Spring Wheat Progress

The spring wheat market, which is getting most of its direction from weakness or strength in Chicago, remains weak in relatively light trade. The market is not concerned about tight supply, but the crop's maturation will be watched closely.

The spring wheat crop remains in fairly good shape although the recent crop progress estimates showed a reduction of 5% in the good/excellent category and an increase of 3% in the very poor/poor category. It's not uncommon to see spring wheat ratings deteriorate at this point in growing season. It is common for the crop to be rated highly early in the growing season followed by lower ratings as the crop matures. At this point last year, the spring wheat crop was rated 78% good/excellent. This year, a fair portion of this crop got off to a poor start and has gotten progressively better over the course of the last month. The fact that the crop got off to poor start is a concern. Dry conditions early in the season may have resulted in a well established root system, which will be important if adequate rain does not fall. Significant moisture in eastern Montana and western Dakotas may be a of couple weeks out. Many areas in the eastern growing region received some rain on Monday night. Staying away from 90+ temps will be important as this crop matures.

The high futures and cash prices experienced in the first quarter of 2008 have caused a shift in demand. As spring wheat traded at excessive premiums to HRW and SRW, many users looked for and found alternatives. In a few cases the process was as simple as changing from spring wheat flour to flour from one of the other wheat classes. Not all users can make a switch that simple. In most cases users changed their flour blends to include a higher percentage of HRW. There are quality requirements that limit the amount of change that takes place. Arguably, the most important factor is protein content, however, the other characteristics and logistics can determine which type of flour will be used.

The results of the HRW harvest have shown better quality of late. As a result less importance has been put on the maturation of the spring wheat crop. Without bonifide production problems, prices in Mpls and KC will likely converge even further. I guess you have to expect the current premium in spring wheat to slip to inside a dime. It could go to even money and possibly a discount. This is not going to bode very well for protein premiums. Perhaps premiums will stabilize near $1.20 over the Mpls Sept. Expect premium levels to move lower if the marketplace begins to feel more comfortable with the potential of the US and Canadian spring wheat crops. Expect premiums to increase, if concerns about dry conditions in eastern Montana and western Dakota become more apparent.