Pro Farmer

August 27, 2011 • Vol. 39, No. 35

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...

Iowa Tour results:
Corn: 164.6 bu. per acre.
Beans: 1,221.9 pods in a 3'X3' square.

Minnesota Tour results:
Corn: 175.9 bu. per acre.
Beans: 1,124.2 pods in a 3'X3' square.

Important reminder!
Throughout this newsletter you'll find results from the 2011 *Pro Farmer Midwest Crop Tour*. The corn yield estimates generated by the Tour are not the same as the *Pro Farmer* yield estimates you see on this page. Reason: Your *Pro Farmer* editors obviously use data collected on the Tour in estimating state and national average corn yield estimates, but we must also consider "historical errors" (see Aug. 20 *Pro Farmer* for details of the historical error). We also consider conditions outside the Tour area.

Corn: 12.484 billion bu.; Average yield of 147.9 bu. per acre

Corn +/- 1% = 146.45 bu. to 149.4 bu. per acre; 12.36 billion to 12.61 billion bushels.

Soybeans: 3.083 billion bu.; Average yield of 41.8 bu. per acre

Soybeans +/- 2% = 40.96 bu. to 42.64 bu. per acre; 3.02 billion to 3.14 billion bushels.

Your *PF* editors believe USDA will eventually lower harvested acres for both corn and soybeans, but USDA's Aug. 1 harvested acreages were used in making these estimates. The slight uptick in the bean yield estimate from USDA's Aug. 1 yield is the result of one of the most disease-free bean crops we've ever seen on Tour.

Corn

Ohio: 160 bu. per acre. The corn crop in Ohio is variable and immature, with many Tour samples still in the milk stage. The immaturity of the Ohio corn crop means it has greater potential to add bushels with late season rains and an extended growing season.

Indiana: 146.7 bu. per acre. Corn in the Hoosier state shows the impact of stressful conditions throughout the growing season. After a severely delayed start, conditions turned hot and dry. Early denting and poor plant health are clear signs this crop has been pushed too hard. Test weights will be light.

Illinois: 154.8 bu. per acre. Parts of the state show promise, but there's too much stress and poor plant health to produce a "typical" Illinois crop. The challenge will be to preserve yield potential and get it to the bin.

Iowa: 164 bu. per acre. Southwest Iowa is a disaster. Crop Districts 1 and 4 will be better than last year, but not good enough to make up for bushels lost in the southwest corner. Eastern and central Iowa have solid yield potential, but the Tour failed to find many big yields.

Minnesota: 169 bu. per acre. It's too dry in Minnesota. The stress has been around too long and the corn crop is looking at a 2010-like finish. The crop had great potential, but missed too many rains after pollination.

Nebraska: 165 bu. per acre. Good ear length and solid weight don't make up for missing ears. That was the problem in Nebraska, with ear counts down 2% from year ago.

South Dakota: 140.5 bu. per acre. This crop looks really similar to last year's.

Soybeans

Ohio: 45 bu. per acre. Pod counts are up from year ago, but they are flat. The crop needs time and water to finish strong, but the crop has potential for solid yields.

Indiana: 44 bu. per acre. Disease and bug pressure were limited. That suggests the Indiana bean crop could add bushels if there are timely late-season rains.

Illinois: 49 bu. per acre. Rains rolled through parts of Illinois during Tour. The northern half of the crop has plenty of moisture to finish with a good yield.

Iowa: 53 bu. per acre. Last year's SDS was replaced with fields of green beans and plenty of plant health. Give this Iowa crop one more rain, and we'll see a record yield for the state in 2011.

Minnesota: 39 bu. per acre. Good plant health cannot overcome soils that are just too dry. This crop has been under stress since pod-set. A rain now probably wouldn't recover 100% of lost yield potential.

Nebraska: 52.5 bu. per acre. Disease-free soybeans with no bugs in Nebraska and a crop that can be irrigated at just the right time makes it really hard to be pessimistic about the Husker bean crop. Nebraska's beans aren't without problems, but there are far fewer problems than excellent beans.

South Dakota: 39 bu. per acre. We think USDA got too pessimistic with its Aug. 1 estimate of the South Dakota bean crop. It does need one more rain to finish well. Across the Corn Belt, a lack of disease means the bean crop has a chance at a really good finish.

2011 *Pro Farmer Midwest Crop Tour*

— This corn crop was full of problems in a year the market really needed a 'bin buster' —

The 2011 growing season started with a problem... and it seems to be wrapping up the growing season with another problem. Soil temps warmed the first two weeks of April and encouraged some growers to plant in a narrow window April 12-13. That corn should be dented now... but that's about it. Most of the corn wasn't planted until the second and third weeks of May. That should be in the late dough or very early dent stage. Instead, the western Tour saw dented corn each day of the Tour, a sure sign this summer's heat once again pushed development, likely resulting in lighter ear weights — something similar to last year. The story is the same in the three "I-states" on the eastern Tour. Ohio is the exception... corn there is mostly in the milk stage. If it can get to maturity without a frost, it still has a chance to improve on the yield potential we saw this year.

Ohio Tour: 156.3 bu. per acre; 1,253 pods in 3'X3'

The Tour measured the Ohio corn yield down 5.6% from last year. Ear counts were the primary reason as they fell from 97.02 last year to 92.79 this year. It's hard to generate yields when the ears aren't there. USDA's Aug. 1 corn yield estimate was 3.07% below 2010, so both the Tour samples and USDA see the crop trending down from year-ago.

Soybean pod counts were up 4.3% from year-ago in samples taken on Tour. But a lot of the pods counted were flat. *Higher pod counts do not mean yields are guaranteed to be bigger*. The Ohio soybean crop will need time and moisture to fill pods and maximize what yield potential is in fields.

The "take away" from the Ohio crops were the wide variability and the slowed crop maturity due to extremely late planting this year.

Indiana Tour: 143.1 bu. per acre; 1137.6 pods in 3'X3'

Everyone suspected the Indiana corn crop had issues... and Tour findings confirmed it. Tour samples showed the Indiana corn crop down 14.3% from year-ago. The big culprit this year was ear counts, which declined nearly 5 ears from last year. Grain length was also shorter at 5.89 inches versus 6.41 inches last year. But the real problem in Indiana started with a very wet spring. Because producers had no other choice, they rushed to get the crop seeded well after the optimal date. And then, conditions turned very hot and dry this summer. The end result is an Indiana corn crop that doesn't stack up to "normal."

Bean pod counts in Indiana are off 8.9% from last year's Tour findings. Late-season rain would help the Indiana soybean crop more than corn, but there was very little evidence of fresh flowering. If the crop is going to build yield late, it has to be from bigger beans.

Illinois Tour: 156.0 bu. per acre; 1,196 pods in 3'X3'

Illinois has some good, some bad and some ugly when it comes to corn. It's unlikely there will be enough good to offset the bad and ugly. That's not the recipe for a big crop state-wide. Tour samples found an average corn yield down 6.3% from year-ago, which can be attributed to moisture and heat stress, especially on the eastern and western edges of the state. Because of the stress, crop maturity is advanced and the key will be holding onto what yield potential is currently there compared to the possibility of building yields late in a normal year.

Soybean pod counts came in 8.6% under year-ago Tour findings. Yield potential is still somewhat determinate on late-season weather. While there's very little new growth, timely rains could still add bushels by plumping bean pods. But if late-season rains don't come, the crop will abort pods and reduce yield potential.

Nebraska Tour: 153.7 bu. per acre; 1,286 pods in 3'X3'

The Nebraska corn crop had a problem that was very easy to identify: Ear counts were down 2% from the 2010 Tour. The lower ear count is a valid comparison to last year because the average row width was basically unchanged from 2010. The drop in ear counts combined with a slightly shorter average ear length and a slightly fewer average number of kernel rows around the ear resulted in a statewide corn yield estimate down 2.9% from 2010. Maturity of the corn crop is not that different from last year. That's despite the fact the crop was planted much earlier in 2010 than it was this year. That certainly suggests the corn crop was "pushed" this year, likely resulting in a 2010-like ear weight. That, combined with fewer ears should result in a statewide yield just under last year's 166 bu. per acre.

Regarding the Nebraska soybean crop, I'm sorry if it sounds like the same story as last year. But... the bean crop is relatively disease-free and it's subject to very little insect pressure. Give it a drink of water at the right time (which seems to be happening on most acres) and the bean crop has the potential to be at least as good as it was last year at 52.5 bu. per acre.

Nebraska corn and soybeans are good... not great, but good. And this year with just one more rain, the Nebraska bean crop could prove to be "really good."

'Top Tweets' from the 2011 Pro Farmer Midwest Crop Tour at #pftour11:

"Marshall Co., (Iowa) field: Gray leaf spot, Goss's Wilt, stalk lodging, greensnap and moisture stress. Other than that, it's a nice field of corn. 92 bu. per acre." — Mark Bernard, Eastern Crop Tour consultant.

Earlier in the week as Mark traveled through Indiana and Illinois, he tweeted, "I've seen more Goss's Wilt in the newspapers than I've seen in the corn on my routes."

"Minnesota bean crop needs rain. Stress has been here a while — too many 1- and 2-bean pods." — Pro Farmer Editor Chip Flory

An earlier tweet from Chip on the second day of the Tour: "We seem to be missing some ears on my route. Count is off 2-3% from last year. That will hold down my Nebraska yield."

"Over the past four days, I saw more dry areas in SD, NE, IA and MN than in the past three or four years. No mud on the boots on this Tour!" — Western Crop Tour consultant Terry Johnston

"Most of the corn we've seen is in milk stage in north-central Ohio." — PF Sr. Analyst Brian Grete

South Dakota Tour: 141.1 bu. per acre; 1,1,07 pods in 3'X3'

Talk about a "problem state!" Veteran scouts saw the best S.D. corn crop they've ever seen on Tour on the eastern edge of the Tour, but when all the samples were averaged, the corn yield was down 1.7% from 2010. As of Aug. 1, USDA sees a crop up 4.4% from last year. But... USDA was comparing to a final yield after a very poor 2010 finish, and the Tour change is compared to conditions seen last year at this time. Tour scouts agree they were looking at a S.D. corn crop very similar to last year.

The bean crop was disease-free and after Tour-week rains, had moisture to finish. Moisture is a huge yield factor at this time of the year. So, despite the fact that pod counts in S.D. were down 12.6% from last year, moist soils after scouts passed through the area certainly point the crop to a better finish than the 38-bu.-per-acre yield seen in the 2010 growing season.

Minnesota corn and soybeans

Note: Minnesota and Iowa corn and soybean Tour results are in the "eartag" column on the front page.

"Too dry" was a common theme among scouts making their way east across Minnesota. For corn, the crop established some good yield potential before the moisture stress, but the lack of rain has basically assured a 2010-like finish for the corn crop. That means we expect smaller kernel size, likely pointing corn yields down ahead of harvest.

The bean crop is also feeling the stress, and may have felt the stress earlier when plants were setting pods. While we don't record the number of beans per pod, the Minnesota crop seems to have a slightly average number of beans per pod. Bottom line on Minnesota beans is it needs another rain to avoid a sub-40 bu. average yield.

Iowa corn and bean crops

The 2011 Iowa corn crop might be the most "torn up" crop we've seen in 19 years of running the Midwest Crop Tour. The most obvious problems are in the southwest crop district where an Aug. 18-19 storm delivered enough hail to pound some corn fields flat. We're not talking just a "spot" of damage... tens of thousands of acres were impacted. That dropped the southwest Iowa corn yield 18% from last year. Conditions improved with slightly better-than-year-ago yield potential noted in west-central and northwest Iowa. Those gains, however, were not enough to offset the damage in the southwest, and the western Iowa corn yield was down about 3.5% from last year.

The eastern Tour covered the eastern two-thirds of the state and saw the residual impact of the July 10 wind storm that pushed through the center of the state and into east-central Iowa. Lower ear counts were the norm in the storm area.

But, there is a good corn crop in Iowa! We don't want to give the impression there isn't... it just isn't as good as the market needs it to be to sustain a very robust demand picture into the 2011-12 marketing year.

The soybean crop in Iowa is easy to summarize: It's free of disease and insect pressure, but much of the Iowa bean crop still needs one more rain to finish with a normal-sized bean. Northeast Iowa got that rain last week during Crop Tour, giving scouts a look at what should be very good soybean yield potential.

Top headlines for the week feature economy, global crops, Hurricane Irene

CBO sees declining deficits, but economic hurdles

Cumulative deficits from 2012 to 2021 will reach $3.49 trillion, according to new estimates that factor in the debt-limit law from the Congressional Budget Office (CBO). Those updated estimates mark a more than $3-trillion drop in red ink from the March predictions.

Of note, CBO projections of revenues, spending and deficits assume the 2001 and 2003 tax cuts will expire at the end of 2012, and that Congress will find another $1.2 trillion in deficit reduction via the Super Committee or via automatic spending cuts. However, CBO locked in its economic forecast in early July before the most recent spate of negative economic news.

Still, they see sluggish economic growth — GDP is only expected to increase by 2.4% this year and by 2.6% in 2012. Biggest reason: Unemployment above 8% through 2014.

IGC, StatsCan see more wheat; IGC trims corn crop

Statistics Canada's 2011 wheat crop peg came in above expectations at 24.08 million metric tons (MMT) as current warm and dry conditions are offsetting the poor start to the growing season. That put pressure on U.S. spring wheat futures.

Meanwhile, the International Grains Council (IGC) boosted its wheat output forecast but cut world corn production to a still-record 849 MMT (down 10 MMT from the prior outlook). U.S. production was trimmed based on USDA estimates. IGC lowered corn usage on more wheat feeding and DDG use, and put ending stocks at 118 MMT, down 4 MMT from the prior outlook and down 30 MMT from 2010-11.

Hurricane Irene sets sights on U.S. East Coast

The path for Hurricane Irene is projected to make landfall over the weekend. Already rated a Category 3, government forecasters expect it to strengthen before hitting the East Coast. Key will be how much precip flows inland toward dry Southeast U.S. cotton areas.

U.S. from ethanol importer to ethanol exporter

The U.S. was a significant exporter of ethanol in 2010 and early 2011. "By year end, we'll export about 1 billion gallons of ethanol," says Monte Shaw, executive director of the Iowa Renewable Fuels Association.

Policy and market factors have shifted ethanol trade flows, according to a Department of Energy (DOE), Energy Information Administration (EIA) report. The report says federal and state policies could drive a future in which the U.S. imports sugarcane ethanol from Brazil while exporting corn-based ethanol to Brazil.

Thanks to all the scouts!

Your Pro Farmer editorial team leads the Tour and summarizes the results, but this is the scouts' Tour. They are the reason this Tour is successful in providing some critical perspective to U.S. corn and soybean production. We also want to thank Pioneer, RCIS, SFP and Chevy Trucks for sponsoring the Tour. Their support allows us to gather with hundreds of farmers from across the Corn Belt while keeping scouts fed along the way! Most importantly, we all made it to Austin, Minn., without an accident again this year! Thank God for that!

Nope... it's never easy!

by Editor Chip Flory and Senior Market Analyst Brian Grete

We love doing the *Pro Farmer* Midwest Crop Tour. The worst part of the week is Thursday night when we try to put some perspective on the estimates collected by Tour scouts. It should get easier over time... but it's never easy to try to figure out just how the U.S. corn and soybean crops will yield.

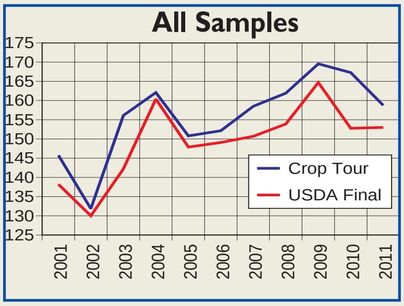
The single most important number the Crop Tour generates for us as we're estimating the national average corn yield is the "All Samples" estimate. That's when we put all of the samples collected over four days on two tours into one spreadsheet to calculate one average yield. This year, we collected 1,172 corn yield estimates from one big corn field stretching from Ohio to Nebraska and from Redwood Falls, Minn., down to Carlinville, Illinois. This is the yield result in the top chart in the right-hand column. It's amazing how we can see all kinds of confusing signals from the Tour through individual states, but when we make one average yield, the Tour (all of the sudden!) starts to make sense.

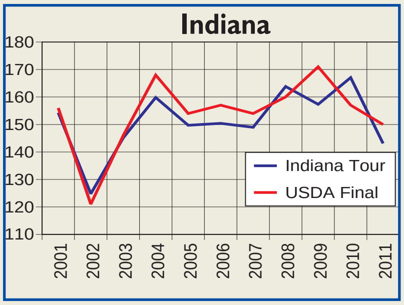
This year, the average yield of all corn samples collected on the Tour was 158.75 bu. per acre, down from 167.3 bu. per acre last year. When the historical error is subtracted from this yield, it projects a U.S. corn yield of 152.13 bu. per acre.

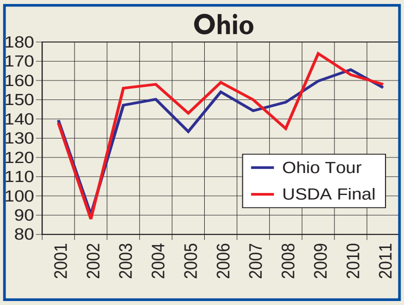
However, we've got to make some adjustments to that estimate to account for some critical yield factors. There is no question the corn crop was pushed this year. Based on planting dates, most of the corn crop we looked at in the Corn Belt should have been in the late dough or very early dent stage. Instead, most was well dented, indicating the period from pollination to dent was cut from a typical 30 to 33 days, down to 20 to 23 days. That has a huge impact on the plant's ability to accumulate dry matter in kernels... and dry matter is weight and weight is yield. This critical yield factor was hidden in 2010 by planting dates. Last year, we expected to see dented corn because of early planting... and that's what we saw. This year, the shortened kernel-filling period is clearly evident in the development stage of kernels.

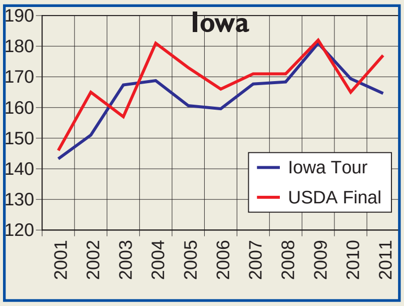
We just don't think the 2011 corn crop is going to see a "normal" ear weight. It should be more similar to that seen in 2010. Using an ear weight similar to that in 2010 and 2003, the Tour's "All Samples" average yield projects a national average corn yield that would fall below the 147.9 bu. per acre we've estimated for this year's corn crop.

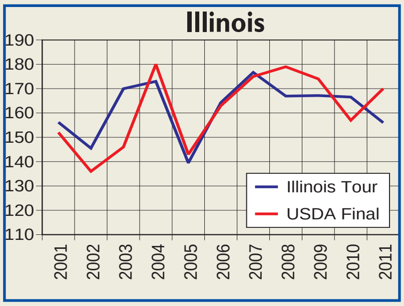
The *Pro Farmer* Midwest Crop Tour is not trying to "prove" or "disprove" USDA's August 1 yield estimates, although we will point out discrepancies. Conditions have also very likely changed in the three weeks since USDA's survey was completed. Most important is to follow the year-to-year trend in the Crop Tour yield for each state. This year, we show the trend down for each of the seven Tour states, with the biggest year-to-year declines in the eastern Corn Belt.

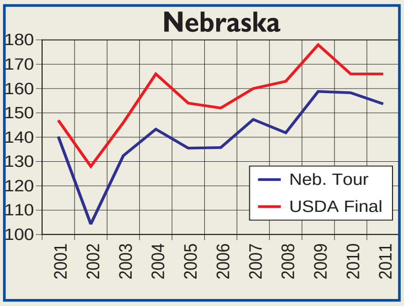


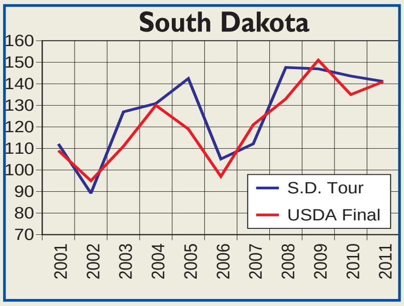








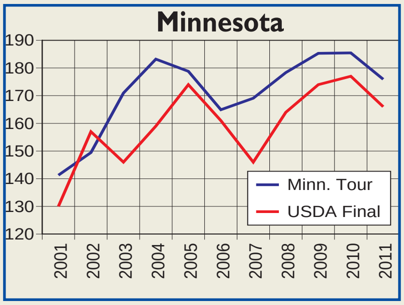




Corn yields generated by the Crop Tour typically find the right year-to-year trend in each state's yield. Also, apply the "historical error" to the calculated yield in each state. Most importantly, use the historical error on the "All Samples" average yield to get close to USDA's final U.S. yield.

Historical Error — Tour Yield vs. USDA Final (avg. since 2001)

Ohio	PLUS	3.1 bu.
Indiana	PLUS	2.3 bu.
Illinois	MINUS	2.1 bu.
Iowa	PLUS	4.0 bu.
Minnesota	MINUS	11.9 bu.
Nebraska	PLUS	16.2 bu.
S. Dakota	MINUS	5.6 bu.
7-State	MINUS	6.6 bu.



2011 yield for USDA on all charts is the Aug. 1 estimate. USDA for all other years is the final yield for each state.

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)

CEO, Andrew Weber • President, Jeff Pence

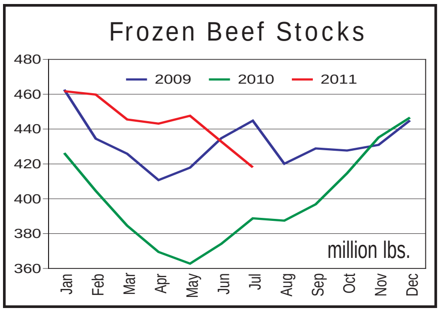
Pro Farmer Analysis August 27, 2011

Cattle

Position Monitor

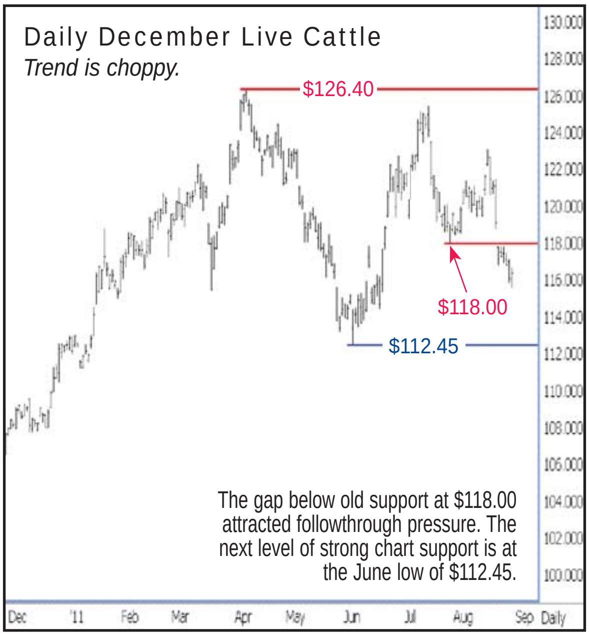
	Feds	Feeders
III'11	0%	0%
IV'11	25%	0%
I'12	0%	0%
II'12	0%	0%

Game plan: Fed cattle producers have 25% of 4th-qtr. production hedged in Dec. live cattle futures at $120.05. There's no urgency to chase the market lower unless demand dramatically slows.



Fundamental analysis

Economic uncertainty triggered profit-taking in live cattle futures last week. Early week pressure was also tied to the Cattle on Feed Report, as Placements came in above expectations. However, weight breakdowns showed a big increase in lighter-weight cattle being placed due to the harsh Southern Plains drought. It's unlikely many of these calves will reach their peak weight given high corn prices, which raises the potential for a marketings hole in early 2012. Traders brushed aside a positive Cold Storage Report last week, which reflected stronger-than-expected demand. Bottom line: Downside risk in live cattle futures and the cash market is limited unless global economic fears result in a slowdown in exports.

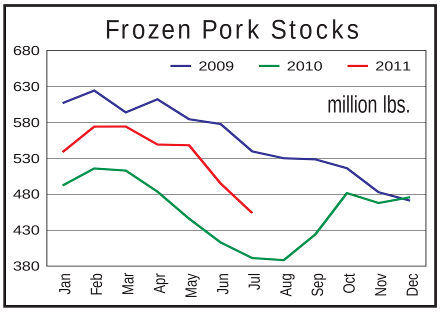


Hogs

Position Monitor

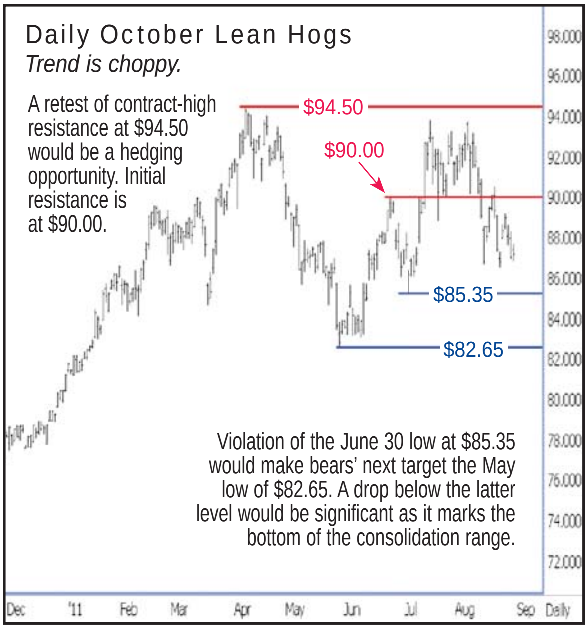
	Lean Hogs
III'11	0%
IV'11	0%
I'12	0%
II'12	0%

Game plan: Continue to carry all risk in the cash market for now. Hog supplies will build through the end of the year, but fall- and winter-month lean hog futures are trading at a steep discount to the cash index.



Fundamental analysis

The cash hog market drifted lower last week on a seasonal increase in supplies. Packers had no problem securing supplies... even for a larger planned Saturday kill. Cash weakness is expected to linger into this week as packers work to improve profit margins since there is no urgency to raise bids. But pressure on nearby lean hog futures should remain limited by the steep discount they hold to the CME lean hog index. Traders already have lofty cash weakness priced into the market. As a result, even as the cash market softens, October hogs could remain in the recent consolidation phase. Also, the seasonal drop in frozen pork stocks in July was steeper than traders' expected, reflecting strong export demand.



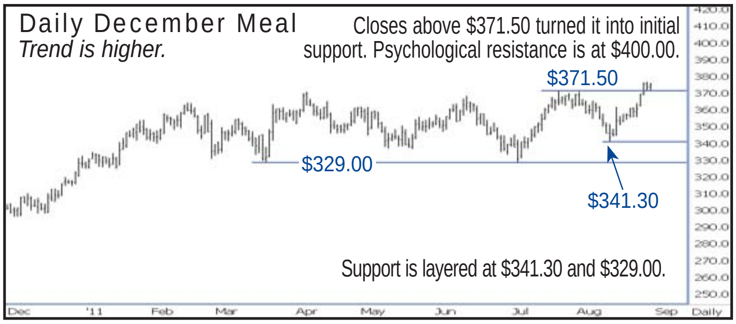
Feed

Feed Monitor

Corn	
III'11	50%
IV'11	50%
I'12	0%
II'12	0%
Meal	
III'11	50%
IV'11	50%
I'12	0%
II'12	0%

Corn game plan: 25% of 3rd- and 4th-qtr. corn-for-feed needs were covered in the cash market in early May. Another 25% of 2nd-half corn-for-feed needs are covered in long Dec. corn futures at $6.83.

Meal game plan: 25% of 3rd- and 4th-qtr. meal needs were covered in the cash market in early May. Another 25% of 2nd-half needs are covered in long Dec. meal futures at $360.20.

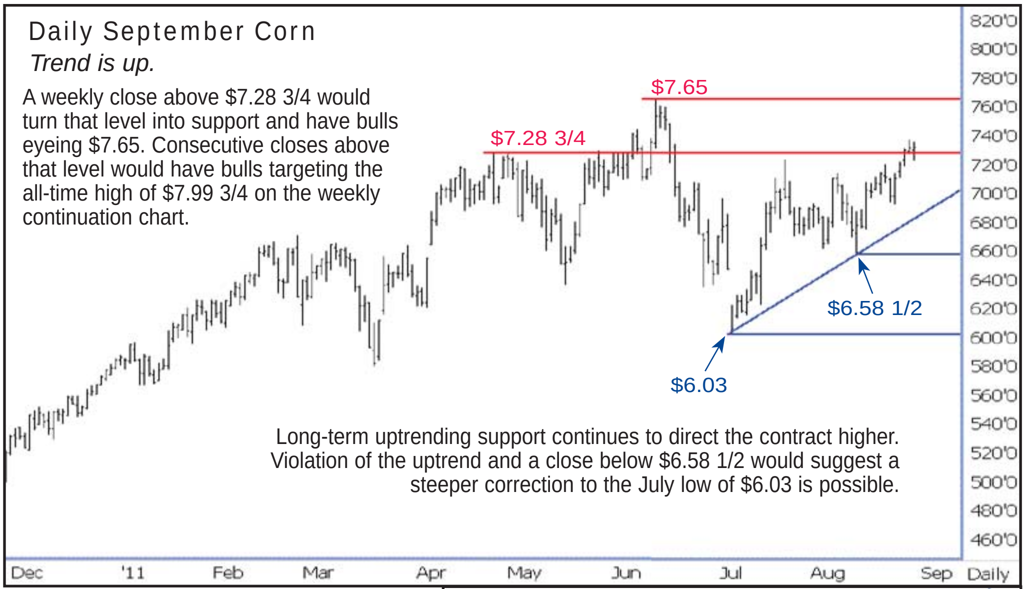


Corn

Position Monitor

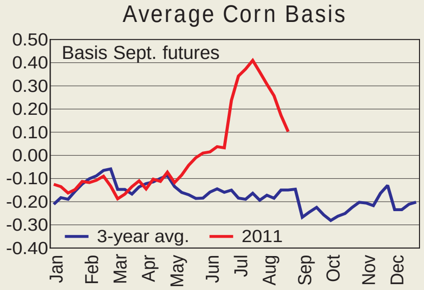
	'10 crop	'11 crop
Cash-only:	90%	50%
Hedgers (cash sales):	100%	60%
Futures/Options	0%	25%

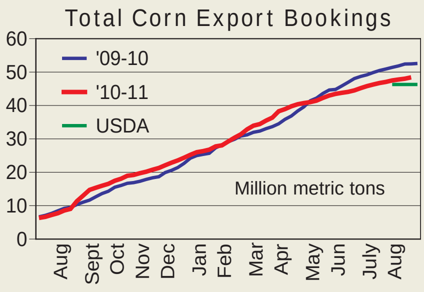
Game plan: We maintain a long-term bullish bias as fundamentals and technicals are strong. But we caution against getting more bullish as prices rise. The Sept. $9.00 call options hedgers held on 25% of 2010-crop expired worthless on Aug. 26. Hedgers also have 25% of 2011-crop reowned in Dec. $7.50 call options for 28 1/2¢. Cash-only marketers will be wrapping up old-crop sales next week.

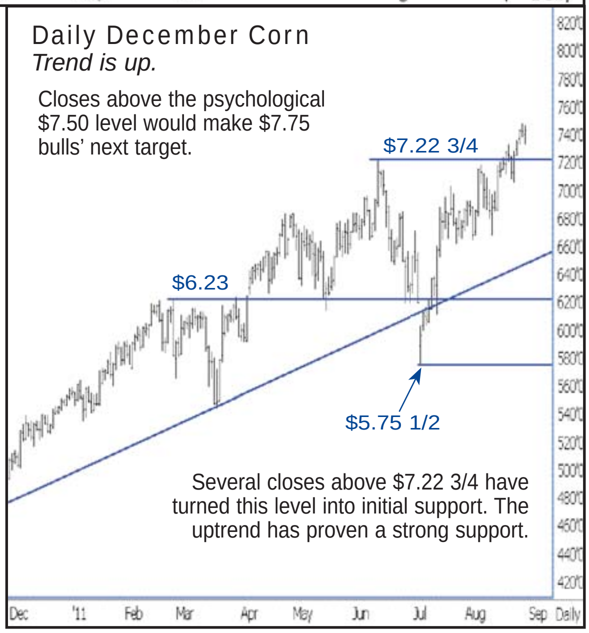


Fundamental analysis

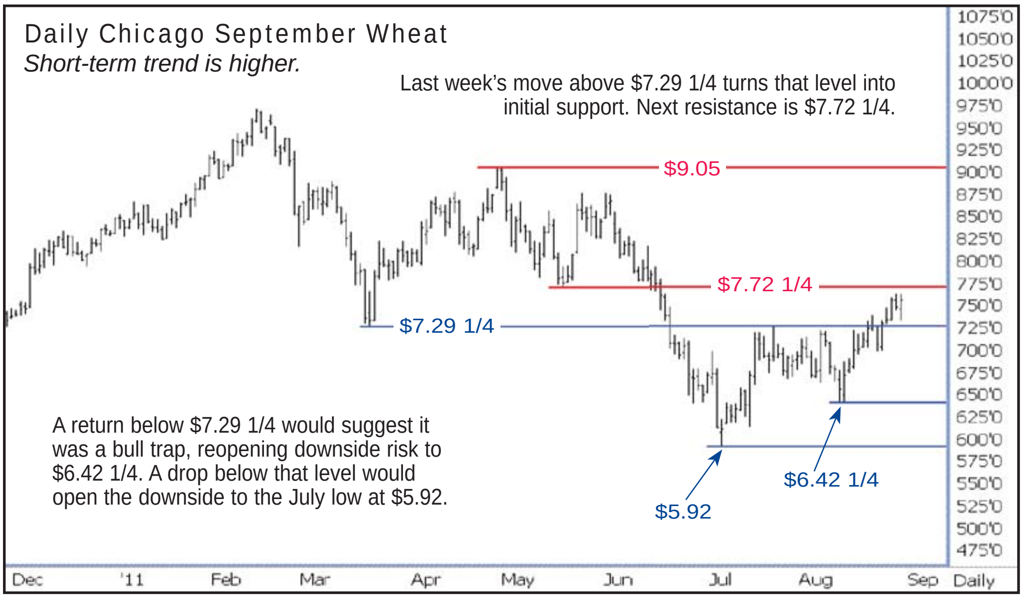
The *Pro Farmer* Midwest Crop Tour confirmed what traders suspected — the size of the crop is not big enough to meet a growing demand base. Before the growing season began, we said the market could use every bushel it got this year, but Mother Nature had other plans. Yield potential is actually impressive given all the weather thrown at the crop. Further crop condition declines are likely ahead given the pushed maturity of the crop and lack of near-term moisture prospects. A near-term pickup in demand is possible on fears a sharp price increase is on the horizon. On Aug. 26, USDA announced a corn sale of 365,760 metric tons (MT) for unknown destinations, with 243,840 MT for 2011-12 and the rest for 2012-13. This signals importers are concerned, especially since there's plenty of time to book 2012-13 supplies.







Wheat



Position Monitor

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

Game plan: Wait to get current with advised sales and no additional 2011-crop sales are recommended at this time. There's no urgency to make 2012-crop sales yet.

Fundamental analysis

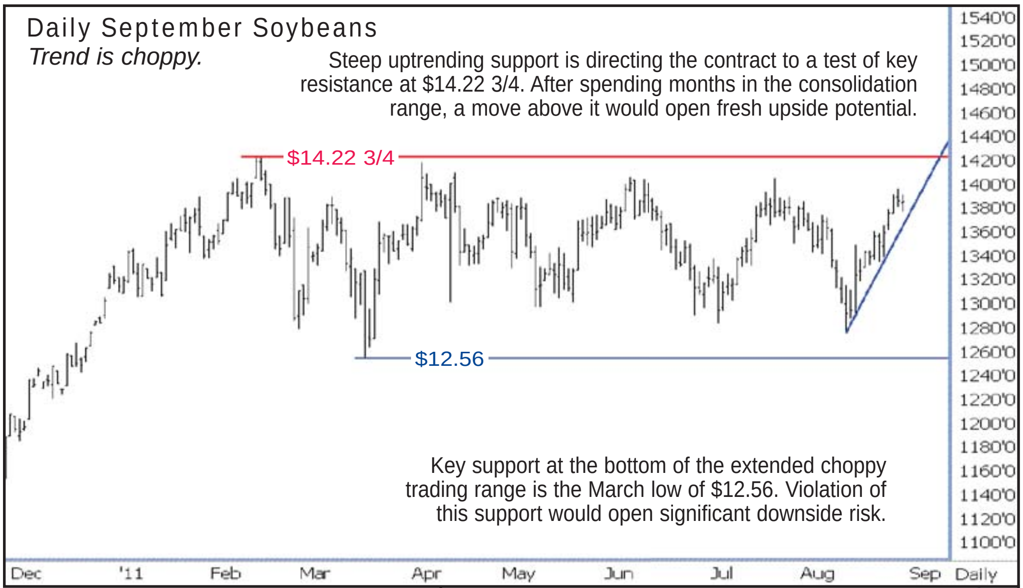
SRW: Wheat took on the leadership role last week, which is impressive given the attention the Midwest Crop Tour placed on corn and soybean crops. September Chicago wheat widened its premium to September corn last week as the focus was on spreading.

Soybeans

Position Monitor

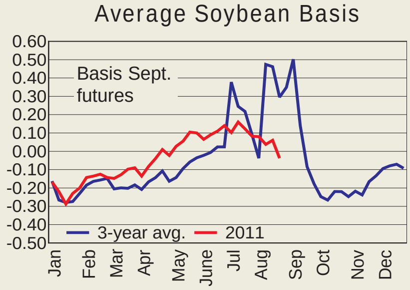
	'10 crop	'11 crop
Cash-only:	75%	50%
Hedgers (cash sales):	100%	50%
Futures/Options	0%	0%

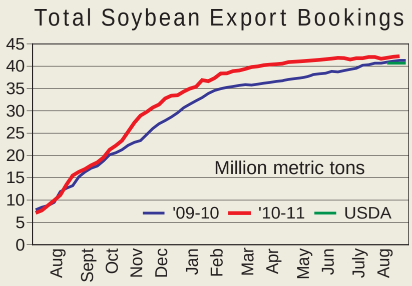
Game plan: Cash-only marketers will finish old-crop sales next week as the 2010-11 marketing year comes to a close. While our long-term bias is bullish, new-crop sales may be advanced if futures return to the upper end of the extended choppy trading range but fail to post a breakout. An upside breakout from the range is needed to open strong upside price potential.

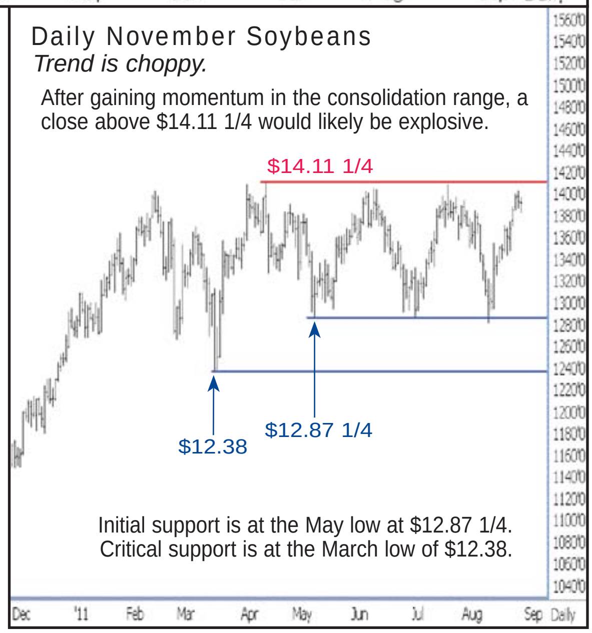


Fundamental analysis

Outside markets faced increased volatility last week created by nervousness ahead of Fed Chairman Ben Bernanke's speech (see *Analysis page 4*). It was impressive to see soybean futures test the top of the long-lasting sideways trading range in light of the happenings last week — signaling focus is clearly on crop concerns. The National Drought Monitor shows drought spread across key areas of the Midwest during the critical pod fill stage of August. Our weighted Crop Condition Index reflects a crop that is struggling. Many areas of the Midwest could still benefit from a timely rain to fill pods, but time on maximizing pod fill is running out. Even in areas where the Midwest Crop Tour found solid pod counts, if widespread rains don't fall soon, bean size will be jeopardized. Still, soybean futures are vulnerable to outside market influences.

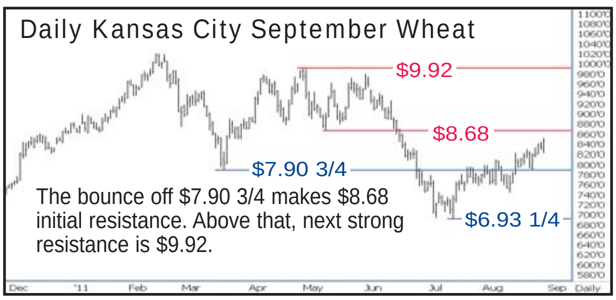


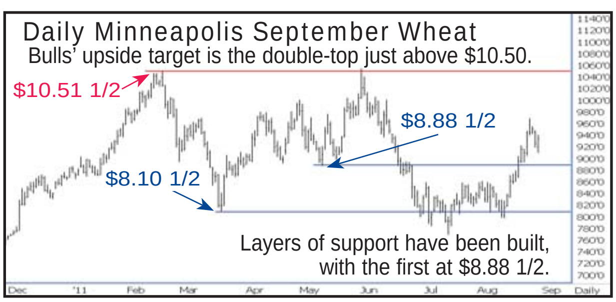


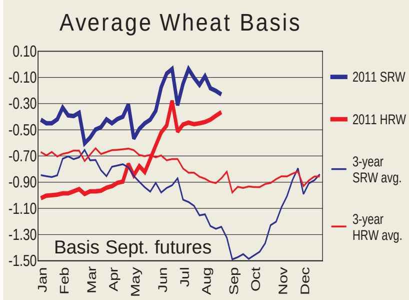


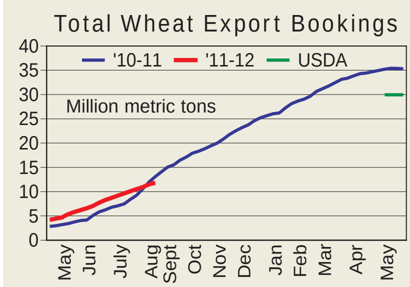
HRW: Worsening drought conditions in the Central and Southern Plains have heightened U.S. supply concerns as it puts U.S. winter wheat acreage in question. However, while global wheat stocks are seen tighter in 2011-12 than the previous year, they are still considered comfortable.

HRS: Disappointing yield results from the Dakotas renewed supply side concerns last week, with additional support coming from late-season rains in Germany that are threatening crop quality. Still, traders continue to be reminded that U.S. wheat is not competitively priced on the global market as Egypt has aggressively been booking Russian wheat since they resumed exports in July.







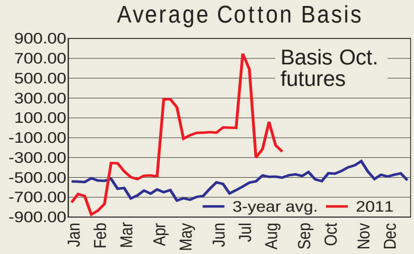


Cotton

Position Monitor

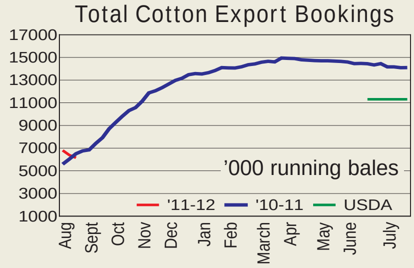
	'11 crop	'12 crop
Cash-only:	0%	0%
Hedgers (cash sales):	0%	0%
Futures/Options	0%	0%

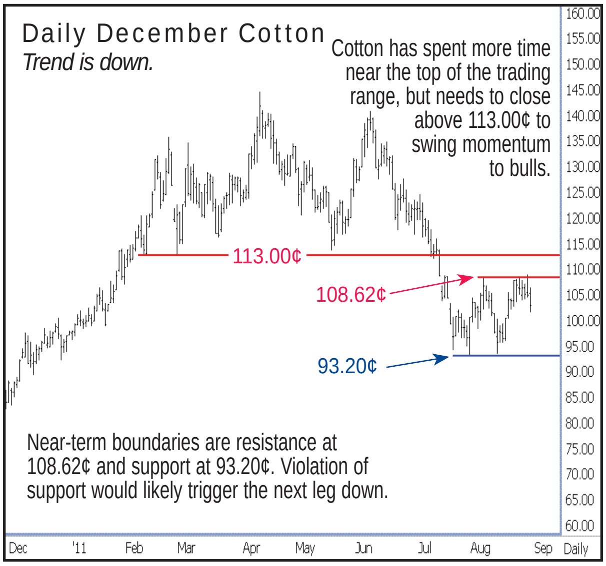
Game plan: All 2010-crop is sold. Be prepared to make initial 2011-crop sales on signs the price recovery is running out of steam.



Fundamental analysis

Price action in cotton continues to be choppy as traders weigh lackluster demand against reports of rising cotton abandonment in the southern United States. Late-week pressure came from expectations Hurricane Irene would bring some much-needed moisture to the Southeast.



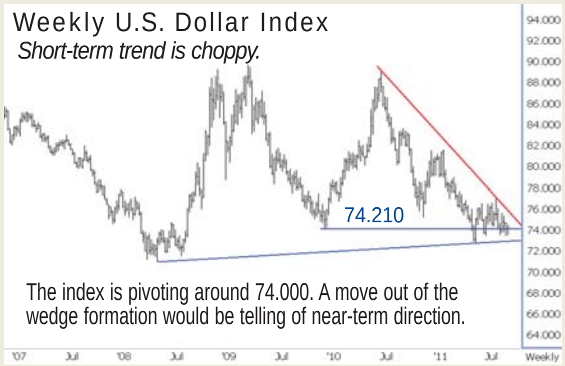


General Outlook

Economy: Last week's Federal Reserve symposium in Jackson Hole, Wyoming, attracted keen trader and investor attention. *Why?* Because at last year's event Fed Chairman Ben Bernanke unveiled a set of U.S. economic stimulus measures he said the Fed could employ — and soon thereafter did — referred to as QE2 (a second round of quantitative easing of U.S. monetary policy).

Given the recent spate of weaker U.S. economic data, some reckoned the Fed would announce another monetary stimulus effort at this year's meeting (QE3). Bernanke's speech at the event will be closely monitored. There was no clear consensus regarding whether Bernanke would spell out a specific stimulus plan on Friday, which provided the equity markets with uncertainty last week.

Commodity markets are also anxious about what Bernanke will say, as it will impact the U.S. dollar index. Expectations of another round of stimulus have limited strength in the dollar.



From the Bullpen *by Senior Markets Editor, Julianne Johnston*

The last day of the 2010-11 corn and soybean marketing year is upon us — August 31. For cash-only marketers that means we will be making the final sale to sweep the bin clean to make room for the 2011 crops.

Our strategy in the past has been to "respect" the end of the marketing year and not carry supplies over. After all, there's plenty of "time" within a marketing year to get that job done! And in the case of the 2010-11 marketing year, that patience has paid.

Hedgers are sold out on 2010-crop supplies and have been managing risk in futures and options. However, cash-only marketers make the conscious decision to carry all their risk in the cash market. Because of this, we typically label the last sale of the marketing year as "gambling stocks." This year it paid to "gamble" with those remaining bushels — in flat price and basis.

But it didn't seem like much of a gamble considering the tightening supply picture, especially as 2011-crop troubles arose — putting more importance on every "remaining" bushel of the 2010 crop.

This week we will advise corn cash-only marketers to make the last 10% sale and soybean producers will make a 25% sale. We were more aggressive with rewarding the corn market rally, while choppy price action in old-crop soybean futures lent itself to holding onto more of the crop.

The last cash-only sale will be the highest of the marketing year in price, but it has also paid to wait because basis has firmed.

September 1 is the official start of the 2011-12 corn and soybean marketing year. If you are not current with advice, take advantage of the rally to lock in prices.

Key Market Items on My 'To Watch' List

1) USDA Crop Progress/Condition Rpt.
— Monday, Aug. 29, 3:00 p.m. CT
After several straight weeks of deterioration to the corn and soybean crops, traders still look for further declines as rains have been a disappointment.

2) 2010-11 Corn/Soybean MY ends
— Wednesday, Aug. 31
The last trading day of the 3rd qtr. of 2011 is also the last day of the 2010-11 corn and soybean marketing year.

3) Weekly Export Sales Report
— Thursday, Sept. 1, 7:30 a.m. CT
While focus is on the supply side, traders are still closely monitoring demand as they monitor signs of rationing.