

US export win helps Chicago wheat top \$8 a bushel

Wheat jumped through \$8 a bushel in Chicago for only the second time in the past two years, as victory in an Egyptian tender for the grain bolstered hopes for US exports.

Chicago's March wheat lot jumped 2.9% to \$8.02 a bushel on Tuesday, the highest for a spot contract since August 8, when this year's rally peaked.

While it retreated to close at \$7.98 ¼ a bushel, that was the best finish for a near-term lot since August 2008

The increase was helped by a strong overnight performance by Paris wheat which, having crossed the E250.00-a-tonne mark, seen as a key psychological barrier, continued upwards to hit E253.50 a tonne, the highest since March 2008.

Meanwhile, Darrell Holaday at Country Futures noted that rainfall which had looked set to refresh parched US winter wheat districts now looked set to move "south and east, and that has brought a round of buying in the wheat".

US broker RJ O'Brien cited helpful chart factors, with a recovery in Chicago wheat above a resistance level of \$7.76 ½ a bushel confirming that, technically, "at least the short-term trend as up".

Battle of the softs

Investors also took heart at Egypt, the world's top wheat buyer, opting for 60,000 tonnes of US soft red winter wheat, the type traded in Chicago, to fill part of its last order for 180,000 tonnes.

While analysts have long been upbeat over prospect for the higher protein wheats traded in Kansas and Minneapolis, soft red has faced tougher competition from other soft wheat sources, notably the European Union.

However, grain from France, which proved too expensive in this Egyptian tender, and from other European Union countries is expected to take a weaker position in global trading in the early months of this year, after bumper exports in the second half of 2010 sapped supplies.

The timing of a handover in trade from Europe to the US, the one exporter with deep inventories, has been seen as a key signal for the tightness of supplies available to importers, and therefore of the price levels the grain might be able to command.

Dry weather concerns

The bulk of the Egyptian wheat tender was awarded to Argentina which is, with Australia, one of the southern hemisphere's top two exporters.

However, with a total crop estimated by the country's farm ministry at 13m tonnes, compared with 60m tonnes in the US and well over twice that much in the EU, Argentina has limited capacity to meet international demand.

Furthermore, the dry Argentine weather that has raised alarm bells in corn and soybeans is ringing alarm bells for wheat too, even though some 60% of the crop has been harvested, Jason Roose at US Commodities said.

"The dry weather in some parts of the country seems to be a concern," threatening lower yields, he told Agrimoney.com.

Mr Roose added that the low volumes in the market during the Christmas and New Year period were encouraging volatility.

"We are likely to see more erratic moves in these lighter volumes," he said.

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