



Wednesday, December 22, 2010

| Commodity | Period | Price | Weekly Movement | | |
|---------------|--------|---------|-----------------|--------|--------|
| Corn CBOT | Mar. | 6.0900 | ↑ | 24 3/4 | cents |
| Soybeans CBOT | Jan. | 13.2875 | ↑ | 32 1/4 | cents |
| Wheat CBOT | Mar. | 7.8350 | ↑ | 18 3/4 | cents |
| Wheat Minn. | Mar. | 8.6975 | ↑ | 27 | cents |
| Wheat Kansas | Mar. | 8.4450 | ↑ | 29 1/2 | cents |
| | | | | | |
| Canadian \$ | Mar. | 0.9845 | ↓ | 97 | points |

CORN

Corn finished the week higher despite index funds starting to reduce their holdings of corn futures, in order to rebalance their positions before 2011 begins. However in early January funds are expected to again pour new capital into the market, with the view that longer term market fundamentals support higher prices. At present funds already hold a record long position of 453,000 contracts.

The trade remains concerned over hot dry weather in Argentina and is beginning to lower their corn production estimates from this region.

The USDA is widely expected to increase corn use for ethanol estimates in the upcoming supply and demand report with weekly and monthly data suggesting a much stronger grind than the 4.8 billion tonnes usage projected by USDA currently. Meanwhile ethanol and gasoline prices continue to rally sharply higher.

The trade is looking ahead to the key USDA final production and stocks report on January 12th and the USDA conference in February to determine how much corn will be planted in 2011.

SOYBEANS

Soybeans traded higher on ideas of a tightening old crop and new crop US supply and demand situation.

The trade remains concerned over hot and generally dry conditions in Argentina, with crop estimates being downgraded. Smaller shipments from both Argentina and potentially Brazil, could push additional demand back to the US and further tighten the already snug US supply demand situation. World demand could be deferred into the US 2011-12 soybean cycle, setting the stage for incredibly tight supplies for the coming 2 years.

China's November soybean imports from the US were reported at near 3.8 mmt vs 2.7 mmt last year. While Argentina shipped over 900,000 tonnes this year vs zero last year. Higher prices have reportedly sunk Chinese crush margins into negative territory.

WHEAT

Chicago wheat futures continued to rise this week, as the trade watched erratic price movement in the Australian wheat markets. Overall the trade has become marginally less concerned about wheat quality issues in recent days as warm dry weather enables harvest to ramp up in many regions.



However in the US HRW areas, hot dry conditions continue to threaten production. Some producers are already talking of ripping up wheat to replant with sorghum and other crops if drought persists.

Ukraine winter crop conditions have improved in recent weeks, however Russia has indicated that it may stay out of the wheat export markets through to July 2011, unless production rebounds dramatically. Russian state lenders have repossessed assets valuing US\$2 billion from local producers and grain companies who failed to repay their debts.

US weekly export inspections were at 23 million vs 13.7 last year. Cumulative loadings are up 31% from a year ago with USDA forecasting annual exports up 42%.

Contract prices for December 22nd, 2010 at the close are as follows:

SWW at \$264.74 per tonne (\$7.21/bu.), SRW at \$270.25 per tonne (\$7.36/bu.), HRW at \$285.31 per tonne (\$7.77/bu.), and HRS at \$294.96 per tonne (\$8.03/bu.).

Chart of the Week

