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### Higher Corn and Beans and a Weaker Dollar Support Wheat

The wheat market has recently enjoyed support from higher corn and bean markets and a weaker dollar to correct oversold conditions. Additionally, these markets are garnering some support from an increase in tender activity. There certainly are not any supply concerns, but these markets need buyers and they need improved global wheat demand to take place.

The market has rallied nicely from the lows experienced late last week and early this week. While this rally was triggered by big moves to the upside in corn and beans, based on expectations of a killing frost this weekend, the weakening of the US dollar has allowed the move to build momentum. I expect the market to reach levels that trigger selling, but the large net short fund position has limited my aggressiveness on this rally. As long as the greenback continues to weaken, the price of wheat futures can continue to increase. However, if the export pace remains slow, basis levels for most wheat varieties are likely to weaken. The US dollar has weakened to levels that allow US wheat to remain at least somewhat competitive. The global wheat trade is going to remain competitive, and we are now seeing some signs of the US being a participant. Last week I mentioned the Moroccan tender for 320,000 mt of US wheat. Morocco bought 55,000 mt of US soft wheat. This is disappointing, but not a huge surprise. Given the logistical advantage of the EU and the spec requirements of the tender, anything besides a shutout is positive. Morocco will now tender and buy what they need from the EU. Iraq purchased 200,000 mt of US hard wheat. Saudi Arabia will tender for 550,000 mt of optional origin wheat at the end of the week. The weaker US dollar may allow the US to take part in the tender. Expect Canada to do some of the business. I wouldn't rule out Germany either. Japan will keep buying. It's what they do. It generally is not a headline event. They bought 149,000 mt overnight. The sale included 35,000 mt of dark northern spring wheat. Any opportunity to move spring wheat is good.

We are getting a better idea about the yield and quality of the Canadian wheat crop as their harvest comes to a completion. It appears yields were helped by warm weather late in the season. Current estimates for an average yield are above 36 bushels per acre. This is up slightly from the 10 year average yield, but down from last year's production of 39 bushels per acre. Expect Stats Can to increase total production from last week's estimate of the 24.58 mmt. Protein content is estimated to be below average at 13.3 to 13.4%. Protein levels of 13% plus are manageable.

Do not try to fight this rally. All three wheat markets have established trade above their respective 20 day moving averages. I do not believe wheat is a good buy at these levels, but I do not want to fight against trend following funds covering even a portion of the large net short position. These markets may have bottomed and turned the corner. The weak fundamentals entice me to believe a major move higher will take time. If short covering continues to build momentum, the move higher would likely resemble Thursday's trade with sharp moves to the upside followed by modest setbacks.

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