEX Wheat is at \$8.53, up 10 1/2 cents
Wheat futures are trading slightly higher with daily volume thin. The wheat market has been trading in a downward channel since

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September 8th. The dollar is slightly higher. Weekly export sales will be out in the morning. Wheat stocks at select export elevators and terminals were up 487 thousand bushels from the previous week with the largest increase in the Plains and the largest decrease in the Pacific Northwest. The Russian government grain firm (United Grain) is building a new Black Sea export terminal. Cash basis levels have been steady. Oklahoma has rain in the forecast for the next couple of days but most of the rains are confined to the east coastal states otherwise.

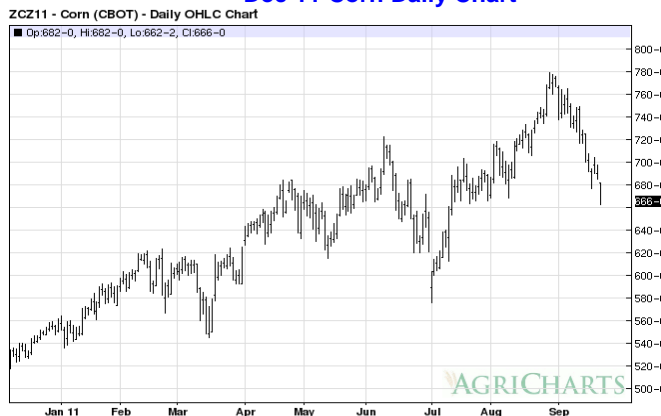
Cattle: Yesterday: Oct 11 Cattle are at \$119.200, up \$0.500, Dec 11 Cattle are at \$119.300, up \$0.100, Feb 12 Cattle are at \$122.000, up \$0.225, Sep 11 Feeder Cattle are at \$134.025, down \$0.325 Oct 11 Feeder Cattle are at \$138.350, up \$0.825 Nov 11 Feeder Cattle are at \$139.650, down \$0.125

Cattle futures are mostly lower after trading much higher and Feeder cattle futures are mixed. The monthly cattle on feed report will be out Friday after the close. Trade estimates average 107.9 for September 1st on feed, 107.7 for August placements and 105.7 for August marketings. On feed estimates are expected to show an increase because of higher placements in August resulting from poor pasture grazing. Lower than expected August marketings could add to the September inventory number. Boxed beef cutout values are mixed this morning. Choice beef is up \$0.37 and select is down \$0.04.

Hogs: Yesterday: Oct 11 Hogs are at \$89.200, up \$0.175, Dec 11 Hogs are at \$83.750, up \$0.775 Feb 12 Hogs are at \$87.700, up \$0.400 Lean hog futures are mostly higher today with all but the December contract near the lows of the day. Cash hogs in IA/MN are \$0.55 lower this morning. Estimated Wednesday hog slaughter is expected to hit 425,000 head, same as last year. The lean hog index was up \$0.59 as of 9/19. Pork trading is slow to moderate with light to moderate demand and offerings. Fresh Loins and Butts are steady and other cuts not yet tested.

Cotton: Yesterday: Oct 11 Cotton is at 101.87, down 194 points, Dec 11 Cotton is at 103.57, down 184 points Dec 12 Cotton is at 97, down 67 points Cotton futures are trading lower for the fifth day in a row. Outside markets and commodities are relatively quiet awaiting the U.S. Federal Reserve speech that is due to be broadcast at 1:00 central time. Certificated stocks were up slightly from the previous days 28,936 at 28,961 bales.

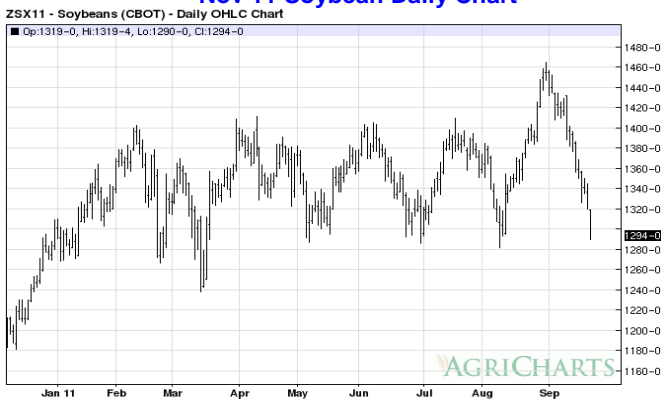
Dec 11 Corn Daily Chart



Corn Weekly Chart



Nov 11 Soybean Daily Chart



Soybean Weekly Chart



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