



Wednesday 16 February 2011

Commodity	Period	Price	Weekly Movement		
Corn CBOT	Mar.	6.90 ½	↓	7 ½	cents
Soybeans CBOT	Mar.	13.660	↓	85	cents
Wheat CBOT	Mar.	8.370	↓	49	cents
Wheat Minn.	Mar.	9.57 ½	↓	69 ½	cents
Wheat Kansas	Mar.	9.300	↓	58	cents
Canadian \$	Mar.	1.0143	↑	98	points

CORN

The market has been watching USDA ratchet down its projections for carryout of the 2010 corn crop, and that number dropped to 745 million bushels in the February Supply Demand Report. Global supplies are likewise dropping, to an expected four year low of 122.5 million tonnes. The short supply in the pipeline is a concern, in the past livestock could be provided with pasture to carry them until the new crop of corn was available. Now the industry has less flexibility to reduce corn use in September than in the past.

As a result of tightening supply prospects, the battle for U.S. crop acreage this spring is likely to be more intense than anticipated two or three months ago. There is a suggestion that there will be at least a four-way battle between corn, spring wheat, soybeans, and cotton for cropland. Prices from now through mid-May, and weather this spring and summer, will be the deciding factors in determining the cost and availability of corn and soybeans.

SOYBEANS

U.S. and world supplies of soybeans are very tight this marketing year because of a combination of weather problems in several parts of the world, along with expanding demand for biofuels. Much of the growth in demand for U.S. soybeans is coming from expanded Chinese demand although use of soybean oil for biodiesel is expected to expand because of the reinstatement of biodiesel tax credits

A production shortfall is expected in Argentina, although soybean production out of Brazil is expected to be strong. Brazil's soybean production could reach as high as 71 million tonnes, an increase from last year's record of 68.7 million tonnes. Exports of the commodity might increase 13 percent to 33 million tonnes, which also would mark an all-time high.

As demand for soybeans is expected to remain high, strong production levels from South America will be needed if U.S. soybean acreage does not increase significantly. In order to maintain pipeline supplies for 2011, U.S. soybean harvested acres need to reach 77.5 million acres, or 78.5 million planted acres. To rebuild soybean stocks, planted acreage may need to reach 79.5 million acres.



WHEAT

Wheat started the week independently strong on continued demand from the Middle East. Iraq purchased US wheat over the weekend which encouraged the bulls, but by midweek the markets had turned downward and had given up over 30 cents from the highs. Improved weather outlooks in China along with better crop estimates from Australia and fund profit taking were to blame for the correction. Countries hungry for wheat could see this correction as an excellent buying opportunity to replenish their stocks.

USDA baseline wheat data released early in the week is indicating a smaller US national yield for 2011, but increased acreage from last year should be enough to compensate. Extreme weather and temperature fluctuations this winter have the trade wondering how much wheat will be ripped up in the spring in the US Midwest.

Current contract prices for February 16, 2011 at the close are as follows:

SWW at \$281.58 per tonne (\$7.66 /bu.), SRW at \$281.58 per tonne (\$7.66 /bu.), HRW at \$296.08 per tonne (\$8.06 /bu.), and HRS at \$328.44 per tonne (\$8.94 /bu.).