



2010 Influences on Grain Prices

An ADMIS Special Report



ADM INVESTOR SERVICES, INC.

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For a large part of the 2010 crop and market year, grain futures have been periodically buffeted by the ebb and flow of Global macroeconomic changes. For a large portion of the last several years, grain futures have been distracted away from classic internal market fundamentals because of soaring Global demand that in some cases are not being given their true credit. For 2010, soybean, wheat and corn bears are focusing on increase in Global stocks and robust, if not historical, yield projections. To date though, higher commodity price action, forecast of higher demand and a lack of alternatives to financial investments help provide some measure of support to grain prices. Continued firm grain prices have increased dramatically interest by investment funds, corporations and wealthy individuals in buying World farmland. Consumers also appear to be accepting current prices as value and CME April trading volume reached the highest level in over 2 years, furthering suggesting that the world will continue to move investment money into commodities. In corn, for example, Index fund traders were net long near 225,000 contracts in early 2009 and recently moved to a new record net long position of 473,852 contracts. Still, to be realistic, many physical commodity markets engineered a large portion of their early 2010 price gains on the anticipation of an ongoing global economic recovery led by China. Price action continues - tough to see a very choppy two sided activity in the face of the Euro zone debt crisis.

May is considered a pivotal month for grain and oilseed prices. Historically, World export trade slows, especially out of the US. Most spring crops have been planted and weather experts have released their important summer weather forecast. USDA currently estimates World 2010/11 soybean end stocks near 66.1 mmt vs 63.8 last year and 43.0 in 2008. This suggests end stocks are adequate and should weigh on prices if US summer weather is normal. USDA also estimates World 2010/11 corn end stocks near 154.2 mmt vs 147.0 last year and 147.0 in 2008. Total World demand is estimated near 827.9 mmt vs 808.9 last year. USDA estimates 2010 China corn crop near 166.0 mmt vs 155.0 last year. Rumors of China buying US corn for import and concern about the late planting of the 2010 China Corn crop has offered support to corn futures. USDA also estimates World 2010/11 wheat End stocks near 198.1 mmt vs 193.4 last year and 165.1 in 2008. This suggests adequate World wheat supply.



As of this writing, most traders have been looking for a decline in soybean futures, sideways trade in corn and a bearish bias to wheat prices. Key to actual price direction may be World 2010 weather, World economic growth rate and flow on investment money. Most weather experts suggest June/July US Midwest weather may be cool with mostly normal to above rainfall. August/September US Midwest weather suggest most of the central growing areas could see warm temperatures and drier than normal rainfall.

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