

# Domestic grain outlook

## Wheat – STILL STUCK IN THE RANGE

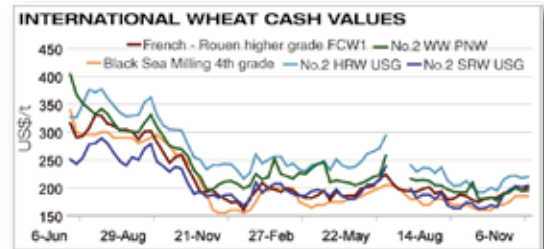
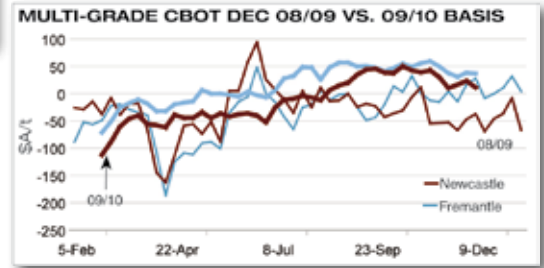
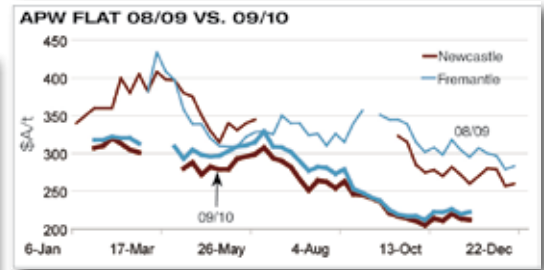
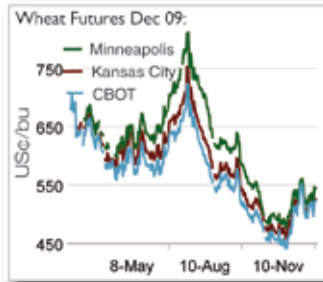
Wheat prices managed to end the week in the same position as last week, but we still managed to see our mandatory sell off back towards the 490US¢/bu level before fund buying and \$US weakness again brought the buyers back into the market. As we alluded to last week we sit at a juncture here, stuck in a range of 490–530US¢/bu. The longer we stay in this range the more extreme the breakout is likely to be.

Many analysts feel we are only being supported by fund buying and the fundamentals should dictate lower not higher values. But with extreme weakness in the \$US and the broader commodity bull story strongly coming back into fashion at the moment we need to be prepared for volatility.

Corn has been a leader this week and holds a better fundamental story than wheat, so we are unable to totally throw the towel in on the wheat market based on the bearish fundamentals alone.

In their monthly report the USDA reported US stock levels within the market range of expectations, but surprised us with an extra 4.5 mt of production – all in Russia, Kazakhstan and Ukraine. This will mean Australian and US wheat will find strong competition in the export market for their product. Wheat planting progressed well this week, taking us to 86 per cent done vs 93 per cent average.

Locally, harvest is starting to roll a bit quicker, with Queensland harvest all but done. Quality remains good and with warm weather across the country this week we will see crops come in sooner rather than later, along with some higher proteins hitting the market. We continue to favour filling existing sales first and then warehousing and setting your price targets in these times of volatility.

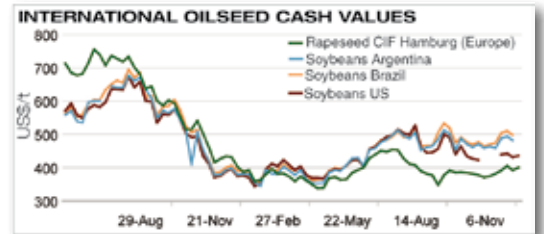
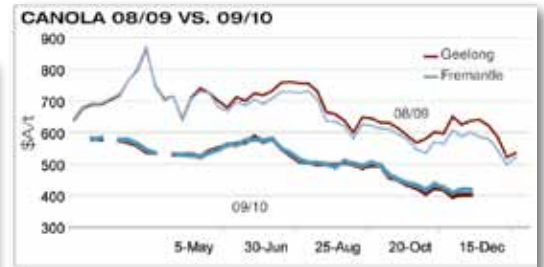
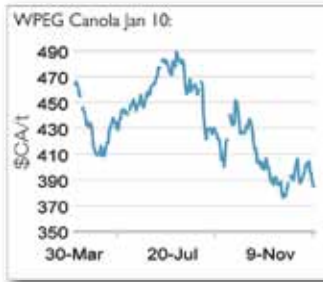


## Canola – FUNDAMENTALS SWING

While the \$US direction and fund capital flows are having their impact on the oilseed markets too, we are seeing more fundamental variables in oilseeds at the moment, adding to volatility. Today we saw the USDA surprise the market with a bigger than expected jump in bean yields, taking us to 43.3bu/ac (42.4 October and 42.7 expected). We also saw them increase Brazilian and Argentine production. US harvest also made some impressive gains, progressing to 75 per cent (51 per cent last week and 92 per cent avg). The most impressive was Illinois with 34 per cent of the crop harvested this week, taking it to a more respectable 69 per cent done vs the 96 per cent average. With the US harvest drama coming to an end, we will unfortunately not have the time to take a breath before the next weather market hits the screens as South America race to get the balance of their crop in.

Brazilian conditions remain excellent, but Argentina continues to battle drought in many key areas. Despite the USDA increasing their production forecast (due to a switch from corn to beans), given the price relativities, we are starting to see some analysts call for lower production in Argentina – towards 50 mt (USDA 53 mt vs 32 mt last year).

Rainfall in October was 30–50 per cent of average and with the planting window closing in the coming month we will need to see greater than 100 mm of rain fall across the region to alleviate crop stress. Canola found a good week of harvest and combining with the Australian harvest we have seen hedge pressure hit the Canadian futures this week. With basis weak in Australia, futures hedges will continue to find their way into the futures market in the short-term and with local farmers partially favouring to cash canola we are seeing the bid side of the market cautious.



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