



**Wednesday, December 08, 2010**

Commodity	Period	Price	Weekly Movement		
Corn CBOT	Mar.	5.7450	↑	8 1/4	cents
Soybeans CBOT	Jan.	13.0500	↑	22	cents
Wheat CBOT	Mar.	7.8400	↑	44	cents
Wheat Minn.	Mar.	8.6275	↑	57 1/4	cents
Wheat Kansas	Mar.	8.3750	↑	92	cents
Canadian \$	Mar.	0.9932	↑	110	points

### **CORN**

Corn markets had a mixed week as the US congress and white house made an informal deal to extend ethanol subsidies. However the size of the subsidy and the length of the extension remain unknown. Many expect the current 45c/gallon subsidy to be lowered to 36c/gallon.

The prospect of much of the Australian wheat crop being downgraded to feed is weighing on the feed market. A boost in Australian feed wheat exports will curb North American corn exports.

With funds maintaining a large long position (427,000 contracts) new buying interest is being tempered. The trade is also expecting funds to sell out of corn in early January to rebalance their positions.

The trade is expecting Fridays USDA update to lower US corn carryout from 827 mmt to around 803 mmt.

The latest Stats Canada report shows Ontario produced 7.7 million metric tonnes of grain corn, up 21.5 per cent from 6.4 million tonnes in 2009. Harvested acres rose 5.7 per cent from 1.8 million acres in 2009 to 1.9 million acres and at 164 bushels per acre yields reached a record high.

### **SOYBEANS**

Soybeans had a choppy week as the market tried to process potential changes to US biodiesel subsidies. A deal appears to have been reached to extend the \$1/gallon subsidies which expired in 2009, to cover 2010 and 2011. The decision is expected to stimulate US biodiesel production which is currently running at just 8% of capacity and well below the mandated levels.

The trade is watching generally beneficial rains in parts of Brazil however Argentina remains dry. Analysts have been lowering South American production estimates and many believe China is responding to the South American production threat by building up their soybean inventory levels.

The trade expects the USDA to lower its old crop US soybean carryout on Friday to 167 mmt from the 185 mmt November estimate.

For a second year in a row, a record area of soybeans were harvested in Ontario. Harvested area went up 1.8 per cent to more than 2.4 million acres. Yield increased 14.4 per cent to 46 bushels per acre reaching the same record high as in 2006. As a result, production also hit a record three million tonnes, up 16.4 per cent from 2009.



## **WHEAT**

The recent wheat price surge continued this week before tapering off as the trade debates a wide range of Australian crop damage scenarios. Rains continue to affect both quality and quantity of wheat there however the latest production estimate was at 26.8 mmt, well above the USDA's November forecast of 24 mmt.

A tighter world supply situation is prompting analysts to increase US export forecast despite logistical challenges, including the risk of cold weather reducing barge traffic. Total US carryout is expected to drop towards 760 mmt vs the 848 mmt forecast from USDA in November.

Russia may extend its grain export ban if weather remains unfavorable. Meanwhile better rains in the Middle East have improved production prospects.

Stats Canada numbers show Ontario winter wheat production declining for a second year in a row, down 4.7 per cent from 2009 levels to 1.8 million tonnes. Harvested area also declined, dropping 12.4 per cent to 815,000 acres. Yield however, rose 6.4 bushels per acre or 8.8 per cent to 79.5 bushels per acre.

Contract prices for December 8<sup>th</sup>, 2010 at the close are as follows:  
SWW at \$260.15 per tonne (\$7.08/bu.), SRW at \$258.31 per tonne (\$7.03/bu.), HRW at \$269.33 per tonne (\$7.33/bu.), and HRS at \$287.61 per tonne (\$7.83/bu.).

