



Wednesday November 10, 2010

Commodity	Period	Price	Weekly Movement		
Corn CBOT	Dec.	5.6675	↓	14 1/4	cents
Soybeans CBOT	Jan	13.1900	↑	82	cents
Wheat CBOT	Dec.	7.1000	↓	16 3/4	cents
Wheat Minn.	Dec.	7.8200	↑	23 1/2	cents
Wheat Kansas	Dec.	7.8700	↑	27 1/4	cents
Canadian \$	Dec	0.9997	↑	65	points

CORN

Corn rallied before retreating following Tuesday's anticlimactic USDA report. The report contained a small downgrade in US production (yield falling from 155.8 to 154.3 bpa), however much of the trade had positioned itself for a larger drop in production.

A record number of corn contracts were traded on Tuesday, as funds re-adjusted their positions leading into the quite holiday period. Despite the minor sell-off funds still maintain a record long position in corn.

US ending stocks this year will decline over 900 million bushels from last, causing some demand rationing. However price modeling suggests corn futures are fully valued for this time of year.

Between now and the end of the year traders will focus on the US congressional debate regarding ethanol subsidies. If there are any indications that subsidies could be cut, nervous traders will likely liquidate their long positions. However this week the US Deputy Secretary for Agriculture indicated that tight corn supplies will not shake government support for ethanol.

SOYBEANS

Soybeans enjoyed a strong rally following the USDA report on Tuesday. US soy yields were estimated at 43.9bpa, below the 44.4 estimate in October and well below trade expectations. The report also forecasted a sharp increase in 2011 US cotton acres which will put further pressure on soybean production next year.

The report forecasted Chinese imports at 57mmt, however many in the trade believe this figure is conservative. Either way, 2010/11 ending stocks are set to shrink from already very tight levels. Therefore without a substantial acreage expansion, North America may face an explosive supply/demand situation in 2011-12.

Soymeal has caught the attention of the broader market with Chinese demand increasing at an accelerated rate. Higher animal numbers, higher meat demand and low meal use per animal sets the stage for exceptionally strong Chinese demand growth for years to come.



WHEAT

Wheat futures finished the week higher as the USDA made a slight downgrade to their 2010 US production estimate. The downgrade further tightened US carryout figures; however supplies remain ample at 848 million bushels. Sensing a possible over-reaction to the report, on Wednesday wheat futures relinquished some of Tuesday's gains. With wheat supplies at adequate levels and corn preparing for demand rationing, the wheat-corn spread is set to narrow.

After purchasing some Ontario SRW wheat last week, Egypt this week purchased US, Australian and French wheat.

Ontario winter wheat plantings are estimated between 950,000 – 1 million acres. This is well up from last year (815,000 acres) but less than early predictions of above 1.2 million acres.

Extreme wet weather is expected to hamper the wheat harvest in Eastern Australia.

Contract prices for November 10th, 2010 at the close are as follows:
SWW at \$226.18 per tonne (\$6.16/bu.), SRW at \$226.18 per tonne (\$6.16/bu.), HRW at \$231.69 per tonne (\$6.31/bu.), and HRS at \$252.66 per tonne (\$6.88/bu.).

Chart of the Week

