

## Marketing

# Wheat battles to defend acreage



## Wheat Outlook

By ARLAN SUDERMAN

**M**ARCH is the time for spring thaw, muddy roads and awakening commodity markets, and this year should be no exception. Corn remains the primary driver in the grain and oilseed markets, both domestically and worldwide. The whole world seems to be jumping on the ethanol bandwagon, with many countries basing their plans on expansion of corn production. Wheat prices have little choice but to respond to this shifting paradigm, rising if necessary to defend its acreage, both here and overseas.

Ironically, the ethanol boom came at a time when world wheat stocks were at their lowest in more than 35 years. Anticipated shortages pushed prices higher, stimulating expansion of winter wheat acres across the Northern Hemisphere. Weather is cooperating thus far, leaving the crop in good condition for rebuilding stocks both here and abroad this spring. Yet, the crop's biggest threat may be the field cultivator, with many farmers pushing the pencil in favor of switching to corn or grain

### Key Points

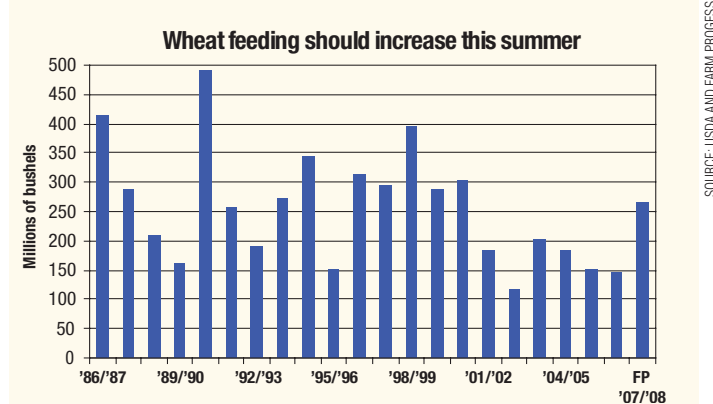
- Yield prospects are good for winter wheat crop as it breaks dormancy.
- Wheat must fight to keep acres if corn prices continue to rise.
- High corn prices translate into increased wheat feeding worldwide.

sorghum. Ample moisture across most of the Plains and Midwest makes the decision to switch a bit easier to make.

Spring wheat prices also should intensify their battle for acres over the next six to eight weeks. Producers in the northern Plains booked a lot of seed corn this winter after analyzing the guarantees offered by revenue insurance if they planted corn. A sharp decline in spring wheat acres would limit supplies of quality milling wheat available for end users over the next year.

### More wheat

Regardless of those planting decisions, we likely will see more wheat make its way into livestock rations over the next year, especially if the bull market remains healthy in the corn pit. That will be true if wheat prices are low relative to corn and sorghum during harvest. That would particularly stimulate an increase in feeding in the Plains feedlots, as well as much of the Southeast. Much



of the lower-quality wheat from Russia and Ukraine also would likely find its way into the world feed market.

Wheat prices will only be able to sustain a rally on their own if we see significant exports this spring or a legitimate weather scare develops. Otherwise, the markets need to find price levels low enough to encourage demand. However, prices must not fall too far or wheat will lose too many acres to corn and grain sorghum, with too many bushels moving into feed channels as well.

Look for wheat futures to find good support above \$4 as long as corn prices

are strong. A rally to \$6 isn't likely, but it cannot be ruled out if corn prices surge to record highs and/or a legitimate weather threat develops this spring.

Yet, you must be prepared to actively price new-crop wheat if the bull dies in the corn pit and yield prospects remain good in the winter wheat belt. Don't overlook profitable prices offered for the 2008, or even the 2009, crop, either. It likely will take a couple of years for the markets to rebalance and settle to lower levels, but sound business management is prepared to take profits when offered.

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