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COMMODITIES CORNER

## Leavened Outlook for Wheat

By TOM POLANSEK

### Wheat crops are running late and wet -- so rallies may be dampish.

**COOL, WET WEATHER IN THE NORTHERN U.S.** plains is delaying spring wheat planting. But chances for another fiery futures rally are looking soggy.

Minneapolis Grain Exchange hard red spring-wheat futures stormed to record highs last year when poor weather slashed global production and drained grain reserves. Worries that late planting will reduce yields for the 2009 crop have supported the market recently, with MGE wheat building its premium over Chicago Board of Trade wheat amid expectations of a decline in seeded acreage.

However, world wheat supplies are plentiful this time around, which should keep a lid on prices, traders say. Canada, for one, is a major spring-wheat producer and has large supplies on hand after last year's big crop.

"You don't have that underlying groundswell of support to really allow Minneapolis to be the blow-off top," says Louise Gartner, an analyst for Spectrum Commodities, a risk-management and brokerage firm. "You will have adequate supplies of quality milling wheat."

Hard red spring wheat, prized for its high protein content, is used to make bread. The CBOT, a global benchmark for wheat prices, trades soft red winter wheat, used to make pastries and snack foods.



The spread between MGE July wheat and CBOT July wheat narrowed to 88¾ cents Friday from a recent peak of 96¾ cents on April 8 as near-term weather forecasts called for drier weather in the northern Plains. MGE July wheat traded around \$6.25 a bushel, down 75% from the record \$25 that the nearby spring-wheat contract hit in February 2008.

The anticipated drier weather has some analysts backing off recommendations to avoid taking short positions, or bets that prices will fall, in MGE wheat. Indeed, the MGE/CBOT spread should narrow further if forecasts stay dry, says Rich

Feltes, senior vice president of research for MF Global. He advises traders to get out of long MGE wheat

positions, or bets that prices will rise, when the spread narrows to 81 cents.

The abundance of soil moisture could eventually benefit crop development, if farmers are able to get in their fields soon enough, traders say. Still, concerns remain that delayed planting will take a toll on yields. "We are still very susceptible to planting delays, which could still occur in May" if the weather is wet, Feltes says.

Spring-wheat planting was 2% complete as of April 12, below the five-year average of 11%, according to government data. The statewide average starting date for fieldwork in North Dakota, the top spring-wheat state, is seen at May 2, more than two weeks behind the five-year average.

"Delayed planting in the spring can play havoc in the fall," as the possibility of early wintry conditions can lead to unpredictable yields, says Shawn Hackett, president of Hackett Financial Advisors. "The reality is hard spring-wheat farmers know this and usually will abandon acres to plant other crops."

History suggests 500,000 acres to one million acres of spring wheat could be planted with other crops, such as soybeans, due to poor conditions, Hackett says. A breakout move above \$6.82 in MGE July wheat could set the market soaring, he says.

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