



## MORNING COMMENTS

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Friday, September 23, 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 next Friday 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.

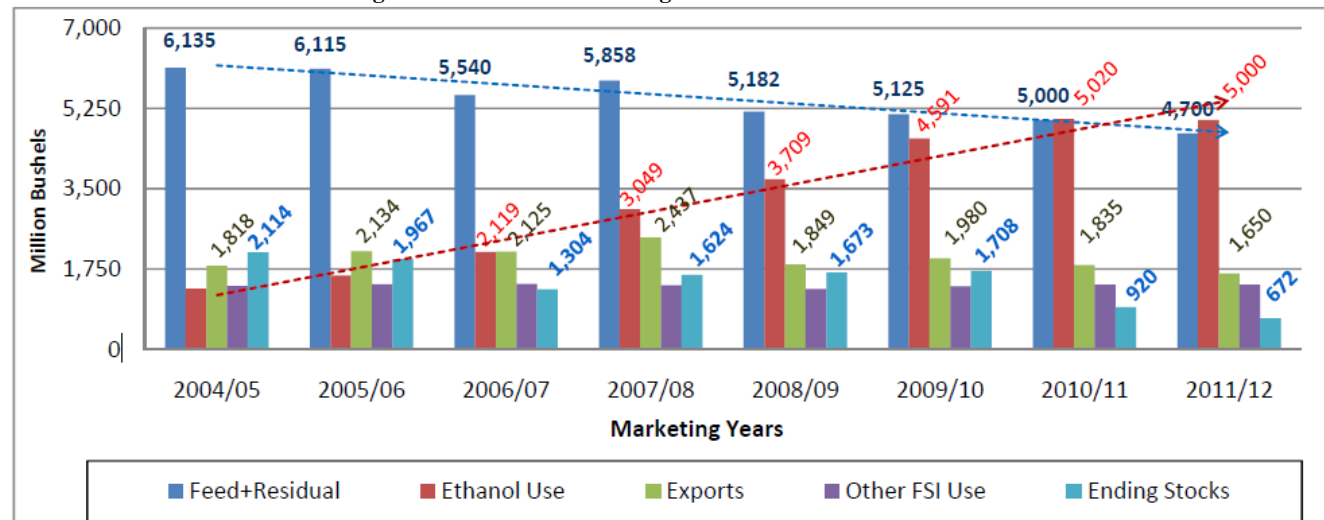
**Market Talk** Commodities including corn, soybeans and wheat all traded under pressure yesterday as spillover weakness from the outside markets weighed heavily on commodities. This was in reaction to concerns over the state of the world economy, and concerns that the entire global economy is on the verge of recessions. Seasonal harvest pressure and a lack of fresh bullish news were also negative for trade.

Global soybean buyers continue to bypass the U.S. offerings in favor of Brazil. What makes this unusual is that they are passing on U.S. soybeans for November, even at times where offerings are at a discount to Brazils, because of currency exchange rates. Brazilian farmers are receiving more for soybeans due to favorable currency values. Also Brazil has a reported 200 million bushel more soybeans in storage to export than a year ago at this time

China is getting the most attention for bypassing U.S. soybeans, even though they did book U.S. soybeans overnight. While most economists predict higher Chinese soybean imports this marketing year, the latest numbers show a decline in soybean bookings. China's August soybean imports were down 16% from the previous month, and 5% from last year and down 5.5% this calendar year.

**Corn & Soybean Charts by:** Daniel O'Brien – Extension Agricultural Economist, K-State Research and Extension

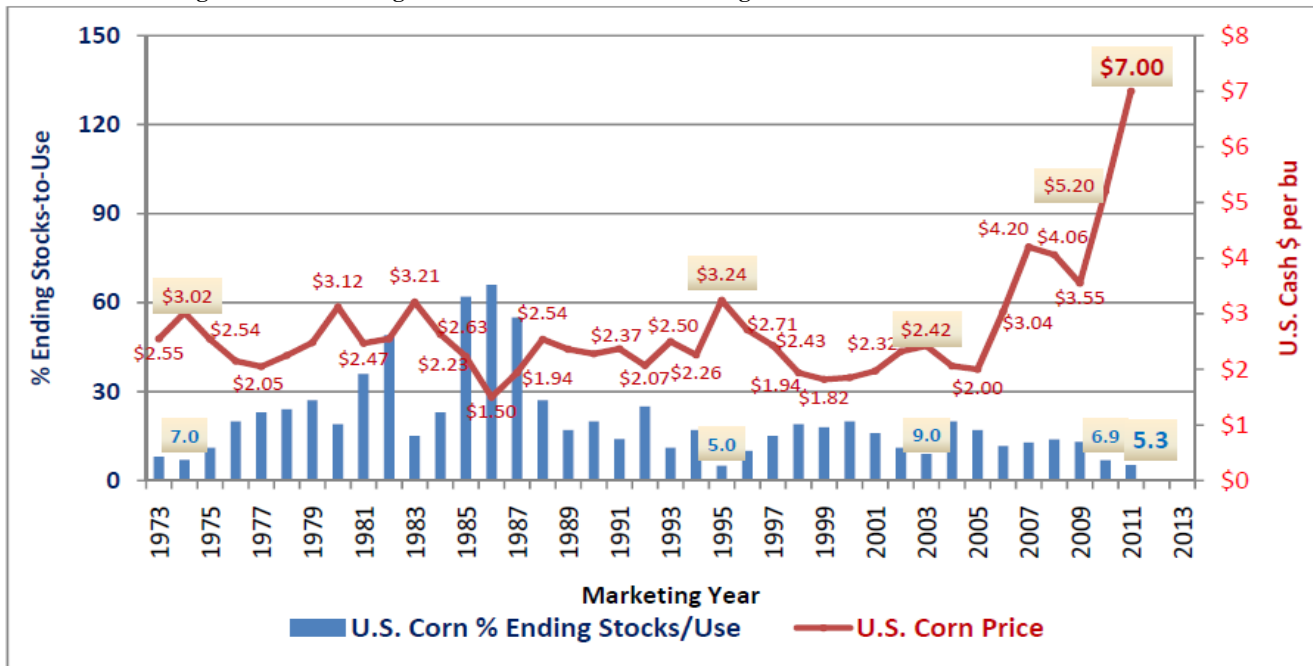
**Trends in U.S. Corn Use and Ending Stocks: MY 2004/05 through MY 2011/12**



The inability to meet U.S. trendline yields of 165 bu/ac or more since 2009 have caused a dramatic tightening of U.S. corn ending stocks and % ending stocks-to-use in MY 2010/11 and again in MY 2011/12. Either a return to trendline U.S. corn yields, a large increase in U.S. corn acreage, or a sizable reduction in U.S. corn usage will be needed to rebuild U.S. corn stocks in MY 2012/13 and later years.

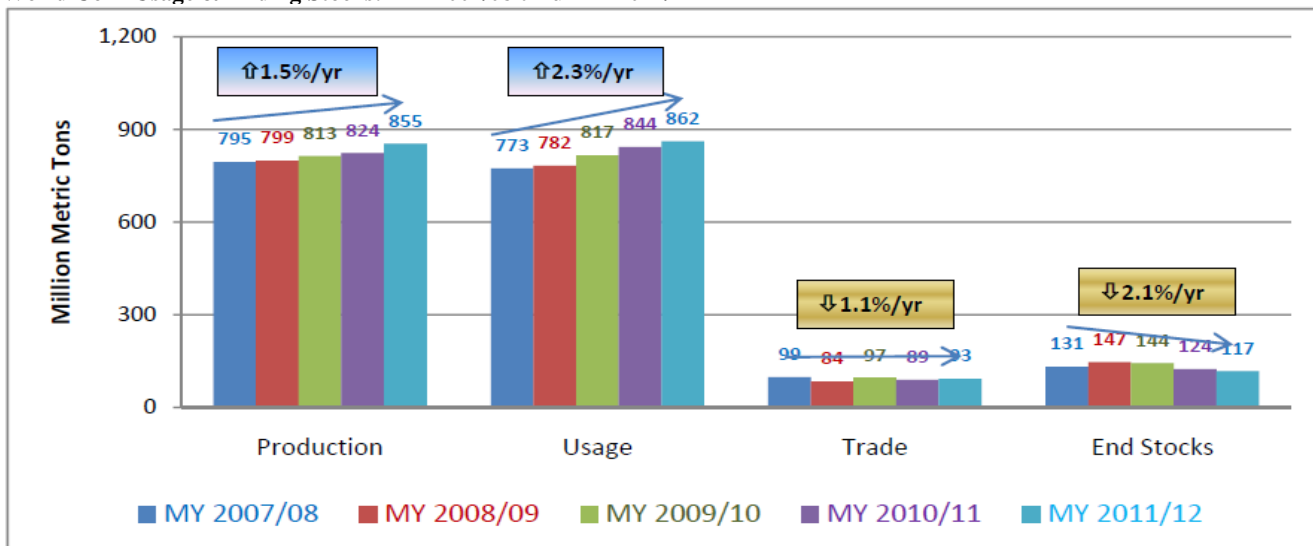
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## U.S. Corn Ending Stocks vs U.S. Avg. Cash Prices: MY 1973/74 through MY 2011/12



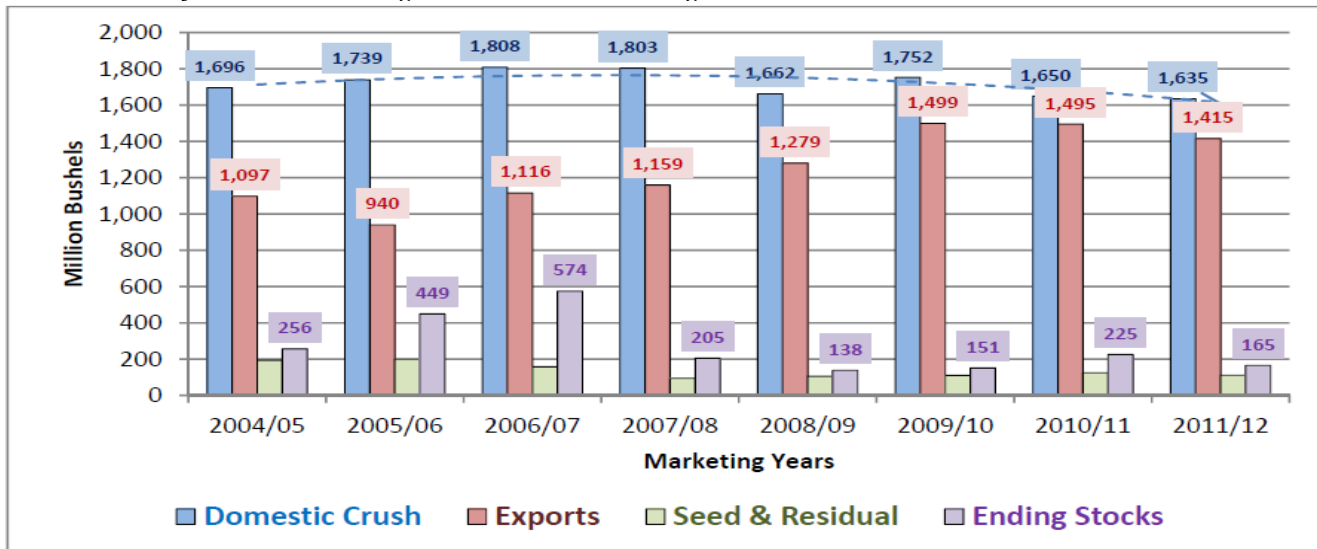
The combination of tight beginning stocks (following a short corn crop the previous year) and less than anticipated production has led to the current tight, at risk supply situation for U.S. corn in MY 2011/12. For next year, i.e., MY 2012/13, prospects for extremely tight beginning stocks will place all that much more anxiety in corn markets over any real or perceived threat to 2012 U.S. corn production. Because of what are likely to be minimal new crop beginning stocks for U.S. corn in MY 2012/13, grain markets are likely to remain extremely volatile through at least the early summer of 2012.

## World Corn Usage & Ending Stocks: MY 2007/08 thru MY 2011/12

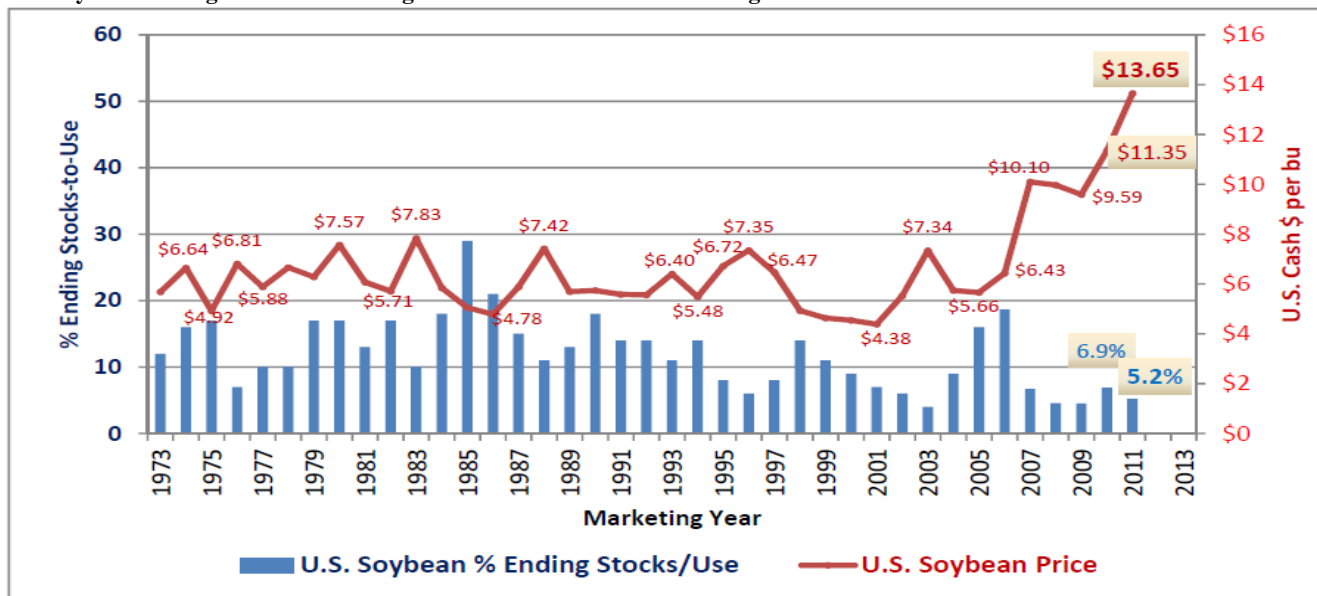


Even with the projected increase in World ending stocks, World ending stocksto- use from coarse grains has declined from 17.6% in MY 2009/10, 14.4% in MY 2010/11, and now to 13.1% for MY 2011/12. A broader trend toward tighter World coarse grain ending stocks is continuing, with a recovery needed in U.S. 2012 crop production to begin to rebuild both U.S. and World coarse grain supply-demand balances.

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**Trends in U.S. Soybean Use and Ending Stocks: MY 2004/05 through MY 2011/12**


U.S. export prospects have diminished over the last two marketing years largely due to export completion from South America. Brazil soybean production was record large MY 2010/11 (75.5 mmt), and is projected to be 73.5 mmt (2nd largest on record) in MY 2011/12. Argentina soybean production in MY 2010/11 was the second largest crop on record (49 mmt) versus a record high 54.5 mmt in MY 2009/10, and is projected to be 53 mmt in MY 2011/12 (which would be the 2nd highest on record). China imports of soybeans and soybean products have spurred World soybean and soybean product market prices higher and led to increased South American soybean production (and also to higher U.S. soybean production in 2009-2010).

**U.S. Soybean Ending Stocks vs U.S. Avg. Cash Prices: MY 1973/74 through MY 2011/12**


The U.S. soybean market is exhibiting inflexible, highly responsive price behavior. From MY 2009/10 to MY 2010/11 U.S. soybean use declined 2.7% while U.S. soybean prices increased 18.4%. Then again from MY 2010/11 to MY 2011/12 U.S. soybean use is projected to decline another 3.3% while U.S. soybean prices are projected to increase 20.3%. If further declines in U.S. soybean supplies and use occur for MY 2011/12 in the October or November crop reports, the soybean market would be expected to result in yet higher soybean prices and highly volatile soybean market conditions.

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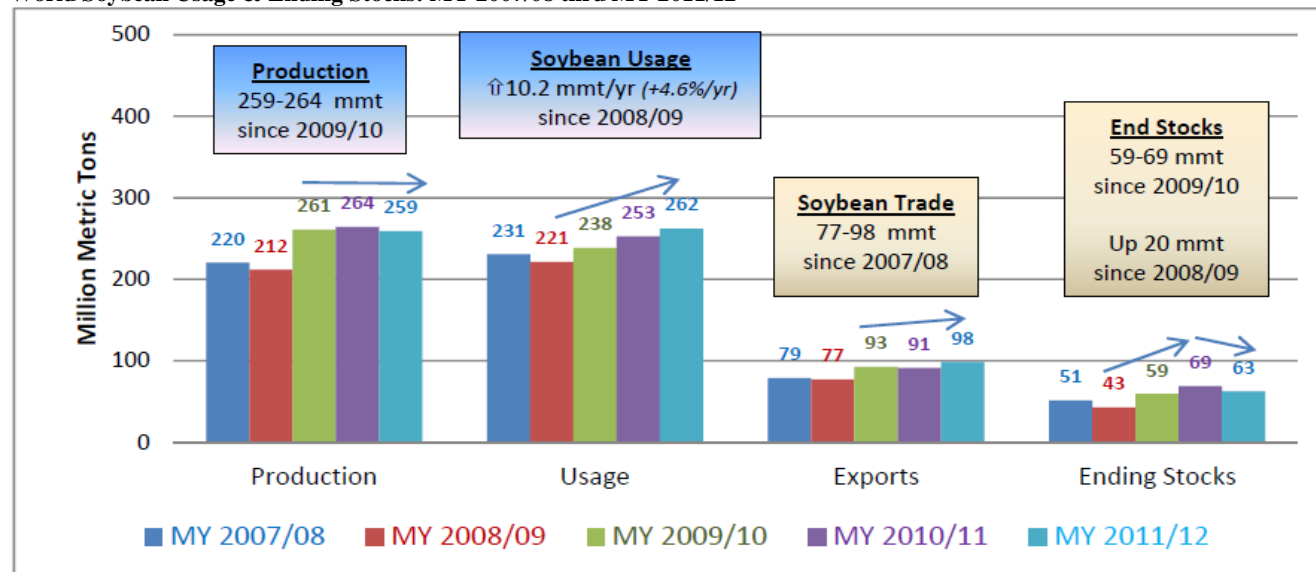
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### World Soybean Usage & Ending Stocks: MY 2007/08 thru MY 2011/12



A broader trend toward tighter World oilseed, coarse grain and wheat % ending stocksto-use has occurred since MY 2009/10. Recoveries / increases in U.S. and World production are needed in the coming year to begin to rebuild both U.S. and World supply-demand balances for all these major crop categories.

### Outside Markets:

U.S. Dollar Index	79.150	+0.050	+0.06%
CRB CCI Index	583.05	-6.95	-1.18%
Gold	1709.3	-29.9	-1.72%
Silver	32.735	-3.803	-10.41%
DJIA	10650p	-357	-3.24%
S&P 500 Index	1108.60	-14.90	-1.33%
Nasdaq 100	2146.25	-28.25	-1.3%
Russell 1000 Growth	530.80s	-19.00	-3.46%
MSCI EMI Index	827.50	-14.40	-1.71%
Nikkei 225	8325.00	-60.00	-0.72%
Brazilian Real	0.52930s	-0.00970	-1.8%
Euro FX	1.34490	-0.00150	-0.11%
Canadian Dollar	0.96930	+0.00070	+0.07%
Japanese Yen	1.31320	+0.00290	+0.22%
Australian Dollar	0.96250	+0.00100	+0.1%
Chinese Renminbi	0.155100p	-0.001300	-0.83%
Mexican Peso	0.071300s	-0.002625	-3.55%
1-Month Libor	99.7350	-0.0050	-0.01%
T-Bond	146-16	+0-14	+0.3%
3-Month T-Bill	992.7000s	0.0000	-
5-Year T-Note	124-7.5	-0-025	-0.06%
10-Year T-Note	131-245	+0-005	+0.01%
Ethanol Futures	Oct 11	2.556p	-0.093
Gasoline RBOB (E)	Oct 11	2.5600p	-0.1065
Diesel Gulf (ULSD)	Oct 11	2.8854s	-0.0838
Heating Oil (E)	Oct 11	2.8485p	-0.0857
Crude Oil Brent (E)	Nov 11	103.70	-1.79
Natural Gas (E)	Oct 11	3.705p	-0.025
Polypropylene	Oct 11	0.8300s	0.0000
Polyethylene	Oct 11	0.5700s	-0.0100
RME Biodiesel	Sep 11	1460.045p	-3.591
Coal Futures	Oct 11	74.03p	-1.25
Uranium	Sep 11	53.95p	-0.50

**Weather** A few light showers fell across WI, MI, IN and OH yesterday. Totals were generally under .20" in most cases. Dry weather dominated the rest of the region and temps were a little below average in most cases, with highs in the 60's in most cases and a few low 70's in the southeast. Lows were in the 50's in most areas, with upper 30's to mid 40's in the west. The forecast sees an upper air low to remain stalled out through the weekend and Monday. The low will continue to provide some off and on showers to the Midwest east of the MS River. Daily amounts look to be generally under .25" with some isolated heavier totals and daily coverage of around 45%. Dry weather will occur to the west of the MS River through this time frame and then things look to dry out in the east by Tuesday and remain dry for the rest of next week and into the following weekend. Temps will run below average under the upper air low in the eastern Midwest and average in the west and then warm to average to above in all areas as we work through next week.

#### Central Illinois:

fri	sat	sun	mon	tue	wed	thu	fri	sat	sun
sep 23	sep 24	sep 25	sep 26	sep 27	sep 28	sep 29	sep 30	oct 01	oct 02
M Sunny	Few Showers	Sct T-Storms	Few Showers	P Cloudy	Sunny	Sunny	Sunny	M Sunny	AM Clouds
66° 46°	64° 44°	65° 46°	66° 52°	60° 53°	72° 53°	72° 51°	74° 53°	75° 56°	73° 51°

#### South Central Minnesota:

fri	sat	sun	mon	tue	wed	thu	fri	sat	sun
sep 23	sep 24	sep 25	sep 26	sep 27	sep 28	sep 29	sep 30	oct 01	oct 02
Sunny	P Cloudy	Sunny	Sunny	Sunny	Sunny	Sunny	Sunny	P Cloudy	P Cloudy
68° 41°	69° 42°	69° 43°	70° 46°	76° 51°	76° 47°	78° 54°	77° 53°	78° 52°	67° 44°

#### Central Iowa:

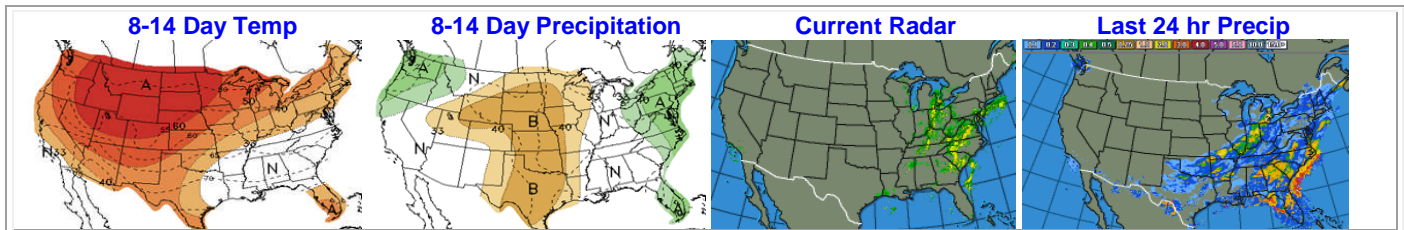
fri	sat	sun	mon	tue	wed	thu	fri	sat	sun
sep 23	sep 24	sep 25	sep 26	sep 27	sep 28	sep 29	sep 30	oct 01	oct 02
Sunny	M Sunny	Few Showers	P Cloudy	M Sunny	Sunny	Sunny	Sunny	P Cloudy	M Sunny
68° 46°	68° 45°	67° 46°	65° 51°	77° 54°	78° 51°	74° 56°	77° 55°	76° 56°	70° 47°

#### Central Indiana:

fri	sat	sun	mon	tue	wed	thu	fri	sat	sun
sep 23	sep 24	sep 25	sep 26	sep 27	sep 28	sep 29	sep 30	oct 01	oct 02
AM Showers	PM Showers	Sct T-Storms	Few Showers	Few Showers	P Cloudy	Sunny	Sunny	Sunny	P Cloudy
68° 48°	66° 51°	63° 54°	67° 51°	61° 53°	70° 52°	72° 50°	73° 51°	73° 54°	73° 52°

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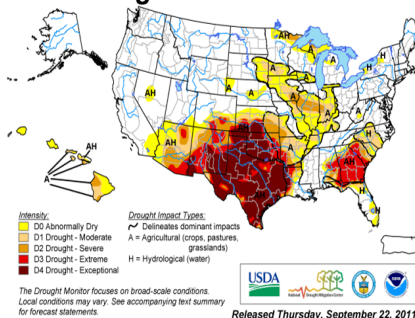


## Official Weather Station -2011

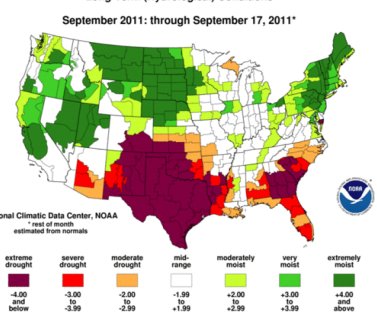
SW Research and Outreach Center  
University of Minnesota  
Lamberton, MN 56152

	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

## U.S. Drought Monitor September 20, 2011



## Palmer Hydrological Drought Index Long-Term (Hydrological) Conditions



**Corn:** Morning: Dec 11 Corn closed at \$6.42 3/4, down 7 1/4 cents, Mar 11 corn closed at \$6.56 1/2, down 6 1/2 cents, July 12 Corn is at \$6.68, down 6 1/4 cents, Dec 12 Corn closed at \$5.87 1/4, down 2 1/4 cents, Yesterday's Close: Dec 11 Corn closed at \$6.50, down 35 3/4 cents, Mar 12 Corn closed at \$6.63, down 35 3/4 cents, May 12 Corn closed at \$6.70 3/4, down 35 1/2 cents, Dec 12 Corn closed at \$5.89 1/2, down 30 3/4 cents  
Corn futures closed sharply lower coming within pennies of the 40 cent limit down on a general sell off in commodities and the outside markets. Weekly export sales were 598,100 MT, on the low end of estimates. The dollar is sharply higher with buying coming from risk averters and likely from importers of U.S. goods. Weekly ethanol production dipped last week as plants took down time ahead of harvest. Ethanol stocks dropped to 17.1 million barrels. Crude oil closed over 5.5 dollars a barrel lower. Cash corn basis levels are back to steady after earlier protection ahead of the futures opening with some processors, river terminals and ethanol plants higher now improving their bids.

**Soybean Complex:** Morning: Nov 11 Soybeans closed at \$12.62 1/4, dn 20 3/4 cents, Jan 11 Soybeans closed at \$12.73 1/2, dn 20 3/4 cents, Jul 12 Soybeans closed at \$12.93 1/2, down 22 1/2 cents, Nov 12 Soybeans closed at \$12.55 1/4, down 24 1/4 cents, Yesterday's Close: Nov 11 Soybeans closed at \$12.83, down 37 1/2 cents, Jan 12 Soybeans closed at \$12.94 1/4, down 37 1/4 cents, Mar 12 Soybeans closed at \$13.02 1/4, down 36 1/4 cents, Nov 12 Soybeans closed at \$12.79 1/2, down 32 1/2 cents, Oct 11 Soybean Meal closed at \$330.90, down \$9.00, Oct 11 Soybean Oil closed at \$53.68, down \$1.36  
Soybean futures ended the day 36 to 37 cents lower closing just a couple cents off session lows. Most of the downward pressure today is coming from the general sell off in outside markets with investors apparently moving to the sidelines or the long side of the dollar and bonds. Early harvest yield reports for beans seem to be running higher than expected. Freeze losses were on immature northern soybeans and won't be harvested until later. Weekly export sales were 404,400 MT near midrange of trade estimates. Basis levels were steady at elevators, mixed at processors and steady to higher at river terminals. PNW beans are now cheap enough to work into China ahead of the remaining Brazilian supplies.

**Wheat:** Morning: Dec 11 CBOT Wheat closed at \$6.34 1/2, up 3/4 cents, Dec 11 MGEX Wheat is at \$8.26 1/4, up 6 1/4 cents  
Yesterday's Close: Dec 11 CBOT Wheat closed at \$6.33 3/4, down 33 cents, Dec 11 KCBT Wheat closed at \$7.21, down 39 1/2 cents, Dec 11 MGEX Wheat closed at \$8.20, down 20 1/2 cents  
Wheat futures also closed sharply lower on all three exchanges. Export sales were 679,500 MT, significantly above trade estimates and up 66% from the previous 4 week average. Egypt purchased 240,000 MT of wheat from Russia. The EU granted export licenses for 213,000 MT of soft wheat this week. The EU total soft wheat exports for this marketing year are about 40% behind a year ago. Bangladesh will import 100,000 MT of wheat from the Ukraine. The 2011 Ukraine harvest yielded about 22.2 MMT of wheat with most of the wheat milling quality according to the Farm Ministry. India will allow up to 2 MMT of wheat exports due to overstock supplies although high domestic prices may curtail exports. Cash basis levels in the U.S. are steady to higher with farmers on the sidelines for winter wheat.

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**Cattle:** Yesterday's Close: Oct 11 Cattle closed at \$116.250, down \$3.000, Dec 11 Cattle closed at \$115.875, down \$2.975, Feb 12 Cattle closed at \$118.975, down \$2.700, Sep 11 Feeder Cattle closed at \$132.050, down \$1.900 Oct 11 Feeder Cattle closed at \$134.600, down \$2.900, Nov 11 Feeder Cattle closed at \$136.775, down \$3.000

Cattle futures closed limit lower on the spot month and near limit down on the other months. The U.S. dollar was the only market that finished higher with a general sell off in all but the dollar and treasuries. The stock market predictably dropped after the Fed announced what everyone expected. Sell the fact was the mentality today. The monthly USDA 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. Marketings should be up if for no other reason than one additional slaughter day in 2011. Beef exports continue to be strong with weekly export sales coming in at 18,000 MT. The Cold Storage report showed beef supplies were up 11% from a year ago and 3% higher than last month.

**Hogs:** Yesterday's Close: Oct 11 Hogs closed at \$88.350, down \$0.925, Dec 11 Hogs closed at \$82.000, down \$2.100, Feb 12 Hogs closed at \$86.325, down \$1.775

Hogs are closed sharply lower but resisted limit down. National direct hogs in IA/MN were \$1.14 lower, WCB hogs were \$1.12 lower and ECB hogs were \$0.22 lower. Pork trading was slow to moderate with light to moderate demand and offerings. The Carcass cutout was higher. Pork exports are expected to trend higher into 2012 offsetting a decline in beef exports due to high priced beef. Domestic pork consumption is also expected to rise in 2012. Estimated Thursday's hog slaughter is expected to hit 423,000 head, about 6,000 head over last year. The CME lean hog index was up \$0.82 as of 9/20. This is allowing October futures to rally back from their late August weakness. The Cold Storage report showed pork supplies were up 13% from a year ago but down 3% from last month. Total frozen poultry supplies were down 4% from last month but up 2% from a year ago. Total stocks of chicken were down 7% from July and down slightly from last year.

**Cotton:** Yesterday's Close: Oct 11 Cotton closed at 97.64, down 363 points, Dec 11 Cotton closed at 99.29, down 354 points, Dec 12 Cotton closed at 93.61, down 270 points

Cotton finished lower again, weighed on by a massive move upward in the dollar recently and huge moves down in equities and commodity markets. Crude oil was down over \$5 and gold was down almost \$70. Global markets have a lack of confidence. The Weekly Export Sales report was a plus in the sales column of 65,900 RB of Upland cotton and 400 RB of Pima. Certificated stocks were nearly steady from the previous days 28,961 at 28,963 bales.

**CRB CCI Index Weekly**

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

Op:632.35, Hi:632.35, Lo:583.05, Cl:583.05



**Brent Crude Oil Weekly**

CB - Crude Oil Brent (ICE) - Weekly OHLC Chart

Op:111.75, Hi:112.44, Lo:103.43, Cl:103.83



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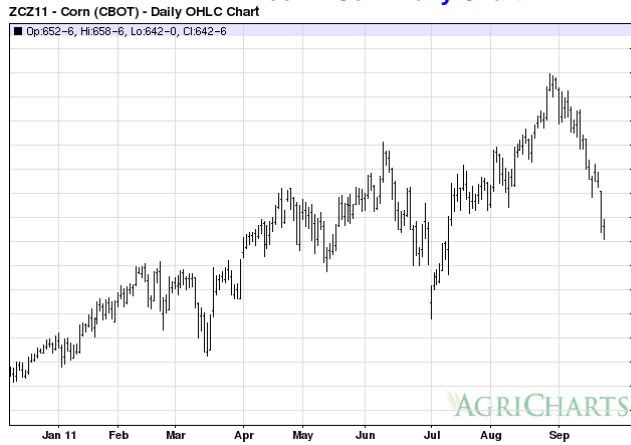
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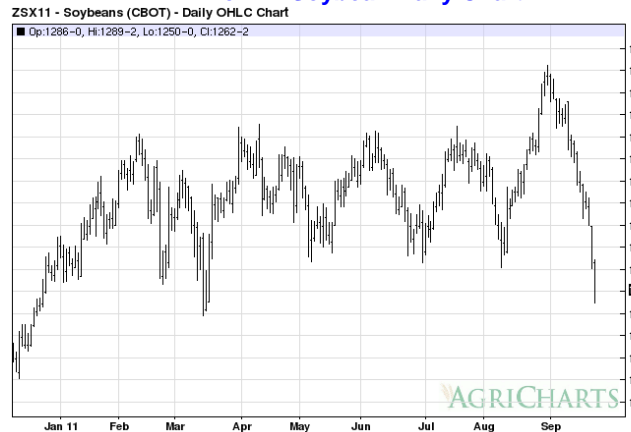
### Dec 11 Corn Daily Chart



### 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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