



Wheat

U.S. 2012 wheat carryover up 6% from November

U.S. wheat carryover on June 1, 2012, was projected at 878 million bushels, up 50 million bushels, or 6%, from 828 million bushels forecast in November and up 16 million bushels, or 2%, from 862 million bushels in 2011, the U.S. Department of Agriculture (USDA) said in its Dec. 9 World Agricultural Supply and Demand Estimates. The increase was the result of a 50-million-bushel reduction in projected 2011-12 U.S. wheat exports.

The projected USDA 2012 wheat carryover number was above the average trade expectation of 830 million bushels.

U.S. all wheat production was projected at 1.999 billion bushels for 2011, unchanged from the November projection and down 208 million bushels, or 9%, from 2.207 billion bushels in 2010.

Wheat imports in 2011-12 were projected at 120 million bushels, unchanged from November but up 23 million bushels, or 24%, from 97 million bushels a year earlier. Total wheat supply was projected at 2.982 billion bushels for 2011-12, also unchanged from November but down 297 million bushels, or 9%, from 3.279 billion bushels in 2010-11, the USDA said.

Exports of U.S. wheat for 2011-12 were projected at 925 million bushels, down 50 million bushels, or 5%, from 975 million bushels in November and down 364 million bushels, or 28%, from 1.289 billion bushels in 2010-11.

“Larger supplies in several major exporting countries and relatively strong domestic prices, supported by the tight domestic corn supply and use situation, are expected to limit opportunities for U.S. wheat in world trade,” the USDA said.

The USDA projected domestic food use of U.S. wheat in 2011-12 at 940 million bushels, unchanged from November but up 14 million bushels, or 2%, from 926 million bushels in 2010-11, and seed use at 78 million bushels, unchanged from November but up 7 million bushels from last year. Feed and residual use was projected at 160 million bushels, unchanged from November but up 28 million bushels, or 21%, from 132 million bushels in 2010-11. Total use was projected at 2.103 billion bushels, down 50 million bushels, or 2%, from November but down 314 million bushels, or 13%, from 2.417 billion bushels in 2010-11.



The average farm price of U.S. wheat in 2011-12 was projected to range from \$7.05-\$7.55 a bushels, compared with \$7.05-\$7.75 projected in November, \$5.70 in 2010-11 and \$4.87 in 2009-10.

On a by-class basis, reductions were made in projected exports of hard winter, soft red and white wheat.

The USDA projected June 1, 2012, carryover of hard winter wheat at 343 million bushels, up 25 million bushels, or 8%, from 318 million bushels in November but down 43 million bushels, or 11%, from 386 million bushels in 2011. Hard winter exports in 2011-12 were projected at 375 million bushels, down 25 million bushels, or 6%, from 400 million bushels the prior month.

Soft red winter wheat carryover was projected at 259 million bushels, up 15 million bushels, or 6%, from 244 million bushels in November and up 88 million bushels, or 51%, from 171 million bushels in 2011. Soft red exports in 2011-12 were projected at 110 million bushels, down 15 million bushels, or 12%, from 125 million bushels in November.

Hard spring wheat carryover was projected at 129 million bushels, unchanged from November but down 56 million bushels, or 30%, from 185 million bushels in 2011.

White wheat carryover was projected at 122 million bushels in 2012, up 10 million bushels, or 9%, from 112 million bushels in November and up 37 million bushels, or 44%, from 85 million bushels in 2011. White wheat exports in 2011-12 were projected at 170 million bushels, down 10 million bushels, or 6%, from 180 million bushels in November.

Durum carryover on June 1, 2012, was projected at 26 million bushels, unchanged from November but down 9 million bushels, or 26%, from 35 million bushels in 2011.

Global 2011-12 wheat production was projected at a record 688.97 million tonnes, up 5.67 million tonnes from November, up 37.39 million tonnes, or 6%, from 651.58 million tonnes the prior year and 3.53 million tonnes above the previous record of 685.44 million tonnes in 2009-10, the USDA said. Global wheat use was projected at 680.2 million tonnes, up 3.37 million tonnes from November and up 26.23 million tonnes, or 4%, from 653.97 million tonnes in 2010-11. World exports were projected at 138.69 million tonnes, up 1.39 million tonnes from November and up 6.79 million tonnes from 131.9 million tonnes in the prior year. World wheat ending stocks for 2011-12 were projected at 208.52 million tonnes, up 5.92 million tonnes from



November, up 8.77 million tonnes, or 4%, from 199.75 million tonnes in 2010-11 and a 12-year high, the USDA said.

U.S. rice projections for 2011-12 all were unchanged from November with carryover on Aug. 1, 2012, projected at 37.5 million cwts, down from 48.5 million cwts in 2011.

World rice ending stocks were forecast at 99.5 million tonnes, down 1.1 million tonnes from November but up 2.8 million tonnes from 2010-11. World production in 2011-12 was projected at 460.8 million tonnes, down slightly from November but still record large, the USDA said.

USDA: Global Wheat Production/Consumption Surge: Stocks Expand

Global wheat production and consumption in 2011/12 are both projected at a record and stocks are forecast at the highest level in 12 years. In just 1 year, the market supply situation has completely reversed from one of extreme tightness to a surplus, particularly in exporting countries. Black Sea countries' supplies have recovered from last year's drought and Australia is expecting back-to-back bumper crops. The leap in global consumption is largely a function of abundant global wheat supplies, tight U.S. corn supplies, and the concurrent price inversion between the two grains.

Global wheat trade is forecast nearly 6 million tons higher than last year, driven in large part by greater demand for wheat feeding. While U.S. corn export prices remain elevated, wheat import demand is rising in many markets due to abundant global supplies and lower relative prices. South Korea, Thailand, and Vietnam recently purchased feed wheat, and Japan, which usually imports 300,000 tons of feed wheat per year, is expected to increase purchases. In addition, northwest Mexico is suffering from a drought, and imported U.S. wheat is more economical than either sorghum or corn.

Huge Aussie wheat crop weighs on grains

That Standard & Poor's downgrade, which prompted a weak close to Chicago's grains market in the last session, had a second bite of the cherry.

If the weak close to the last session was about reports that S&P was about to put a swathe of eurozone countries on "creditwatch negative", meaning they are ripe for a downgrade, this session allowed investors to react to what the ratings agency actually said.



And that was warnings such as: "Systemic stresses in the eurozone have risen in recent weeks to the extent that they now put downward pressure on the credit standing of the eurozone as a whole."

Another was: "It is our opinion that the lack of progress the European policymakers have so far made in controlling the spread of the financial crisis may reflect structural weaknesses in the decision-making process within the eurozone and European Union."

Risk-off

Actually, investors could argue that such comments could have been made at just about any time this year.

Still, they were not taking any chances, sending shares down 1.0% in Seoul and Sydney, and 1.4% in Tokyo.

Brent crude eased 0.5%, and London copper 1.5%, while the dollar added 0.4% as of 08:15 GMT.

It was classic risk-off stuff.

Huge crop

And there were some negative fundamental events to factor in too. Notably a huge upgrade, to 28.3m tonnes, in Australia's forecast for its ongoing wheat harvest,

"Generally favourable winter and spring growing conditions are expected to lead to a record 2011-12 national winter crop," Abares, the Australian crop bureau, said.

Sure, much of it will be of poor quality, with Abares noting "untimely heavy rain, which has delayed harvest and affected grain quality in some regions".

But it nonetheless means more competition on export markets from the southern hemisphere's top shipper. And that is an issue for corn too.

"The international market is closely watching the current grain quality downgrades occurring in Australia, with many South East Asian buyers expected to opt for Australian feed wheat rather than US corn in 2012," Luke Mathews at Commonwealth Bank of Australia said.

'Still in a downtrend'



And this when there was already some doubt at the, many, ideas expressed over the last couple of weeks that wheat prices had reached some kind of floor.

Darrel Good, at the University of Illinois, added to the more optimistic camp, saying that "after the sharp decline this year, wheat prices look to be more stable in 2012".

But, at Benson Quinn Commodities, Brian Henry said that "one must proceed with the idea that wheat is still in a downtrend due to weak technicals and ample global and domestic supply.

"The fundamentally bearish aspects of the wheat continue to provide plenty of resistance to wheat markets that continue to border on being oversold," even if the latter means investors with short positions "having to guard against a short-covering rally".

'Dryness needs to be watched'

Chicago soft red winter wheat for March tumbled 1.4% to \$6.03 a bushel, with its Kansas hard red winter peer doing little better, down 1.0% at \$6.65 ½ a bushel.

Chicago corn for March dropped 0.9% to \$5.86 a bushel.

And, yet again, it was left to soybeans to carry the flag for bulls, adding all of 0.1% to \$11.27 a bushel for January, helped by concerns over South American weather.

"The current dryness in Mato Grosso and Rio Grande needs to be watched given the current building La Nina conditions in the Pacific," Jerry Gidel at North America Risk Management Services said.

Not, of course, that ideas of weather problems in the region are universally accepted, with Ker Chung Yang at Phillip Futures saying that "generally fair conditions are expected in most areas of Argentina and Brazil over the near term".

Nor did firmness extend throughout the oilseeds complex, with benchmark palm oil for February dropping 0.6% to 3,103 ringgit a tonne in Kuala Lumpur as concerns for the eurozone downgrade trumped Malaysia's own weather issues of too much rain.

Tender results

As for what happens later on, bar any further downgrades, and the possibility that Fitch or Moody's consider it their duty to come up with something even more dastardly than S&P, the day should bring two wheat tender results, from Saudi Arabia (330,000 tonnes) and Egypt (probably the next size down).



The results of these will give an idea of the state of the physical wheat market. Not that the US is expected, to show up for the Egyptian tender, with its supplies being undercut by those from the Black and, increasingly, Argentina.

"Egypt tendered for wheat overnight, which could be a measuring stick for the competitiveness of US supplies, but frankly I doubt it," Mr Henry said.

Russia's Grain Exports Were 15 Million Tons, Rusagrotrans Says

Russia exported more than 15 million metric tons of grain from July through November, including 12.8 million tons of wheat and 1.7 million tons of barley, Rusagrotrans said.

In November, shipments were almost 2.6 million tons and the country is expected to export another 2.5 million tons in December, the country's biggest carrier of grain by rail said in a report dated Dec. 15.

Russia's five biggest grain exporters by volume accounted for 43 percent of shipments in the first five months of the marketing season that began July 1, Rusagrotrans said. They were International Grain Co., a Russian unit of Glencore International AG, Louis Dreyfus, Yug Rusi, Bunge Ltd. and Aston FFI, according to the report.

Saudi buyers offered wheat from around world

Saudi Arabia's state grains buyer has been offered wheat from Europe, Australia, the United States, Canada and Argentina after issuing a tender for 330,000 tonnes of wheat for delivery in March and April, it said, according to gulfnews.

The tender, which closed on Friday with quotes open until today, is to bolster the country's wheat inventories to cover domestic consumption needs for six months, state news agency SPA quoted Waleed Al Khereiji, director general of the state-run Grain Silos and Flour Mills Organisation, as saying.

European traders said the tender was for soft wheat of 12.5 per cent protein, as opposed to the hard wheat reported by SPA last week, to be delivered in six shipments of 55,000 tonnes each to be split evenly between the Red Sea port of Jeddah and the Gulf port of Damman.

Saudi Arabia, also the world's top oil exporter, in 2008 abandoned a plan to achieve self-sufficiency in wheat and now plans to be 100 per cent reliant on imports by 2016, in order to save its water resources. The country expects to import 1.9 million tonnes of wheat this year and to increase that slightly in 2012, Khereiji said in October.



The kingdom also plans to raise wheat storage capacity to 3.2 million tonnes, enough to cover its annual wheat consumption of about 2.9 million tonnes.

Syria buys 100,000 tonnes of Black Sea region wheat

Syria's state grains agency has purchased 100,000 tonnes of Black Sea region wheat, thought likely to come from Romania, in an international tender to buy the same volume which closed on Monday, European traders said on Wednesday.

The agency made no sale in a separate tender which also closed on Monday to sell and export 50,000 tonnes of durum wheat, traders said.

The soft wheat was said to have been purchased at 214.50 euros a tonne c&f.

Syria traditionally denominates grain purchases in euros.

Dealers said the seller was believed to be Cyprus-based trader Sarels International, which has extensive interests in Romania.

"Water levels on the Danube have been very low in the last month which has stopped grains from the eastern EU being shipped to the west by inland waterways so more cheap Romanian supplies are seeking a market," one trader said.

"Russian and Ukrainian wheat supplies no longer have their total price supremacy as was shown by the Egyptian wheat tender on Tuesday, in which French wheat was offered more cheaply than Ukrainian." Syria's purchase tender had sought soft wheat of any origin for nearby shipment.

Syria had rejected offers and made no purchases in three previous tenders to buy 100,000 tonnes of wheat which closed on November 14, October 24 and on September 26 as prices were too high.

The durum sale tender had been issued because of surplus stocks of hard wheat bought from Syrian farmers this year.

Egypt hails competitive price of French wheat

Egypt, the world's top wheat importer, hailed the growing competitiveness of French supplies as it bought from the European Union's top exporter for the first time since June.



Results of the latest tender by Egypt's state grain buyer, the General Authority for Supply Commodities, showed Argentina retaining its recently-secured place as price leader, even after a rise in its cheapest offer of more than \$6 in a week to \$226 a tonne.

Gasc bought 60,000 tonnes of Argentine wheat from Louis Dreyfus.

However, it also bought 60,000 tonnes of French wheat, the first such purchase of 2011-12, after a further drop in prices to \$240.50 a tonne, down \$4 from the cheapest offered in last week's tender.

The drop took French wheat below all offers from Russia, which has dominated Egypt's wheat trade since returning to exports in July following a drought-reduced 2010 harvest.

"I'm glad that French wheat is again competing in the Egyptian market," Nomani Nomani, the Gasc vice-chairman, said.

Russia loses its edge

Indeed, while Gasc also bought 60,000 tonnes of Russian wheat, that winning offer, priced at \$243.98 a tonne, relied on the low shipping costs from the Black Sea to Egypt to squeak past other cheap bids from France.

Merchants' ability to gain further supplies of competitively-priced Russian wheat has been hampered by a dwindling in supplies in areas near to ports, already sapped by the roaring start to 2011-12, and increased competition with domestic users.

Russian domestic prices for fourth-grade wheat, the export benchmark, rose 75 roubles last week to 5,775 a tonne, according to SovEcon.

Egypt wheat order December 13, (+shipping costs)

Russian: \$243.98 a tonne, (\$14.25 a tonne)

French: \$240.50 a tonne, (\$20.85 a tonne)

Argentine: \$226.00 a tonne, (\$37.50 a tonne)

"The main driver behind the rise is demand from domestic processors, who are building up stocks ahead of lengthy holidays in the end of December and in January, when the market activity will be minimal," the Moscow-based analysis group said.

SovEcon added that "the rise of domestic prices in the last few weeks lowers the competitiveness of Russian grain" at a time when prices of grains from other origins is falling.



Russian stranglehold

Mr Nomani had previously expressed his frustration at the inability of other exporters to compete with Russia, which has scooped the huge majority of Gasc's orders so far in 2011-12, accounting for about 3m tonnes of the 3.8m tonnes the authority has bought.

This dynamic leaves Egypt reliant on a country which tarnished its reputation as a supplier last year by imposing a ban on exports following its drought, and leaving importers such as Egypt without previously-ordered supplies.

However, Tuesday's auction, besides seeing the first order of French wheat for months, also attracted an offer of US soft white wheat, competitively priced at \$261 a tonne including freight, but said to be unable to meet tender specifications.

"I don't think Gasc will lose too much sleep about spreading its money a bit wider," a UK grain trader told Agrimoney.com.

The result also looked supportive for markets in confirming the difficulty that Russia, the price leader for so much of 2011-12, was having in cutting its prices further, the trader added.

"It's part of the picture that is questioning how much downside to prices there is, despite ample world supplies."

Paris wheat for March closed 1.0% higher at E177.00 a tonne.

'Timely rainfall'

Also on Tuesday, Argentina shared with Russia the spoils in a 110,000-tonne order of milling wheat from Yemen.

Argentina is lowering prices to clear silos for a newly-started harvest expected to beat early forecasts, with the US Department of Agriculture on Friday hiking its forecast for the crop by 1.5m tonnes to 14.5m tonnes.

"Timely rainfall during the late grain-fill stage reversed earlier persistent dryness and boosted yields for the Argentine wheat crop," USDA analyst Denise McWilliams said.

However, Abares, the Australian crop bureau, on Tuesday pegged the Argentine crop at 13m tonnes, warning that "below average" rainfall had "continued throughout October in Buenos Aires Province, which typically produces more than half of Argentina's crop".



Jordan seeks to increase farm exports to Russia, participate in agricultural fair

Ministry of Agriculture Secretary General Radi Tarawneh on Monday discussed with Valeriy Kononenko, the deputy chairman of the Russian-Jordanian Business Council (RJBC), the possibility of increasing the Kingdom's agricultural exports to Russia.

The two sides examined the possibility of participating in an exhibition to display Jordanian agricultural products, in a bid to boost economic cooperation in this field. Also yesterday, Tarawneh met with Anita Katial, a senior US agricultural attaché and discussed means to boost agricultural cooperation and expertise exchange. Katial, who is based at the Foreign Agricultural Service office in Cairo, indicated that the US government will send 50,000 tonnes of wheat to Jordan mid next month.

The FAS, an agency of the United States Department of Agriculture (USDA), is responsible for carrying out USDA overseas activities including market development, international trade agreements and negotiations.



Sugar

Brazil supply hopes strike bearish note on sugar

Commentators struck a bearish note on sugar price prospects even as data showed "collapsing" late-season output in Brazil, the top producer, as ageing cane and poor weather continued to take their toll.

Unica, the cane industry group, said that sugar output in Brazil's Centre South region, which is responsible for roughly 90% of national production, had fallen to 500,000 tonnes in the second half of last month.

The volume was down 50% year on year and took total output for the nearly-finished 2011-12 crushing season to 31.0m tonnes, a 2.0m-tonne decline.

The drop reflected primarily a reduced cane harvest, which has fallen for the first time in a decade, by 10.2% to 544.1m tonnes, undermined by a double whammy of an ageing crop and poor weather.

"Mills are producing as much sugar as capacity permits. Even if prices for sugar were at 40 cents a pound, you would not be able to squeeze more it out of Brazil," Antonio de Padua Rodrigues, the Unica technical director, said.

Stocks factor

However, Australia & New Zealand Bank, while highlighting "collapsing" cane crush volumes, said that the impact on Brazilian inventories of the lower sugar output had been offset by weaker exports.

The 2.0m-tonne cut in sugar output has been offset by a drop in exports of 2.1m tonnes, to 19.8m tonnes, between April, when crushing begins in earnest, and last month.

"The lowest export pace... means Brazil's sugar stocks as of November 30 are no worse than at the same time last year," ANZ analyst Paul Deane said.

"Critically, Brazil will still have the same amount of sugar to export through the tightest part of the year, December to March."

'Better placed'

Indeed, with Russia, blessed by a strong sugar beet harvest, set to import far less during this period than the 1.6m tonnes in the same months a year before, Brazil looks "better-placed short-term to supply global markets than this time last year", Mr Deane said.



And looking further ahead, researchers at the Brazil-based Centro de Tecnologia Canavieira (Cane Technology Center) forecast a better cane crop in 2012, seeing this year's poor weather as unlikely to be repeated.

Furthermore, the cane area available for harvesting was set to be 4.5% bigger, a survey by the centre of Centre South mills showed.

Price forecasts

While ANZ failed to link its analysis to market prices, its identification of reasonably deep Brazilian stocks implies less competition for supplies, a negative for values.

Separately, Barclays Capital analyst Sudakshina Unnikrishnan separately added to the bearish tone, saying that "we view a global surplus as well as India's recent decision to export 1m tonnes, with the potential for additional exports, to cap any significant move to the upside".

However, Standard Chartered said it expected sugar futures to "outperform", with the world surplus set to "do little to boost global end-season stocks, which have not recovered since the drawdown that followed two consecutive poor harvests in India," the second-ranked producer and top consumer.

"We remain sugar bulls," the bank said, forecasting New York prices averaging 28 cents a pound next year.

New York's March raw sugar contract stood 0.4% lower at 23.35 cents a pound at 12:00 GMT.

EU Sugar Crop to Set Record in 2011-12 on Germany, France, U.K.

Sugar production in the European Union will climb to a record in the 2011-12 season on bigger harvests in France, Germany and the U.K., according to French crop office FranceAgriMer.

EU sugar output will climb 15 percent to 18.25 million metric tons in the 12 months ending in September, FranceAgriMer estimated in a report e-mailed today. The bigger crop may result in greater stockpiles, the office said.

The EU sugar regulations allow producers to sell a fixed quantity for food use in the bloc's internal market, while the remainder must be exported, used by industry or stored until the next season. The European Commission, the EU's regulatory arm, on



Nov. 24 authorized local producers to sell an additional 400,000 tons of the sweetener within the bloc to ease shortages.

White, or refined, sugar futures have dropped 19 percent in London in the past year as traders speculated that supply would expand. Output will exceed demand by about 9.7 million tons in the October to September period, researcher Kingsman SA forecasts.

German sugar production will climb 1.2 million tons, France's will rise 700,000 tons and the U.K. will produce 350,000 tons more than in 2010-11, according to FranceAgriMer. Sugar output will rise in most countries in the bloc, with the exception of Italy and Austria, where crops will drop by 200,000 tons and 35,000 tons respectively this season, it said.

Europe will likely import 3.1 million tons of sugar this season and export 2.05 million tons, the crops agency said in the report.

India's Oct. 1 – Dec. 15 sugar output 18pc

India has produced 4.6 million tonnes of sugar between Oct. 1 and Dec. 15, the Indian Sugar Mills Association, a producers' body said on Monday, up 17.9 percent year-on-year.

Sugar mills in India, the world's top consumer and the biggest producer behind Brazil, churned out 3.9 million tonnes during the year-ago period.

Higher output could boost the chances of more sugar exports by the government which has already allowed 1 million tonnes of overseas sales in the 2011/12 season.

India's sugar season starts from Oct. 1.

Rice

Thai 2011/12 second rice crop delayed, output seen up

Severe floods will delay Thailand's 2011/12 second rice crop by around 2 months but production is likely to rise from last year as farmers are trying to grow more grain to offset losses from the main crop, an Agriculture Ministry official said on Tuesday.

Harvesting of the second crop normally starts in February but is more likely to begin in April next year as flooding has delayed sowing, Apichart Jongsakul, head of the Office of Agriculture Economy, told Reuters.

"Production from the second crop was expected to reach 10 million tonnes of paddy as farmers expanded their planting areas to grow more rice," he said.

Output from the second crop varies widely but 10 million tonnes of unmilled rice is at the top end of the range. Last year it was roughly 9 million tonnes, Apichart said.

The higher output from the second crop would help offset the loss of around 6 million tonnes of paddy caused by the worst flooding in more than 50 years, which inundated parts of the country for months from late July.

Apichart said the high intervention price set by the government this year was another reason why farmers were growing more rice.

The government, which won an election in July by a landslide, helped by populist policies, is buying paddy rice from farmers at 15,000 baht (\$480) per tonne, well above the current market price of 9,000-10,000 baht.

The policy is aimed at supporting the millions of Thais who depend on rice for a living, but it has made export prices uncompetitive and, together with the flooding, has contributed to a drop of as much as 50 percent in exports since the scheme was implemented on Oct. 7, traders said.

Thailand, the world's biggest rice exporter, normally produces 23 to 25 million tonnes of paddy in its main crop, which relies on seasonal rainfall. This year it is forecast to grow 19 million tonnes.

The second crop is grown mostly in well-irrigated areas in the centre of Thailand.

The total annual paddy production of 30-35 million tonnes equates to around 21-23 million tonnes of milled rice. About 8-10 million tonnes is for domestic consumption,



up to 10 million tonnes is exported and the rest usually ends up in government stockpiles.