



**Wednesday 5 January 2011**

Commodity	Period	Price	Weekly Movement		
Corn CBOT	Mar.	6.1925	↓	4 3/4	cents
Soybeans CBOT	Jan.	13.8600	↑	20	cents
Wheat CBOT	Mar.	8.0820	↑	9	cents
Wheat Minn.	Mar.	8.9900	↑	15 3/4	cents
Wheat Kansas	Mar.	8.7325	↑	15 1/2	cents
Canadian \$	Mar.	1.0019	↑	38	points

**CORN**

Corn futures finished slightly lower after an erratic week of trading. The trade is adjusting their positions ahead of the January 12 USDA production and stocks report.

Many expect the report to show larger corn use for ethanol projections which would help offset any increase in corn production. Nevertheless the trade fears US stocks will be pulled down to bare minimum levels triggering some old crop demand rationing.

The UN Food and Agriculture Organisation's Food Price Index is at the highest level ever, surpassing the previous record in 2008. The organisation expects record corn prices to head even higher.

The Commodity Futures Trading Commission (CFTC) has delayed plans to set position limits on agriculture futures. Members of the commission appear to be split on the issue; however a compromise position is expected in the coming week.

**SOYBEANS**

Soybean futures recovered to finish higher for the week as traders reflect on bullish long term supply and demand fundamentals. The trade was perhaps also influenced by a Goldman Sachs analyst suggesting soybeans are an attractive long term investment, preferable to wheat.

Crush margins have reportedly improved in China, which is expected to trigger more imports in the near future.

The US will need 5 to 6 million more soybean acres by spring or the supply/demand situation will force prices sharply higher in a demand rationing situation.

The South American weather outlook is mixed with some soybean areas in Argentina receiving beneficial moisture while the overall forecast is for below normal precipitation and hotter temperatures.

**WHEAT**

Wheat values continued to climb this week on the back of forecasts for a major cold wave in Kansas, Colorado and Nebraska in the coming week. The trade is watching the situation closely to see if the area receives the required snowfall to insulate the crop against winterkill. This is occurring while the trade was already apprehensive over the mediocre to poor condition of the US hard red winter wheat crop.

Farm Futures magazine is estimating US winter wheat plantings at 42.3 million vs 37.4 last



year. This type of production would find US stocks declining significantly year to year, particularly after factoring in abandonment and a possible yield decline; however stocks would still be maintained at adequate levels.

The trade is becoming less concerned over any possible quality or quantity impact to the Australian wheat crop after recent torrential rains, although the expected disruptions to logistics may impact the market.

Contract prices for December 5<sup>th</sup>, 2011 at the close are as follows:  
SWW at \$268.72 per tonne (\$7.31/bu.), SRW at \$274.22 per tonne (\$7.46/bu.), HRW at \$288.88 per tonne (\$7.86/bu.), and HRS at \$311.15 per tonne (\$8.47/bu.).

### **Chart of the Week**

