



**Wednesday 19 January 2011**

Commodity	Period	Price	Weekly Movement		
Corn CBOT	Mar.	6.5925	↑	28 1/4	cents
Soybeans CBOT	Jan.	14.1325	↓	1 3/4	cents
Wheat CBOT	Mar.	7.9325	↑	22 3/4	cents
Wheat Minn.	Mar.	9.0600	↑	28 1/2	cents
Wheat Kansas	Mar.	8.7650	↑	24 1/2	cents
Canadian \$	Mar.	10.0270	↑	90148	points

**CORN**

Corn had a choppy week eventually finishing ahead. Funds are clearly very nervous about 2011 supply, as they extend their record long position out to 427,000 contracts.

However the trade is starting to see signs of demand rationing following the recent corn price surge. Ethanol production margins are near zero while cattle feeding margins have also collapsed. The trade realizes that the US only needs to see minimal amounts of old crop demand rationing to end the year with tight but adequate ending stocks.

After a record corn crop, the market was surprised to see China seeking to import feed again this year. China has started buying feed wheat from Australia which is reportedly trading for \$8 – \$14 a tonne below US export feed corn. This is likely to curb US corn exports to China for the time being.

Recent rains have stabilised Argentina's crop prospects. Still private analysts are projecting an Argentina corn crop at 18.3 to 20 mmt, well below the USDA's current 23.5 mmt forecast.

**SOYBEANS**

Soybeans finished the week almost unchanged while corn continued to surge. The trade is watching this soy-corn spread closely. Many now believe soybean values must gain vs corn in a desperate attempt to increase total plantings by spring.

Recent rain in Argentina has helped to stabilise soybean production potential. Private analysts are estimating a crop from 43.9 to 47.0 mmt, still well below USDA's 50.5 mmt forecast. However a potentially larger Brazilian crop may offset Argentina's losses.

The trade will be focusing on Friday's Informa planting estimates, which may see 2011 soybean acres decline on account of higher winter wheat plantings in the US. This would keep the 2011 soybean supply tight if not impossible. Beyond this release the trade will turn its attention to the USDA Forum on February 24<sup>th</sup>, eager to see how the agency balances the numbers to solve what looks like an unworkable supply/demand equation.

Forecasts still believe the Western Hemisphere soybean situation is headed towards unprecedented tightness by March 2012. This situation is not able to tolerate anything less than record acreage expansion, good weather and high yields.

**WHEAT**

Wheat prices rose to new heights during the week as the trade talks of possible further deterioration in the quality of wheat in Australia's southern wheat-belt following heavy flooding.



This situation will make global supplies of quality wheat even tighter. However downgrades will increase supply into the feed market, as is already being seen with Australian feed wheat undercutting US corn in some export markets.

The US Soft Red Winter wheat basis continues to ratchet higher while spreads widen further stimulating elevator operators to carry scarce inventories.

The trade is talking of the possibility of some winterkill possible in the Midwest with temperatures at or below zero this week.

Contract prices for December 19<sup>th</sup>, 2011 at the close are as follows:  
SWW at \$262.26 per tonne (\$7.14/bu.), SRW at \$267.74 per tonne (\$7.29/bu.), HRW at \$282.34 per tonne (\$7.68/bu.), and HRS at \$312.56 per tonne (\$8.51/bu.).

### **Chart of the Week**

