WEEKLY COMMENTS

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Saturday, October 22, 2011

Weekly Newsletters start in October and continue during harvest at least through October and likely into November.

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

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

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.

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 -.25 with a few as wide as -.40 depending on their location and local market. Soybean basis remains slightly wider than many years but given the futures value seam reasonable. For 2011 Soybean that need a delivery you may wish to accept a basis near -.50 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 -.35 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 Oct 21, 2011 Cattle on Feed; Tuesday Nov 9, 2011 WASDE & Crop Production

Market Talk Cash grain movement in the country elevators has been weak for several weeks, but now appears to be increasing. One significant reason for this is that we are nearing the end of the harvest season and some storage facilities are becoming full. However, this doesn't appear to be the case in much of Southern Minnesota where elevator receipts have been disappointing to most. Given the recent improvement in cash prices it is more economical to sell cash grain than pay storage costs as well. Commercial grain movement is also elevated from recent weeks as hedgers try to capture current basis values and avoid margin costs, especially if we see the rally continue.

Corn, soybeans and wheat were all firm to start Friday's session as we saw light fund buying ahead of the weekend. Speculation that we may see a resolution to the European Debt crisis and harvest delays in the Eastern Corn Belt also supported today's trade. Advances were capped by overhead technical resistance and building concerns over the state of China's economy, and what impact that will have on commodity demand. Soybeans suffered the most in today's session, as that commodity is quickly losing all bullish support.

Corn demand is showing signs of improving from its slow start to the marketing year. Cumulative corn sales now total 792 million bu, which is 5% ahead of a year ago. Corn sales are also at 50% of the entire yearly estimate, giving the indication we may see our yearly objective increased from its current level. The same case is not true for soybeans where bookings trail last year by 266 million bu.

Ethanol margins have been steadily improving for the past few months, but now appear to be leveling out. This is from the return of several plants to the production line that have been off-line for their annual maintenance. Now these plants are coming back into production and adding to the nation's ethanol stocks at a time when energy demand is actually declining. Manufacturers are also pushing to capture as much of the current margin and federal subsidies ahead of year end.

The analytical firm Oil World made a statement this week that any decline in world oilseed values, including soybeans, should only be temporary. While the world will have enough oilseed inventories to satisfy demand this year, it will only be able to do so by cutting into reserves. Oilworld economists believe this will cause oilseed values to rebound in early 2012. While this is possible, developments with the world economy will determine if current demand lasts for the remainder of the marketing year.

ICE Futures Canada is considering milling and durum wheat contracts as well as barley for Oct 2012 delivery if the Canadian Wheat Board closes shop next summer. The Marketing Freedom for Grain Farmers Act, proposed Oct 18 by the Ag Minister will give Western Canadian Wheat & barley farmers grain marketing freedom by eliminating the monopoly powers of the CWB. It is expected to pass.

United States Cattle on Feed:

Cattle and calves on feed for slaughter market in the United States for feedlots with capacity of 1,000 or more head totaled 11.3 million head on October 1, 2011. The inventory was 5 percent above October 1, 2010. This is the second highest October 1 inventory since the series began in 1996. The inventory included 6.95 million steers and steer calves, up 5 percent from the previous year. This group accounted for 61 percent of the total inventory. Heifers and heifer calves accounted for 4.32 million head, up 5 percent from 2010.

Placements in feedlots during September totaled 2.47 million, slightly above 2010. Net placements were 2.40 million head. During September, placements of cattle and calves weighing less than 600 pounds were 685,000, 600-699 pounds were 415,000, 700-799 pounds were 504,000, and 800 pounds and greater were 865,000.

Marketings of fed cattle during September totaled 1.81 million, 1 percent above 2010. Other disappearance totaled 74,000 during September, 37 percent above 2010.

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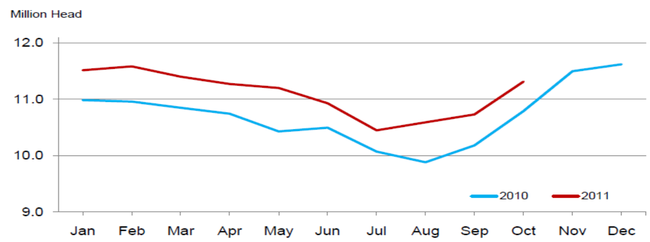
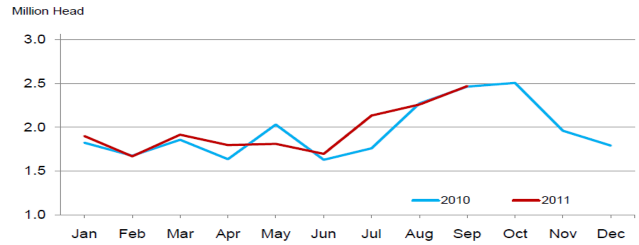
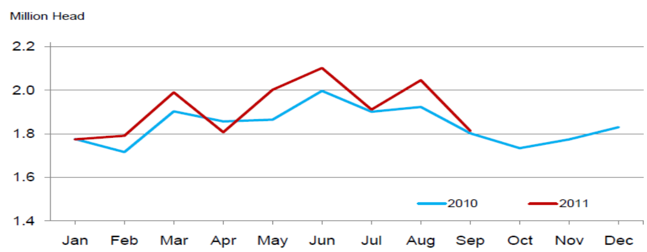
Cattle on Feed Inventory on 1,000+ Capacity Feedlots – United States



Number of Cattle Placed on 1000+ Capacity Feedlots – United States



Number of Cattle Marketed on 1,000+ Capacity Feedlots – United States



Number of Cattle on Feed, Placements, Marketings, and Other Disappearance on 1,000+ Capacity Feedlots – United States: October 1, 2010 and 2011

Item	Number 2010	Number 2011	Percent of previous year
	(1,000 head)	(1,000 head)	(percent)
On feed September 1	10,181	10,730	105
Placed on feed during September	2,463	2,469	100
Fed cattle marketed during September	1,802	1,813	101
Other disappearance during September	54	74	137
On feed October 1	10,788	11,312	105

CONSUMER PRICE INDEX – SEPTEMBER 2011

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in September on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index increased 3.9 percent before seasonal adjustment. Increases in energy and food indexes were the main cause of the seasonally adjusted all items increase. The gasoline index continued to rise, and indexes for electricity and natural gas increased as well. Broad increases in food indexes also continued in September, with the food at home index rising 0.6 percent for the third month in a row and no major grocery store food group indexes declining. The index for all items less food and energy increased 0.1 percent in September, its smallest increase since March.

The index for apparel declined in September after a series of sharp increases, and the indexes for used cars and recreation turned down as well. The indexes for new vehicles and household furnishings and operations were both flat. The shelter index rose, but posted its smallest increase since April, while the indexes for medical care, airline fares, and tobacco all increased.

The 12-month change in the all items index, which was 3.8 percent in August, edged up to 3.9 percent in September. The 12-month change for all items less food and energy remained at 2.0 percent for the second straight month. The energy index has risen 19.3 percent over the last year, while the food index has increased 4.7 percent.

Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Sep. 2010 - Sep. 2011

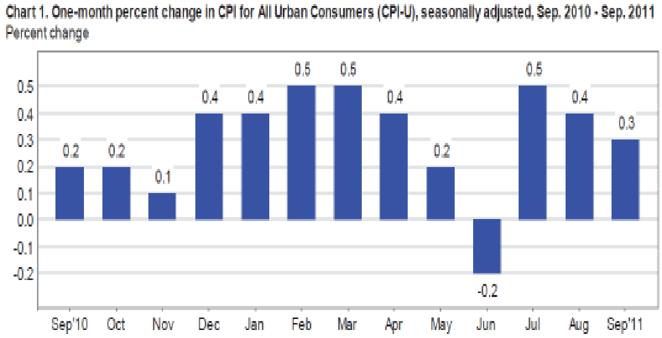
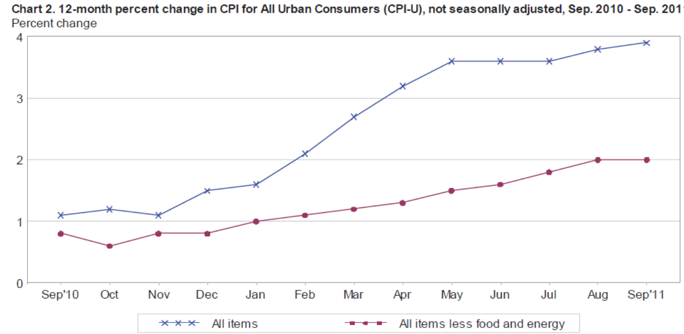


Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Sep. 2010 - Sep. 201



Yield Reports: Most everyone in south western MN has been somewhat disappointed in their soybean or corn yield, or at least a field here or there. I am not aware of any bumper soybean yields. Most of the best whole farm yields have been in the mid to upper 40's with a few regions reporting yields in the 30's. They would be areas that experienced a lot of prevented planting such as parts of Renville county.

Corn yields have been even more up and down with 75 bu/acre yields reported where severe green snap occurred in mid July. However timely planted fields just a few miles away have yielded near 180 bu/acre. I am not aware of any whole farms yielding above 200 bu/acre.

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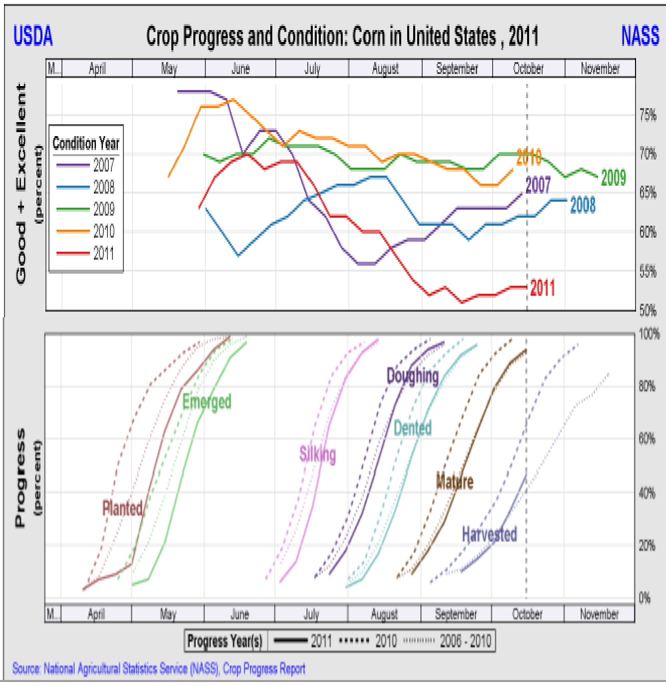
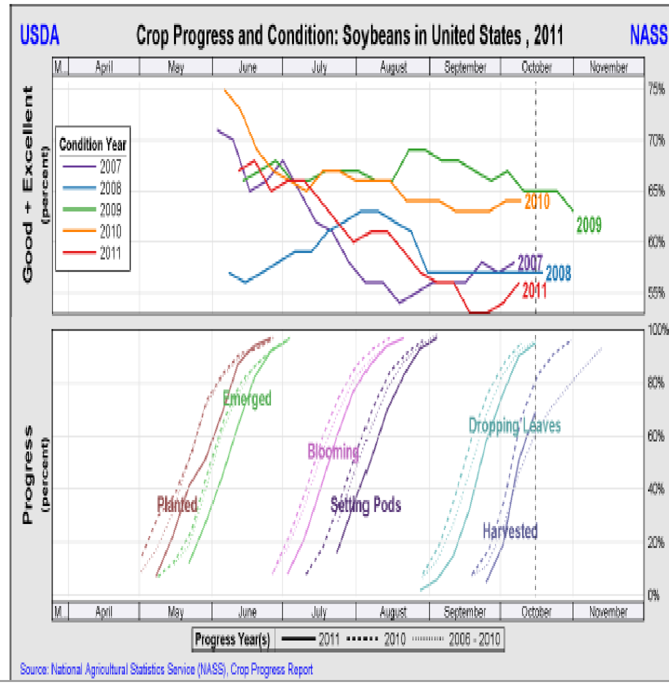
Crop Progress Corn and soybean harvest made considerable advances this week, but still fell short of trade expectations. Corn harvest was 47% complete as of last Sunday, compared to the average 41% on that date. Soybean harvest was 69% finished with the normal being 61%. The majority of this activity has been done in the Western Corn Belt, as delayed plantings mean crops in the East are just getting mature. Continuous rainfall in the Eastern Corn Belt has also caused harvest disruptions and delays.





Corn Progress

Corn Mature – Selected States
[These 18 States planted 92% of the 2010 corn acreage]

State	Week ending: October 16, 2010	Week ending: October 9, 2011	Week ending: October 16, 2011	2006-2010 Average
	(percent)	(percent)	(percent)	(percent)
Colorado	98	80	94	95
Illinois	100	98	100	93
Indiana	100	79	87	91
Iowa	100	97	99	96
Kansas	100	98	100	98
Kentucky	100	96	99	99
Michigan	99	68	86	90
Minnesota	100	94	99	94
Missouri	100	100	100	97
Nebraska	99	88	93	90
North Carolina	100	99	100	100
North Dakota	99	77	83	84
Ohio	99	39	61	90
Pennsylvania	95	68	86	90
South Dakota	99	96	99	95
Tennessee	100	99	100	100
Texas	99	99	100	98
Wisconsin	99	78	86	89
18 States	100	89	94	93

Corn Harvested – Selected States
[These 18 States harvested 94% of the 2010 corn acreage]

State	Week ending: October 16, 2010	Week ending: October 9, 2011	Week ending: October 16, 2011	2006-2010 Average
	(percent)	(percent)	(percent)	(percent)
Colorado	50	12	25	37
Illinois	92	49	64	55
Indiana	89	21	30	45
Iowa	62	27	45	31
Kansas	88	65	75	69
Kentucky	98	69	80	82
Michigan	58	8	14	25
Minnesota	43	20	48	28
Missouri	83	78	86	68
Nebraska	47	19	30	28
North Carolina	99	92	94	93
North Dakota	20	10	31	18
Ohio	62	5	8	29
Pennsylvania	51	15	23	40
South Dakota	32	18	38	22
Tennessee	99	88	91	90
Texas	88	82	87	87
Wisconsin	47	11	21	23
18 States	66	33	47	41

Soybean Progress

Soybeans Dropping Leaves – Selected States
[These 18 States planted 95% of the 2010 soybean acreage]

State	Week ending: October 16, 2010	Week ending: October 9, 2011	Week ending: October 16, 2011	2006-2010 Average
	(percent)	(percent)	(percent)	(percent)
Arkansas	89	69	82	84
Illinois	99	95	98	97
Indiana	100	89	95	97
Iowa	100	97	99	98
Kansas	93	82	90	93
Kentucky	100	84	90	96
Louisiana	100	96	98	98
Michigan	99	88	97	98
Minnesota	100	99	100	100
Mississippi	100	97	99	97
Missouri	93	79	92	88
Nebraska	100	96	100	99
North Carolina	78	46	58	69
North Dakota	100	100	100	100
Ohio	100	80	91	100
South Dakota	100	100	100	100
Tennessee	99	82	89	95
Wisconsin	100	94	99	98
18 States	98	90	95	96

Soybeans Harvested – Selected States
[These 18 States harvested 95% of the 2010 soybean acreage]

State	Week ending: October 16, 2010	Week ending: October 9, 2011	Week ending: October 16, 2011	2006-2010 Average
	(percent)	(percent)	(percent)	(percent)
Arkansas	68	36	49	51
Illinois	88	50	73	64
Indiana	88	28	55	60
Iowa	92	70	87	72
Kansas	58	43	59	49
Kentucky	73	21	40	45
Louisiana	91	90	92	85
Michigan	81	23	50	50
Minnesota	94	83	96	76
Mississippi	94	77	83	82
Missouri	55	35	54	41
Nebraska	86	63	84	67
North Carolina	14	6	10	10
North Dakota	87	79	86	68
Ohio	77	3	23	59
South Dakota	82	73	88	64
Tennessee	77	29	42	50
Wisconsin	83	28	62	50
18 States	81	51	69	61

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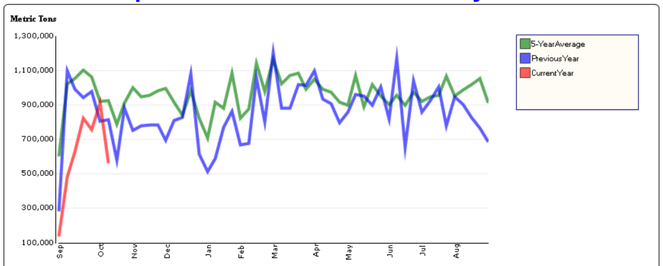
US Corn Exports 2011-12

Weekly



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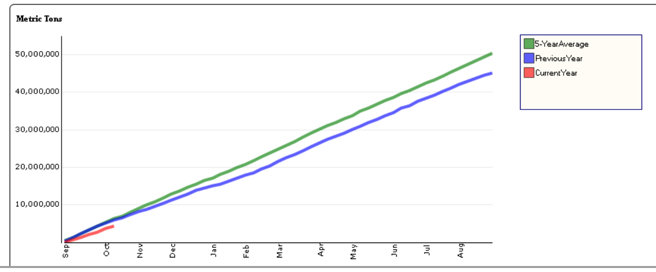
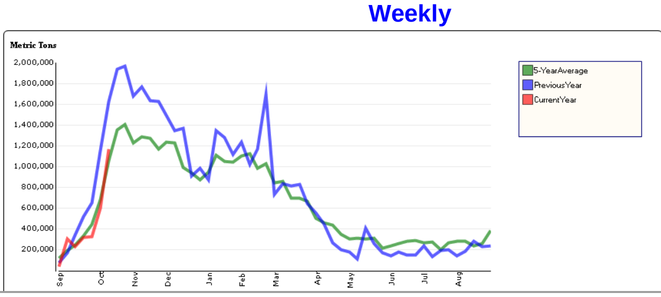


US Soybean Exports 2011-12

China needs to buy and ship an average of 40 million bushels per week to hit the current USDA estimate for their imports for the marketing year. That is a mix of US and South American beans, but for the next 6 months the bulk of them should be from the United States.

Weekly



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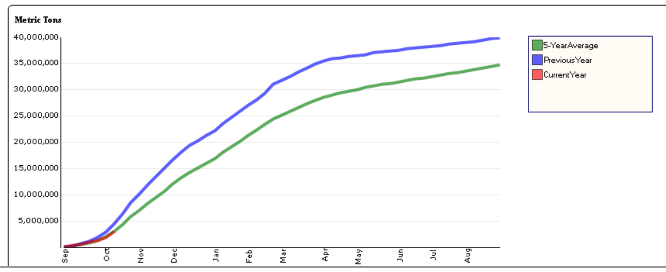
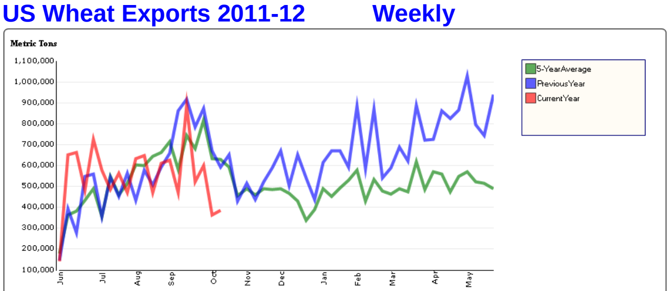


US Wheat Exports 2011-12

Weekly



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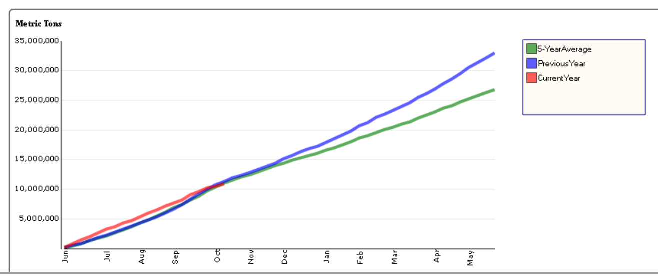
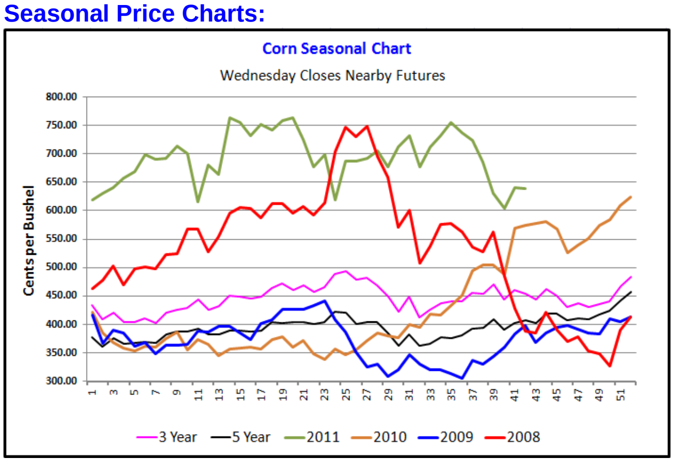
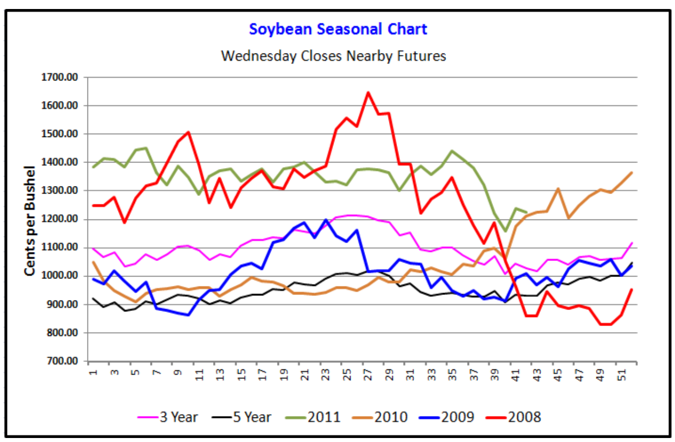


Seasonal Price Charts:





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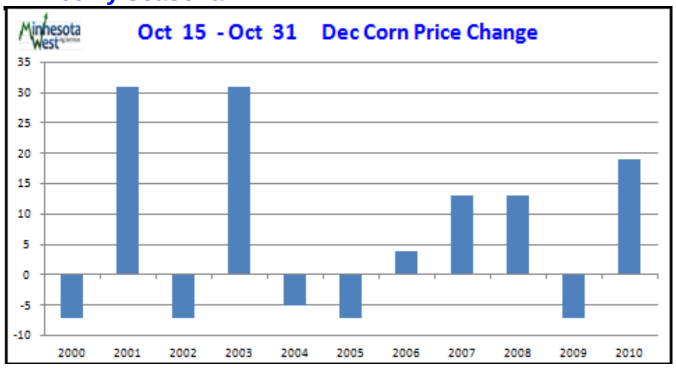
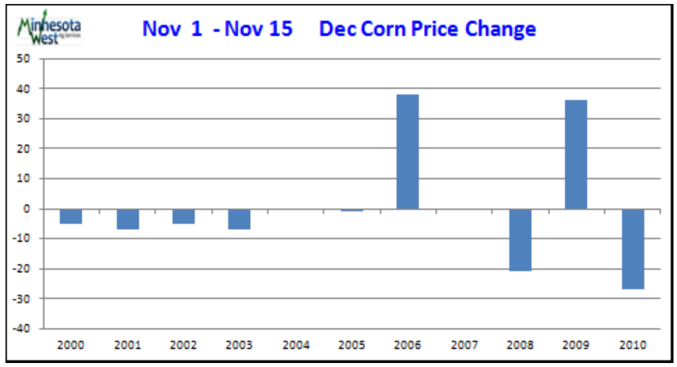
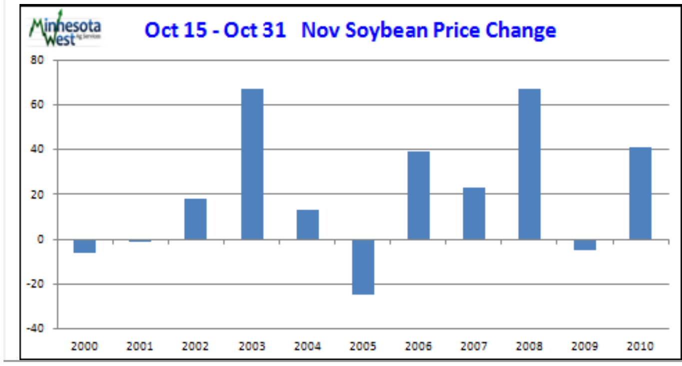
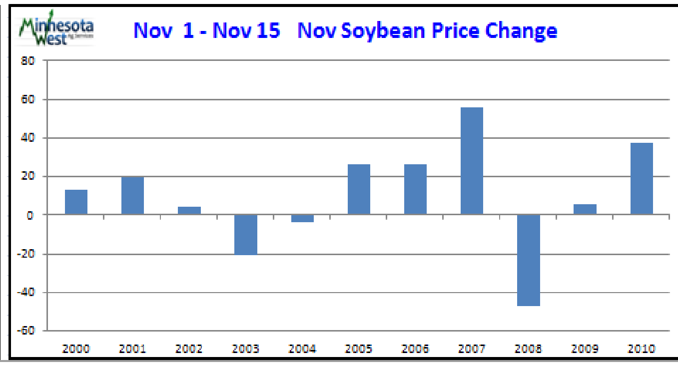
Bi-Weekly Seasonal









Outside Markets:

U.S. Dollar Index	76.628s	-0.608	-0.79%
CRB CCI Index	587.50s	+5.00	+0.86%
Gold	1635.1s	+23.2	+1.44%
Silver	31.173s	+0.907	+3%
DJIA	11757s	+285	+2.48%
S&P 500 Index	1235.20s	+25.30	+2.09%
Nasdaq 100	2334.25s	+33.25	+1.45%
Russell 1000 Growth	575.10s	+10.60	+1.88%
MSCI EMI Index	926.80	+25.00	+2.77%
Nikkei 225	8750.00s	+50.00	+0.57%
Brazilian Real	0.56085s	+0.00405	+0.73%

Euro FX	1.38590s	+0.00960	+0.7%
Canadian Dollar	0.98930s	+0.00450	+0.46%
Japanese Yen	1.31500s	+0.01270	+0.98%
Australian Dollar	1.02650s	+0.00810	+0.8%
Chinese Renminbi	0.156720s	0.000000	-
Mexican Peso	0.072925s	-0.000075	-0.1%
1-Month Libor	99.7400s	+0.0025	-
T-Bond	138-16s	-0-16	-0.36%
3-Month T-Bill	99.2700s	0.0000	-
5-Year T-Note	122-2.5s	+0-010	+0.03%
10-Year T-Note	128-210s	-0-015	-0.04%

Ethanol Futures	Nov 11	2.655s	+0.023
Gasoline RBOB (E)	Nov 11	2.6846s	+0.0091
Diesel Gulf (ULSD)	Nov 11	3.0457s	+0.0016
Heating Oil (E)	Nov 11	3.0175s	-0.0126
Crude Oil Brent (E)	Dec 11	109.56s	-0.20
Natural Gas (E)	Nov 11	3.629s	-0.001
Polypropylene	00	-	0
Polyethylene	00	-	0
RME Biodiesel	Oct 11	1407.524s	+3.714
Coal Futures	Nov 11	73.10s	-0.27
Uranium	Oct 11	52.25s	0.00

Weather The forecast calls for things to stay largely quiet through the weekend and Monday of next week. By Tuesday or Wednesday of next week, a front looks to work through the region and bring some rains, although changes indicate most totals to be under .50" in most cases. As we head into the end of next week and following weekend, there is growing disparity between the models on the details, with the GFS dry and the European indicating rains. Right now I lean towards the Europeans idea. Temps the rest of this week will be running below average, with highs in the 50's in most cases and some 40's in the far north and 60's in the far south. Temps then look to warm towards average or even a bit above by the weekend and stay there into the first half of next week, with cooling late.

Central Illinois:

sat	sun	mon	tue	wed	thu	fri	sat	sun	mon
oct 22	oct 23	oct 24	oct 25	oct 26	oct 27	oct 28	oct 29	oct 30	oct 31
Sunny	M Sunny	Sunny	Sct T-Storms	Few Showers	P Cloudy	Sunny	Showers	Sunny	Sunny
67° 43°	70° 49°	71° 53°	72° 48°	53° 41°	51° 37°	52° 36°	53° 40°	57° 37°	54° 38°

Central Iowa:

sat	sun	mon	tue	wed	thu	fri	sat	sun	mon
oct 22	oct 23	oct 24	oct 25	oct 26	oct 27	oct 28	oct 29	oct 30	oct 31
P Cloudy	M Sunny	Sunny	Few Showers	Cloudy	Sunny	Sunny	M Sunny	Cloudy	Sunny
69° 48°	73° 49°	75° 59°	70° 43°	56° 35°	53° 32°	55° 36°	55° 39°	57° 38°	55° 39°

South Central Minnesota:

sat	sun	mon	tue	wed	thu	fri	sat	sun	mon
oct 22	oct 23	oct 24	oct 25	oct 26	oct 27	oct 28	oct 29	oct 30	oct 31
Sunny	P Cloudy	M Sunny	Showers	P Cloudy	M Sunny	M Sunny	P Cloudy	P Cloudy	P Cloudy
64° 46°	68° 42°	63° 47°	54° 35°	52° 28°	53° 28°	53° 31°	52° 34°	51° 31°	49° 33°

Central Indiana:

sat	sun	mon	tue	wed	thu	fri	sat	sun	mon
oct 22	oct 23	oct 24	oct 25	oct 26	oct 27	oct 28	oct 29	oct 30	oct 31
M Sunny	Sunny	M Sunny	P Cloudy	Showers	Cloudy	M Sunny	P Cloudy	Sunny	P Cloudy
63° 42°	68° 50°	71° 48°	71° 52°	53° 44°	49° 37°	50° 37°	52° 40°	57° 39°	55° 39°

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Corn:
Dec 11 Corn closed at $6.49 ¼ , down ¼ cent, Mar 12 Corn closed at $6.60, up ¾ cent, May 12 Corn closed at $6.65 ½ , up 1 cent Dec 12 Corn closed at $6.03 ¼ , up 3 cents
Corn futures closed mixed, slightly above the lows of the day with Dec 12 gaining ground on Dec 11. Earlier strength in corn was supported by a weaker US dollar and higher crude oil but the gains faded before the weekend. Dec 11 Corn closed up 9 ¼ cents or 1.45% for the week. High prices in China continue to be supportive. The November serial options expired today, settled against the December futures. Vietnam was buying small amounts of corn from India. The CFTC Disaggregated Futures & Options Report showed Managed Money decreasing net longs in corn for the reporting week ending Tuesday.

Soybean Complex:
Nov 11 Soybeans closed at $12.12 ¼ , down 12 ¾ cents, Jan 12 Soybeans closed at $12.20 ¾ , down 9 ¾ cents, Mar 12 Soybeans closed at $12.29 ½ , down 8 ¼ cents, Nov 12 Soybeans closed at $12.08 ¾ , down 3 ½ cents, Dec 11 Soybean Meal closed at $316.50, down $3.80, Dec 11 Soybean Oil closed at $51.25, down $0.14
Soybean futures closed lower. Nov 11 Soybeans closed down 57 ¾ cents or -4.55% for the week. China needs to buy and ship an average of 40 million bushels per week to hit the current USDA estimate for their imports for the marketing year. That is a mix of US and South American beans, but for the next 6 months the bulk of them should be from the United States. They just aren't buying enough of them yet. Chinese futures at Dalian were higher Friday after trading sharply lower on Thursday. Basis was mostly higher at processors and river terminals. European biodiesel production was down in the first quarter of 2011 and likely in the 2nd quarter. Oil World sees global oil seed prices higher in early 2012. The CFTC Disaggregated Futures & Options Report showed Managed Money increasing net longs in soybeans as of Tuesday.

Wheat:
Dec 11 CBOT Wheat closed at $6.32, up 1 ¼ cents, Dec 11 KCBT Wheat closed at $7.23, down 2 cents, Dec 11 MGEX Wheat closed at $9.19 ¼ , up 1 ¾ cents
Wheat futures closed mixed. Dec 11 CBOT Wheat closed up 9 ¼ cents or 1.49% for the week. Dec 11 KCBT Wheat closed up 15 ½ cents or 2.19% for the week. Dec 11 MGEX Wheat closed up 26 ¾ cents or 3% for the week. Equity markets were higher which is also supportive. Kazakhstan is set for a record post Soviet grain production year at 28.2 MMT. La-Nina weather is bringing concerns for another dry year for wheat which would add insult to injury after this year's dryness. The Marketing Freedom for Grain Farmers Act, proposed Oct 18 by the Ag Minister will give Western Canadian Wheat & barley farmers grain marketing freedom by eliminating the monopoly powers of the CWB. It is expected to pass. The CFTC Disaggregated Futures & Options Report showed Managed Money increasing net longs in KC wheat and increasing net shorts in CBOT wheat as of Tuesday.

Cattle: Oct 11 Cattle closed at $121.925, up $0.475, Dec 11 Cattle closed at $122.150, up $0.350, Feb 12 Cattle closed at $124.800, unch, Oct 11 Feeder Cattle closed at $139.400, up $0.125 Nov 11 Feeder Cattle closed at $142.725, up $0.700 Jan 12 Feeder Cattle closed at $147.600, up $0.625
Live Cattle futures closed higher. Oct 11 Cattle closed up $0.275 or .23% for the week. Oct 11 Feeder Cattle closed down $0.500 or -.36 % for the week. The USDA Cattle on Feed report was released Friday afternoon. Oct 1 Cattle on Feed was 104.86% of last year, ahead of estimates. Sept placements were 100.24%, well ahead of estimates. Sept marketings were 100.61, slightly under estimates. Other Disappearance was 137% of last year, which has been running over 130% for the last 4 months. Choice boxed beef was down $1.45 on Friday and select was down $.23, trimming the spread to $16.55. The Cold Storage report on Friday afternoon showed beef at 108% of last year and on par with last month.

Hogs: Dec 11 Hogs closed at $89.650, down $0.325, Feb 12 Hogs closed at $92.025, down $0.475 Apr 12 Hogs closed at $94.750, down $0.250
Lean hogs closed lower. Dec 11 Hogs closed down $0.425 or -.47% for the week. The Cold Storage report showed Pork at 116% of last year and 111% of last month. These are regarded as bearish numbers, but may just reflect the requirements of a ramped up export program. Fresh Loins were weak, Butts not established and Hams $3 higher. The pork carcass cutout value was $.28 higher. Cash hogs were lower: -$1.41 in WCB, -$1.84 in ECB, -$1.38 in IA/MN. Hog slaughter for the week was estimated at 2.139 million head. That is 5K head above last week and 35k larger than this time last year. Saturday's estimated is 184k, down sharply from last year. The CFTC Disaggregated Futures & Options Report showed Managed Money increasing net longs in hogs as of Tuesday.

Cotton: Dec 11 Cotton closed at 97.1, up 24 points, Mar 12 Cotton closed at 95.6, up 18 points Dec 12 Cotton closed at 92.07, down 4 points
Cotton futures closed mildly higher, supported by higher equities and a lower dollar. Dec 11 Cotton closed down 484 points or -4.75% for the week. Export commitments for the marketing year are still solid at 61% of the USDA projection aside from slow sales. Sales are slow because a lot of the buyers are already covered. The 5-year average commitment by this date is only 47% of the USDA projection for the year. Certificated stocks were up slightly from the previous day at 20,801 bales. The CFTC Disaggregated Futures & Options Report showed Managed Money decreasing net longs in cotton as of Tuesday.

Weekly Comments

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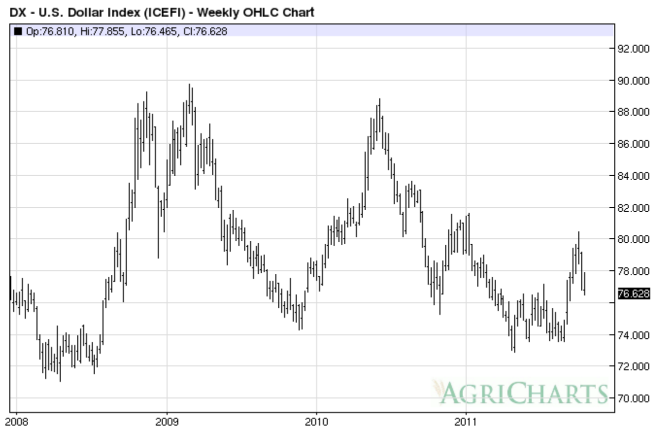
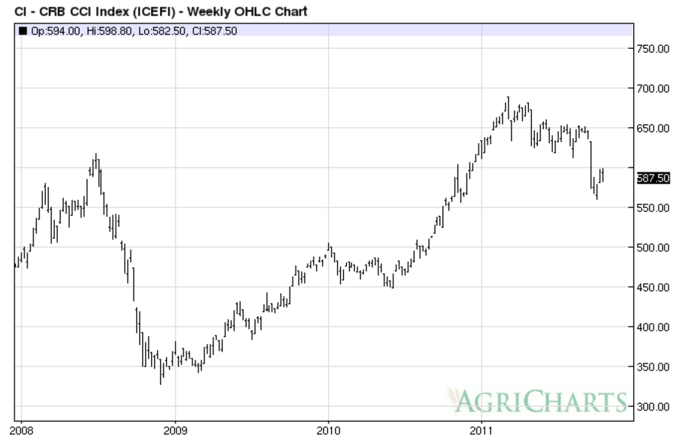
Saturday, October 22, 2011

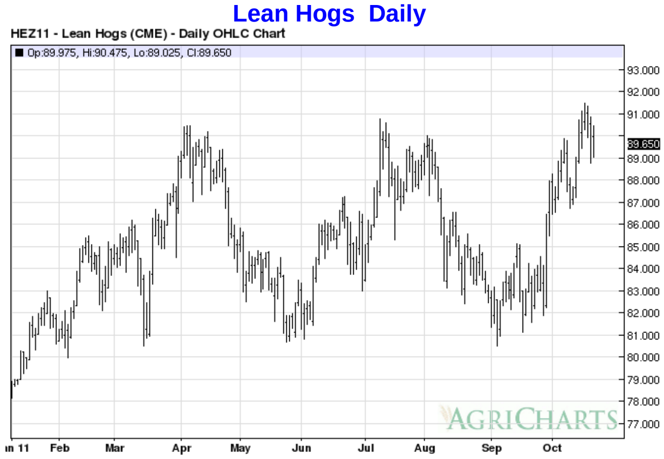
US Dollar Index



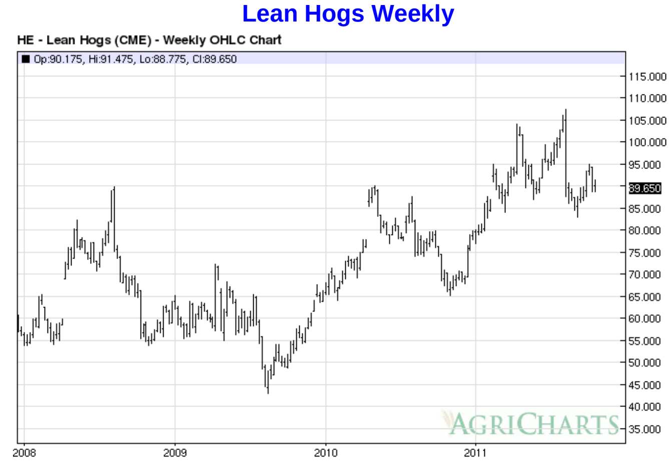
CRB CCI Index



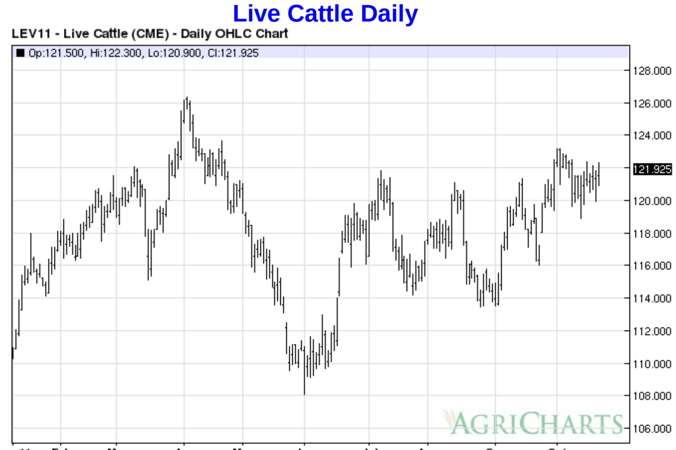
Lean Hogs Daily



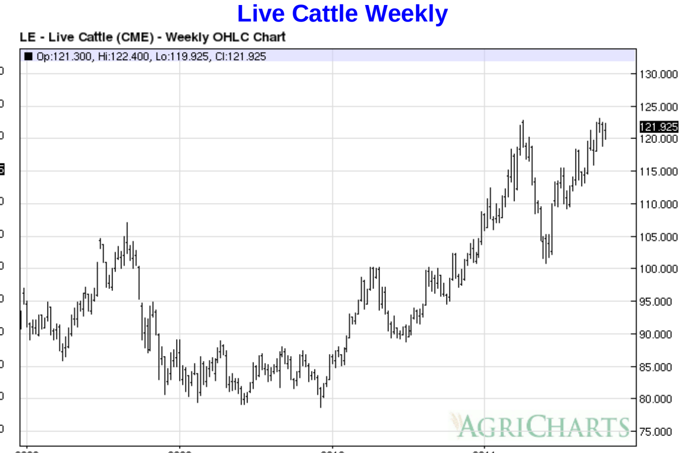
Lean Hogs Weekly



Live Cattle Daily



Live Cattle Weekly



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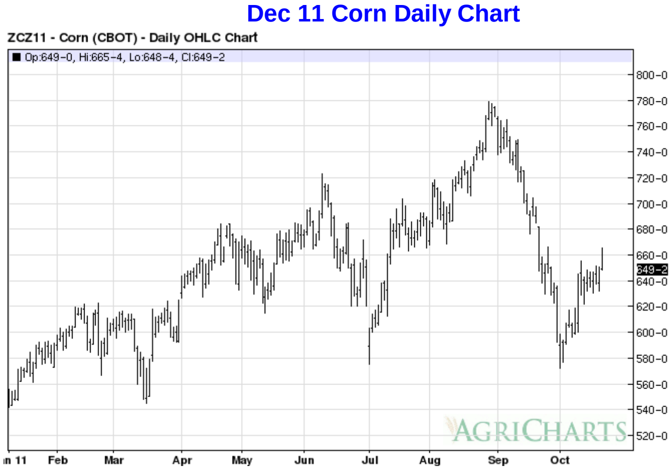
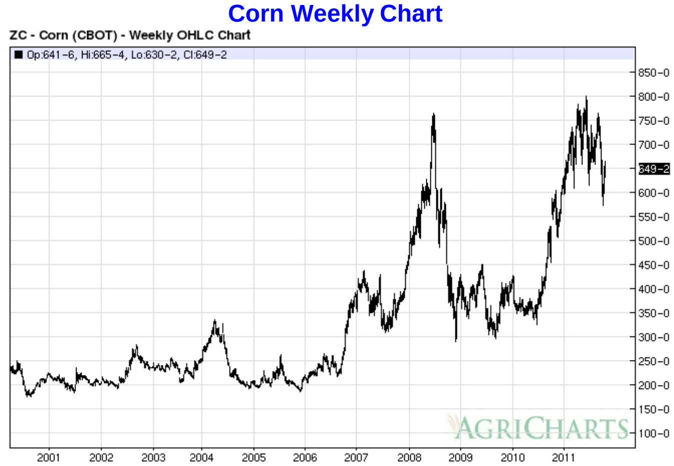
Saturday, October 22, 2011

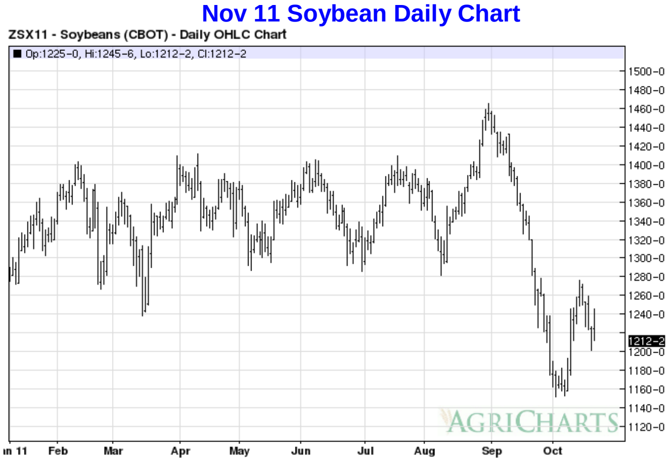
Dec 11 Corn Daily Chart



Corn Weekly Chart

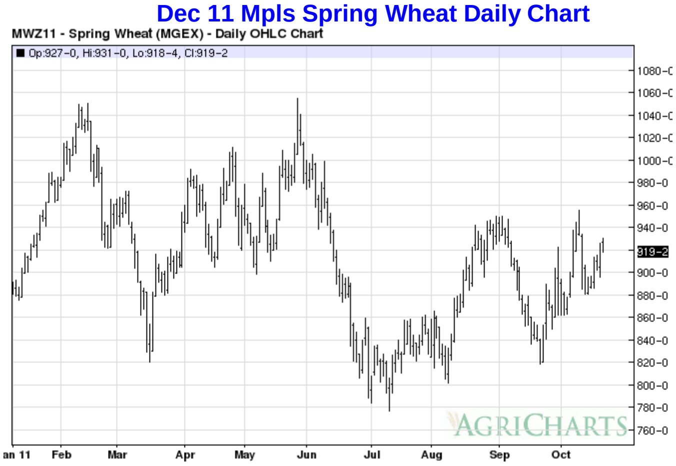


Nov 11 Soybean Daily Chart



Soybean Weekly Chart

Dec 11 Mpls Spring Wheat Daily Chart



Mpls Spring Wheat Weekly Chart