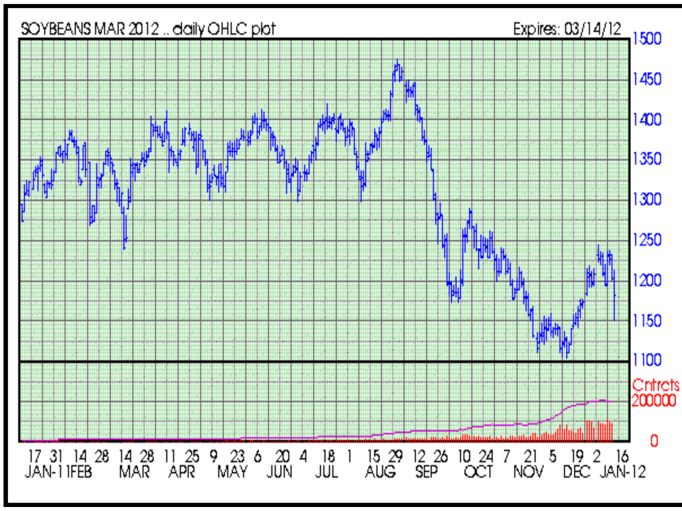
MARKETLINE

Progressive Ag
RISK MANAGEMENT SPECIALISTS

Leading Agriculture into the 21st Century

417 38th Street, Suite A, Fargo, ND 58103 701-277-9210 1-800-450-1404 January 13, 2012

What to Sell	Cash Only		Future Hedgers	
Week's Rank	**'11**	**'12**	**'11**	**'12**
1. HRS Wheat	90%	70%	90%	70%
2. Durum				
3. Pinto Beans	-50%			
4. Navy Beans	-50%			
5. Flax				
6. Canola	-50%		-50%	
7. Malt Barley				
8. Sunflowers	-50%		-50%	
9. Feed Barley	-150%			
10. Soybeans	100%	80%	100%	80%
11. Corn	100%	90%	100%	90%



Soybeans *USDA Report Trumps Weather Report*

Soybeans lost 5 to 15 cents on the week. A strong weather rally at the beginning of the week was wiped away when rains fell in South America and USDA released its January report. The report was generally bearish for oilseeds.

Soybeans opened 12.75 cents higher on Monday and climbed to sharply higher gains. There were continued South American weather concerns with hot and dry weather over the weekend. There was good rain forecasted for the coming days in Argentina and southern Brazil, but traders were willing to push the market higher without rain confirmation.

On Tuesday soybeans opened with light losses and had losses of up to 10 cents during the morning before recovering to close near unchanged. Outside markets were supportive, but there was a feeling that Monday's gains of over 30 cents were overdone. Traders were waiting for more concrete weather news out of South America, and many were sitting on the sidelines ahead of the USDA report due out Thursday.

Soybeans opened 14 cents lower on Wednesday and continued to come under pressure during the day from heavy non-commercial selling. Rainfall in Argentina and southern Brazil sparked long liquidation in soybeans, taking some weather premium back out of the market. Traders seemed unwilling to hold long positions into the USDA report as well. Average expectations were for a very small increase in U.S. ending stocks and a small decrease in global ending stocks. Many traders have been looking for a cut in South American production estimates, but it may be too early in the growing season for USDA to make any significant cuts to southern hemisphere production.

Thursday soybeans opened 36 cents lower and traded as much as 53 cents down after the release of the USDA report. The report was bearish, raising the forecast for U.S. 2011/2012 soybean production and ending stocks above previous levels. Soy trading volume was up roughly 30 percent over the prior 30-day average. The production forecasts for Brazil and Argentina were both lowered, providing some support to soy and preventing it from falling as far as corn and wheat. Ongoing concern about potential weather damage to South American soy crops also provided some support.

USDA reported last week's soybean export inspections pace at 34.1 MB. This brings the year to date export shipments pace for soybeans to 566.0 MB compared to 805.7 MB for last year at this time. Last week's soybean export sales pace was estimated at 15.9 MB. This brings the year to date export sales pace for soybeans to 902.1 MB compared to 1.316 BB last year at this time. With 34 weeks left in soybean's marketing year, shipments need to average 20.6 MB and sales need to average 11.7 MB to make USDA's revised 1.3 BB projection.

2011 Sales: 100% Sold
20% Nov 11 FF at $10.68 on 9/29/10
20% Nov 11 FF at $10.81 on 10/1/10
20% Nov 11 FF at $10.50 on 10/4/10
25% Nov 11 FF at $12.00 on 12/02/10
15% Nov 11 FF at $13.45 on 3/18/11
(average price $11.42)
Rolled out of Nov 2011 soybean FF positions at $12.02 into Jan 2012 FF positions at $12.125 on 11/02/11

2012 Sales: 80% Sold
35% Nov 12 FF at $11.50 on 12/03/10
20% Nov 12 FF at $12.35 on 3/18/11
25% Nov 12 FF at $13.20 on 7/7/11

2013 Sales: 50% Sold
20% Nov 13 FF at $11.98 on 3/18/11
30% Nov 13 FF at $12.60 on 7/7/11

WHEAT: *Mixed Results From UDSA Report*

The wheat markets finished the week about 20 cents lower in Chicago due to a bearish USDA report and pressure from the corn market. The Minneapolis market was able to finish the week up to 10 cents higher due to the less bearish fundamentals in the spring wheat market.

Wheat opened 11 cents higher Monday, mirroring the gains seen in the corn market, and had strong gains for the day. The row crop markets rallied on renewed concerns over South American production, and the lower dollar helped as well. The Mpls market struggled to follow along due to a lack of interest from non-commercial traders. There has also been pressure in the Mpls market from commercial selling as commercials try to move wheat into a market that is experiencing slow exports.

On Tuesday wheat opened 3.5 cents lower in Chicago and had steady losses for most of the day, despite support from the lower dollar. The grain markets felt some pressure from thoughts that Monday's gains were overdone. Traders seemed content to sit on the sidelines, awaiting weather reports from South America and Thursday's USDA report.

Wheat opened 5 cents lower on Wednesday and was steady for most of the day before a late session surge allowed the market to close with small gains. Outside markets put pressure on the wheat trade, but the late session recovery showed that traders were unwilling to push this market before Thursday's USDA report. Average trade guesses were for U.S. ending stocks to be lowered from 878 MB to 842 MB, with world stocks lowered slightly from 208.5 mmt to 207.9 mmt.

Thursday wheat opened 29 cents lower in Chicago and held steep losses for the rest of the day. The January USDA reported was bearish for the grain markets in general with most numbers coming more bearish than expected. U.S. wheat ending stocks were cut by only 8 million bushels to be at 870 MB. Cuts to domestic feed and milling usage were offset by a 25 MB increase in export projections. Global ending stocks increased more than expected as well to be at 210.02 million metric tons, up from 199.94 mmt in 2011. U.S. winter wheat acreage for 2012 was higher than expected at 41.95 million acres, up from 40.7 million in 2011. The Minneapolis wheat market was able to escape with lighter losses since the quality wheat does not compete with corn for feed use, and unlike winter wheat, the spring wheat crop is not in the ground yet.

USDA reported last week's wheat's export inspections pace at 10.8 MB. This brings the year to date export shipments pace for wheat to 606.8 MB compared to 681.9 MB for last year. With 21 weeks left in the marketing year, shipments need to average 15.0 MB to keep pace with USDA projections.

Last week's wheat export sales pace was estimated at 13.4 MB. This brings the year to date export sales pace for wheat to 733.2 MB compared to 962.6 MB last year. With 21 weeks left in wheat's marketing year, export sales need to average 9.9 MB to make USDA's revised projection of 950 MB.

2011 Sales: 90% Sold

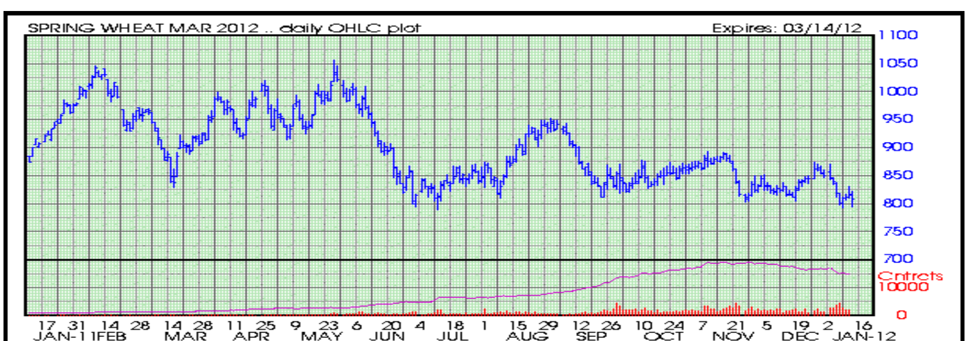
25% sold Sept 11 Chi contract at $7.6675 (08/06/10).
25% sold Sept 11 Chi contract at $7.14 (08/09/10).
Rolled out of Sept 11 Chi at $7.15 on 09/07/11.
25% sold Sept 11 MWE contract at $8.40 (12/02/10).
15% sold Sept 11 MWE contract at $8.95 (3/24/11).
Rolled out of Sept 11 MWE at $9.70 on 09/07/11.
Repositioned wheat sales in Dec MWE at $9.35 on 09/07/11.

2012 Sales: 70% Sold

25% sold July 12 Chi contract at $7.25 (08/09/10).
35% sold July 12 Chi contract at $7.90 (12/02/10).
10% sold Sep 12 MWE contract at $8.62 (3/24/11).

2013 Sales: 10% Sold

10% sold July 13 Chi contract at $8.08 (3/24/11).



CORN: *Bearish UDSA Report*

Corn started the week trading with strength due to continued weather concerns in South America, primarily Argentina. But the gains were short lived once USDA's reports were released. USDA's Final Crop Production report was not friendly for corn, as USDA raised 2011 US corn yields and harvested acreage. World ending stocks were also increased. For the week ending Thursday, corn was off 32 cents.

To start the week, corn opened higher and traded with strength for the session. Corn continued to find support from the weather in Argentina. While rain is expected to cover 85% of Argentina the next 2 days, forecasts are calling for the weather to turn back to a dryer forecast. The average trade estimate has the US corn yield dropping .5 bu/acre in Thursday's report to 146.2 bu/acre for the 2011 crop.

Corn opened unchanged and closed there on Tuesday in a very quiet trading day. Traders were positioning ahead of the USDA report as some profit taking type trading was noted during the session. Brazil Ag officials lowered their forecast for the size of the corn crop to 59.2 MT from 60.3 MT last month, but noted that the impact of recent dryness in the southern regions would not be taken into account until actual field surveys next month.

On Wednesday, corn opened lower, but firmed up and traded on both sides of unchanged for the session as traders squared positions ahead of USDA's report. There was also long liquidation selling as traders went to the sidelines and that added weakness early. Expectations are looking for USDA to cut corn's ending stocks estimate to 749 MB, compared to 848 MB for last month.

Corn opened sharply lower Thursday and quickly moved to limit down for the rest of the session. The news of the day was USDA's Crop Production report. USDA put corn's ending stocks for the 2011/12 season at 846 MB, which was down just2 MB from last month and well above trade expectations of a 100 MB reduction. Corn's final production estimate was at 12.358 BB, up 48 million bushels from last month. The production increase was due to an increase in yield of .5 bushels and an increase in harvested acres of 100,000. Exports were increased by 50 MB, while other usage numbers were left unchanged. World ending stocks were increased to 128.14 MT from 127.19 MT last month and compared to expectations of 123.5 MT. Argentina production was revised down by 3 MT to 26 MT and Brazil was left unchanged.

Ethanol production for the week ending January 6th averaged 944,000 barrels/day. This is down 1.9% vs. last week and up 6.3% vs. last year. Total Ethanol production for the week was 6.608 million barrels. Corn used in last week's production is estimated at 100.5 MB as compared with 95.2 MB necessary each week to reach the USDA projection for the marketing year. Stocks were 18.77 million barrels, which is up 4.6% vs. last week and up 9.8% vs. last year.

USDA's Export Inspection Report was friendly for corn. There were 33.9 MB of corn reported shipped, above the 30.1 MB needed to meet USDA's projection of 1.6 BB. This was within the pre-report estimates of 27 to 37 MB. The Export Sales Report for corn was at 12.7 MB, which was below the 19 MB that was needed to meet USDA projection of 1.65 BB. This was below the estimates of 12.9 MB to 23.6 MB and bearish for corn. Total shipments this week were at 29.5 MB and below the 30.2 MB needed this week.

2011 Sales: 100% Sold:

Liquidated December 11 FF positions (12-05-11) at $5.84 for a $1.11 loss. Fixed basis on 30% turning them to cash and rolled 70% to the March 12 FF contract at $5.95.

2012 Sales:90% Sold:

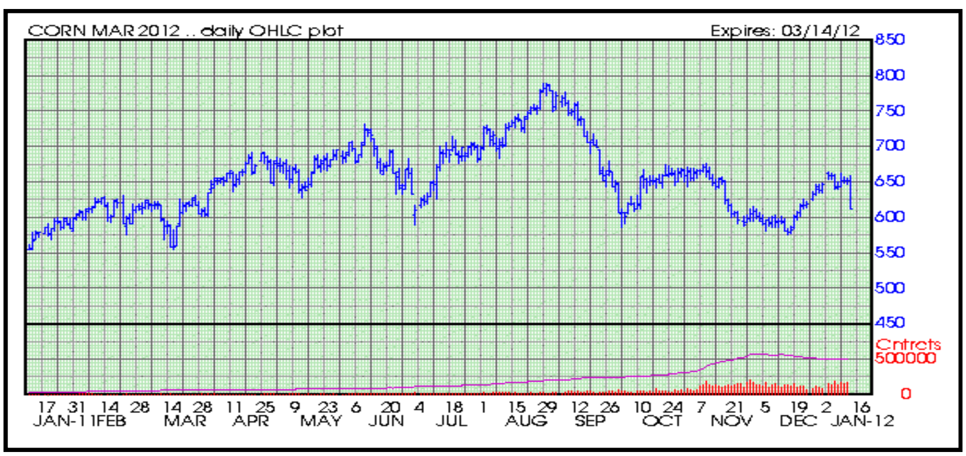
10% Dec 2012 FF $4.55 (10-4-10)
35% Dec 2012 FF $5.00 (12-2-10)
10% Dec 2012 FF $5.60 (3-18-11)
25% Dec 2012 FF $6.24 (6-21-11)
10% Dec 2012 FF $6.09 (7-7-11)

2013 Sales:60% Sold:

20% Dec 2013 FF $5.57 (3-18-11)
30% Dec 2013 FF $5.98 (6-21-11)
10% Dec 2013 FF $5.87 (7-7-11)

2014 Sales:60% Sold:

30% Dec 2014 FF $5.98 (6-21-11)
30% Dec 2014 FF $5.84 (7-7-11)



SPECIALTY CROPS

Barley

USDA increased barley feed use by 10 MB, bringing the projected ending stocks down to 45 MB. USDA reported export inspections of 8,000 bushels for barley this week. The year to date export shipments pace for barley is now at 5.6 MB compared to 4.5 MB for last year at this time. Year to date export sales for barley are at 3.8 MB compared to 4.1 MB for last year at this time. Cash bids in Mpls were at $5.20 for feed and $7.20 for malting barley.

Canola

Canola futures on the Wpg exchange lost around $2.00 CD/ton for the week. Canola followed the soybean market closely with daily weather reports from South America and a big USDA report on Thursday. Canola had little domestic news to trade on, and the USDA report was bearish for oilseeds in general, so canola traded lower for the week. Thursday's cash canola bids in Velva were at $23.65

Durum

USDA cut the durum supply by 3 million bushels, so the stocks/use ratio now stands at 21.9 percent, the tightest of all the wheat classes. USDA reported no export inspections or export sales for durum this week. Durum's export sales pace is at 15.2 MB compared to 28.9 MB for last year at this time. Cash bids for milling quality durum are at $7.50 in Berthold with Dickinson at $8.15.

Sunflowers

Global sunflower production estimates were increased the USDA report due to record crops in Russia and the Ukraine. Last week's soybean oil export sales pace was estimated at 1.1 TMT. This brings the year to date export sales pace for soybean oil to 171.5 TMT compared to 967.3 TMT for last year at this time. Thursday's cash sunflower bids in Fargo were at $28.30.

Dry Beans

Dry bean markets have started 2012 at relatively steady levels, with Mexico showing continued interest in pintos and growers holding inventories relatively tight. Prices are steady at $43-$45 for pintos and $45 for navies and blacks.