



Wednesday September 8, 2010

Commodity	Period	Price	Weekly Movement		
Corn CBOT	Dec.	4.6625	↓	1/2	cents
Soybeans CBOT	Nov.	10.5200	↑	46 1/2	cents
Wheat CBOT	Dec.	7.1100	↑	2 1/4	cents
Wheat Minn.	Dec.	7.3325	↑	7 1/4	cents
Wheat Kansas	Dec.	7.1250	↓	14 1/4	cents
Canadian \$	Dec	0.9627	↑	126	points

CORN

Corn prices remained steady this week with the trade waiting on Friday's USDA report.

The trade is not expecting the September USDA yield estimate to fully factor in the recent dryness and summer heat in the US. Analysts expect only a slight decrease from the August estimate of 165 b/ac. However if the dry conditions continue some see the eventual yield being no larger than 158 b/ac.

Questions around US yield combined with uncertainty around EU and Russian crops is leading to a wide variety of supply/demand scenarios. Friday's USDA report will likely provide some clarity however the market will likely remain volatile for some time.

Record demand combined with tight carryout has produced a very wide inverse July – Dec spread. However there is a growing need for several million additional corn acres next year, particularly if the wheat and soybean rallies continue.

If corn prices pull further higher ethanol blending margins will enter negative territory, possibly leading to calls for the US government to temporarily waive the ethanol mandate.

SOYBEANS

Soybeans surged as early harvest activity in the US produced smaller than expected yields. Surveys are still suggesting near record 44 bu per acre yield, however the trade is nervous that with larger demand from China and the EU, a small decline in yields could find stocks remaining at very tight levels next year and perhaps beyond.

The trade is watching dry weather in parts of Brazil and fear of La Nina pattern this year may prevent another large crop in South America despite Brazilian acres being up 3-4% from last year. In the long term, western hemisphere acreage must increase over 6 million acres annually to meet demand.

The Chinese soybean crushing capacity has reportedly reached 100 mmt per annum. To fully utilize this capacity China will need to dramatically increase soybean imports from current levels of around 1 mmt per week.



WHEAT

Wheat markets had a mixed week ahead of the USDA report and with suggestions that Russia might end its export ban sooner than expected. The Former Soviet Union has received some rain however many areas remain dry with fall planting continued to be delayed.

The USDA is expected to again lower Former Soviet Union and EU wheat crop estimates in Friday's supply/demand reports. US stocks should remain adequate to burdensome but world supply/demand will most likely continue to tighten.

With one quarter of the crop year gone cumulative US wheat export loadings stand at 262 million bu compared with 201 last year.

Contract prices for September 8th, 2010 at the close are as follows:

SWW at \$217.44 per tonne (\$5.92/bu.), SRW at \$200.30 per tonne (\$5.45/bu.), HRW at \$225.05 per tonne (\$6.12/bu.), and HRS at \$231.62 per tonne (\$6.30/bu.).

Chart of the Week

