

Weekly Market Report

Week Ending 13/06/08

ROUND-UP

Exchange	Last Traded Value (12/06/08)	Weekly Change
Jul Liffe	£153.5	+£3.50
Nov Liffe	£149	+£9.00
Jul CBOT (Wheat)	\$8.41	+\$0.40
Nov MATIF (Wheat)	€208.00	+€18.00

SUMMARY

- European markets rally following strong corn market
- CBOT wheat firms – fund short covering – Corn Market
- CBOT Corn surges on continued heavy rainfall
- Oil surges giving corn additional support
- Ethanol plant margins turn negative following strong corn prices
- USDA raises Global Wheat Production by 6.9 million, end St by 8.3 mill
- USDA raises Global Coarse Grain Production by 3 million (despite cutting US corn by 10 mill), end Stocks up by 4.3 million

- Chinese wheat and Corn stocks revised higher & historical adjustments made
- Strategy Grains raises EU grain production by 2.2 million to 291 million

WEATHER/CROP DEVELOPMENT

- US Corn belt receives further heavy rainfall
- Australia gets additional showers , Argentina too dry

BOTTOM LINE

The only story in the grain market continues to be the impact of further heavy rain on the US corn belt ! In the past two weeks much of IA, se MN,southern WI,central IL,and central IN have received between 400 – 600% above average rainfall ! The issue being how many acres wont get planted or replanted and how far from trend yields final production is ? The answers to these questions are unlikely to be known until October and will likely keep the market on edge for the duration of the summer . Ethanol margins continue to be negative – does this start to ration demand as we go through the season ?

At complete cross currents to the US corn market , Global wheat production continues to grow with a massive record Northern Hemisphere wheat harvest underway.

Clearly wheat consumption should increase to offset some of the US corn losses ,(although corn crops elsewhere in the World continue to be revised upwards).

Areas to watch

- Oil Price
- USDA stance on “early outs “ of CRP
- US corn ethanol demand
- Fund/Spec regulatory changes

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