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Grain and Oilseed Markets

For the week ending Friday, 28-Dec-12

Settlement Prices for Selected Commodities in US or Can.$ / tonne for week ending Friday: **28-Dec-12**

Grains

Commodity	Month	This week	Last week	Year ago
SRW Wheat	Mar	286.14	291.01	236.07
HRW Wheat	Mar	303.50	309.38	263.45
HRS Wheat	Mar	318.84	323.71	312.13
CWRS	Oct	290.50	290.50	n/a
Durum	Oct	312.40	312.40	n/a
Corn	Mar	255.00	257.94	254.52
Oats	Mar	226.30	236.51	201.66
Barley	Mar	247.00	247.00	n/a

Oilseeds & Others

Commodity	Month	This week	Last week	Year ago
Soybeans	Jan	523.22	525.70	442.02
Soya Meal	Jan	471.48	478.20	342.28
Soya Oil	Jan	1,078.98	1,073.91	1,148.65
Canola	Jan	605.20	582.10	525.80
Crude Oil(WTI)	Mar	91.53	87.93	99.10
Ethanol	Jan	57.96	58.78	59.39
Dollar Index	Mar	79.79	79.71	80.69
DJIA	Mar	12,940	13,130	12,161

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

COMMENT: Most prices were lower over the holiday shortened week and ahead of any resolution of the US “Fiscal Cliff”. Corn prices were lower over the week with a disappointing export sales report. Against this weekly ethanol usage was improved, but still below year ago levels.

Although wheat prices were down on the week a very positive weekly export sales report on Friday supported values with the belief that US prices are now competitive internationally. The condition of the hard red winter wheat crop continues to be a concern.

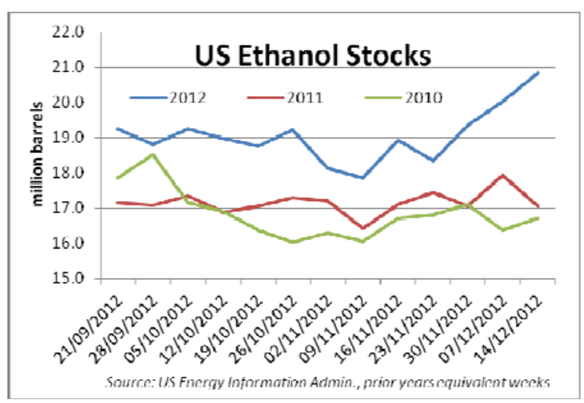
Vegetable oil prices supported oilseed values with Jan canola finishing the week above $600 per tonne. The USDA daily reporting of export sales listed a 30,000 tonne sale of soya oil and 165,000 tonne sale of beans to China, after a disappointing weekly sales report for last week.

NEWS: The US export sales for the week ending Dec 20 were 1.009M, 0.104M and 0.009M tonne for wheat, corn and soybeans, respectively. The minimal trade in corn and soybeans can no doubt be blamed on the Christmas holiday. But wheat sales were the largest in almost two years. While 0.4M tonnes of this was to Egypt, Nigeria, Japan, Turkey and undeclared destinations took sizable amounts. There was also a good mix of wheats by class.

OPINION: More than a decade of robust growth in demand for US corn for ethanol production looks at least temporally to have stalled. Not only is production running about ten percent below year ago levels, but in recent weeks ethanol stocks have risen quite abruptly. Further, processing margins are reported to be negative.

Reduced ethanol use in spite of the US mandate for its blending with gasoline is possible as Renewable Identification Number (RIN) “stocks” have been cumulated over the years and can be use an alternative to physical ethanol to meet US blending mandates.

Risking over simplification, the US Environmental Protection Agency issues RINs for ethanol produced in, or imported into, the US, which are surrendered when ethanol is blended. Unused RINs can be cumulated up to 20 percent of the total US ethanol mandate, at which level the stock of RINs have been for several years. This accumulation of RIN’s has the potential of reducing US ethanol production, and hence corn use, 20 percent below the mandated level if ethanol production margins remain negative.



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