



**Wednesday 12 January 2011**

Commodity	Period	Price	Weekly Movement		
Corn CBOT	Mar.	6.3100	↑	11 3/4	cents
Soybeans CBOT	Mar.	14.1500	↑	29	cents
Wheat CBOT	Mar.	7.7050	↓	37 3/4	cents
Wheat Minn.	Mar.	8.7750	↓	21 1/2	cents
Wheat Kansas	Mar.	8.5200	↓	21 1/4	cents
Canadian \$	Mar.	1.0122	↑	103	points

**CORN**

Corn continued to rise with the USDA lowering its production estimate by 93 million bushels from the November figure. The yield estimate has been dropped from 154.3 to 152.8, some 8 bu/acre below trend.

The USDA redistributed 100 million bushels from corn feed use to ethanol production. Exports were left unchanged to pull US ending stocks down to a historically tight 745 million bushels. This is almost 1 billion bushels below last year's carryout.

Most traders see the possibility of an even larger corn for ethanol usage figure to pull US ending stocks down to no more than three weeks worth of usage at the end of the year. Even with expanded plantings next year and trend yields, US stocks will remain at near demand rationing levels. The year to year acreage expansion required across all three crops is unprecedented and many will see this as highly unlikely, leaving at least one crop desperately short of supplies by next year.

**SOYBEANS**

Soybean futures surged higher as the market was surprised by the USDA lowering its final US soybean production estimate by 46 million bushels. US soy use was also cut by 16 million bushels to project ending stocks of 140 million bushels which is very tight but still acceptable.

South American production was cut by 1.5 mmt, however the trade is fearing further cuts are likely in the February update with hot conditions continuing in Argentina and reports of irreversible losses emerging. Some analysts are predicting an Argentine crop as small as 40 – 45 mmt vs the USDA's 50.5mmt estimate. This would create an impossibly tight US supply/demand situation.

The trade is watching the continued deterioration in margins for livestock feeding and biodiesel production in Europe. Meanwhile Argentina expects to increase biodiesel capacity from 1.8 to 2.5 mmt next year.

**WHEAT**

Wheat values lost ground in the lead into the USDA report, but afterward was pulled higher by corn and soybeans. The USDA estimated winter wheat plantings at 41 million acres vs 37.4 million last year, which was generally in-line with the trade's expectations. This type of winter plantings with increased abandonment and lower yields could produce a national US wheat crop near 2.1 billion bushels next year.



World wheat stocks are predicted to decline 21 mmt year this year. In the US, wheat ending stocks are projected at 818 million bushels, with the USDA dropping feed use by 10 million bushels and increasing export forecasts by 50 million bushels.

An arctic blast has brought cold temperatures to US HRW areas prompting fears of additional winterkill. Meanwhile, the Texas wheat crop is rated 45% poor with the crop condition index down 17% from last year.

Food security concerns are emerging around the world. Algeria is asking for prompt shipment on contracts to quell food riots there, while Saudi Arabia is reportedly starting to build food reserve stocks. The French Agricultural Minister has hinted the country may seek to limit exports to address wheat shortages, however later reversed his comments.

Contract prices for December 13<sup>th</sup>, 2011 at the close are as follows:  
SWW at \$252.82 per tonne (\$6.88/bu.), SRW at \$258.27 per tonne (\$7.03/bu.), HRW at \$272.82 per tonne (\$7.42/bu.), and HRS at \$300.81 per tonne (\$8.19/bu.).

### **Chart of the Week**

