

Settlement Prices for Selected Commodities in US or Can.\$ / tonne for week ending Friday:

13-Jul-12

Grains

Commodity	Month	This week	Last week	Year ago
SRW Wheat	Sep	311.49	296.24	255.27
HRW Wheat	Sep	312.68	297.07	280.90
HRS Wheat	Sep	348.88	332.71	302.67
CWRS	Oct	302.50	297.50	n/a
Durum	Oct	320.50	306.50	n/a
Corn	Sep	272.08	255.46	276.07
Oats	Sep	241.54	234.57	230.19
Barley	Oct	260.00	226.00	n/a

Oilseeds & Others

Commodity	Month	This week	Last week	Year ago
Soybeans	Sep	576.68	562.90	508.16
Soya Meal	Sep	513.25	500.91	399.16
Soya Oil	Sep	1,188.55	1,182.60	1,269.03
Canola	Nov	623.90	626.30	575.40
Crude Oil(WTI)	Sep	87.67	86.37	97.60
Ethanol	Sep	66.57	63.72	72.30
Dollar Index	Sep	83.47	83.56	75.48
DJIA	Sep	12,707	12,727	12,420

Data points in red are new previous 12-month highs, in blue are new previous 12-month lows

COMMENT: The market again arbitrated higher corn prices with this week's against and next week's weather forecasts, temperature against moisture considerations, and eastern against western corn belt states prospects. It was helped by what was regarded as a bullish USDA report relative to trade expectations. The same factors were at play for soybeans, but probably more is at risk in terms of yield degradation with the crop yet to reach the critical podding phase. The USDA's report was considered supportive.

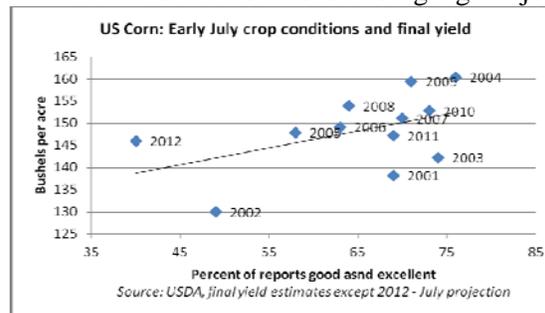
For wheat the issues were feed use substitution particularly for SRW's and challenges with crop development in the Black Sea region. Spring wheat conditions have slipped but have not matched corn and soybeans in that respect.

NEWS: Normally the USDA does not adjust corn and soybean production forecasts in its July supply and use forecasts from trend based projections until survey based data is available in August. This July, reflecting the rapid deterioration of the US corn crop the USDA cut 45.7Mt, 14%, from domestic supplies which it balanced with 16.5, 2.5, 7.6, and 17.7Mt cuts in feed, ethanol, export and ending stock components of disposition. Soybean supply forecasts were cut by 4.4Mt or 5% which it balanced with 1.0, 3.1 and 0.3Mt cuts in domestic crush, export and ending stock components of disposition.

Wheat revisions which are normally the focus of the USDA's July forecasts were modest with larger beginning stocks offset by a one percent

cut in the output estimate. Exports were raised by 1.4Mt and ending stocks lowered by 0.8Mt. The cut in US output was the major feature of the global coarse grain supply and use forecasts with ending stocks forecast 12 percent lower at 134.1Mt. The US is forecast to hold 22 percent of those stocks, China 43 percent. For wheat revisions were relatively modest – a one percent cut in output resulting in a 3 percent cut in ending stocks.

OPINION: That revisions to corn and soybean yields are not normally made in the USDA's July Supply and Use forecasts almost certainly indicates that there is undue risk of error in doing this before survey results are available. That crop conditions have deteriorated rapidly does not improve the chances of an indicative forecast but with the crop development well ahead of average the chances are improved. The main source of error is probably the chance that crop conditions will change before harvest. So we have a 2012 July estimate of 146bu/ac, which would be the fourth lowest in the last 12 years with crop rating well below all but one of them. Plant breeders must be doing a great job.



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