Ontario Grain Market Commentary for December 2nd, 2010
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Commodity	Period	Price	Weekly Movement		
Corn CBOT	Mar.	5.6625	↑	12 1/2	cents
Soybeans CBOT	Jan.	12.8300	↑	28	cents
Wheat CBOT	Mar.	7.4000	↑	54 3/4	cents
Wheat Minn.	Mar.	8.0550	↑	55 1/4	cents
Wheat Kansas	Mar.	7.4550	↑	10 1/2	cents
Canadian $	Mar.	0.9822	↓	36	points

CORN

An across the board commodity rally saw new funds flow into the market this week. December is traditionally a good month for corn and this year the month opened with a very strong rally.

The major cause was threatening rains in Australia which shot wheat prices higher. However some are expecting much of the Australian wheat crop to be downgraded to feed which may compete with North American corn in Asian markets.

For the coming months the trade is expecting prices to be ultimately influenced by the world coarse grain supply/demand situation. Stocks are expected to plunge to near record tightness next year, with or without ethanol subsidies. World coarse grain ending stocks will decline a staggering 40 mmt to the tightest level since 1995. This will leave us vulnerable to the slightest threat of weather next year.

Gasoline has rallied to a seven month high, prompting suggestions that ethanol demand will remain strong in the near term regardless of the US Congress decision on subsidies.

A bipartisan Senate group is lobbying for ethanol subsidies to be allowed to expire on Dec 31. However pundits see a 50-50 chance of some type of short term (1-2 years) extension.

SOYBEANS

Soybean values surged higher with first day of the month buying amongst funds and news of strong economic activity in China.

The trade is also concerned with a hot and dry weather pattern in Argentina. As a result crop estimates have been lowered with fears of an historical pattern of drought associated with La Nina years.

The US dollar finished slightly higher against the Canadian this week as the ongoing concern about the European economy sends funds back towards the relatively safe greenback.

Surging world biodiesel demand is expected to tighten world vegetable oil supplies as food and fuel demand outpaces normal annual production gains.

WHEAT

Wheat values exploded as the trade begins to panic with two weeks of rain forecasted for Australia. The rain is threatening up to 15 mmt of wheat still in the fields there. Only 7 mmt of wheat has been harvested so far in Australia which is only sufficient to cover domestic use. The export market is expected to be largely filled by North American wheat, with Egypt already buying 165,000 tonnes of US HRW wheat and 55,000 tonnes of SRW, with no Australian bids being received.

The trade is also concerned about dryness in the Middle East where smaller crops could prompt larger imports. Colder temperature is also seen as a threat to the Russian crop now while central China remains dry.

Funds currently have a very small long position in Chicago wheat (2,000 contracts), therefore there is lots of room for funds to exercise their buying power and push prices higher.

Contract prices for December 1st, 2010 at the close are as follows:
SWW at $241.39 per tonne ($6.57/bu.), SRW at $237.65 per tonne ($6.47/bu.), HRW at $250.75 per tonne ($6.82/bu.), and HRS at $267.77 per tonne ($7.29/bu.).

Chart of the Week