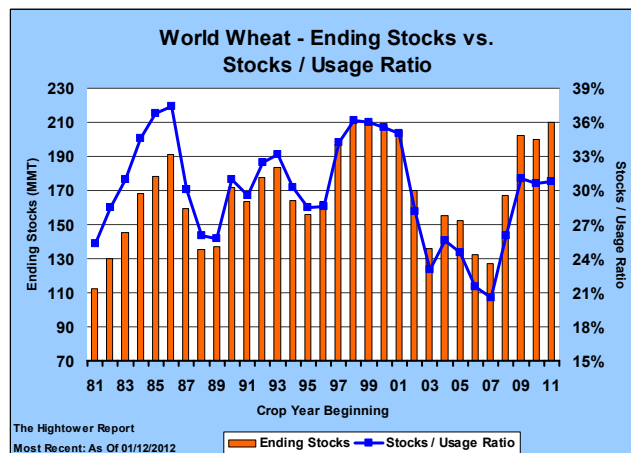


Wheat January, 2012

The key USDA reports for January did not offer anything positive for the wheat market. Record soft red wheat US ending stocks and a 12 year high for world ending stocks does not allow for much urgency from end-user buyers. On top of the negative news for the old crop season, traders remain concerned over the potential for expanded acreage in the US and Canada for the coming season, as millions of flooded-out acres from the past few years could come back into production for the northern plains and Canadian Prairies. Potential drought issues for the southern plains in the US and poor winter conditions for Ukraine remain as potential positive forces for the coming months. The USDA pegged total winter wheat planted acreage for 2012 at 41.947 million acres, compared with trade expectations for near 40.933 million. Hard red winter wheat acreage was 662 million above trade expectations to over 30 million, and soft red was nearly 600 million above expectations at 8.37 million. Ending stocks for the 2011/12 season were pegged at 870 million bushels as compared with trade expectations near 842 million. While exports were revised higher (as expected) feed usage was revised lower by 15 million bushels to 145 million in a report where traders had expected to see a boost in feeding. Wheat stocks as of December 1st were pegged at 1.656 billion bushels, compared with trade expectations at 1.695 billion. For the world report, 2011/12 ending stocks were pegged at 210.02 million tonnes, up more than 2 million from trade expectations.

USDA SUPPLY/DEMAND			
US WHEAT			
	Jan	Jan	Jan
	USDA	USDA	USDA
	09-10	10-11	11-12
Planted Area (M Acres)	59.2	53.6	54.4
Harvested Area (Acres)	49.9	47.6	45.7
Yield (Bu/Acre)	44.5	46.3	43.7
Beginning Stocks (M Bu)	657	976	862
Production	2,218	2,207	1,999
Imports	119	97	120
Supply, Total	2,993	3,279	2,982
Food	919	926	935
Seed	69	71	82
Feed & Residual	150	132	145
Domestic, total	1,138	1,128	1,162
Total Exports	879	1,289	950
Use, total	2,018	2,417	2,112
Ending Stocks	976	862	870
Stocks/Use Ratio	48.4%	35.7%	41.2%



It will take a serious weather issue from at least one of the major world producers in the coming season to expect tightness. India wheat plantings for the October to January 20th time frame reached 29.4 million hectares from 29.09 million last year. This leaves the crop on track to reach or exceed last year's record production of 86 million tonnes. After another 2-3 weeks, focus on the market will begin to shift to weather in the central plains of the US, as March weather can be critical to yield.

The moisture outlook for the next few weeks looks mostly dry. Traders indicate that the US is more and more competitive on the world market and this could help boost exports over the near term. Net weekly export sales released on Friday, January 20th came in at 584,200 tonnes, which was higher than expected. As of January 12th, cumulative wheat sales stand at 79.4% of the USDA forecast for 2011/2012 (current) marketing year versus a 5 year average of 77.7%. Sales of just 264,000 metric tonnes are needed each week to reach the USDA forecast. Traders see US wheat in the next Egypt tender.

The Commitments of Traders reports as of January 17th showed non-commercial traders were net short a new record high 60,698 contracts, an increase of 10,561 contracts in just one week. This leaves the market in an oversold condition. Non-commercial and nonreportable traders combined held a net short position of 85,917 contracts, up 15,671 for the week and also a new record high. Commodity index traders held a net long position of 200,285 contracts, up 11,883 for the week and a positive trend.

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