

## US 'too gloomy' in downgrading wheat exports

The US is being too gloomy about its wheat export hopes, and overoptimistic about Brazil's soybean crop, commentators said, following a crop report which surprised investors in the scale of its changes.

The US Department of Agriculture officials may have been too gloomy on Friday in downgrading their wheat export hopes for 2011-13 by 50m bushels to 925m bushels in the December version of their much-watched Wasde report.

The data, which initially sent Chicago wheat prices to a 20-month low, reflected better hopes for supplies in rival exporting countries, notably Argentina, Australia and Canada at a time when the Black Sea is competing hard in international markets too.

"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 US wheat in world trade," Michael Scuse, acting US secretary of agriculture, said.

### Export pace

However, the data may not have taken enough notice of the strong start the US has made to the season, in terms of meeting hopes for the full 2011-12 season, which ends in June.

At broker Country Futures, Darrell Holaday said there was "certainly room to question" the UIS export estimate "given the fact that the US has already sold 76% of the new projection and we are just mid way through December".

Benson Quinn Commodities analyst Brian Henry said the pace of shipments had been enough to "reach and exceed" even the previous estimate of 975m bushels.

"I believe this is possible, if the Black Sea backs off their cheap offer, despite adequate supplies in basically all originating countries," Mr Henry said.

Black Sea countries appear to be losing their competitiveness over, at least, South American and European wheat as, in Russia, the most easily-accessible supplies run dry and, in Ukraine, growers withhold sales for fear of a poor 2012 harvest.

### Quality equation

At GrainAnalyst, trader Matthew Pierce questioned the breakdown of the changes, in which the USDA cut forecasts for exports of higher protein wheat more than for the soft red winter variety, as traded in Chicago.



"This runs contrary to the basis scale for wheat right now, which shows strong demand both domestically and internationally for any higher protein wheat," Mr Pierce said.

Supplies of better quality wheats are relatively scarce, following setbacks from harvest rains to crops in Ukraine, Germany and, currently, Australia.

Mr Pierce also restated doubts at expectations for domestic corn use, with the USDA cutting further its forecast from a figure he considered was already an underestimate.

"The USDA managed to drop consumption again but this time more inventively dropping seed and food [use], saying that not only are cows and pigs not eating corn but humans are eschewing this grain as well," he said.

### **'Questionable estimate'**

Other analysts queried the USDA for sticking by a forecast for the forthcoming Brazilian soybean harvest of 75.0m tonnes, which is way above an estimate last week from the country's own crop bureau, Conab.

"This is a little questionable," Mr Holaday said, citing weather, with the return of the La Nina pattern bringing a focus on potential dryness which has already emerged in some parts of the country.

A 75m-tonne crop "could happen, but that seems awfully optimistic and the Conab number at 71m seems more realist at this time".

However, much of Brazil is set for rain with weather models showing "large areas of Mato Grosso, Goias, and Minas Gerais [states] seeing 4-10 inches of rain over the next seven days", WxRisk.com said.

### **'Less severe'**

Meanwhile, there are signs that the La Nina may prove milder than expected.

"The updated forecast is for a less severe event," Mark Welch at Texas A&M University said.

"The minimum three-month average [Pacific water] temperature is now forecast to fall no lower than -1.0 °C and we should emerge into normal conditions by May/June/July."

### **Agrimoney**