

Balancing crop's supply, demand

By ARLAN SUDERMAN

DROUGHT, late-winter blizzards, spring freezes and spring planting delays were all again factors for this year's wheat crop. The crop that keeps on ticking faced another year of adversity, with conditions most challenging in the Plains. As a result, we

should see some interesting dynamics unfold for the marketing year ahead. Global supplies of quality milling wheat continue to tighten, while U.S. soft wheat remains vulnerable to competition from

Wheat Outlook

Key Points

- Supplies should shrink due to lower acres and adverse weather.
- A global shortage of quality milling wheat supports hard wheat.
- Soft wheat continues to battle competition from the Black Sea.

lower-quality supplies out of Europe and the Black Sea region.

It will be several weeks before we have a good handle on the size and quality of the Plains' hard red winter crop. Yields were poorest in the South, but should improve as combines move north. Protein should vary widely, depending on local growing conditions and fertilizer applied. Some winter wheat received less topdressing due to high costs for fertilizer through much of the winter.

The soft red winter wheat crop should yield well, but wet conditions through much of the spring provided a challenge from diseases. Yet, soft wheat stocks should decline due to a 25% decline in acreage this year due to low prices and high input costs.

It was a difficult year for planting spring wheat in the Northern Plains following a winter that simply wouldn't end. Cool wet soils delayed planting in eastern portions of the belt, while dryness was an issue farther west.

Many wheat fields in the Red River Valley remained under floodwaters from March to May. We won't know the final count on this year's acreage until USDA releases the results of its latest producer survey on June 30, but that number is expected to be down from intentions released on March 31.

Debate on crop size lingers

Add it altogether and traders will debate the size of this year's crop for the next several months. Look for USDA to adjust its production estimate each month until its final report on Sept. 30 as the agency tries to get a handle on the crop. The uncertainty should lead to periodic wide price swings as the trade speculates on this year's fundamentals.

Short crops certainly supported the run to record prices in 2008, but strong export demand provided weekly fuel for the fire. High prices kept much of the 2007 crop off the feed market, but strong weekly export reports from USDA kept traders focused on the year's tight stocks.

Feed usage bounced back as prices fell following the 2008 harvest, but exports broke more than 22%, casting a bearish cloud over the markets. Global stocks of quality wheat remained at historically snug levels, but U.S. traders focused primarily on disappointing weekly export demand.

Feed usage is expected to ease again in the year ahead, with exports improving modestly. The most significant improvement on the export front should be for quality hard wheat stocks, especially favoring the hard red spring crop if protein levels bounce back this year. That should support hard red winter demand as well. Total exports of more than 1.1 billion bushels would require wheat prices to rally into the fall to defend its acreage base against a shift to corn and soybeans.

■ Get a subscription to the free twice-daily e-newsletter *Farm Futures Daily* by visiting subscribe.farmfuturesdaily.com.

CONNECTED THROUGH AGRICULTURE.

Through agriculture, we're all connected in some way. And from the farm to the city, it's advanced agricultural innovation that gives us even better ways to provide for one another.

Introducing the Genuity™ brand, Monsanto's new family of traits across corn, soybean, cotton and specialty crops. It's the proven trait performance of today and the trait opportunities of tomorrow - so farmers can do what they do best, even better.



FARMING ADVANCED.™