



Wednesday September 15, 2010

Commodity	Period	Price	Weekly Movement		
Corn CBOT	Dec.	4.9525	↑	29	cents
Soybeans CBOT	Nov.	10.4250	↓	9 1/2	cents
Wheat CBOT	Dec.	7.2675	↑	15 3/4	cents
Wheat Minn.	Dec.	7.5850	↑	25 1/3	cents
Wheat Kansas	Dec.	7.5975	↑	47 1/4	cents
Canadian \$	Dec	0.9716	↑	89	points

CORN

Growing fears about US yields sent prices to 23 month highs. Friday's USDA report cut US corn yield estimates from 165 b/ac to 162.5 b/ac, however much of the trade is now predicting yields of below 160 b/ac. US crops are now rated 68% good/excellent with the harvest 11% complete compared with 6% last year.

While stocks are expected to be tight in the coming year, there is a growing realization that stocks will most likely become tighter still the following year. The dramatic loss of Russian and European crops this year has removed the buffer from world inventories leaving the trade vulnerable to a multi-year grain shortage problem. Without dramatic acreage expansion and perfect weather, supplies may drop to the tightest level since 1995-96.

With a shortage looming and ethanol trading nearly 10 cents/gallon above gasoline, the trade is watching closely for any changes in US ethanol policy. Decisions are expected on the expanded blending mandate, tax credits and subsidies by the end of the year.

SOYBEANS

Soybeans rose early this week as dry conditions continue in northern Brazil with little relief seen for 10 to 14 days. The trade believes the La Nina weather pattern could dramatically reduce South American production prospects this coming year. The market is therefore sending a signal to South American producers to plant more soybeans. Meanwhile Northern Chinese crops have experienced frost 2 weeks ahead of normal.

The US soybean crop appears to be enduring the hot conditions much better than corn. Yield reports are generally robust with some areas setting new records.

Even with normal crops, growing demand from China will tighten world oilseed carryout to use ratios. In this environment oilseeds are unlikely to relinquish significant acreage to coarse grains, as will be required to meet demand in that market.



WHEAT

Wheat markets fell early in the week when the Australian Government released estimates for crop size and exports which were both around 2 mmt above the USDA's most recent forecast.

The global shortage of quality wheat is expected to lift demand for North American wheat however logistics may limit shipments.

Persistent light rains continue to push the harvest in Western Canada further behind schedule. Current progress is about 23% compared with 50% in a normal year. Meanwhile grain shipments from the St. Lawrence are up 51 percent from last year.

Russian planting concerns and corn price action are expected to continue to support wheat values.

Contract prices for September 15th, 2010 at the close are as follows:

SWW at \$221.11 per tonne (\$6.02/bu.), SRW at \$204.20 per tonne (\$5.56/bu.), HRW at \$228.82 per tonne (\$6.23/bu.), and HRS at \$238.65 per tonne (\$6.50/bu.).

Chart of the Week

