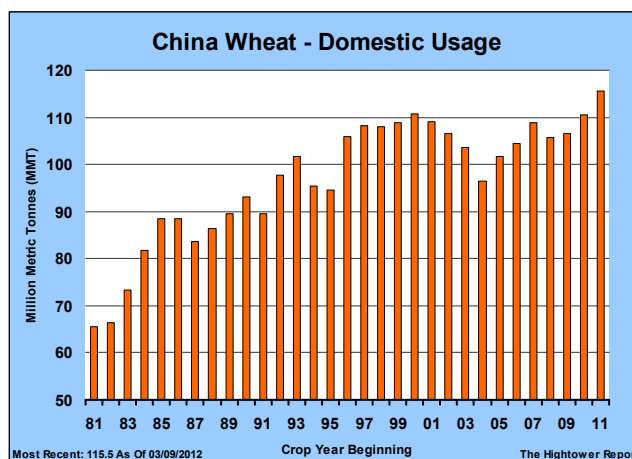


Wheat March, 2012

The choppy trade in wheat in January and February continued into March. The March USDA Supply/Demand report had enough supportive news for a technical bounce, but the sharp 2-day break on March 19-20 quickly eroded much of the March rally. The report was considered slightly supportive for the US and world ending stocks. The USDA pegged US ending stocks at 825 million bushels, down from 845 million last month. This was due to a revision higher of 25 million for exports. Food usage was revised down by 5 million. World ending stocks came in at 209.58 million tonnes from a record high of 213.1 million last month and trade expectations near 212.6 million. China usage was revised higher by 2.5 million tonnes, which helped lower the stocks numbers. While these numbers and a continued uptrend in the other grains provide some short-covering support, ideas that wheat supply would be plentiful provided European winter wheat conditions improved somewhat and US weather continued to improve helped to spark additional selling by fund traders. With much warmer than normal temperatures and good rains across the plains, the US crop looks to see improving conditions for late March. Crop conditions for the week ending March 19th showed 54% of the Kansas crop rated % good to excellent, up from 53% the previous week and 27% last year. Oklahoma was rated 70% good to excellent from 66% the previous week and 24% last year. Texas was 34% versus 33% the previous week. With a good rain event expected for the week ending March 23rd, crop conditions are could improve further into late March. Such an active growing season so early in the year means that crops will also mature faster than normal and this will leave the winter wheat crop especially vulnerable to freeze damage "if" temperatures turn cold in early to mid April. The two-week outlook still calls for warm and wet weather, which is ideal for growing conditions and should help prepare areas in the Northern Plains for planting.

Traders see US as competitive on the world market, which is expected to boost exports just ahead. There are also some concerns for the crops in France and Germany which, have seen less than normal rains in the past several months. Traders will monitor this situation very closely into early April as a continued dryness trend for the next few weeks could stress crops in this region into early April. The big picture supply fundamentals remain mostly negative for the wheat market, so it may take a serious weather issue from a main world producing country to expect more than a fund short-covering bounce. If it looks like spring wheat weather is good for planting, the trend could extend to the downside into mid-April.

USDA SUPPLY/DEMAND			
US WHEAT			
	Mar	Mar	Mar
	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	930
Seed	69	71	82
Feed & Residual	150	132	145
Domestic, total	1,138	1,128	1,157
Total Exports	879	1,289	1,000
Use, total	2,018	2,417	2,157
Ending Stocks	976	862	825
Stocks/Use Ratio	48.4%	35.7%	38.2%



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