

USDA WASDE Report - Wheat Market Impacts

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Summary

The impact of the USDA December 9th Crop Production and World Agricultural Supply-Demand Estimates reports were neutral-to-negative for U.S. wheat market price prospects. The USDA lowered its projections of U.S. wheat exports, leading to an increase in projected U.S. wheat ending stocks and % ending stocks-to-use for the 2011/12 marketing year and an associated marginal reduction in projected U.S. wheat average prices. Increased supplies of wheat outside of the U.S. have led to growing World supply-demand balances, increased foreign wheat exports, and growing World wheat supply-demand balances.

U.S. & World Wheat Supply-Demand Balances: Foreign wheat export competition has led to a lowering of projected U.S. wheat exports – down 50 million bushels (mb) to 925 mb. With projected supplies unchanged, the USDA increased its projection of U.S. wheat supply-demand balances of 878 mb (up 50 mb) and 41.7% ending stocks-to-use (S/U) for the 2011/12 marketing year. Wheat stocks in the U.S. are much larger than recent historic minimums in MY 2007/08 of 306 mb and 13.2% S/U. The relative “abundance” of U.S. wheat supply-demand balances continues to be striking in comparison to the near historic low ending stocks-to-use projections for U.S. corn and soybeans. World wheat ending stocks of 208.5 mmt (30.7 S/U) for MY 2011/12 are also markedly higher than historic lows of 124 mmt ending stocks (20.1% S/U) in MY 2007/08, and are also more abundant relative to usage than for either World coarse grains and oilseeds

Wheat Prices Supported by Corn: Although U.S. and World wheat supply-demand balances are relatively abundant compared to other major crops, U.S. wheat prices are still projected to be record high – in the range of \$7.05 to \$7.55 for MY 2011/12. Wheat prices continue to be supported by tight supply conditions in other grain markets and the opportunity of competitive market arbitrage in the substitution of wheat for corn in livestock feeding rations or even in ethanol production in both the U.S. and in other countries. Wheat prices have followed the movement to historically high prices for corn (directly) and soybeans (indirectly) as market participants have so far largely “arbitraged-away” most opportunities for U.S. wheat to be a “low cost” feed alternative in the United States.

2012 Wheat Market Issues: Climatologists project that the La Nina weather pattern will continue in North and South America through early spring 2012. This signals that through early 2012 there is an increased likelihood of a) continuing drought conditions in the southern and central plains, and b) a repeat of wet spring planting conditions in the northern plains states and into Canada. It is possible that for the second consecutive year this weather pattern could hinder 2012 HRW wheat production prospects and signal problems for 2012 U.S. spring and durum wheat seeding and production.

United States and World wheat market prices in MY 2011/12 will continue to be affected by cross-market strength or weakness in U.S. grain prices. Whereas U.S. and World wheat supply-demand balances have been rebuilt to moderate levels from historic lows in MY 2007/08, U.S. corn and soybeans stocks levels have not. It is likely that historically high corn, soybean, and wheat prices will persist for the next 1-2 years until feedgrain & oilseed supply-demand balances are rebuilt.

I. U.S. Wheat Market Situation and Outlook

- A. **2011 U.S. Wheat Production Prospects**: The USDA National Agricultural Statistics Service (NASS) made no changes in regards to U.S. wheat production in its December 9th Crop Production report. As in previous reports, the USDA projections have indicated that drought stress in 2010-11 in the central and southern Great Plains had a significant negative impact on 2011 U.S. hard red winter wheat production. Similarly, excessive moisture / planting problems in the northern plains hindered seeding and/or slowed development of U.S. 2011 hard red spring and durum wheat production. These U.S. production problems for hard red winter, hard red spring and durum wheat were largely offset by larger 2011 soft red winter wheat production.
- a. **2011 U.S. Wheat Planted Acreage = 54.409 million acres**: In its December Crop Production Report, the USDA estimated that 54.409 million acres (ma) of wheat were planted in 2011 in the U.S., unchanged from the November report, but up from 53.953 ma in 2010.
 - b. **2011 U.S. Wheat Harvested Acreage = 45.705 million acres**: The USDA estimated that 45.705 ma of wheat were planted in the U.S. in 2011, unchanged from the November report, and down from 47.619 ma in 2010. Harvested acreage was projected to be 84% of planted wheat acreage in 2011, as compared to 89% in 2010 reflecting higher rates of acreage abandonment in the Plains states due to crop weather problems.
 - i. Winter Wheat Harvested Acreage = 32.314 ma; unchanged from November, and up from 31.741 ma in 2010. Harvested U.S. winter wheat acreage was 80% of the total of 40.646 million planted acres in 2011 compared to 85% in 2010.
 - ii. Other Spring Wheat Harvested Acreage = 12.079 ma; unchanged from November, and down from 13.359 ma in 2010. Harvested U.S. spring wheat acreage was 97.5% of the total of 12.394 million planted acres in 2011, compared to 97.5% in 2010 as well.
 - iii. Durum Wheat Harvested Acreage = 1.312 ma; unchanged from November, and down from 2.519 ma in 2010. Harvested U.S. durum wheat acreage was 95.8% of the total of 1.369 million planted acres in 2011 compared to 98.4% in 2010.
 - c. **2011 U.S. Wheat Yield = 43.7 bushels per acre**: The USDA has estimated that U.S. wheat yields averaged 43.7 bushels per acre (bu/ac) in 2011, down from 46.3 bu/ac in 2010.
 - i. Winter Wheat Yields = 46.2 bu/ac; down from 46.8 bu/ac in 2010.
 - ii. Other Spring Wheat Yields = 37.7 bu/ac; down from 46.1 bu/ac in 2010.
 - iii. Durum Wheat Yields = 38.5 bu/ac; down from 42.1 bu/ac in 2010.
 - d. **2011 U.S. Wheat Production = 1.999 billion bushels**: The USDA has projected 2011 U.S. wheat production at 1.999 billion bushels (bb), down from 2.207 bb in MY 2010/11 and from 2.218 bb in MY 2009/10. This is the lowest amount of U.S. wheat produced since 1.808 bb in MY 2006/07.
 - i. 2011 Winter Wheat Production = 1.494 bb; up from 1.485 bb in 2010. While drought conditions in the central and southern plains reduced 2011 hard red winter wheat

production in that region, it was more than offset by larger production of soft red winter wheat production in the eastern Corn Belt.

- ii. 2011 Spring Wheat Production = 455.2 mb; down from 616 mb in 2010. Planting and development problems in the northern plains reduced 2011 hard red spring wheat production for that region to the lowest level since 2007 when 450 mb was produced.
- iii. 2011 Durum Wheat Production = 50.5 mb; down from 106 mb in 2010. Planting and development problems in the northern plains states of Montana and North Dakota sharply reduced 2011 U.S. durum wheat production down to 54% of the 2007-2010 average of 92.75 mb / year.

B. **MY 2011/12 U.S. Wheat Supply-Demand:** The USDA lowered its projection of U.S. wheat exports for MY 2011/12 – leading to a commensurate decline in total usage and an increase in ending stocks (**Table 1**). United States' wheat ending stocks and % ending stocks-to-use for MY 2011/12 are projected to increase on a year-to-year basis. Wheat ending stocks in the U.S. are fully adequate to meet domestic wheat usage needs in MY 2011/12 and can be described as becoming “burdensome” to the wheat market – inhibiting possible increases in U.S. wheat prices.

That said, the potential for 2012 wheat production problems in the U.S. central and southern plains region for hard red winter wheat and in the northern plains for hard red spring and durum wheat is likely to provide support for wheat prices in the early spring of 2012, as are prospects for volatile U.S. corn prices through the spring and early summer months of the coming year.

- a. **U.S. Wheat Supplies = 2.982 bb:** The USDA has projected MY 2011/12 total wheat supplies to be 2.982 bb, based on beginning stocks of 862 mb, 2011 production of 1.999 bb, and imports of 120 mb. This amount of total supplies is less than 3.279 bb in MY 2010/11, approximately equal to 2.993 bb in MY 2009/10, and more than 2.932 bb in MY 2008/09, and 2.620 bb in MY 2007/08.

Commentary: Without the additional 221 mb of 2011 U.S. soft red winter wheat production (i.e., 458 – 237 mb for 2011 versus 2010), U.S. wheat supplies would be closer to 2.761 bb – the second lowest U.S. wheat total supply figure since MY 2007/08. Ending stocks would likely be in the range of 640-675 mb, while % ending stocks-to-use would likely be at least moderately tighter (i.e., in the 30%-32% range), with at least marginally more concern by market participants in regards to the adequacy of MY 2011/12 wheat supplies.

- b. **U.S. Wheat Use = 2.103 bb:** Projected usage of U.S. wheat in MY 2011/12 was 50 mb less than in the November USDA WASDE report (**Table 1**). Weaker U.S. wheat exports combined with steady projections of domestic food use and wheat feeding that were carried forward from previous projections of U.S. wheat supply-demand balances. The December WASDE projection of MY 2011/12 U.S. wheat usage of 2.103 bb is down from 2.417 bb in MY 2010/11, but up from 2.018 bb in MY 2009/10.
 - i. U.S. Domestic Food Usage of 940 mb in MY 2011/12 continues to trend higher in accordance with U.S. population growth and largely inflexible consumer wheat product purposes.

- ii. U.S. Wheat Exports are projected to be 925 mb in MY 2011/12, down 50 mb from November. Projected MY 2011/12 U.S. wheat exports of 925 mb are down 28.2% from 1.289 bb in MY 2010/11, but still up from 879 mb in MY 2009/10.

Commentary: U.S. export prospects have diminished at least in part because of a year-over-year recovery in wheat production in the Black Sea region (Russia, Ukraine, Kazakhstan, etc.) and improved production prospects in the European Union. Wheat production and export prospects in other major exporting countries such as Australia and Canada have improved over a year ago, while Argentina wheat production and export prospects have diminished (see comments in section F below).

- iii. U.S. Wheat feeding of 160 mb in MY 2011/12 is down 80 mb from the earlier September WASDE projection of 240 mb, which would have been the second largest amount since MY 2007/08 (behind 255 mb in MY 2008/09). The projection of 160 mb in MY 2011/12 compares with 132 mb in MY 2010/11 and 150 mb in MY 2009/10. The largest amount of wheat fed in the U.S. on record was 482 million bushels in MY 1990/91.

Commentary: Expectations of higher U.S. wheat feeding in MY 2011/12 over the spring and summer months have only been partially realized. Given tight U.S. corn supply-demand balances and relatively abundant U.S. wheat supplies, it was thought by many market analysts that U.S. wheat feed use would increase to help make up the shortfall in available corn, but USDA reports to date have not indicated that to be the case.

It is still possible that diminished 2011 U.S. feedgrain production will lead to more increases in domestic and foreign wheat feeding in MY 2011/12. To the degree that U.S. livestock feeders and even ethanol producers make use of wheat as a competitive substitute for tight feedgrain supplies, wheat feeding will continue to increase and “whittle down” U.S. wheat ending stocks. Tightness of supplies for U.S. corn in the spring and summer months of 2012 may eventually force increased feeding of U.S. wheat to occur.

- iv. **Recent Wheat Use Trends:** Variability in U.S. wheat exports have been a key source of variation in U.S. wheat supply-demand balances since MY 2007/08 (**Figure 1**). While food use has been consistent since MY 2004/05 (ranging from 879 to 940 mb), feed and residual use has varied from 16 to 255 mb over the same period.

- C. **U.S. Wheat Ending Stocks (878 mb) & Ending Stocks-to-Use (41.7%):** The USDA projects MY 2011/12 ending stocks to be 878 mb, up 50 mb from November. The December U.S. wheat ending stocks estimate is up from 862 mb in MY 2010/11 but less than 976 mb in MY 2009/10 (**Table 1 and Figure 1**). The MY 2011/12 projection equals 41.7% ending stocks-to-use, up from 38.5% in November, and is up from 35.7% in MY 2010/11, and down from 48.4% in MY 2009/10 (**Figure 2**). These ending stocks and % ending stocks-to-use levels are markedly above the historic 60 year low of 306 mb and 13.2%, respectively, in the benchmark “tight supply-demand balance” scenario of MY 2007/08.

Commentary: Whereas U.S. corn and soybean % ending stocks-to-use are each near historic lows, U.S. wheat % ending stocks-to-use levels of 41.7% in MY 2011/12 are much larger than recent historic lows (i.e., 13.2% in MY 2007/08). Wheat ending stocks levels are generally thought to be at “comfortable” or even “burdensome” levels, large enough relative to total use to avoid causing

current market concerns about short supplies in the U.S. wheat market. As a competitive livestock feed substitute for feedgrains, wheat market prices are being supported by record high corn prices. Without such support, it is likely that wheat prices would be markedly lower than their current levels.

D. **U.S. Wheat Prices in MY 2011/12 = \$7.05-\$7.55 /bu.**: U.S. wheat prices are projected to be record high in MY 2011/12. The U.S. wheat market may be finding some support from U.S. wheat farmers' reticence or resistance to selling their remaining wheat at prices markedly lower than were available earlier in 2011. However, U.S. wheat market prices have been strongly influenced and supported by record high corn prices.

a. The USDA projected MY 2011/12 U.S. average wheat prices to be record high in the range of **\$7.05-\$7.55 per bushel**, down \$0.20 on the upper end of USDA's projected price range from November. The midpoint of this price range, i.e., \$7.30 per bushel, is up from \$5.70 in MY 2011 and \$4.87 in MY 2009/10 (**Table 1 & Figure 2**). United States' wheat prices in MY 2011/12 are on track to eclipse the previous record highs of \$6.48 and \$6.78 per bushel in MY 2007/08 and MY 2008/09, respectively.

Commentary: Tight corn supplies and high corn prices have provided carryover support for wheat prices. By responding to and keeping in concert with high corn prices, the wheat market appears to be acknowledging the possibility that large amounts of wheat feeding could occur during the December 2011 through May 2012 period to make up for shortfalls in the 2011 U.S. corn crop and historically tight MY 2011/12 corn ending stocks.

E. **Supply-Demand Balances for Major Classes of U.S. Wheat:** **Tables 2-4** illustrate how shortfalls in hard red winter wheat and hard red spring wheat production in the U.S. in 2011 were partially offset by increases in soft red winter wheat production – keeping combined U.S. wheat supply-demand balances from declining to near record low levels.

a. **U.S. Hard Red Winter Wheat Supply-Demand (MY 2007/08-MY 2011/12):** Hard red winter wheat production in the U.S. dropped to 780 mb in 2011, the lowest level since 682 mb in 2006 (**Table 2**). However, a projected combination of large beginning stocks (386 mb), continued strength in food use (398 mb), and a moderation in exports (375 mb) result in projected U.S. HRW wheat ending stocks of 343 mb (41.6% S/U) in MY 2011/12. This level of ending stocks is the lowest in 3 years, comparing to 386 mb (37.9% S/U) in MY 2010/11, 385 mb (48.7% S/U) in MY 2009/10, 254 mb (27.6% S/U) in MY 2008/09, and to extremely tight supplies in MY 2007/08, with 138 mb (14.0% S/U).

Commentary: In late – winter / early spring of 2012 the attention of the U.S. wheat market will likely shift its focus to crop conditions and production prospects for HRW wheat in the U.S. central and southern plains. The key question is whether the drought conditions in these areas that occurred in 2011 will be prolonged and have negative impact on the 2012 U.S. HRW wheat crop.

b. **U.S. Hard Red Spring Wheat Supply-Demand (MY 2007/08-MY 2011/12):** Hard red spring wheat production in the U.S. dropped to 398 mb in 2011, the lowest level since 351 mb in 2002 (**Table 3**). A combination of moderately large beginning stocks (185 mb), continued strength in food use (222 mb), and a moderation in exports (250 mb) are projected to result in

U.S. HRS wheat ending stocks of 129 mb (26.1% S/U) in MY 2011/12. This level of ending stocks is the lowest in 4 years, comparing to 185 mb (28.6% S/U) in MY 2010/11, 234 mb (47.1% S/U) in MY 2009/10, 142 mb (29.4% S/U) in MY 2008/09, and to the extremely tight supplies in MY 2007/08, with 68 mb (12.4% S/U).

Commentary: The anticipated continuation of the La Nina weather pattern into early 2012 is forecast to bring wetter than normal conditions next spring in the Northern Plains for spring wheat seeding. In the spring of 2012 market analysts will be assessing the likelihood of a repeat of the extremely wet spring conditions that occurred in 2011 in spring wheat areas, and weighing their potential impact 2012 U.S. spring wheat production prospects.

- c. **U.S. Soft Red Winter Wheat Supply-Demand (MY 2007/08-MY 2011/12):** Soft red winter wheat production in the U.S. jumped dramatically to 458 mb in 2011 from 237 mb in 2010, which is the highest level since 614 mb in 2008 (**Table 4**). Total supplies of U.S. soft red winter wheat are projected to rise to 654 mb in MY 2011/12 - up from 508 mb in MY 2010/11 and 607 mb in MY 2009/10, but still below 702 mb in MY 2008/09. Exports of SRW wheat are projected to be 110 mb in MY 2011/12, essentially equal to 109 mb in MY 2010/11 and MY 2009/10, but down from 199 and 208 mb in MY 2008/09 and MY 2007/08, respectively. Feed usage of SRW wheat increased to 115 mb in MY 2011/12, up from 62 mb in MY 2011/12 and 90 mb in MY 2009/10, but less than 161 mb in MY 2008/09. Ending stocks for MY 2011/12 are projected to be 259 mb (37.5% S/U), up from 171 mb (37.9% S/U) in MY 2010/11, and greater than 242 mb (48.7% S/U) in MY 2009/10.

Commentary: Feed usage of U.S. SRW wheat in MY 2011/12 is projected to be essentially equal to the previous two years. However, market expectations this summer were that – given the tightness of U.S. corn supply-demand balances – the amount of U.S. SRW wheat fed would be markedly higher. Possible causes for lower than expected feeding of U.S. SRW wheat include a) the availability of distillers grains from corn ethanol production as a competitive feed substitute, b) profitability of storing SRW wheat as opposed to selling it – partially due to variable storage rate (VSR) mechanisms and their impact on CBOT wheat inter-contract spreads for deferred contracts, and/or c) feed cost / profitability dynamics in the livestock industry in regards to wheat feeding as opposed to corn and other feeds. Regardless of the reason for lower than anticipated SRW wheat feeding so far in MY 2011/12, it is still possible that increases will occur in early-mid 2012 if the availability of U.S. corn supplies continue to tighten.

- F. **World Wheat Supply-Demand Trends:** Consistent growth in World wheat usage since MY 2007/08 has occurred in spite of periods of record high prices in MY 2007/08-MY 2008/09 and again in MY 2011/12 (**Figure 3**).

- a. **Inflexible World Wheat Demand:** This pattern of inflexible or inelastic World demand for wheat illustrates how only small changes in wheat supplies can and have caused highly variable U.S. and World wheat prices over the last five years.

Commentary: A consistent quantity and quality of supply of wheat is needed for human consumption, and consumers are willing to pay high prices to obtain staple wheat products if supply-demand balances of wheat tighten. However, if food grade wheat supplies are abundant, consumers and associated wheat processors are much less willing to pay high

prices to secure needed wheat for milling purposes. This inflexibility of demand has been keenly experienced by the U.S. and World wheat market since MY 1998/99 – at least partially contributing to volatile World wheat market prices, with wide swings from high to low price regimes.

- b. **World Wheat Ending Stocks & %Ending Stocks-to-Use for MY 2011/12 = 208.5 mmt (30.7% S/U)**: World Wheat ending stocks are projected to be 208.52 mmt, up 5.92 mmt since November, and larger than 199.75 mmt in MY 2010/11 and 202.14 mmt in MY 2009/10. However, % ending stocks-to-use has been consistently near the range of 30.5-31.1% over the most recent three marketing years, with current projections of 30.7% S/U for MY 2011/12 being between 30.5% in MY 2010/11 and 31.1% in MY 2009/10. The historic World wheat ending stocks and % ending stocks-to-use lows since at least the early 1970s occurred in MY 2007/08, with declines down to 124 mmt (20.1% S/U).

- i. Overall, foreign wheat production and export prospects have improved markedly in MY 2011/12 over the previous year, with foreign production projected to be 634.6 mmt (up 43.0 mmt) and foreign exports projected to be 113.5 mmt (up 16.7 mmt).
- ii. **World Wheat Exports = 138.7 mmt in MY 2011/12**: Projected World wheat exports of 138.9 mmt are up 1.4 mmt from November, and up from 131.9 in MY 2010/11 and from 135.8 mmt in MY 2009/10.

Larger exports in MY 2011/12 are projected for **Australia** (21.5 mmt, up from 18.7 mmt last year), **Russia** (19.0 mmt, up from 3.98 mmt last year), **Canada** (18.0 mmt, up from 16.6 mmt last year), **Kazakhstan** (8.5 mmt, up from 5.5 mmt last year), and the **Ukraine** (7.0 mmt, up from 4.3 mmt last year).

Lower exports in MY 2011/12 are projected for the **United States** (25.2 mmt, down from 35.1 mmt last year), the **EU-27** (17.0 mmt, down from 22.9 mmt last year), and **Argentina** (8.5 mmt, down from 9.5 mmt last year).

Commentary: These projections of wheat exports are in some cases subject to change, such as is the case for the Black Sea countries, with ongoing questions about crop weather impacts in the Ukraine, wheat quality issues, and governmental policies toward exports. With extremely tight World feedgrain supplies, export demand for low quality feed grade wheat as a substitute for corn in livestock rations has been and will likely continue to be high in MY 2011/12.

However, if in coming months World supplies of food quality wheat are less than expected, it may be a supportive of U.S. food quality wheat exports later in MY 2011/12.

- iii. **World Wheat Imports = 135.2 mmt in MY 2011/12**: Projected World wheat imports of 135.2 mmt are up 1.4 mmt from November, and up from 130.0 in MY 2010/11 and from 133.6 mmt in MY 2009/10.

Larger imports in MY 2011/12 are projected for **selected Middle Eastern countries** – including Iraq, Iran, Saudi Arabia and Israel (13.6 mmt, up from 13.3 mmt last year), the **EU-27** (7.5 mmt, up from 4.7 mmt last year), **Brazil** (7.0 mmt, up from 6.7 mmt last year), **other Former Soviet Union countries** – excluding Russia, Kazakhstan and the Ukraine (5.9 mmt, up from 5.3 mmt last year), and **China** (1.5 mmt, up from 0.9 mmt last year).

Lower exports in MY 2011/12 are projected for **North African countries** – including Egypt and Libya (23.0 mmt, down from 24.1 mmt last year), and **Southeast Asian countries** – including Indonesia, the Philippines, Thailand and Vietnam (15.3 mmt, down from 15.8 mmt last year).

Commentary: Increased availability of wheat at marginally lower prices in fall 2011 from Australia, the Black Sea Region and elsewhere has led to an increase in wheat imports. Although supplies of lower quality feed wheat are abundant, supplies of higher protein wheat are not as abundant on a relative basis as evidenced by prices currently being offered for U.S. Hard Red Spring wheat on the Minneapolis Grain Exchange. The relative abundance of feed quality wheat is “fortuitous” for World grain markets, as countries look for lower cost livestock feed alternatives to higher priced / less available corn and other coarse grains.

G. Persistence of High Wheat Prices into 2012: Given a) historically tight ending stocks for U.S. corn in MY 2011/12, b) competition for U.S. crop acres between corn, soybeans, spring wheat in the northern plains, and other crops in spring 2012, and c) the forecast persistence of the La Nina weather pattern in early 2012, with expectations of drier than normal conditions in U.S. hard red winter wheat production areas and wetter than normal conditions in U.S. spring wheat regions, **it seems likely that historically high and volatile wheat prices** will persist throughout the remainder of 2011 and on into the spring of 2012. Although wheat prices have declined in fall 2011, still they are at historically high levels – even with growing U.S. wheat ending stocks for MY 2011/12.

Table 1. U.S. Wheat Supply-Demand Balance Sheet: MY 2007/08 through MY 2011/12

(December 9, 2011 USDA WASDE Report)

Item	2007/08	2008/09	2009/10	2010/11	2011/12
Planted Area (million acres)	60.5	63.2	59.2	53.6	54.4
Harvested Area (million acres)	51.0	55.7	49.9	47.6	45.7
Yield per harvested acre (bushels/acre)	40.2	44.9	44.5	46.3	43.7
	million bushels				
Beginning Stocks	456	306	657	976	862
Production	2,051	2,499	2,218	2,207	1,999
Imports	113	127	119	97	120
Total Supply	2,620	2,932	2,993	3,279	2,982
Food Use	948	927	919	926	940
Seed Use	88	78	69	71	78
Exports	1,263	1,015	879	1,289	925
Feed & Residual	16	255	150	132	160
Total Use	2,314	2,275	2,018	2,417	2,103
Ending Stocks	306	657	976	862	878
% Ending Stocks-to-Total Use	13.2%	28.9%	48.4%	35.7%	41.7%
U.S. Average Farm Price (\$/bushel)	\$6.48	\$6.78	\$4.87	\$5.70	\$7.05-\$7.55 Midpoint = \$7.30

Figure 1. Trends in U.S. Wheat Use and Ending Stocks: MY 2004/05 through MY 2011/12
(December 9, 2011 USDA WASDE Report)

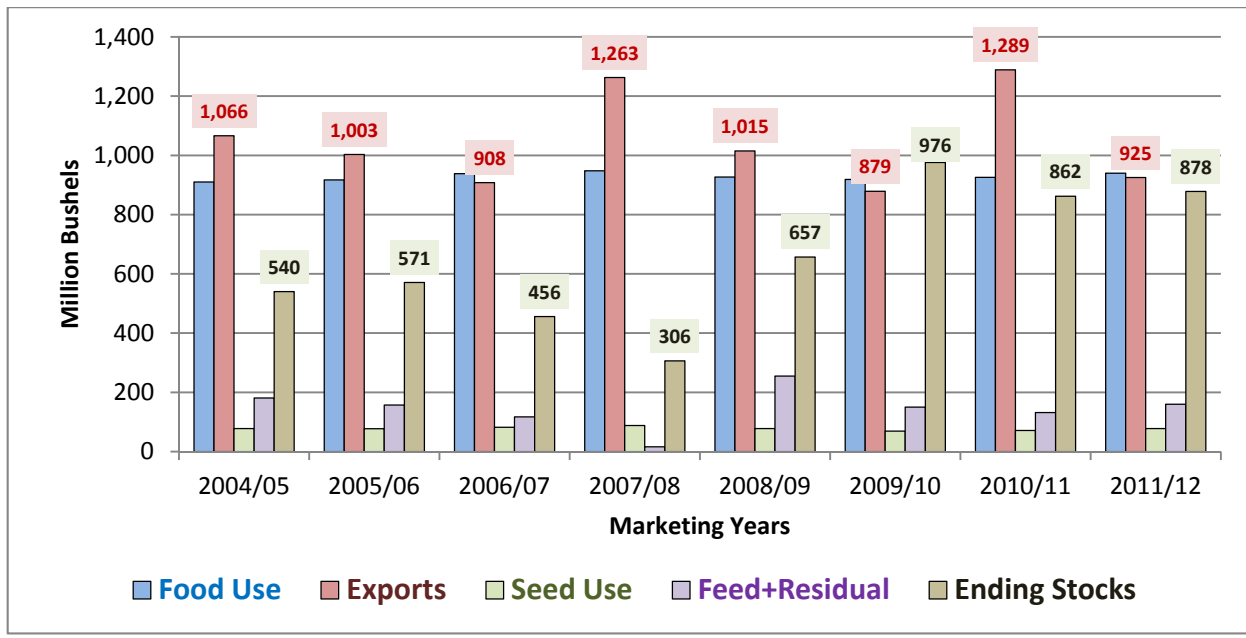


Figure 2. U.S. Wheat Ending Stocks vs U.S. Avg. Cash Prices: MY 1973/74 through MY 2011/12
(December 9, 2011 USDA WASDE Report)

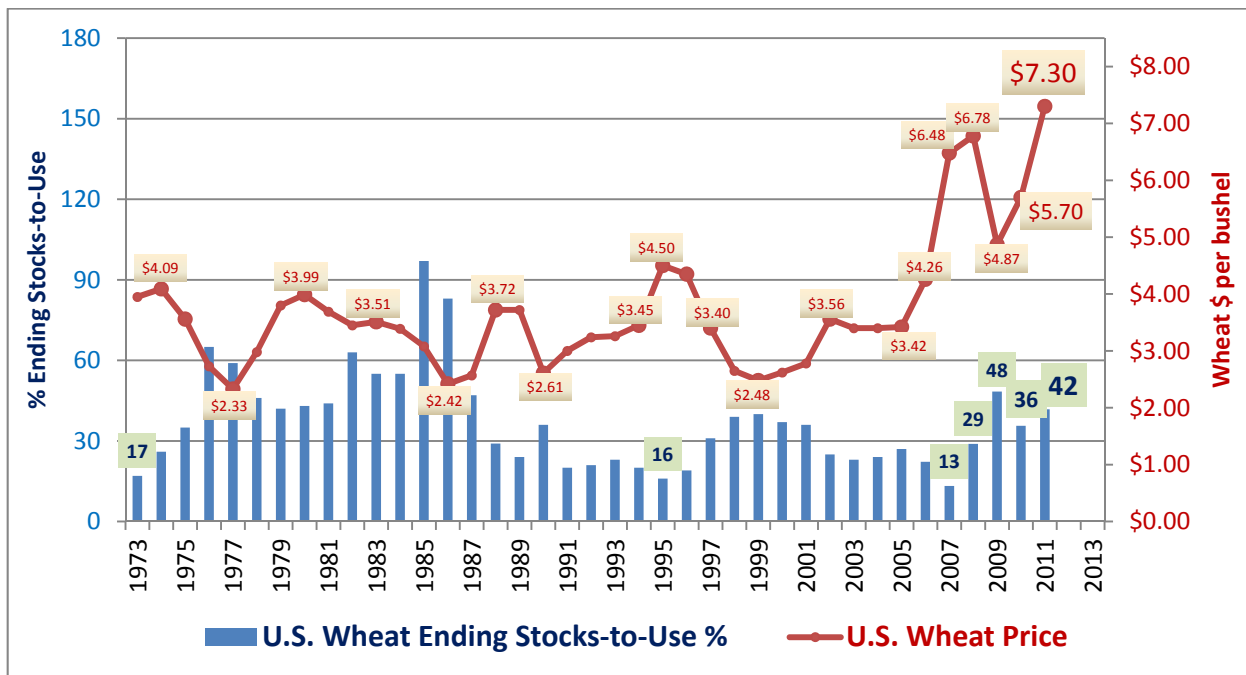


Figure 3. World Wheat Usage & Ending Stocks: MY 2007/08 thru MY 2011/12

(December 9, 2011 USDA WASDE Report)

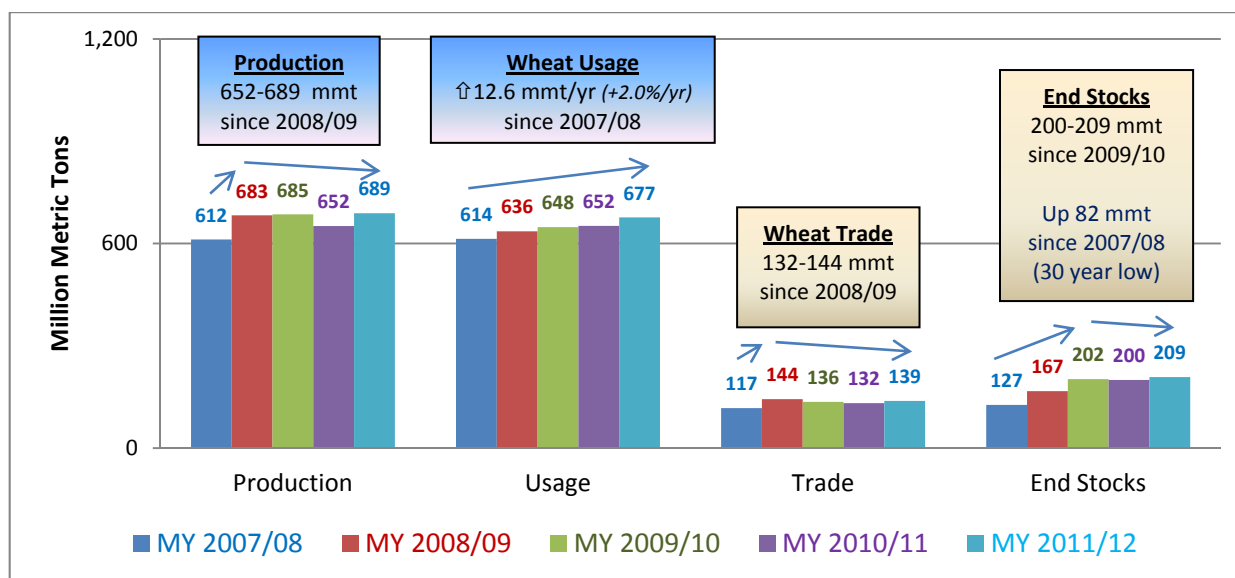


Table 2. U.S. Hard Red Winter Wheat S-D Balance Sheet: MY 2007/08 through MY 2011/12

(December 9, 2011 USDA WASDE Report)

Item	2007/08	2008/09	2009/10	2010/11	2011/12
Planted Area (million acres)	33.0	31.3	31.7	28.6	28.5
Harvested Area (million acres)	25.7	25.9	24.1	24.0	21.4
Yield per harvested acre (bushels/acre)	37.2	39.9	38.1	42.4	36.4
	million bushels				
Beginning Stocks	165	138	254	385	386
Production	956	1,035	920	1,018	780
Imports	1	2	2	1	1
Total Supply	1,121	1,174	1,176	1,404	1,167
Food Use	397	385	361	359	398
Seed Use	35	35	32	32	31
Exports	536	447	370	616	375
Feed & Residual	15	52	28	11	20
Total Use	984	919	791	1,018	824
Ending Stocks	138	254	385	386	343
% Ending Stocks-to-Total Use	14.0%	27.6%	48.7%	37.9%	41.6%
U.S. HRW Avg. Farm Price (\$/bushel)	\$6.15	\$6.90	\$4.84	\$6.49	---
% U.S. HRW / U.S. All Wheat Price	94.9%	101.8%	99.4%	113.9%	---

Table 3. U.S. Hard Red Spring Wheat S-D Balance Sheet: MY 2007/08 through MY 2011/12

(December 9, 2011 USDA WASDE Report)

Item	2007/08	2008/09	2009/10	2010/11	2011/12
Planted Area (million acres)	12.7	13.5	12.6	13.0	11.6
Harvested Area (million acres)	12.4	12.8	12.3	12.6	11.3
Yield per harvested acre (bushels/acre)	36.3	39.9	44.5	45.1	35.9
	million bushels				
Beginning Stocks	117	68	142	234	185
Production	450	512	548	570	398
Imports	48	45	41	28	40
Total Supply	615	625	731	832	623
Food Use	233	224	239	247	222
Seed Use	20	17	17	14	22
Exports	304	210	214	339	250
Feed & Residual	-11	32	27	46	--
Total Use	547	483	497	647	494
Ending Stocks	68	142	234	185	129
% Ending Stocks-to-Total Use	12.4%	29.4%	47.1%	28.6%	26.1%
U.S. HRS Avg. Farm Price (\$/bushel)	\$7.16	\$7.39	\$5.26	\$6.54	---
% U.S. HRS / U.S. All Wheat Price	110.5%	109.0%	108.0%	114.7%	---

Table 4. U.S. Soft Red Winter Wheat S-D Balance Sheet: MY 2007/08 through MY 2011/12

(December 9, 2011 USDA WASDE Report)

Item	2007/08	2008/09	2009/10	2010/11	2011/12
Planted Area (million acres)	8.6	11.2	8.3	5.3	8.6
Harvested Area (million acres)	7.0	10.1	7.2	4.4	7.4
Yield per harvested acre (bushels/acre)	50.0	60.9	56.1	54.3	61.7
	million bushels				
Beginning Stocks	109	55	171	242	171
Production	352	614	404	237	458
Imports	14	34	32	29	25
Total Supply	475	702	607	508	654
Food Use	150	155	156	150	155
Seed Use	21	16	10	16	15
Exports	208	199	109	109	110
Feed & Residual	41	161	90	62	115
Total Use	420	531	365	337	395
Ending Stocks	55	171	242	171	259
% Ending Stocks-to-Total Use	14.0%	27.6%	48.7%	37.9%	65.6%
U.S. SRW Avg. Farm Price (\$/bushel)	\$5.20	\$5.78	\$4.35	\$5.16	---
% U.S. SRW / U.S. All Wheat Price	80.2%	85.3%	89.3%	90.5%	---