

## Hopes for wheat stocks cut, as farmers desert corn

Global wheat stocks will end the season thinner than had been thought despite improved hopes for Argentina's crop, as livestock farmers turn to the grain in the face of higher corn prices.

The US Department of Agriculture cut by 2.2m tonnes to 172.5m tonnes its estimate of world wheat inventories at the end of 2010-11.

The downgrade, which takes to nearly 23m tonnes the cut expected in global wheat stocks over the crop year, reflected higher estimates for consumption of the grain on Chinese livestock farms, as well as for European Union exports.

In the face of soaring corn prices, "some countries have already shifted... to feed quality wheat in livestock rations", the USDA said.

Corn prices hit a record 2,282 yuan (\$342) a tonne on China's Dalian exchange on Tuesday.

Rabobank analysts said that "higher than expected Canadian feed wheat supplies may offset some US corn exports".

### **'Tighter supply picture'**

The USDA added that "global wheat and coarse grain stocks are currently forecast to drop significantly, wiping out nearly all the stocks build-up of the past several years". However, the shortfall in production, which painted a "much tighter supply picture than just a few months ago", defied a lift of 1.5m tonnes to 13.5m tonnes in the estimate for Argentina's wheat crop, for which harvest is beginning in some northern areas.

"Timely rains have increased yield expectations in the wheat-growing regions in Argentina," the USDA said.

While dryness early on in the season "caused worries and reduced planting expectations, the onset of rains and continued high wheat prices pushed more area into wheat than previously estimated".

"Frequent rains have promoted wheat plant growth and development and now are aiding in grain fill," the department added.

A crop of 13.5m tonnes, while only average by historical standards, would represent a marked turnaround from the sub-10m-tonne crop reaped in 2009-10, when dry weather and export restrictions were blamed for a cut in sowings to their lowest in a century.

## **Renting ranchers**

The USDA also raised its estimate for Argentina soybeans, noting the impact of rains for which many observers have feared would prove short-lived, given the ongoing La Nina weather pattern.

The La Nina has been associated by many meteorologists with dry weather in Argentina, on a historical basis.

The effect of "good planting conditions" has, in some areas, "pushed planting so quickly that custom planters are in high demand".

Meanwhile, planted area has avoided a drop that had been forecast thanks to ranchers who, faced with soaring prices for young cattle, are choosing to rent land to soybean growers instead.

Wheat for December topped \$7.60 a bushel in early deals in Chicago, its highest since the peak of current rally in early August, before easing under the weight of profit-taking and weakness in fellow grain corn to close down 2.0% at \$7.21 <sup>3</sup>/<sub>4</sub> a bushel.

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