

Commodities Report

May 12, 2010

	<u>Close May 12</u>	<u>Apr. 14</u>	<u>4 week change</u>
<i>Dec Corn</i>	3.92	3.89	+3
<i>Nov Soys</i>	9.35	9.46	- .11
<i>July Wheat</i>	4.91	4.87	+ .04
<i>July Soymeal</i>	279.40	274.00	+ 5.40
<i>June Hogs</i>	85.90	84.95	+ .95
<i>June Cattle</i>	96.00	92.95	+ 3.05
<i>June Cdn \$</i>	98.00	1.0005	- 2.005
<i>US \$ Index</i>	85.00	80.17	+ 4.83
<i>June Gold</i>	1245.00	1160.00	+ 85.00
<i>June Crude</i>	75.00	86.73	- 11.73
<i>US T-Notes</i>	118-26	116-09	+ 2-17
<i>TSX Stocks</i>	12138	12190	-52

Grains were little changed compared to my last report four weeks ago. Planting progress has been rapid on both sides of the border, but has slowed lately as temperatures cooled significantly, and there were multiple rain events.

In their monthly demand/supply report issued May 11, USDA lowered the 2009/10 corn carryout to 1.738 bln bu., compared to 1.899 predicted last month. Exports were raised 50 mln bu and ethanol 100 mln.

They also said the 2010/11 carryout would be 1.818 bln bu, as they raised ethanol by another 200 mln bu. They used 88.8 mln acres and a yield of 163.5 bu/ac. Odds of a yield lower than 163.5 are greater than higher, in my opinion. The bottom line is that there is little margin for error on the yield side, with the record demand USDA sees.

Then on May 12, it was reported China bought 6 more cargos of old crop US corn, as prices in China are over \$7.00/bu. This could quickly tighten up corn fundamentals quickly if they keep buying.

In soybeans, USDA left the US carryout at 190 mln bu. The new crop carryout was raised to 365 mln bu., on a prediction of 78.1 mln ac and a yield of 42.9 bu/ac. Exports are expected to fall 105 mln bu., due to the record S American crops.

China's appetite for soys continues to grow, however. USDA expects them to import a record 46 mln mt this year from all sources. This will increase to 49 mln mt next year. Consumption is keeping pace with the record production.

Wheat has the poorest fundamentals. The US carryout will rise from 950 mln bu this year to 997 mln next year, despite reduced winter wheat acres in the US. This would be the largest carryout since 1987 in wheat. Yields look strong in the US and Ontario.

Locally, planting progress has been at a record pace. Recent frosts likely did little damage as the crops generally were not far enough along to get hurt. It may be a week, however, before planters roll again.

The Cdn \$ has been very volatile, with a 7.76 cent range in the past four weeks. When financial risks increase (e.g. Greece), our dollar falls. Equity and crude oil prices tend to lead Canadian dollar price moves.

Financial markets were all over the map also, as stocks in New York had their largest drop ever on Thurs. May 7, only to recover before trading ended that day. Crude oil dropped over \$11.00/barrel since my last report, while gold screamed to new all time highs. There still appears to be a lack of confidence in paper currencies.

The EU and IMF pledged up to \$1 trillion to support Greece and any other EU country that shows debt problems. The Euro rose briefly, but came under renewed attack thereafter. It seems a trillion dollars just ain't what it used to be!