Weekly Comments

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Friday, October 28, 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: Many So MN elevators have corn basis of -.25 with a few as wide as -.40 depending on their location and local market. Soybean basis has narrowed up and is narrower than most years in the past for this time of the year with a number of locations having a posted basis near -.30. When futures have been over $12.00 we have had limited opportunity for -.70 or better basis in Jan-Mar of 2010 or in 2008.

Corn Basis

	Flat	Basis	Opt.
OCT	6.33	-0.22	Z
NOV	6.33	-0.22	Z
DEC '11	6.35	-0.20	Z
JAN	6.37	-0.30	H
FEB	6.39	-0.28	H
MAR	6.41	-0.26	H
APRIL	6.43	-0.30	K
MAY	6.45	-0.28	K
JUNE	6.47	-0.30	N
JULY	6.49	-0.28	N

Soybean Basis

	Flat	Basis	Option
OCT	11.98	-0.28	F
NOV	11.98	-0.28	F
DEC '11	12.01	-0.25	F
JAN '12	12.01	-0.25	F
FEB '12	12.05	-0.31	H
MAR '12	12.05	-0.31	H
NC 2012	11.72	-0.65	S

A way to capture the narrow basis and still hold your position would be to sell the cash and then re-own with futures. Another advantage is that you can generate considerable cash flow. However, you are subject to price risk similar to storing grain.

Selling cash and re-owning using summer call options or a call spread would provide the ability to establish a price floor and maintain upside potential.

For example, July Soybeans are trading near $12.60 with those strikes costing near $.85. If you choose to use a spread of the $12.60 and $14.60 strikes you could capture $.30 in premium by selling the $14.60 to reduce cost to about $.55, however you also limit potential profits to about $1.45 per bushel. Adding the potential $1.45 upside profits to a cash bid of near $12.00 could provide for a final net price near $13.45 or so.

A corn example would be to use July call spread with $6.80 calls that have a premium of $.67 and then sell the $7.80 call for $.34 for a net cost of $.33 or even sell an upper call strike like the $8.80 for $.17 and have more upside with a net cost of $.50. These positions have no margin call exposure beyond the initial premium cost.

Next Major USDA Reports: Tuesday Nov 9, 2011 WASDE & Crop Production

Market Talk: Currently the United States has the highest priced corn in the world. Buyers can find cheaper feed wheat from most sources for about $30/ton less than U.S. corn. Importers can even book corn from India and Ukraine for between $25 and $60 per ton less than U.S. corn. The weak value on the U.S. dollar has helped to off-set some of this price spread, but not enough to cause an increase in corn sales interest.

Harvest season weakness in the U.S. cash grain market has been limited. Producer and commercial storage facilities were mostly empty going into the harvest season, and thus can hold a large amount of this fall's harvest without forcing it into the pipeline. As a result, internal processors are already becoming concerned with the possibility of supply shortages once harvest concludes. This is even more of an issue in areas that were affected by low yields and acreage losses. Processor basis is abnormally tight.

Some producers without inadequate on-farm storage capacity are paying commercial storage fees at internal terminals. This may not be the best economical decision though as there is very little carry in today's cash market, and in some cases, deferred bids are at a lower value than spot bids. Holding grain this year could easily end up costing a producer rather than rewarding.

Dry soils in the Western Corn Belt and Plains are becoming more of a concern as these conditions are spreading into main production areas. Iowa's topsoil is reported at 72% short of moisture compared to 35% short a year ago. These factors make rainfall this fall and next spring critical for producing normal crops. Application of Anhydrous Ammonia has come to a halt at regions were soil moisture is in adequate to hold the gas in the soil. See soil moisture graphic in the weather section below.

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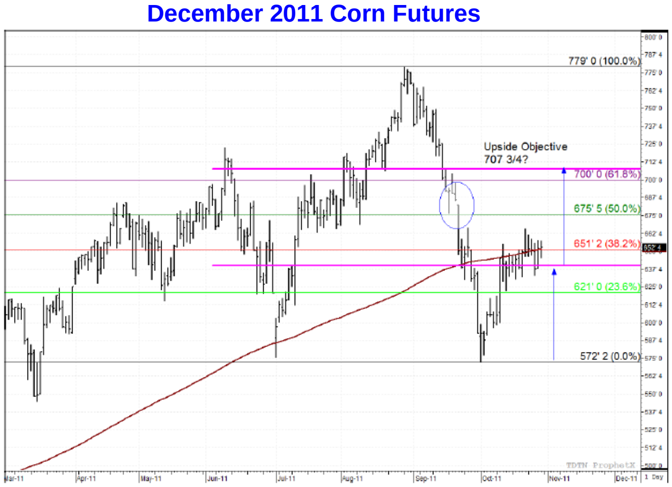
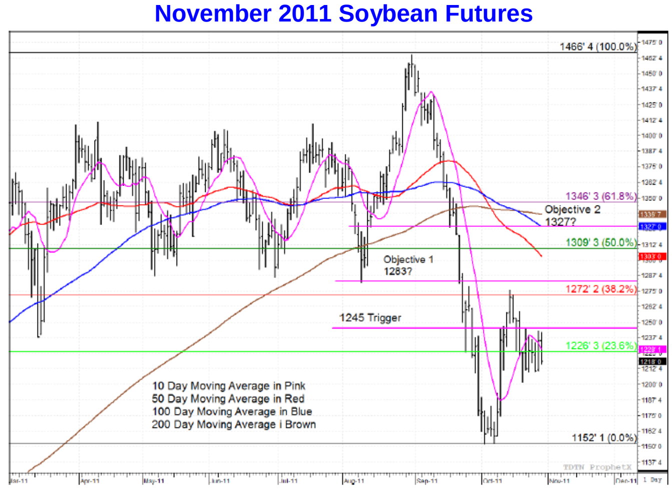
GPD: The U.S. Bureau of Economic Analysis (BEA) says real gross domestic (GDP) product -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 2.5% in the third quarter of 2011, matching investors' expectations, according to the "advance" estimate released by the Bureau of Economic Analysis. In the second quarter, real GDP increased 1.3%.

"The increase in real GDP in the third quarter primarily reflected positive contributions from personal consumption expenditures (PCE), nonresidential fixed investment, exports, and federal government spending that were partly offset by negative contributions from private inventory investment and state and local government spending," states the release.

December 2011 Corn Futures



November 2011 Soybean Futures



DDGS Study Shows Greater Benefits: A new report recently released by the U.S. Department of Agriculture (USDA) found that the animal feed produced by U.S. ethanol plants (commonly known as distillers grains or DDGS) is replacing more corn and soybean meal in feed rations than previously believed.

While it is an industry standard that every 56-pound bushel of corn processed by a dry mill ethanol plant generates 2.8 gallons of ethanol and approximately 17.5 pounds of animal feed. According to the new report by USDA's Economic Research Service (ERS), "Findings demonstrate that, in aggregate (including major types of livestock/poultry), a tonne of DDGS can replace, on average, 1.22 tonnes of feed consisting of corn and soybean meal in the U.S." In essence, the new ERS report dispels the conventional assumption that every bushel of corn processed by an ethanol plant generates an amount of feed equivalent to just one-third of the original corn bushel, RFA said.

The Renewable Fuels Association (RFA) said on Oct. 25 that the report's findings have important implications for discussions regarding ethanol's impact on feed grains availability, feed prices, land use effects, and the greenhouse gas (GHG) impacts of producing corn ethanol, RFA said.

Minnesota, NRCS and the Board of Soil and Water Resources recently announced a contribution agreement outlining provisions to expedite and provide consistency in providing certified wetland documentation for landowners, along with a plan to develop a wetland bank to be used exclusively for mitigation of wetland impacts on agricultural lands.

It is important to note that this program is targeted toward small wet areas designated as FW (Farmed Wetland) areas in <u>cropland only</u>. These are areas that are farmed virtually every year, but typically produce less than well-drained farmland and also may result in reduced yields in surrounding areas. These areas also provide little, if any, wetland habitat value. Many of these areas are only a few tenths of an acre in size.

Landowners planning to conduct drainage activities have had the option of draining wetlands provided that they mitigate the wetland loss by restoring or creating a wetland elsewhere, under a wetland banking program administered by BWSR. However, this provision has been used primarily by developers impacting open water wetlands. The new approach to mitigating farmed wetlands (FWs on field maps), will allow ag landowners to drain FWs in exchange for restoring or creating wetlands on other eligible cropland.

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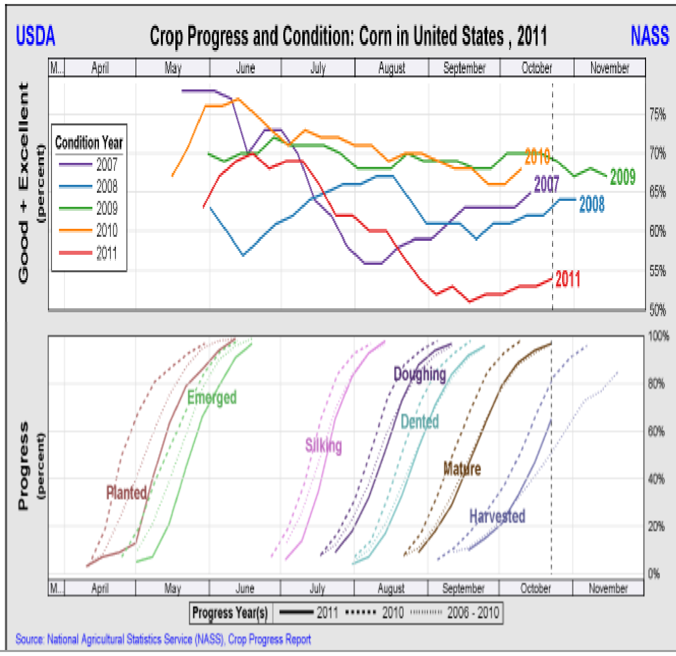
Corn Progress



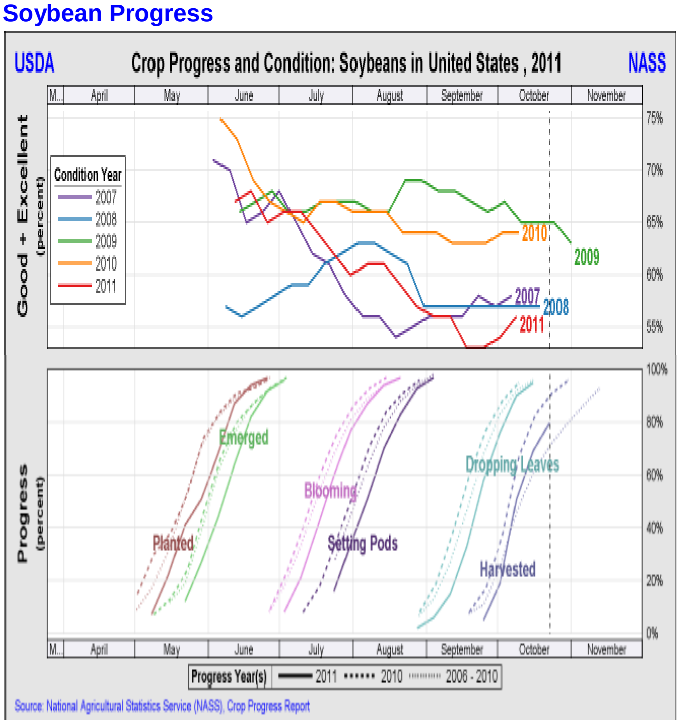
Corn Mature – Selected States
[These 18 States planted 92% of the 2010 corn acreage]

State	Week ending October 23, 2010	Week ending October 16, 2011	Week ending October 23, 2011	2006-2010 Average
	(percent)	(percent)	(percent)	(percent)
Colorado	99	94	98	98
Illinois	100	100	100	97
Indiana	100	87	94	95
Iowa	100	99	99	98
Kansas	100	100	100	99
Kentucky	100	99	100	100
Michigan	100	86	94	95
Minnesota	100	99	100	97
Missouri	100	100	100	98
Nebraska	100	93	97	94
North Carolina	100	100	100	100
North Dakota	100	83	97	88
Ohio	100	61	76	96
Pennsylvania	97	86	92	93
South Dakota	100	99	100	98
Tennessee	100	100	100	100
Texas	100	100	100	99
Wisconsin	100	86	94	94
18 States	100	94	97	97

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

State	Week ending October 23, 2010	Week ending October 16, 2011	Week ending October 23, 2011	2006-2010 Average
	(percent)	(percent)	(percent)	(percent)
Colorado	66	25	40	49
Illinois	96	64	79	63
Indiana	95	30	42	55
Iowa	83	45	71	42
Kansas	92	75	85	73
Kentucky	99	80	87	87
Michigan	71	14	20	34
Minnesota	73	48	79	43
Missouri	89	86	93	71
Nebraska	71	30	49	39
North Carolina	100	94	97	96
North Dakota	50	31	71	31
Ohio	75	8	14	41
Pennsylvania	62	23	31	49
South Dakota	60	38	67	33
Tennessee	100	91	95	94
Texas	92	87	95	90
Wisconsin	64	21	38	33
18 States	81	47	65	51

Soybean Progress



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

State	Week ending October 23, 2010	Week ending October 16, 2011	Week ending October 23, 2011	2006-2010 Average
	(percent)	(percent)	(percent)	(percent)
Arkansas	82	49	62	63
Illinois	96	73	84	74
Indiana	95	55	68	73
Iowa	97	87	95	79
Kansas	75	59	74	60
Kentucky	88	40	55	58
Louisiana	95	92	97	90
Michigan	91	50	64	66
Minnesota	99	96	100	83
Mississippi	98	83	91	87
Missouri	76	54	70	52
Nebraska	95	84	93	76
North Carolina	25	10	21	16
North Dakota	97	86	93	75
Ohio	88	23	42	76
South Dakota	94	88	97	76
Tennessee	88	42	54	60
Wisconsin	94	62	83	63
18 States	91	69	80	71

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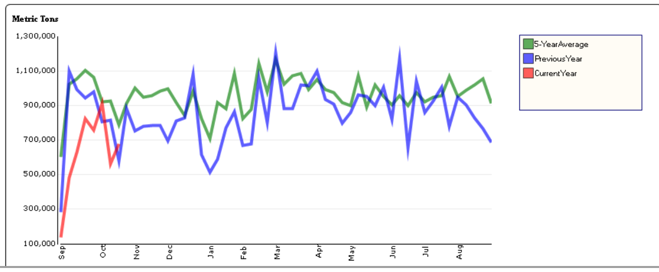
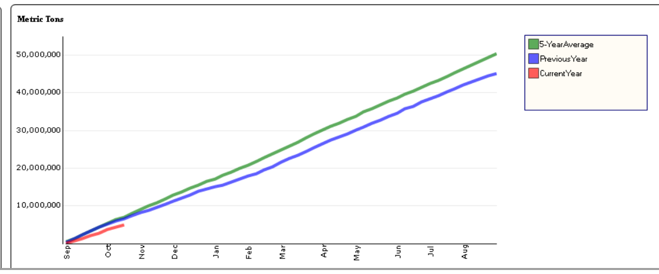
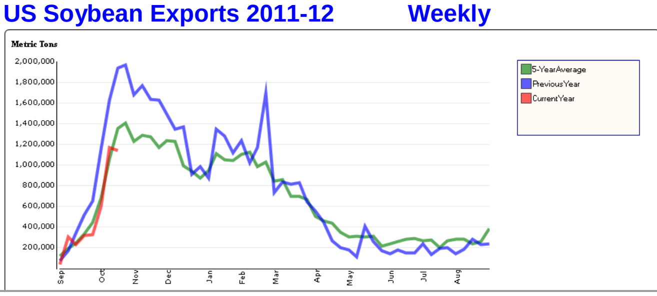
US Corn Exports 2011-12 Weekly



Accumulated



US Soybean Exports 2011-12 Weekly



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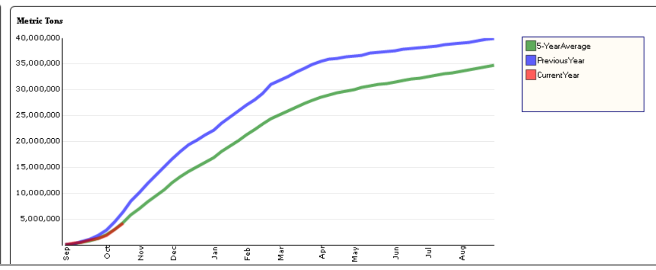
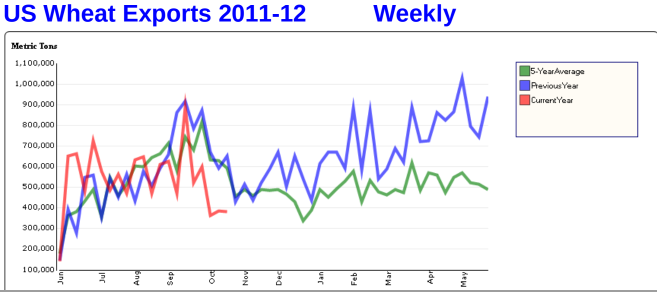


US Wheat Exports 2011-12 Weekly



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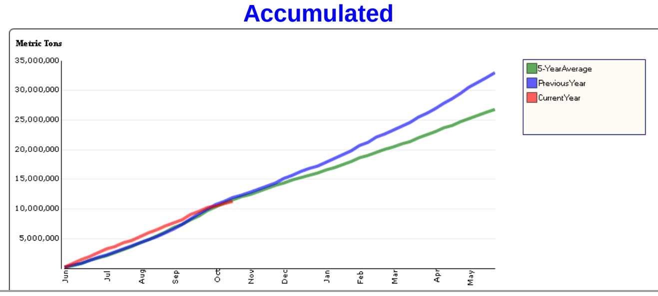
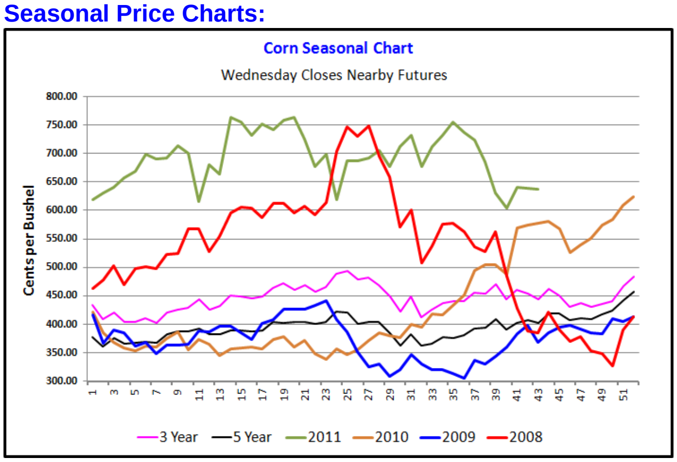
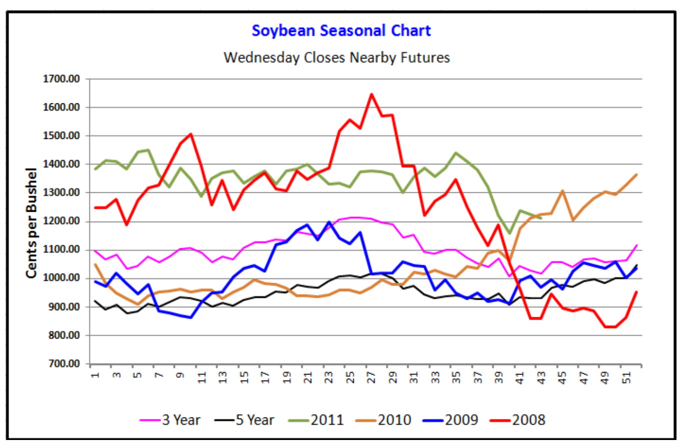


Seasonal Price Charts:





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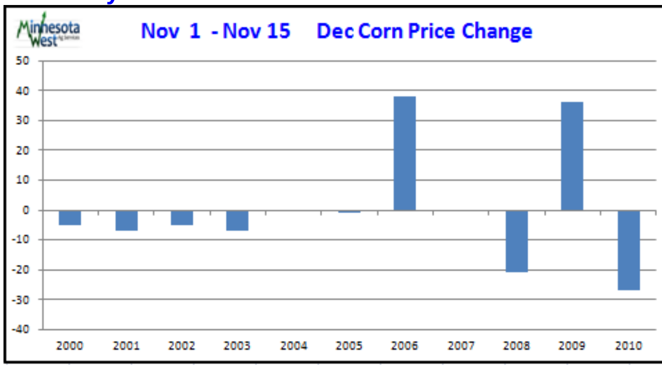
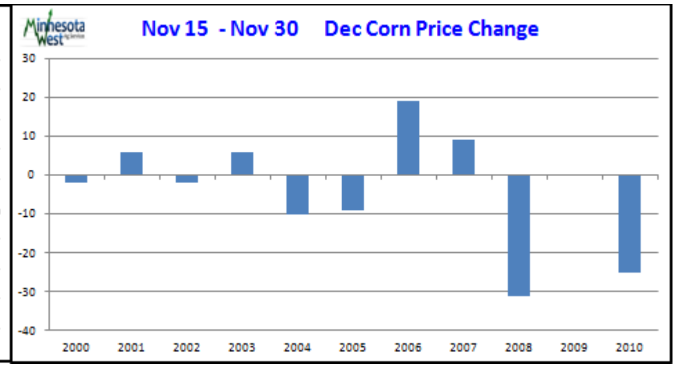
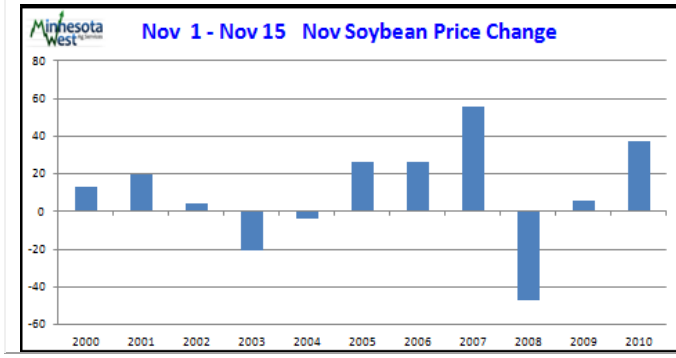
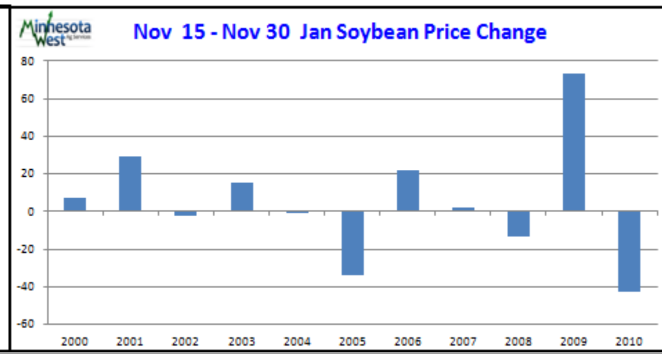
Bi-Weekly Seasonal Price Charts:









Outside Markets:

U.S. Dollar Index	75.220	+0.004	+0.01%
CRB CCI Index	608.00s	-2.00	-0.33%
Gold	1741.9	-4.3	-0.25%
Silver	35.270p	+0.174	+0.5%
DJIA	12168s	0	-
S&P 500 Index	1274.90	-6.00	-0.47%
Nasdaq 100	2396.50p	+2.75	+0.11%
Russell 1000 Growth	596.80s	0.00	-
MSCI EMI Index	1020.50s	-8.90	-0.86%
Nikkei 225	9020.00	-50.00	-0.55%
Brazilian Real	0.59550s	+0.01010	+1.73%

Euro FX	1.41430	-0.00050	-0.04%
Canadian Dollar	1.00560	+0.00030	+0.03%
Japanese Yen	1.32140	+0.00040	+0.03%
Australian Dollar	1.06200	-0.00290	-0.27%
Chinese Renminbi	0.157680s	+0.000130	+0.08%
Mexican Peso	0.076550s	+0.000550	+0.72%
1-Month Libor	99.7475s	+0.0025	-
T-Bond	136-23	-0-05	-0.11%
3-Month T-Bill	99.2700s	0.0000	-
5-Year T-Note	122-030	+0-010	+0.03%
10-Year T-Note	128-045	+0-015	+0.04%

Ethanol Futures	Nov 11	2.753p	+0.018
Gasoline RBOB (E)	Dec 11	2.6461s	-0.0611
Diesel Gulf (ULSD)	Nov 11	3.0602s	-0.0351
Heating Oil (E)	Dec 11	3.0664s	-0.0373
Crude Oil Brent (E)	Dec 11	109.91s	-2.17
Natural Gas (E)	Dec 11	3.923s	+0.159
Polypropylene	00	-	0
Polyethylene	Nov 11	0.5350s	0.0000
RME Biodiesel	Oct 11	1415.095s	+1.428
Coal Futures	Dec 11	73.65s	+0.28
Uranium	Oct 11	52.00s	+0.75

Weather A few light rain showers impacted the northern Midwest on Friday. Totals have been around .20" or less in most cases. Dry weather dominated the rest of the region over the weekend and temps were below average, with highs in the 50's and lows in the 20's in the north and 30's in the south. *The forecast sees a wetter pattern to return to the Midwest and cause problems with remaining harvest.* Things will remain fairly quiet through Tuesday and then by Wednesday and Thursday, a weather system will work through and produce rains of around .40-1" to much of the region, with a few isolated heavier totals likely as well. There is a slight southeasterly bias to the heaviest amounts and best coverage. A brief break will occur, but then some rains are seen by later in the weekend, with most amounts in the .25-.75" range, with some 1"+ amounts in the NW. It is even possible that much of the precip could fall as some meaningful snow in the far NW Midwest. Yet another rain event is seen for much of the region by the early to middle of next week. Temps will run average to a bit above for much of the next week to ten days.

Central Illinois:

sun	mon	tue	wed	thu	fri	sat	sun	mon	tue
oct 30	oct 31	nov 01	nov 02	nov 03	nov 04	nov 05	nov 06	nov 07	nov 08
Shwrs Early	M Sunny	M Sunny	P Cloudy	Showers	P Cloudy	P Cldy/Wind	Sunny/Wind	P Cloudy	Showers
56° 36°	58° 37°	69° 45°	66° 47°	53° 45°	59° 47°	62° 38°	52° 34°	52° 40°	50° 38°

Central Iowa:

sun	mon	tue	wed	thu	fri	sat	sun	mon	tue
oct 30	oct 31	nov 01	nov 02	nov 03	nov 04	nov 05	nov 06	nov 07	nov 08
P Cloudy	M Sunny	P Cldy/Wind	Showers	Few Showers	P Cloudy	T-Shwrs/Wind	Sunny	P Cloudy	Showers
58° 33°	61° 43°	73° 50°	53° 39°	52° 37°	56° 45°	62° 34°	50° 35°	52° 37°	51° 36°

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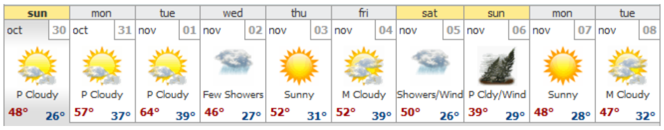
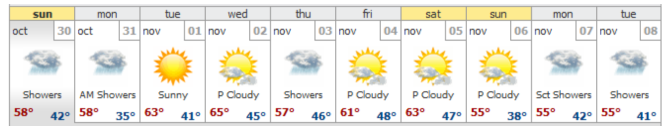
South Central Minnesota:



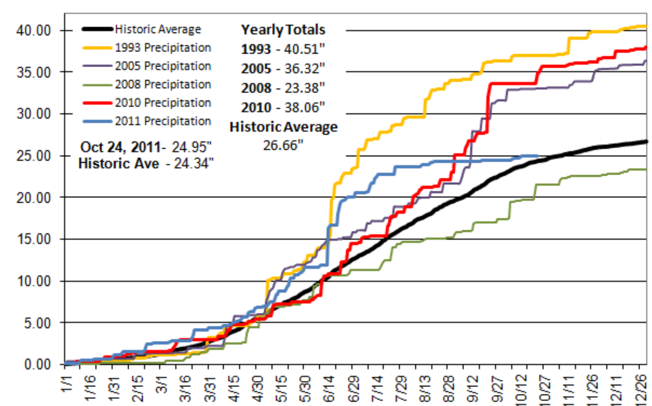
Central Indiana:



Official Weather Station -2011

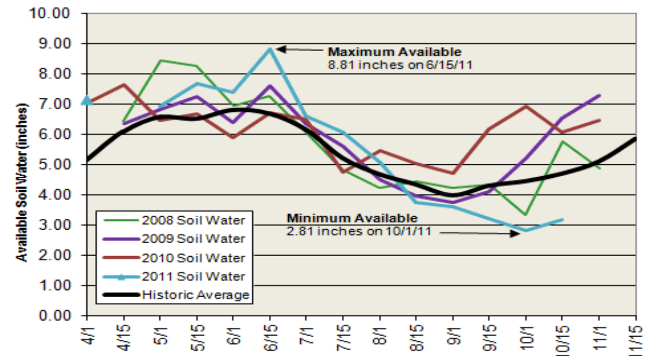
SW Research and Outreach Center
University of Minnesota
Lamberton, MN 56152

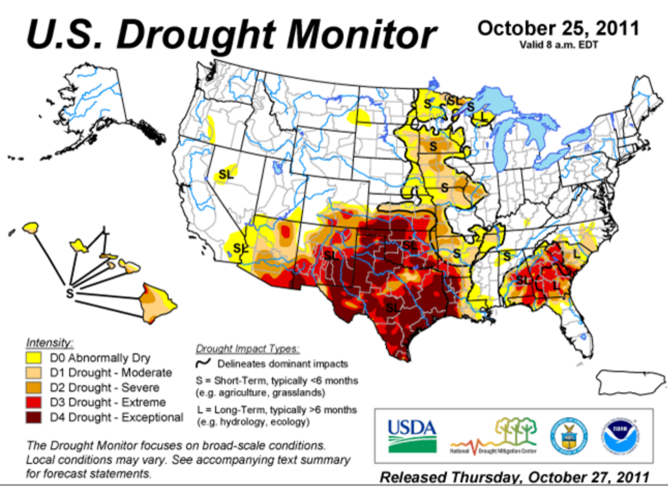
2005-2011 Yearly Precipitation Totals vs. Historic Average
Southwest Research and Outreach Center
Lamberton, MN

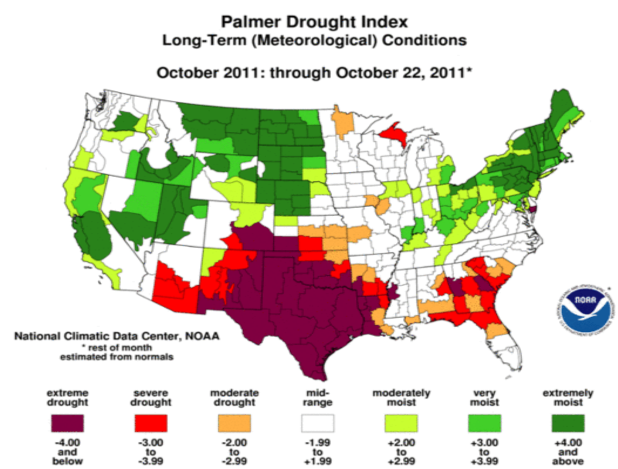


2008-2011 Soil Water vs. Historic Average

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







Corn: Friday's Close: Dec 11 Corn closed at $6.55, up 3 ½ cents, Mar 12 Corn closed at $6.67, up 3 ½ cents, May 12 Corn closed at $6.73 ¼ , up 4 ½ cents Dec 12 Corn closed at $6.16, up 2 ¾ cents
Corn futures closed slightly higher on Friday. Dec 11 Corn closed up 5 3/4 cents or .89% for the week. Taiwan bought 60 TMT corn from Brazil, telegraphed earlier in the week but the source was unknown. The national average cash corn price is the highest since the harvest lows set on Oct 4th. Dec futures also posted the highest close since September 21. Ethanol plants continue to be aggressive corn buyers. The CFTC Disaggregated Futures & Options report showed Managed money sharply increasing their net long positions in corn as of Tuesday.

Soybean Complex: Friday's Close: Nov 11 Soybeans closed at $12.17, down 18 cents, Jan 12 Soybeans closed at $12.26, down 18 cents, Mar 12 Soybeans closed at $12.35 ¾ , down 17 ¾ cents, Nov 12 Soybeans closed at $12.36 ½ , down 14 ½ cents, Dec 11 Soybean Meal closed at $317.50, down $6.00, Dec 11 Soybean Oil closed at $51.77, down $0.34
Soybeans closed lower. Nov 11 Soybeans closed up 4 3/4 cents or .39% for the week. Open interest in the November has declined sharply

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ahead of first notice day on Monday. MOFCOM estimates October soy imports into China at 4.83 MMT with US shipments at 2.56 MMT and S America at 1.03 MMT (Reuters). The CFTC Disaggregated Futures & Options report showed Managed money sharply decreasing their net long positions in soybeans as of Tuesday.

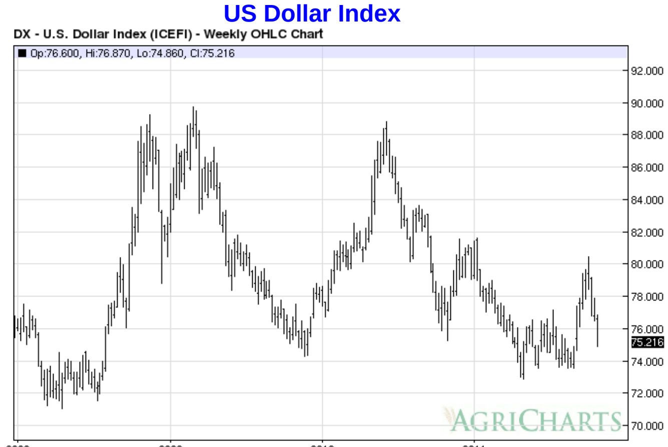
Wheat: Friday's Close: Dec 11 CBOT Wheat closed at $6.44 ½ , up ½ cent, Dec 11 KCBT Wheat closed at $7.38, unch , Dec 11 MGEX Wheat closed at $9.20 ½ , down 2 ½
Wheat futures closed mixed, with CBOT and MGEX higher. CBOT and KCBT advanced on MGEX this week. Dec 11 CBOT Wheat closed up 12 1/2 cents or 1.98% for the week. Dec 11 KCBT Wheat closed up 15 cents or 2.07% for the week. Dec 11 MGEX Wheat closed up 1 1/4 cents or .14% for the week. Egypt's GASC has tendered for another shipment of wheat which with the results due on Saturday. The purchase is unlikely to be US origin, but the price level it takes to get their business (or more properly how cheaply the sellers can originate) is of great interest to the world market. The CFTC Disaggregated Futures & Options report showed Managed money decreasing their net short positions in CBOT wheat and decreasing net longs in KCBT as of Tuesday.

Cattle: Friday's Close: Oct 11 Cattle closed at $120.950, up $0.200, Dec 11 Cattle closed at $119.050, down $0.850, Feb 12 Cattle closed at $121.950, down $0.725, Nov 11 Feeder Cattle closed at $141.100, down $0.475 Jan 12 Feeder Cattle closed at $145.600, down $0.350 Mar 12 Feeder Cattle closed at $146.500, down $0.375
Live Cattle futures closed higher. Oct 11 Cattle closed down $0.975 or -.8% for the week. Nov 11 Feeder Cattle closed down $1.625 or -1.14% for the week. There were some cash cattle sales today in NE, TX and IA for $121 and $191-193 with some cleanup sales in KS and CO. Higher cash trade boosted nearby October futures, which expire on Monday. Choice boxed beef was up $.14 and select was down $.69, spreading the choice even higher. The choice/select spread is now at $18.97. Slaughter week to date at 642K head is 22K ahead of last week to this point and ahead of last year by 1K head. YTD was 27.97 million, 30K behind last year. The CFTC Disaggregated Futures & Options report showed Managed money decreasing their net long positions in live cattle and increasing net longs in feeders as of Tuesday.

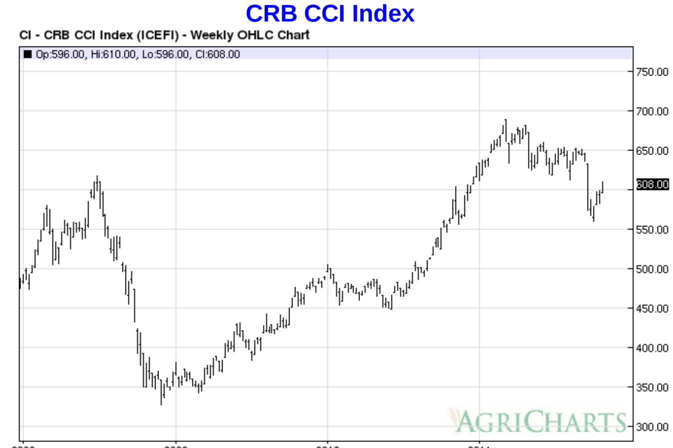
Hogs: Friday's Close: Dec 11 Hogs closed at $86.675, up $0.025, Feb 12 Hogs closed at $89.900, up $0.225 Apr 12 Hogs closed at $92.250, up $0.075
Lean hogs closed higher. Dec 11 Hogs closed down $2.975 or -3.32% for the week. The pork carcass cutout value was $.02 lower this afternoon. December hogs are now almost $6 below the CME Index and anticipating continuation of the typical fall decline in pork cutout values and the cash hog market. Cash hogs were mixed with WCB up $1.77, $2.38 lower in ECB and $1.73 higher in IA/MN. Cumulative weekly slaughter was estimated at 2.306 million including a projection for Saturday; 5K behind the same point in 2010. YTD was 89.717 million, 155K ahead of last year. The CFTC Disaggregated Futures & Options report showed Managed money increasing their net long positions in hogs as of Tuesday.

Cotton: Friday's Close: Dec 11 Cotton closed at 104.37, up 5 points, Mar 12 Cotton closed at 102.5, up 19 points Dec 12 Cotton closed at 97.84, up 48 points
Cotton futures closed mixed but holding onto the big Thursday advance. Dec 11 Cotton closed up 727 points or 7.49% for the week. Certificated stocks are at 28,086 bales. The CFTC Disaggregated Futures & Options report this afternoon showed Managed money sharply decreasing their net long positions in cotton as of last Tuesday. They might have missed out on the Thursday rally as a result.

US Dollar Index



CRB CCI Index



Minnesota West Ag Services

WEEKLY COMMENTS

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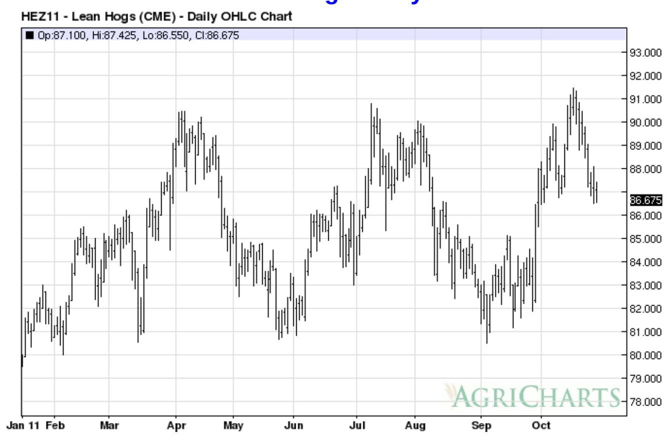
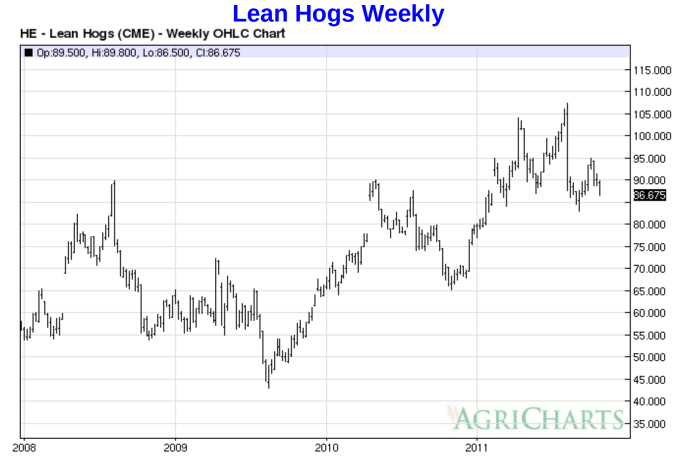
Friday, October 28, 2011

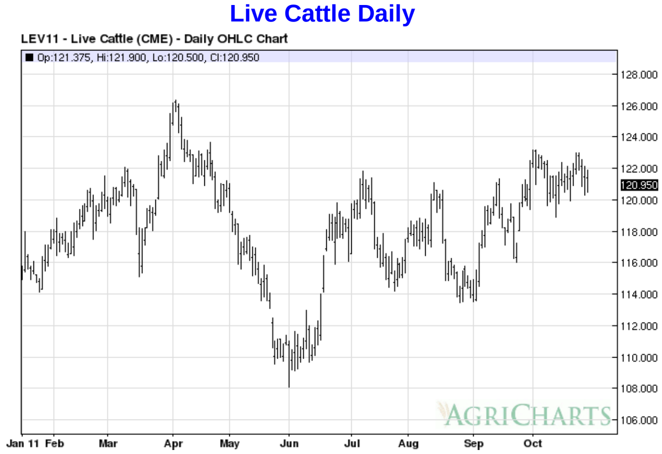
Lean Hogs Daily



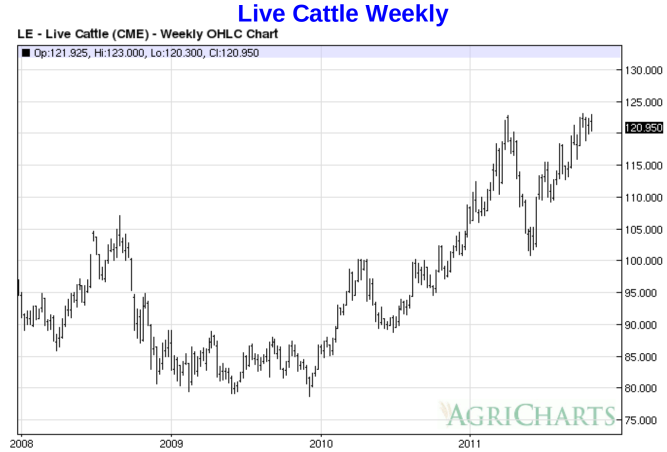
Lean Hogs Weekly



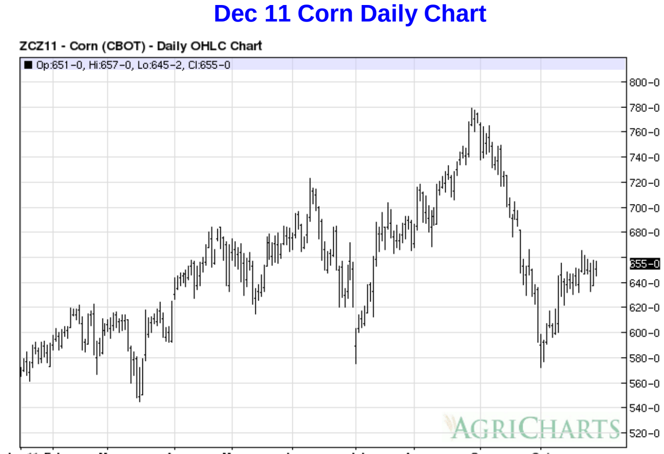
Live Cattle Daily



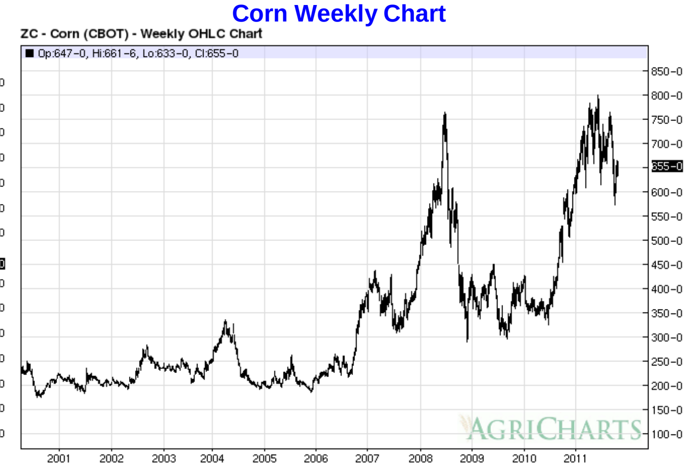
Live Cattle Weekly



Dec 11 Corn Daily Chart



Corn Weekly Chart



Nov 11 Soybean Daily Chart

Soybean Weekly Chart

WEEKLY COMMENTS

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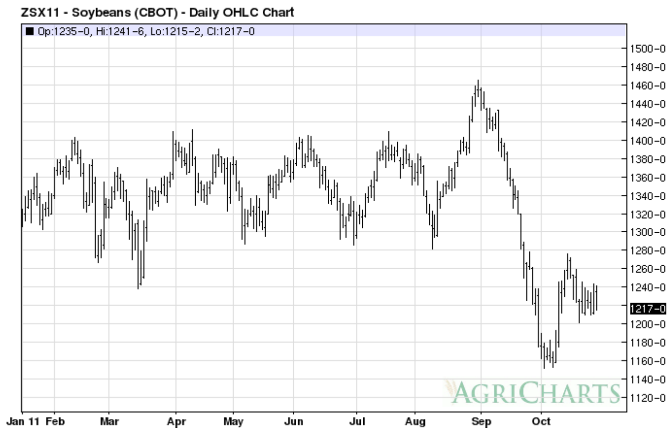
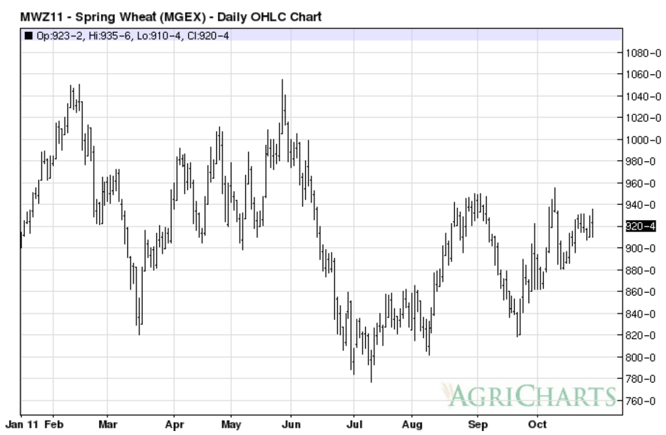


Dec 11 Mpls Spring Wheat Daily Chart



Mpls Spring Wheat Weekly Chart