

Commodities Report

March 4, 2010

	<u>Close March 4</u>	<u>Feb 18</u>	<u>2 week change</u>
<i>Dec Corn</i>	4.08	3.95	+ .13
<i>Nov Soybeans</i>	9.26	9.31	- .05
<i>July Wheat</i>	5.15	5.12	+ .03
<i>July Soymeal</i>	260.00	269.70	- 9.70
<i>April Hogs</i>	73.50	70.30	+ 3.20
<i>April Cattle</i>	93.10	93.05	+ .05
<i>June Cdn \$</i>	96.90	95.96	+ .94
<i>US \$ Index</i>	80.66	80.44	+ .22
<i>April Gold</i>	1132.00	1121.00	+ 11.00
<i>April Crude Oil</i>	80.03	79.42	+ .61
<i>US 10 Year Notes</i>	117-16	115-24	+ 1-24
<i>TSX Stocks</i>	11819	11697	+ 122

Grains were mixed over the past 2 weeks, with the soybean complex being the weakest.. Volume was on the light side, which is common this time of year. The next big fundamental news is the USDA report on March 10.

USDA then will revisit the January crop report, which shocked the market by predicting a record 165.2 bu of corn per acre, 4.9 bu higher than their previous record. Many think there will be a downward revision in the yield estimate, but there are some who think USDA will raise it even further. Stay tuned.

There is no doubt there are some issues with the stored corn, particularly in the upper Midwest. Some has gone out of condition, and many producers are anxious to move their crop before temperatures rise in the spring. This is keeping basis under pressure for now, but will make things tighter later in the summer.

Even though it's only early March, there is already talk that the US Midwest will have another backward spring. Snow cover is twice normal over large areas, and heavy rains are expected next week, which will lead to flooding. Traders remember that last year grain prices rallied sharply from March 1 to early June.

The South American crop will be a record; the only question will be by how much. Brazil keeps getting rain, but harvest progress is still ahead of normal. Brazil is mandating that all diesel there contain 5 % biodiesel. This is supporting soy oil. Soy meal prices are the weak link in the soy complex.

Hog futures continued their ascent, as export demand picks up and fewer hogs come to market. Nearby hog futures are now 66 percent above the recent low made in Aug last year. With cheaper feed now, Ont. producers should be back in the black. It is our strong dollar that is still limiting profitability in this sector.

Financial markets didn't show a lot of change either. Our dollar was the star performer. Stronger economic growth, and a weak Euro, caused a shift by investors into North American currencies. The Canadian is small by international standards, so moves in our dollar can easily get exaggerated.