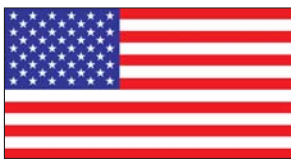


Pro Farmer

October 8, 2011 • Vol. 39, No. 41



United We Stand



profarmer.com

When you see the icon with the PF shield and the "link cursor," go to www.profarmer.com for more on that story!

News this week...

Page 2: Adjusted corn, bean crop estimates.

Page 3: Private sources deliver crop pegs.

Page 4: Time for a full-system review at USDA.

'I didn't know they could get that dry!'

That soybean harvest comment comes from a Black Hawk, (NE) Iowa, PF member. In six days, soybeans on this grower's farm went from 14.5% moisture, to 7.8% moisture. That takes a big bite out of weights at the scale.

Conditions are so dry and windy across the Midwest that "Red-Flag Warnings" were issued in an attempt to prevent field fires.

Analysts not sure what to expect on Oct. 12.

After being whip-sawed by the September S&D and Grain Stocks Reports, traders' confidence in their expectations is exceptionally low. That just increases odds of another big price reaction this week.

Selling pressure eases as harvest nears midpoint — Corn and soybean harvest reports poured into the market last week as one of the most-active harvest weeks in history rolled on in the Midwest. For both corn and soybeans, the midpoint of harvest should have represented the height of harvest hedge pressure. A lack of farmer selling during the second half of harvest as grain bins are filled should limit pressure on futures and lift basis markets. Wheat trade between the three major exchanges remained on divergent paths last week: Chicago's soft red winter is trying to encourage wheat-feed use; K.C.'s hard red winter market softened with increased chances of rain; Minneapolis' spring wheat market maintained a premium for the small-volume, high-quality crop. Cash cattle trade consolidated the previous week's gains with steady trade while lean hog futures reached levels that should make all producers "willing hedgers."

Conab delivers first-of-the-year estimates

The Brazilian government's first official crop estimate of the year for 2011-12 (from Conab) pegged soybean production at 72.18 million metric tons (MMT) to 73.29 MMT, down from a record 75.3 MMT last year. Conab expects soybean acreage to be 2% to 3.5% higher, but yields are forecast to return to more normal levels.

PERSPECTIVE: PF crop consultant Dr. Michael Cordonnier sees a 2.5% increase in Brazilian acreage and a crop of 73.7 MMT.

Conab conservative with corn outlook —

Conab put 2011-12 Brazilian corn production at 57.33 MMT to 58.99 MMT, but said production could hit 60 MMT if conditions are right. Dr. Cordonnier calls that estimate "very conservative" and is looking for a Brazilian corn crop of 62 MMT to 63 MMT.

Jobs data 'better than expected'

Just like corn yields, "better than expected" doesn't mean it's good. The economy added 103,000 new non-farm payroll jobs in September (and revised August job growth from zero to up 57,000) to hold the national unemployment rate steady at 9.1%. Slow payroll expansion points to a continued slow-growth economy in the fourth quarter.

Macro-economic fears eased (a bit)

Greece will still likely default on its debt, but the can was kicked down the road a couple of months (again) last week as euro-zone countries seemed to agree on a plan to manage the process. The easing of macro-economic uncertainty returned some buying interest to the euro, allowing the U.S. dollar to trade lower and removing the urgency among hedge and speculative funds to exit long commodity (including grain) positions.

We'd like to say this will be a permanent trend, but that is not the case.

Weekend rains seen for Southern Plains

Don't stop praying now, but the Southern Plains could get drought-easing rains this weekend. It will take more rains to erase all soil moisture deficiencies, but the best rain in more than a year is expected. That will be a big plus for the hard red winter wheat crop, but it wouldn't do much for harvest-ready cotton.

Just a matter of time for FTA approvals

Procedural hurdles have to be cleared, but they will be, and Congress will eventually (and finally) approve the long-pending Free Trade Agreements (FTAs) with South Korea, Colombia and Panama. The House Ways and Means panel last week approved all three pacts. These agreements will not be implemented until early 2012.

PERSPECTIVE: The South Korea FTA *by far* will have the biggest, most positive impact on U.S. agriculture, primarily by increasing U.S. meat exports.

USGC: Record China crop and imports

The U.S. Grains Council (USGC) last week estimated China's corn crop at 167 MMT. To supplement supplies, USGC says China will import 5 MMT to 10 MMT. For comparison, USDA estimates the 2011-12 Chinese corn crop at 178 MMT. If USDA's estimate is right, that would slash China's import needs.

PERSPECTIVE: China is an "opportunity trader." If feed processors can import U.S. corn cheaper than using domestic corn, they will not hesitate to buy U.S. corn. China has booked more than 360,000 metric tons of corn over the Sept. 15-29 period.

Update on direct payment debate

Too many key farm bill legislators favor maintaining some level of direct payments. We now believe direct payments will be maintained after a significant reduction.

**Crop Comments
from AgWeb.com**

**Faribault Co.,
(SC) Minnesota:**

"We will finish beans Oct. 6. Yield has been disappointing and mostly in the low 40s with a few up to 50 bu. per acre. We usually average 55 bu. to 60 bu. per acre. The beans look like 60 bu., just all vine and 'no' beans. It was too wet in June, too hot and dry later and we had a frost in September. Corn fields look completely dead and wind beaten with the tops broken off. I hope the lower part keeps standing. It is tinder dry and the fire danger is high. Makes me scared to take the combine into corn fields. Slight chance of rain this weekend — a rain would be good."

**Dickey Co.,
(SE) N. Dakota:**

"Finished soybeans with a 43+ bu. per acre average. Looked better than that, but drowned-out, low areas and frost trimmed the yield."

**Ransom Co.,
(SE) N. Dakota:**

"Finished beans today. Yields were okay but some 12 bu. less than 2010. It's very dry here; it hasn't rained since the end of July. Tillage is useless because it just brings up huge lumps of dirt. Corn moisture ranges from 16% to 30%. Yields disappointing at 100-120 bu./acre. Lots of variability due to wind damage in July."

We'll hold corn yield steady for October Crop Production

We've heard all the reports of "better-than-expected" corn yields. Honestly, that "assessment" tells us very little. If the grower expected corn yields of 100 bu. per acre but harvested 120 bu. per acre on a field with Actual Production History (APH) of 150 bu. per acre... that's "better-than-expected," but still not a "good" yield. We're not saying that's the case in every "better-than-expected" yield report, but it's probably true in some.

We need more evidence to adjust our yield peg —

On Aug. 26 following the *Pro Farmer Midwest Crop Tour*, we estimated a national average corn yield of 147.9 bu. per acre. We made that estimate when USDA's yield estimate was 153.0 bu. per acre. In the September Crop Production Report, USDA's National Ag Statistics Service (NASS) dropped its estimate to within 0.2 bu. of our earlier estimate, at 148.1 bu. per acre.

With corn harvest approaching the halfway point, we simply haven't seen enough evidence to move our yield estimate. Yes, the corn planted on, or before, May 5 yielded very good — probably better than we estimated in the third week of August.

Then came the gap in plantings until the end of May in the eastern Corn Belt. Those fields are just opening up now, and yields aren't as impressive — whole-farm yield averages are likely ticking down.

In the northwestern Corn Belt, soybean harvest is wrapping up and corn harvest is just getting started with yields below year-ago.

In the western Corn Belt, yields are extremely variable. In north-east Iowa, corn and soybean yields are very good... better than year-ago and better than the three-year average. Storm damage in central Iowa also took a smaller bite from yield than estimated in August, but yields are still below year-ago. Southwest Iowa corn yields are well below year-ago in most areas. Nebraska corn yields will be better than USDA estimated in September, but close to the yield estimate we included in our Aug. 26 yield peg.

BOTTOM LINE: We still need more evidence before adjusting our corn yield estimate of 147.9 bu. per acre. We are willing, however, to drop 388,000 acres from USDA's harvested corn acreage estimate. That puts our updated corn crop estimate at 12.424 billion bu., down 60 million bu. from our Aug. 26 estimate of 12.484 billion bushels.

What will USDA do about average ear weights?

In the Sept. Crop Production Report, USDA used a very light average ear weight — even well below last year's "light ears."

The finish on the 2011 corn crop was probably a bit better than in 2010. So while we need more evidence before adjusting our national average corn yield estimate, our analysis of "what USDA might do" suggests we should anticipate harvested acres below 84.388 million, but a yield above 148.1 bu. per acre. Most likely, one move will generally offset the other to hold USDA's corn crop estimate close to its September peg of 12.497 billion bushels.

Despite problems in NW Corn Belt, bean yield will increase

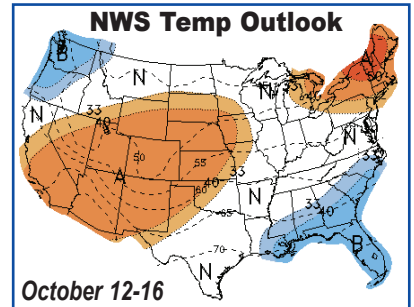
On Aug. 26, we estimated a national average bean yield of 41.8 bu. per acre. In the September Crop Production Report, USDA raised its estimate 0.4 bu. from August, meeting our yield peg. Early harvest reports indicate the extremely healthy bean crop got just enough rain to finish stronger than we expected following the *Midwest Crop Tour*. As a result — and despite some bushels lost to frost in the northwest Corn Belt, we now anticipate a national average bean yield of 42.3 bu. per acre on harvested acres of 73.823 million. That puts our soybean crop update at 3.123 billion bu., up 40 million bu. from our Aug. 26 estimate of 3.083 billion bushels.

La Niña's strength expected to grow through fall

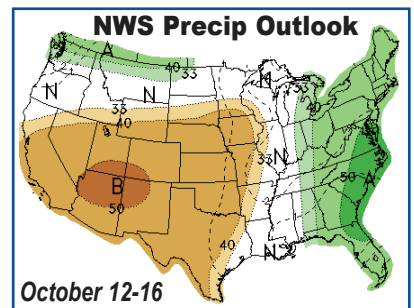
The pool of cooler-than-normal Sea Surface Temps (SSTs) along the equator in the eastern Pacific Ocean is expected to tighten its grip on global weather trends through fall, according to the latest assessment from NOAA.

NOAA says temperature and precipitation impacts associated with La Niña are expected to remain relatively weak this fall, and to strengthen late fall and into winter. NOAA says, "It is important to note the strength of U.S. impacts is not necessarily related to the strength of La Niña across the equatorial Pacific. During October-December 2011, there is an increased chance of above-average temps across the mid-section of the country. Also, above-average precipitation is favored across the Pacific Northwest, along with a higher probability for *drier-than-average conditions across much of the southern tier of the country.*"

NOAA does not expect the "rebound La Niña" to become as strong as the multi-year event that paused earlier this year.



On the temp map above, the darker the brown, the higher the odds of above-normal temps; the darker the blue, the higher the odds of below-normal temps. On the precip map below, the darker the brown, the higher the odds of below-normal precipitation. The darker the green, the higher the odds of above-normal precip. White on both maps is a normal outlook.



Private forecasters lining up with higher corn yield expectations

Many private forecasters expect USDA to estimate the national average corn yield above the September estimate of 148.1 bu. per acre. That increase in yield, however, is expected to be more than offset by a cut in harvested acres.

For soybeans, private forecasters generally expect a higher yield, but the outlook for harvested acres is steady to higher from September, resulting in a higher soybean crop estimate.

Informa Economics, Inc. estimated the national average corn yield at 149.5 bu. per acre. While down from the consulting firm's September peg of 151.0 bu. per acre, it is still above USDA's September estimate. Informa also reportedly cut estimated harvested corn acres to 83.758 million, down 630,000 from USDA's September acreage estimate. That puts Informa's corn crop estimate at 12.519 billion bu., just 22 million bu. bigger than USDA's September corn crop peg. Informa's soybean yield estimate was reportedly 41.8 bu. per acre, up from 41.5 bu. per acre in September. That puts their crop estimate at 3.087 billion bu., just 2 million bu. above USDA's September bean crop estimate.

FC Stone last week put the corn yield at 148.7 bu. per acre with the crop at 12.553 billion bushels. It also put the bean yield at 42.8 bu. per acre with the crop at 3.157 billion bushels.

One of the biggest cuts to harvested acres was estimated by the Linn Group. It sees a national average corn yield of 148.9 bu. per acre, but estimates harvested acres of just 83.1 million for a crop of 12.371 billion bushels. The Linn Group also sees a bean yield of 42.2 bu. per acre on harvested acres of 73.1 million, well below USDA's September estimate of 73.823 million harvested bean acres.

Dr. Cordonnier holds corn and soybean yield estimates steady

PF crop consultant Dr. Michael Cordonnier last week left his national average corn yield estimate at 147.0 bu. per acre with the corn crop at 12.34 billion bushels. He also left his soybean yield estimate unchanged at 40.0 bu. per acre with the crop at 2.93 billion bushels. He warns, however, "I have now switched to a slightly positive bias toward the bean crop." On corn, his yield bias is "neutral."

Brazil gets much-needed rain, encouraging soybean seedings

Dr. Cordonnier says, "The rainfall intensity in central Brazil has been enough to encourage nearly all farmers to start planting soybeans. Soybean planting should now progress very quickly. I look for Brazilian bean acreage to increase 2.5% from last year.

Bill: RFS mandate reductions

Representative Bob Goodlatte (R-Va.) and others introduced a bill to reduce the Renewable Fuels Standard (RFS) mandates for ethanol if the corn stocks-to-use ratio falls below 10%, with a 25% reduction based on current corn conditions and a maximum 50% cut if the ratio is below 5%. It's not clear yet if the bill will have enough traction to become law.

This bill comes on the heels of a study by the National Research Council (NRC) that signals cellulosic biofuel production may fall short of RFS mandates unless technology emerges soon to make production of ethanol from cellulosic feedstocks commercially viable.

Washington consultant Jim Wiesemeyer notes an interesting omission from NRC's study is that the Environmental Protection Agency (EPA) can waive the requirements for the RFS relative to cellulosic biofuels given a lack of commercial production. EPA did so in 2010 and 2011, and is mulling lowering the target in 2012, as it says no cellulosic ethanol was commercially produced in the first six months of 2011.

NRC also wades into indirect land use changes and says producing crops aimed solely for biofuels production "will probably require conversion of uncultivated land or the displacement of commodity crops and pastures."

Lincoln Co., (EC) Missouri:
"I have harvested 30% of the soybeans and am getting a 23-bu.-per-acre average. Last year's average was 50 bu. per acre."

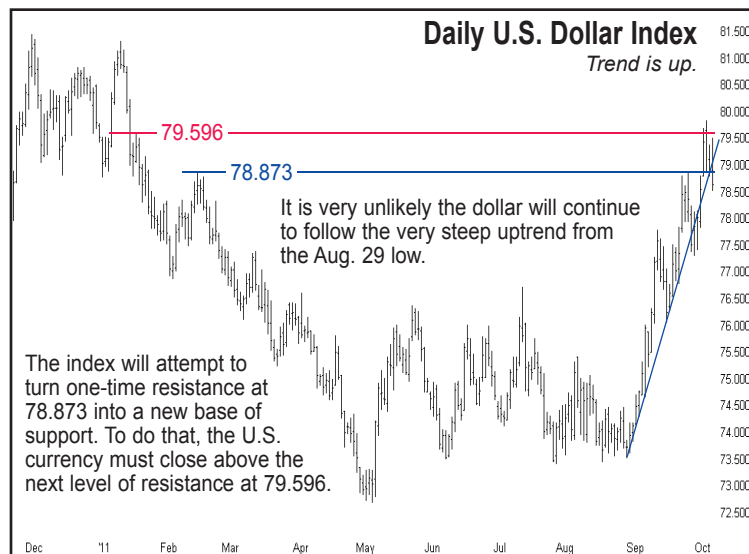
East-central Iowa:
"Harvested 60 acres of high moisture corn. It is running 28% to 30% moisture and 210 bu. per acre dry (it is one of my better fields). It is very easy sometimes to get lost combining — corn is really messed up in spots because of two windstorms earlier this fall."

Henry Co., (NW) Ohio:
"Nothing has been harvested around here after 9 1/2 inches of rain in September. Along with cool weather, it has really slowed maturity. This is driving the guys crazy that needed to be done with beans by Sept. 30."

Central Illinois:
Farm Journal Field Agronomist Ken Ferrie reports, "In the northern part of our [consulting] territory, it has been kind of slow. But a long, slow grain fill tends to give us better yields... the higher moistures have led to higher yields this year. In the southern part, we've had poor yields due to lack of rain. The low moisture has sped up harvest as farmers are chasing downed corn and some are already doing tillage."

Outside Markets

U.S. DOLLAR: The Senate will likely pass a bill that would place tariffs on imports from countries (China) with "deliberately undervalued currencies." Despite growing pressure from House Members, House GOP leaders indicate they have no intention of bringing the bill up in their chamber. In the unlikely event it reaches the president's desk, Obama would likely break out his veto pen. We realize trade between major partners must be kept as "fair and balanced" as possible, but it is frustrating to see lawmakers dally on a bill many deem symbolic-only. Not only that, it's a bill that could anger one of the main buyers of U.S. ag commodities. (We'd be even more frustrated if Obama hadn't sent the FTAs on to Congress last week!)



USDA's National Agricultural Statistics Service (NASS) Quarterly Grain Stocks Report released Sept. 30 was one in a number of recent such surveys that resulted in a major price move in corn futures. The frequency of such surprises is leading some, including former USDA staffers and officials, to recommend a major USDA review of the survey's methodology.

Facts and figures —

The Grain Stocks Report, based on a survey of farmers and grain elevators nationwide, showed they held 1.128 billion bushels of corn as of Sept. 1, considerably above the average pre-report estimate (a *Dow Jones* newswire survey had an average estimate for corn stocks at 962 million bu., with a range of 820 million to 1.05 billion bushels). It was also 200 million bu., or 23%, above the projection made by USDA's World Agricultural Outlook Board (WAOB/World Board) on Sept. 12 via the World Agricultural Supply & Demand (WASDE) Report. The World Board's 920 million bu. projection on Sept. 12 was based on estimates of how much corn the World Board thought would be used for animal feed, how much would be exported, and other variables.

"There's a lot of moving targets in the September number," Gerald Bange, chairman of the WAOB, told the *Wall Street Journal*. "Clearly we were not right," he said, adding it was the World Board's best estimate.

Joe Prusacki, director of the statistics division for NASS, told the *WSJ* the Sept. 30 figure was "a shock to the market because the trade expectations were not in line with what we published." He noted he heard complaints about the estimate from farmers who watched as prices for their crops tumbled. Some have his cell phone number and call him when they are unhappy, the *WSJ* article reports.

USDA chief economist Joe Glauber told the *Financial Times* the report "is good news... For a while it seemed like every report suggested an ever-tightening situation. This has helped a little bit." But he warns: "This is still a very tight market we're talking about."

After a controversial grain stocks estimate last year, NASS made a point of asking farmers to differentiate between old- and new-crop stocks, hoping that would result in a more accurate Sept. 1 stocks estimate. However, last year was an earlier harvested crop, which is not the case this year. The point is that while NASS has made an effort to improve the survey from a year ago, a surprise still resulted.

It's tough to square up the numbers —

Meanwhile, the corn feed and residual use for June-August does not square based on talks with industry analysts who note the U.S. hogs and pigs inventory on Sept. 1 was 1% larger than a year earlier and the num-

ber of cattle in feedlots was up 5% over the previous year. Corn feed and residual usage for the June-August quarter showed around an 8% cut from the same quarter last year.

A USDA analyst, asked to comment about the topic, said, "I agree the numbers have been puzzling — particularly when trying to fathom the implied feed use. Higher-than-expected wheat stocks means smaller implied wheat feeding for the quarter as well."

A review is in order —

Asked how they would improve the NASS survey, respondents said a review is first in order. Then an effort should be made to find out what, if anything, can be done to improve the methodology.

One veteran industry analyst, asked for his assessment, said: "I think the USDA has to do a better job at estimating all stocks and the usage. Stocks on-farm, off-farm *and* in the pipeline (just get the inventory held by barge lines and rail on the quarterly stocks). Ethanol use: do not use an assumed yield of 2.7 gallons per bushel each year. Get an industry number and reflect that each quarter. Get feed use by the major hog, poultry and cattle users of actual tonnage consumed for corn, wheat, sorghum, barley, oats, etc, from major consumers. I am sure that is a lot of work, and with the budget crunch, I doubt if USDA will tackle the feed sector this time. But their estimates have become impossible to predict and have confidence in. There are wildly misleading feed use estimates by quarter. It's impossible to make sense of that data in 2009 and 2010, as well."

Is the market looking in the right direction for the error?

When it comes to tough questions about USDA's data, there's rarely an easy answer. Market expectations for Sept. 1 grain stocks were established by USDA's carry-over estimate made just 18 days earlier. So... *was the stocks data wrong or was the Sept. 12 carryover estimate misleading?*

Using an ethanol conversion rate of 2.7 gallons per bu. of corn is outdated. The average is likely closer to 2.83 gallons per bushel, a 4.8% gain in efficiency. That efficiency gain would cut corn-for-ethanol use by about 240 million bushels. So, those bushels could be moved from corn-for-ethanol to feed & residual use.

Another potential spot to look: *Are we sure the animal inventories are right?* Based on the amount of cattle in feedlots and the poor economic conditions, we shouldn't be seeing record-high boxed beef prices... but we are. *What if cattle and hog inventories have been overestimated?*

Another spot to look is the crop size. If the 2009 crop was overestimated and the 2010 crop was underestimated, *that would clear up many of the grain stocks discrepancies.*

CONCLUSION: Something isn't right. Figuring out what it is should be a top priority at USDA.

News alert and analysis exclusively for Members of **Professional Farmers of America**® P.O. Box 36, Cedar Falls, Iowa 50613-9985

Sr. Vice President, Chuck Roth • Publisher/Editor, Chip Flory • Editor Emeritus, Jerry Carlson

• Sr. Market Analyst, Brian Grete • Sr. Markets Editor, Julianne Johnston • Reporter, Meghan Pedersen

Member Relations Manager, Shelley Eilderts • Washington Consultant, Jim Wiesemeyer, Informa Economics

Subscription Services: 1-800-772-0023 • Editorial: 319-277-1278 • To record your news alert for PF editors: 1-800-PFA-NEWS (1-800-732-6397)

©2011 Professional Farmers of America, Inc. • E-mail address: editors@profarmer.com

CEO, Andrew Weber • President, Jeff Pence

CATTLE

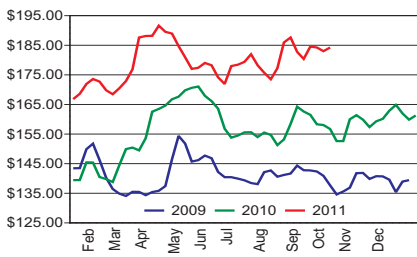
Position Monitor

GAME PLAN:	Feds	Feeders
Fed cattle producers and feeder cattle sellers should	IV'11 0%	0%
carry risk in the cash market unless there are signs of a significant top. Feeder cattle buyers should be prepared to add long hedge coverage.	I'12 0%	0%
	II'12 0%	0%
	III'12 0%	0%

Fundamental analysis

Packers paid steady cash cattle prices compared to the prior week in the Plains last week. While cattle supplies are tight, the boxed beef market must strengthen to encourage packers to raise cash cattle prices from the current level as cutting margins are now well below breakeven. Unfortunately, the boxed beef market may be near a short-term top as Choice boxed beef prices are nearing a level that has repeatedly curbed retailer buying interest in the past. Given ongoing economic uncertainty, it's unlikely retailers will change their buying habits, especially when we are now in a seasonally slower period for beef demand. But tight cattle supplies and a strong demand base should limit short-term downside risk and the long-term outlook is bullish.

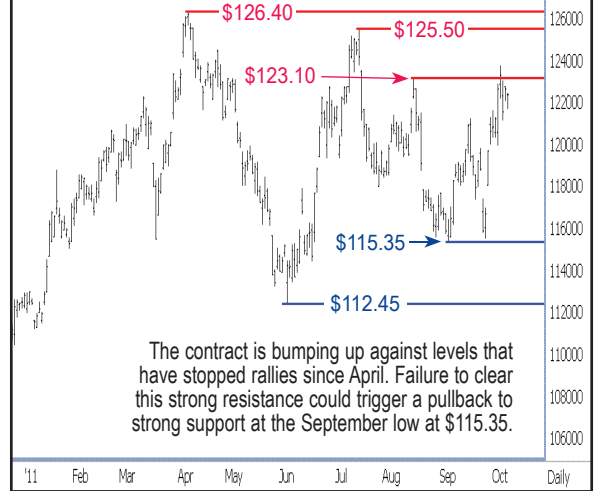
Boxed Beef Prices



Daily December Live Cattle

Trend is choppy.

There's a lot of resistance from the August high at \$123.10 to the contract high at \$126.40.



HOGS

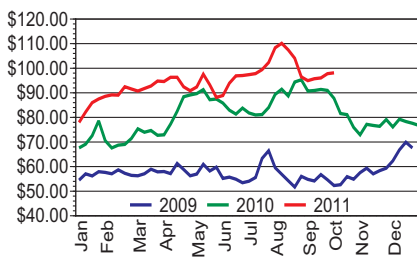
Position Monitor

GAME PLAN:	Lean Hogs
Hog producers should continue to carry all risk in the cash market. Lean hog futures and the cash market are performing well in the face of seasonally rising supplies. But be prepared to hedge a strong rally.	IV'11 0%
	I'12 0%
	II'12 0%
	III'12 0%

Fundamental analysis

Strong export demand and sufficient domestic usage have been enough to chew through seasonally building pork supplies. As a result, seasonal price pressure on cash hog prices and lean hog futures has been avoided. But with the pork cutout value in the upper-\$90s (a level that aside from a five-week period in late July and August has capped price strength in the product market), talk of a short-term top is building. Packer cutting margins are still well above breakeven, but have softened. If pork prices top and packer margins continue to tighten as supplies build, the cash hog market would be more vulnerable to seasonal pressure. But if demand remains strong, downside risk in futures will be limited — even if the cash and product markets post short-term tops.

Pork Cutout Values



Daily December Lean Hogs

Short-term trend is up; overall trend is choppy.

Tough resistance stands at the contract high of \$90.55. A strong close above that level would open the upside to resistance at \$94.80 on the weekly continuation chart.



FEED

Feed Monitor

Corn	CORN GAME PLAN:
IV'11 50%	25% of 2nd-half corn needs were covered in the cash market in early May. Another 25% of 2nd-half needs are covered in long Dec. corn futures at \$6.83. Use the price break to get current with advice and be prepared to extend coverage.
I'12 0%	
II'12 0%	
III'12 0%	
Meal	MEAL GAME PLAN:
IV'11 50%	25% of 2nd-half meal needs were covered in the cash market in early May. Another 25% of 2nd-half needs are covered in long Dec. meal at \$360.20. Be prepared to extend coverage.
I'12 0%	
II'12 0%	
III'12 0%	

Daily December Meal

Trend is lower.

A close above \$329.00 and violation of downtrending resistance would signal a major low has been posted and an extended bounce is likely.



CORN

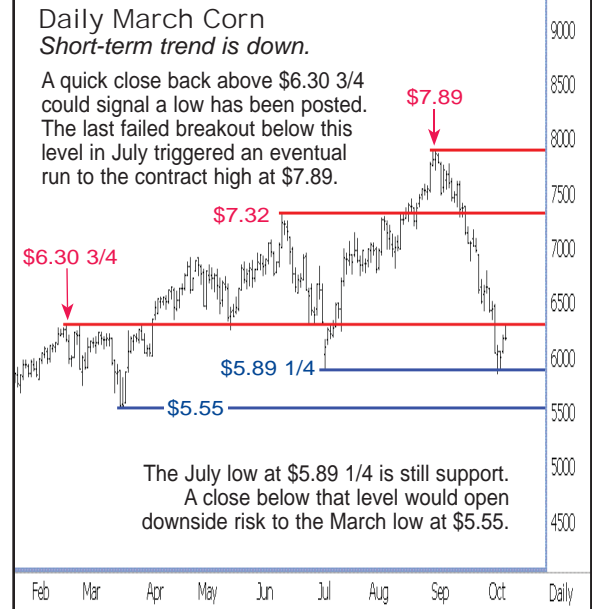
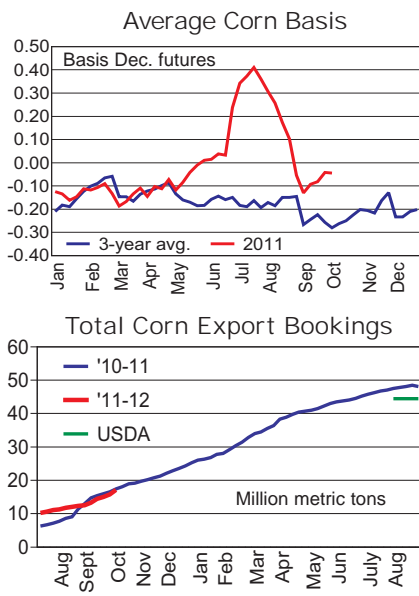
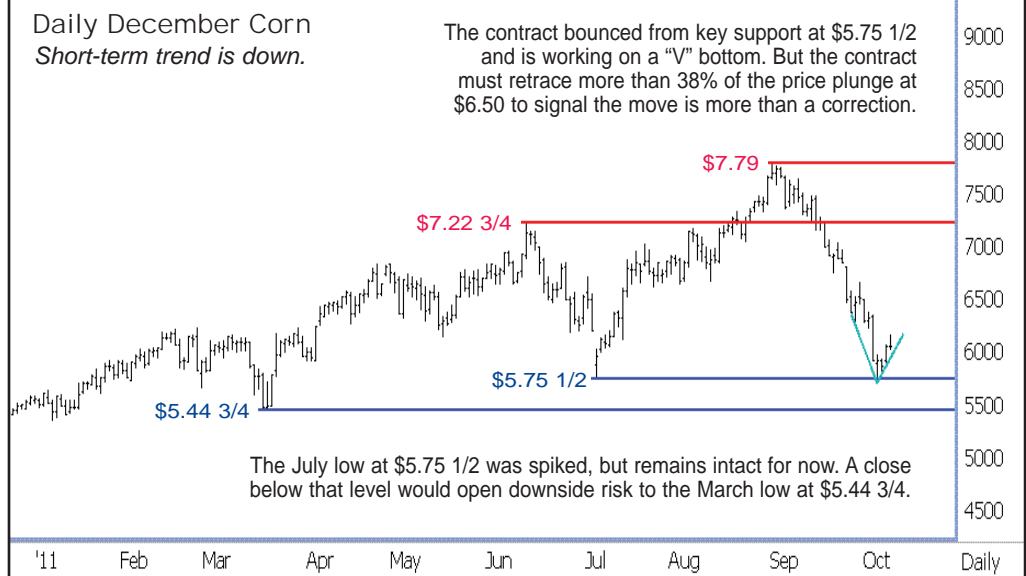
Position Monitor

	'11 crop	'12 crop
Cash-only:	50%	0%
Hedgers (cash sales):	60%	0%
Futures/Options	25%	0%

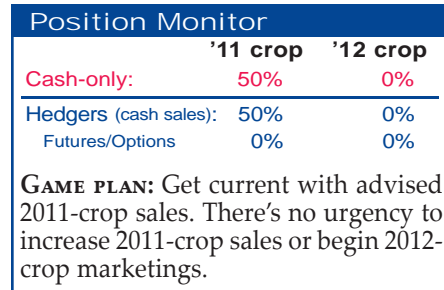
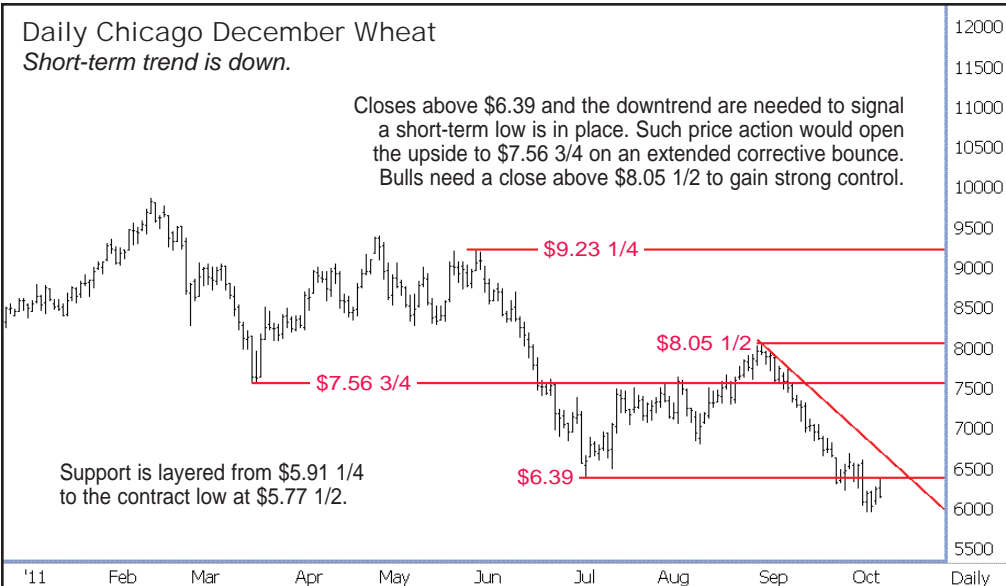
GAME PLAN: We maintain a long-term bullish bias, but more near-term price pressure can't be ruled out given the very unstable macro-economic situation. Get current with all advised new-crop sales, but no new sales are recommended at this time as the sharp break should eventually encourage fresh buying. Hedgers have 25% of 2011-crop reowned in Dec. \$7.50 call options for 28 1/2¢.

Fundamental analysis

The corn market is hinting that a low has been posted — both fundamentally and technically. Fundamental signs of a low are directly tied to demand as end-users are starting to more aggressively book supplies after the month-plus price plunge. Technically, corn futures are showing the first signs since the price plunge started that a low may be near. But it's going to take more than a pickup in demand and modest technical signs to get investors to aggressively throw money at the long side of the market again. And that's where macro-economics come into play. While the macro-economic environment has improved slightly, investors still aren't convinced the tide has completely shifted. Of course, it may only take a sign the worst is in the past to encourage active value buying given bullish long-term fundamentals.



WHEAT



Fundamental analysis

SRW: Investors are starting to more actively search for value buys in the grain and soy complex. But while Chicago wheat is "cheap" compared to corn, wheat futures aren't likely to get a strong boost from bargain hunting until traders are convinced the macro-economic tide has shifted.

SOYBEANS

Position Monitor

	'11 crop	'12 crop
Cash-only:	50%	0%
Hedgers (cash sales):	50%	0%
Futures/Options	15%	0%

GAME PLAN: Our long-term bias is bullish, but more near-term price pressure is possible as technicals and macro-economics are bearish. Get current with advised sales, but no additional sales are recommended at this time. Hedgers have 15% of 2011-crop reowned in long Jan. \$16.00 call options for 35 1/2¢. Wait for signs of a low before getting current with reownership advice.

Fundamental analysis

After a slower-than-normal start, soybean harvest is rapidly progressing across the Corn Belt. Given warm and windy conditions, some producers are in a hurry to get beans out before they get too dry. The combination of active harvest progress and consistently strong yields will keep near-term pressure on the soybean market. But as harvest moves into the later stages, seasonal pressure should ease and the market should be in line for a post-harvest rally as some of the attention returns to demand. China has started buying U.S. soybeans, as is typically the case in the fall. But Chinese demand isn't strong enough yet to overshadow the seasonal pressure and macro-economic concerns. How actively China (and others) buy soybeans through fall will largely determine how quickly soybean futures rebound from the sharp price plunge.

Daily November Soybeans

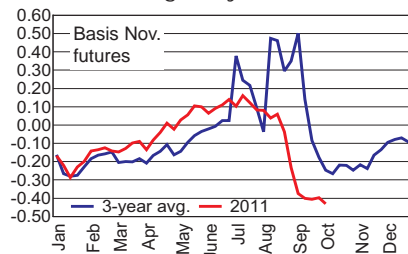
Short-term trend is down.

If the downside breakout turns into a strong bear trap, a quick recovery back above \$12.38 must happen soon. A recovery back into the old choppy range would open eventual upside potential to \$14.02 3/4.

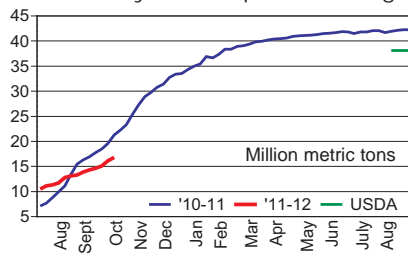


Violation of support at \$12.38 opens downside risk to \$11.35 on the weekly continuation chart. The next level of strong support on the daily chart is at the Nov. 2010 low at \$11.02 1/4.

Average Soybean Basis



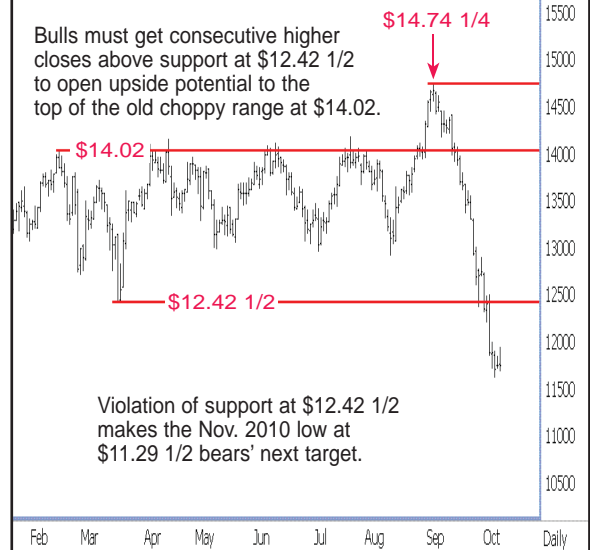
Total Soybean Export Bookings



Daily January Soybeans

Short-term trend is down.

Bulls must get consecutive higher closes above support at \$12.42 1/2 to open upside potential to the top of the old choppy range at \$14.02.



Violation of support at \$12.42 1/2 makes the Nov. 2010 low at \$11.29 1/2 bears' next target.

HRW: A large area of the Central and Southern Plains is in line for the best rains in months. While the rains won't completely erase drought, they should be enough to spur more active winter wheat planting. After the seed is in the ground, however, there are still questions with emergence and crop stands given the prolonged drought.

HRS: The Canadian spring wheat crop estimate was smaller than expected, which renewed concerns about North American supplies. With Canada having fewer spring wheat supplies than year-ago, demand for U.S. HRS wheat will remain strong. And Minneapolis futures will maintain a big premium to winter wheat varieties.

Daily Kansas City December Wheat

A quick close back above \$7.20 would open the upside to \$8.09 3/4.



There isn't much solid chart support prior to the contract low at \$5.59 1/2.

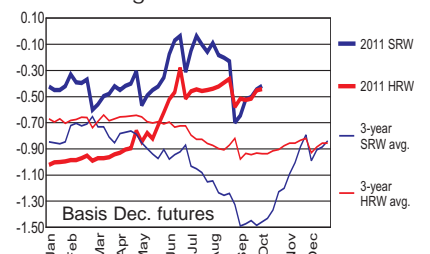
Daily Minneapolis December Wheat

Resistance stands at the August/September double-top at \$9.50. Stronger resistance is at \$10.51.

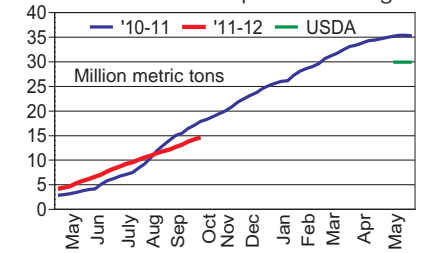


Support at \$8.20 3/4 remains intact. A close below that level would open the downside to key support at \$7.76 3/4.

Average Wheat Basis



Total Wheat Export Bookings



COTTON

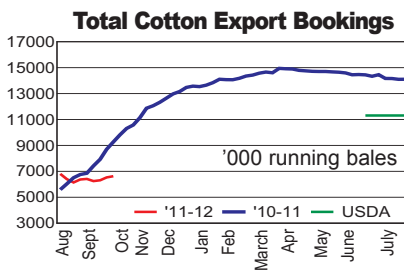
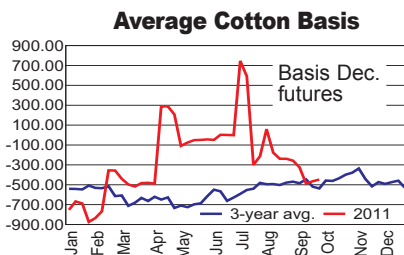
Position Monitor

	'11 crop	'12 crop
Cash-only:	0%	0%
Hedgers (cash sales):	0%	0%
Futures/Options	0%	0%

GAME PLAN: 2011-crop sales will wait for now, but be prepared to make initial (and aggressive) sales on a strong price rally.

Fundamental analysis

Price dips below 100.00¢ are attracting fresh commercial buying, which limits the downside and signals there are some supply concerns. But cotton futures are having problems gaining traction to the upside despite questions with U.S. and Pakistani supplies and improved Chinese demand for U.S. cotton.



Daily December Cotton

Trend is choppy.

Consecutive higher closes above 113.00¢ are needed to signal an upside breakout from the consolidation range.



Key support is at the July low of 93.20¢. A close below that level would open downside risk to the Nov. 2010 low at 82.82¢.

GENERAL OUTLOOK

TREASURIES: A pledge by Chairman Ben Bernanke that the Fed is ready — if needed — to provide additional aid to the sluggish U.S. economy and a plan by euro-zone finance ministers to recapitalize European banks modestly boosted investor confidence last week. But while investors are signaling their risk appetite is on a short-term upswing, there are still many economic hurdles for the U.S. and euro-zone.

The bond market remains the clearest signal of overall investor atti-

tudes. And bonds remain near historic lows despite very low yields. That's a clear signal investor risk appetite is still low. Until that changes, the downside in bonds (upside in Treasury yields) is limited to corrections in the long-term bull market.

Investors are starting to search for value buys in commodities and the stock market again as the worst of the economic situation appears to be "in" the market for now. But sustained upside potential in risky assets is still limited.

Weekly Yield on a 10-year U.S. Note

Trend is down.

A corrective rebound would have to violate downtrending resistance to signal a major low in yields.



A weekly close above old support at 2.038% would suggest a short-term low is in place.

FROM THE BULLPEN by Senior Market Analyst, Brian Grete

Those attempting to pick a bottom in the corn market have been quickly chewed up and discarded on the sharp price break from the late-August high — until last week. While there are still plenty of headwinds from the macro-economic front, last week provided the first solid hint that a short-term low is close.

The initial clue came from demand as there were early week reports of end-user buying — on the board and in the cash market. That was backed up with a very strong weekly export sales tally of nearly 1.3 million metric tons for the week ended Sept. 29. Strong end-user buying signals prices fell far enough to attract value buying. Fresh value buying doesn't guarantee prices won't drop further, but it is a sign that prices have dropped far enough.

The other clues were mostly technical in nature. The spike of the July low at \$5.75 1/2

in Dec. corn futures Oct. 3 failed to trigger fresh chart-based selling. In fact, the contract finished well off session lows that day, signaling a potential exhaustion tail. And corn futures are now working on a classic "V" bottom formation on the daily price charts. Both suggest the corn market is working to put in a short-term low.

But Dec. corn futures have not yet retraced 25% (\$6.24) of the price plunge from the contract high to the Oct. 3 low, signaling this is still a short-covering bounce in a bear market. To strongly suggest corn has bottomed, Dec. corn futures must retrace 38% of the price plunge (\$6.50).

Bulls still have a lot of work to do, but a short-term low in the corn market is getting closer. Livestock producers should be prepared to extend feed coverage soon.

Key Market Items on My 'To Watch' List

1) Columbus Day holiday

— Monday, Oct. 10
Government offices are closed for the federal holiday, but markets are open.

2) USDA Crop Production, S&D Rpts.

— Wednesday, Oct. 12, 7:30 a.m. CT
In addition to updated corn and soybean crop estimates, traders are anxious to see how USDA's usage categories are adjusted and what impact that will have on new-crop carryover.

3) USDA Weekly Export Sales Report

— Friday, Oct. 14, 7:30 a.m. CT
Traders have bullish hopes for weekly export sales as the sharp price break likely attracted more end-user buying.

Members-Only Exclusives on profarmer.com

Check our daily insight for *Pro Farmer* Members only on your www.profarmer.com site!

Read Pro Farmer on Friday!

Put the profit-building news, analysis and insight of *Pro Farmer* newsletter to work for you as early as Friday afternoon — before it hits the mail. Get *Pro Farmer* newsletter via e-mail. Call 1-800-772-0023 for details!