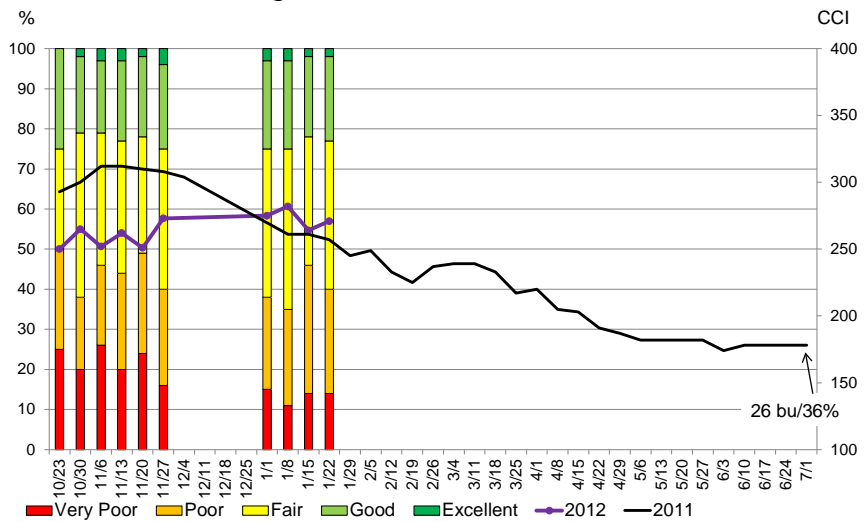


<b>In Today's Newsletter</b>	
<b>Market Situation</b>	
Crop Condition	1
El Nino Southern Oscillation Update	2
World Wheat Estimates	2
Commitment of Traders	3
<b>Marketing Strategies</b>	
2012 Wheat Marketing Plan	5

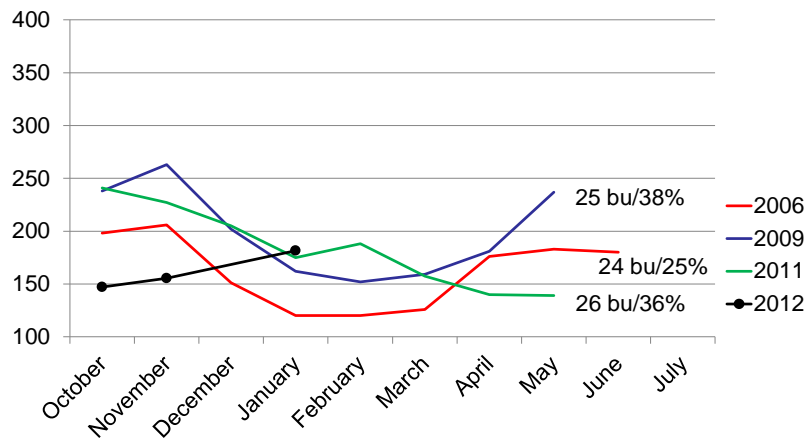
## Market Situation

**Crop Condition.** Texas wheat crop conditions improved this week with the percent rated good +1, fair +5, and poor -6. The crop condition index score went up 7 points to 271. This compares to 257 at this time last year. The soil moisture index is about the same as last year.

2012 Texas Winter Wheat Condition Ratings and Average Wheat Yield/% Harvested



Texas Wheat Top Soil Moisture Index, Yields, and % Harvested (400 = 100% Surplus; 100 = 100% Very Short)



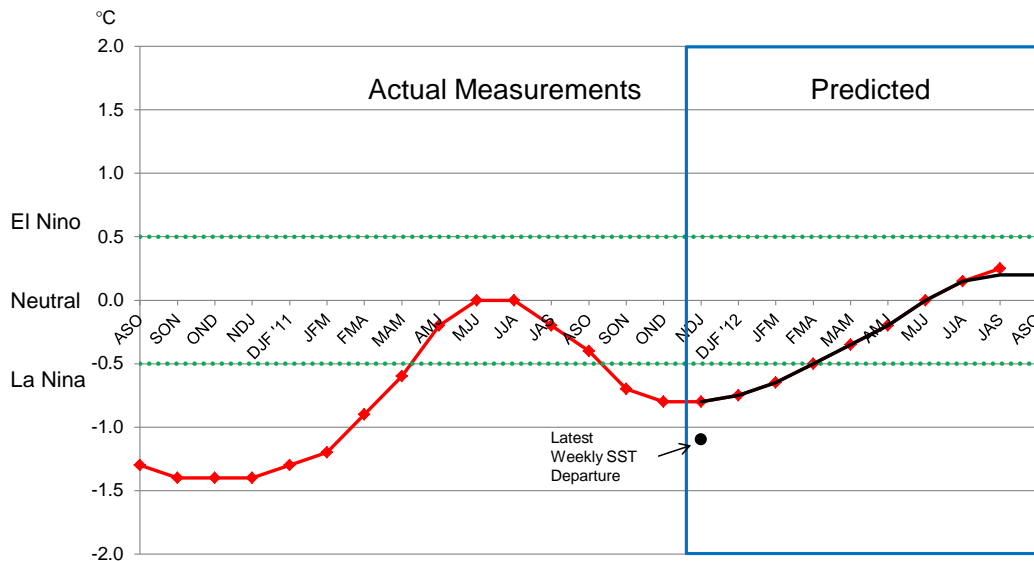
Source: *Texas Crop Weather*, NASS



**El Niño Southern Oscillation Update.** Sea surface temperatures in the critical region for La Niña development were  $-1.1^{\circ}\text{C}$  from normal this week,  $0.1^{\circ}\text{C}$  cooler than last week. While the current La Niña event may extend through early spring, the current forecast shows we may be bottoming out with a return to neutral conditions as early as April.

## Oceanic Niño Index (ONI)

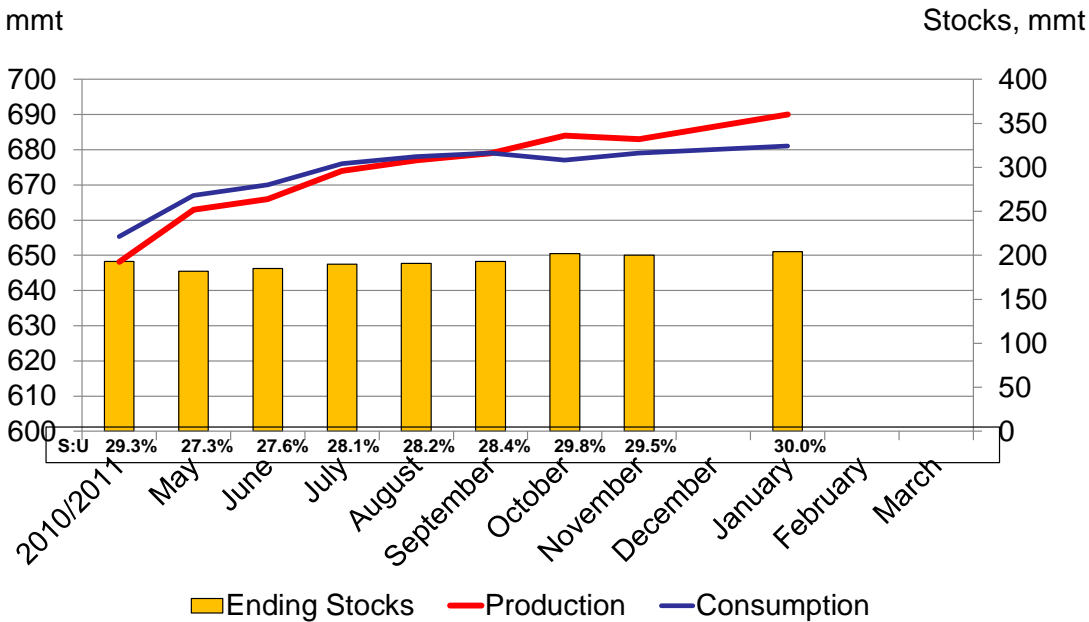
La Niña conditions are present across the equatorial Pacific.  
Sea surface temperature anomalies have become increasingly negative in the east-central equatorial Pacific Ocean.  
Atmospheric circulation anomalies are consistent with La Niña.  
La Niña is expected to strengthen and continue into the Northern Hemisphere spring 2012.



El Niño/Southern Oscillation (ENSO) Diagnostic Discussion, January 23, 2012  
[http://www.cpc.ncep.noaa.gov/products/analysis\\_monitoring/ens0\\_advisory/](http://www.cpc.ncep.noaa.gov/products/analysis_monitoring/ens0_advisory/)

**World Wheat Estimates.** The International Grains Council released revised world wheat production and use numbers January 19<sup>th</sup>. The latest from IGC puts world wheat production at a record 690 mmt, up 7 mmt from November. Larger crops in the southern hemisphere account for most of the increase but larger crops are forecast for China and Kazakhstan as well. Total wheat consumption is estimated at 681 mmt, up from 679 mmt on increased feed use. World carryover stocks are projected at 204 mmt, up from 200 mmt in the November forecast raising the stocks to use ratio to 30%. This compares with 29.5% in November and 29.3% in 2010/2011.

## IGC 2011/2012 World Wheat Estimates



International Grains Council, *Grain Market Report*, 19 January, 2012

**Commitment of Traders.** Speculative fund positions in the grain markets are mostly unchanged this week with the decrease in net long contracts held by hedge funds offset by increases in those contracts held by index funds. Repositioning since the release of the January Crop Report two weeks ago shows hedge funds -81,234, index funds +14,956 and the price index -16.25 points.

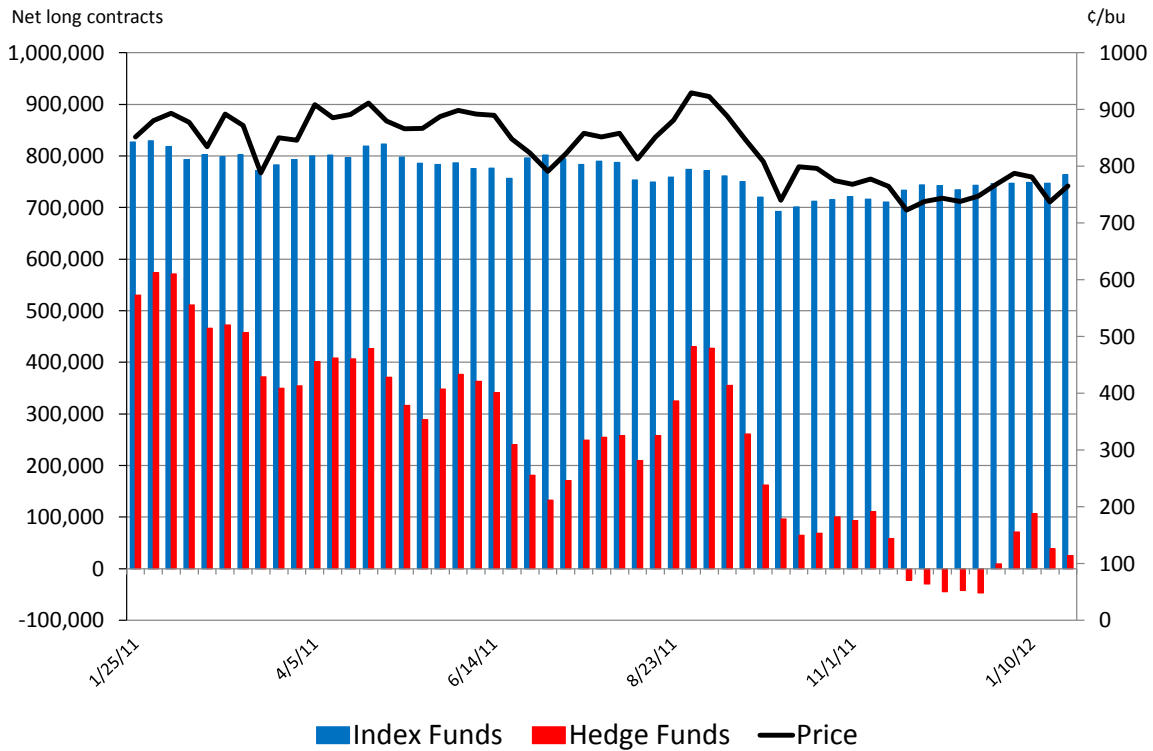
Contracts	Tuesday January 17	Tuesday January 24	Net Change
Open Interest	2,998,442	3,073,340	74,898
Net Long Hedge Funds	38,584	25,054	-13,530
Net Long Index Funds	747,300	763,246	15,946
Price Index	737.38	765.00	27.62

# Wheat Market Outlook

January 27, 2012  
Volume 1, Number 6

*Improving Lives. Improving Texas.*

## Wheat, Corn, and Soybeans Speculative Investment



Source: CFTC, positions as of January 24, 2012 reported January 27, 2012

Wheat prices have followed corn and soybeans higher the last couple of weeks, climbing back above where we were before the January crop report. The string of 6 consecutive higher closes was broken today.

Futures	Friday January 20	Friday January 27	Net Change	Percentage Change
Mar '12 KC Wheat	6.6700	7.0000	0.3300	4.95%
May '12 KC Wheat	6.7575	7.0875	0.3300	4.88%
Difference	0.0875	0.0875	0.0000	
Nearby % Carry March to May	73%	73%	0%	
Jul '12 KC Wheat	6.8250	7.1625	0.3375	4.95%
Jul '13 KC Wheat	7.2800	7.5600	0.2800	3.85%

# Wheat Market Outlook

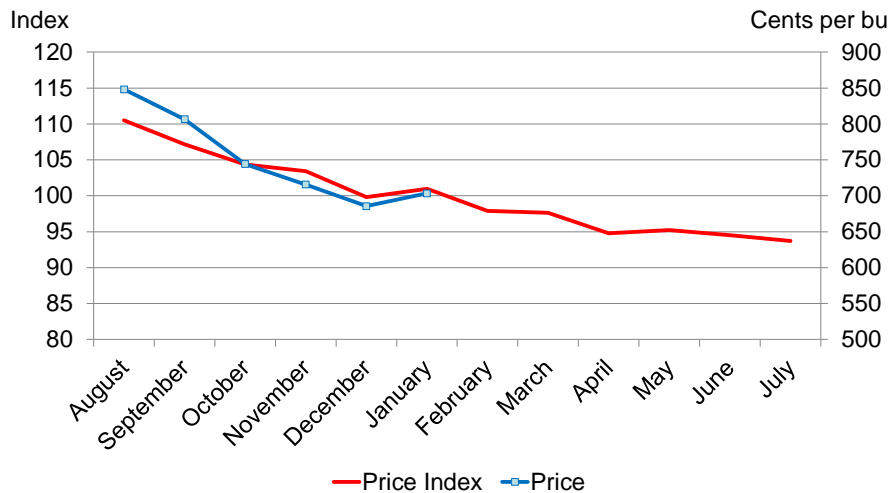
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## Market Strategies

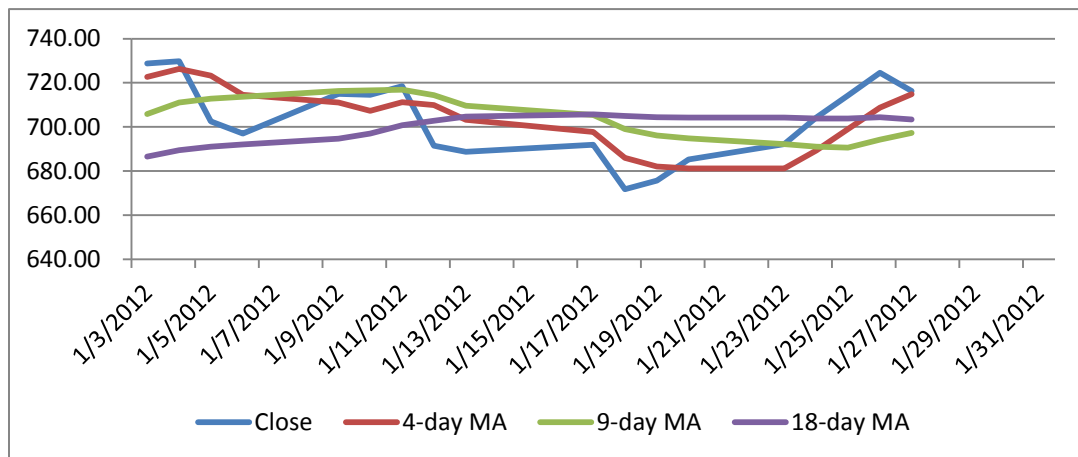
**2012 Wheat Marketing Plan.** The seasonal price index for the July Kansas City wheat futures contract is a steady slope downwards in years in which the world stocks to use ratio for wheat is on the rise. To this point in the season, the price of the July 2012 contract has followed this trend fairly closely, even getting a bump in prices in January.

### 2012, a bear year?

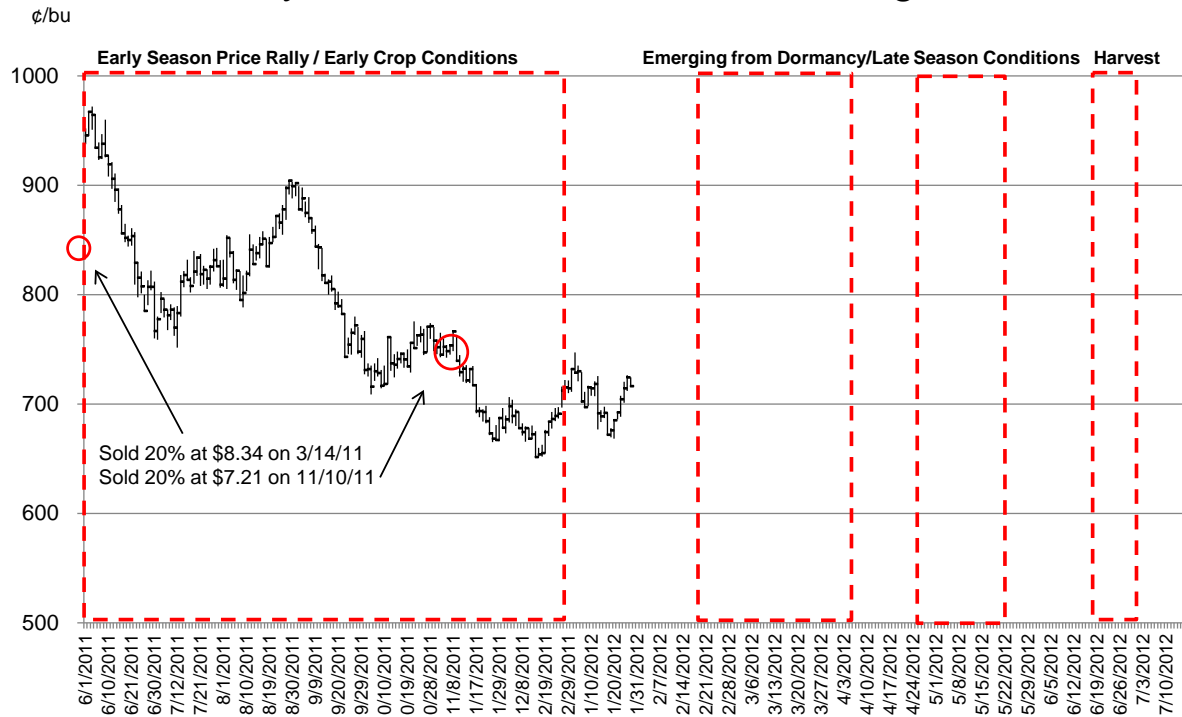


I have priced 40% of my expected (or insured) 2012 wheat crop so far and we are approaching the time period in which I will price another 20%. Again, I will use technical trading signals to time sales, relying on moving averages. Specifically, when the

Daily Closing Price < 4-day moving average < 9-day moving average < 18-day moving average.



## July 2012 KC Wheat and Marketing Plan



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