

U.S. Wheat Crop and Market Update

**IAOM Central and Wheat State
Districts Joint Meeting**

Justin Gilpin

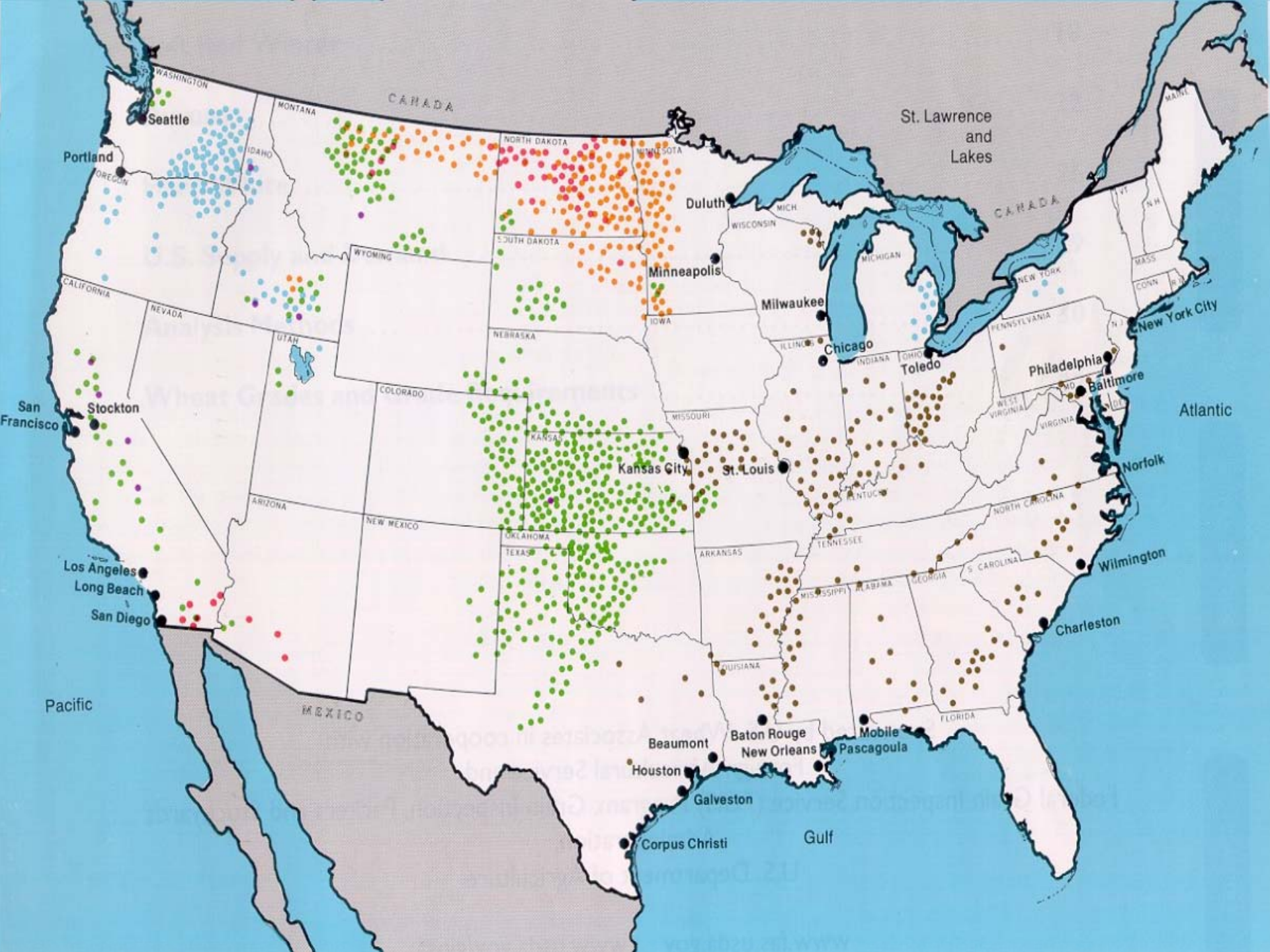
KS Wheat Commission and KS Assoc of Wheat Growers

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Overview

- US growing areas and trade flows
- 2009 HRW Crop quality review
- US HRW planted acreage
- 2010 Winter wheat crop early yield and quality
 - Southern plains; Kansas; Northern plains; California
 - Quality data maps
- Market conditions; basis
 - World wheat situation and US fall crops
- Thinking out loud...
- Summary/ Q&A



Traditional trade flows for HRW Crop



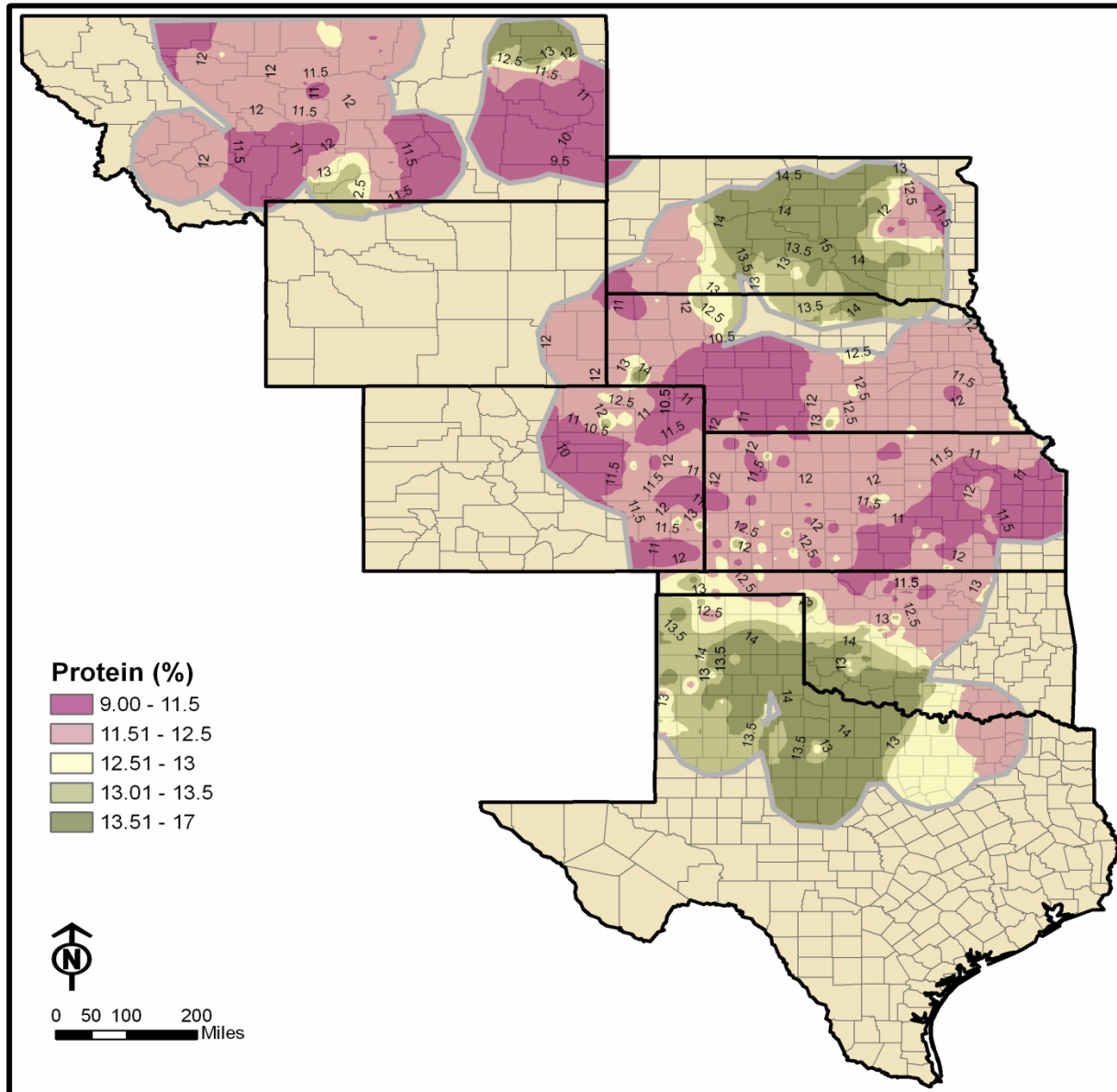
Arrows depict traditional export trade flows


2009 HRW Crop Quality Review

(we still have some of this around...)

- Proteins vary widely.
 - Below average for TX, OK, short crop.
 - Kansas and Colorado good yields but proteins below longer term averages.
 - Northern states; low protein...pockets in South Dakota and Montana that helped, but spring wheat was low pro
- Test weights very good across HRW...
 - One of the better milling extraction crops
 - Farinograph stability good.
- US Mills gravitated to a 11.4-11.6% grind.
 - They responded to a low protein crop, but then came spring wheat...
 - US HRW 2010 Crop Quality expectations increasingly important to the market...

2009 HRW Protein Map



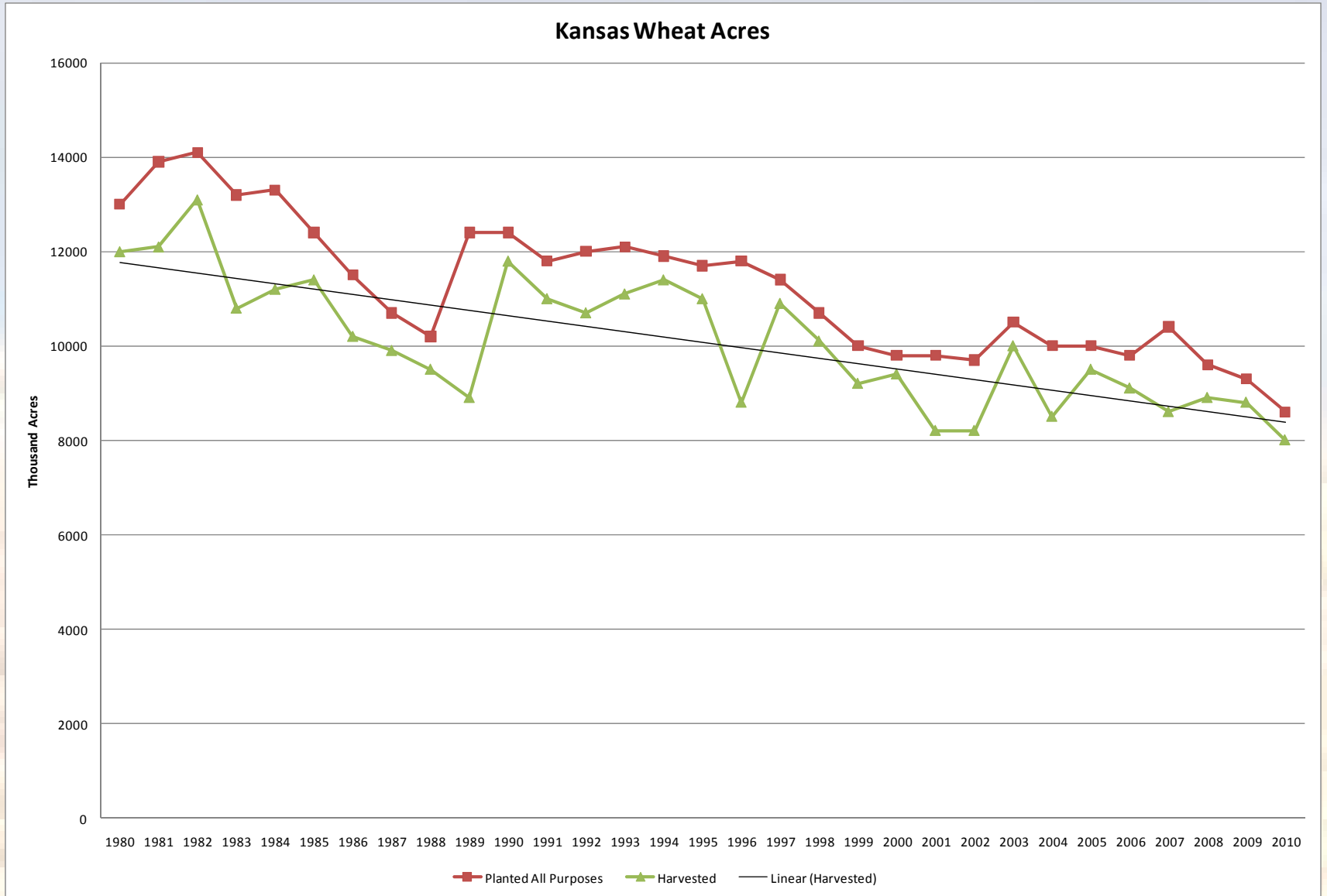
The background of the slide is a blurred photograph of a rural landscape. In the foreground, there is a field of tall, golden-brown grasses. In the middle ground, a white fence runs across the frame. In the background, there are green trees and a clear blue sky. The overall scene is bright and sunny.

Now for the 2010 stuff...

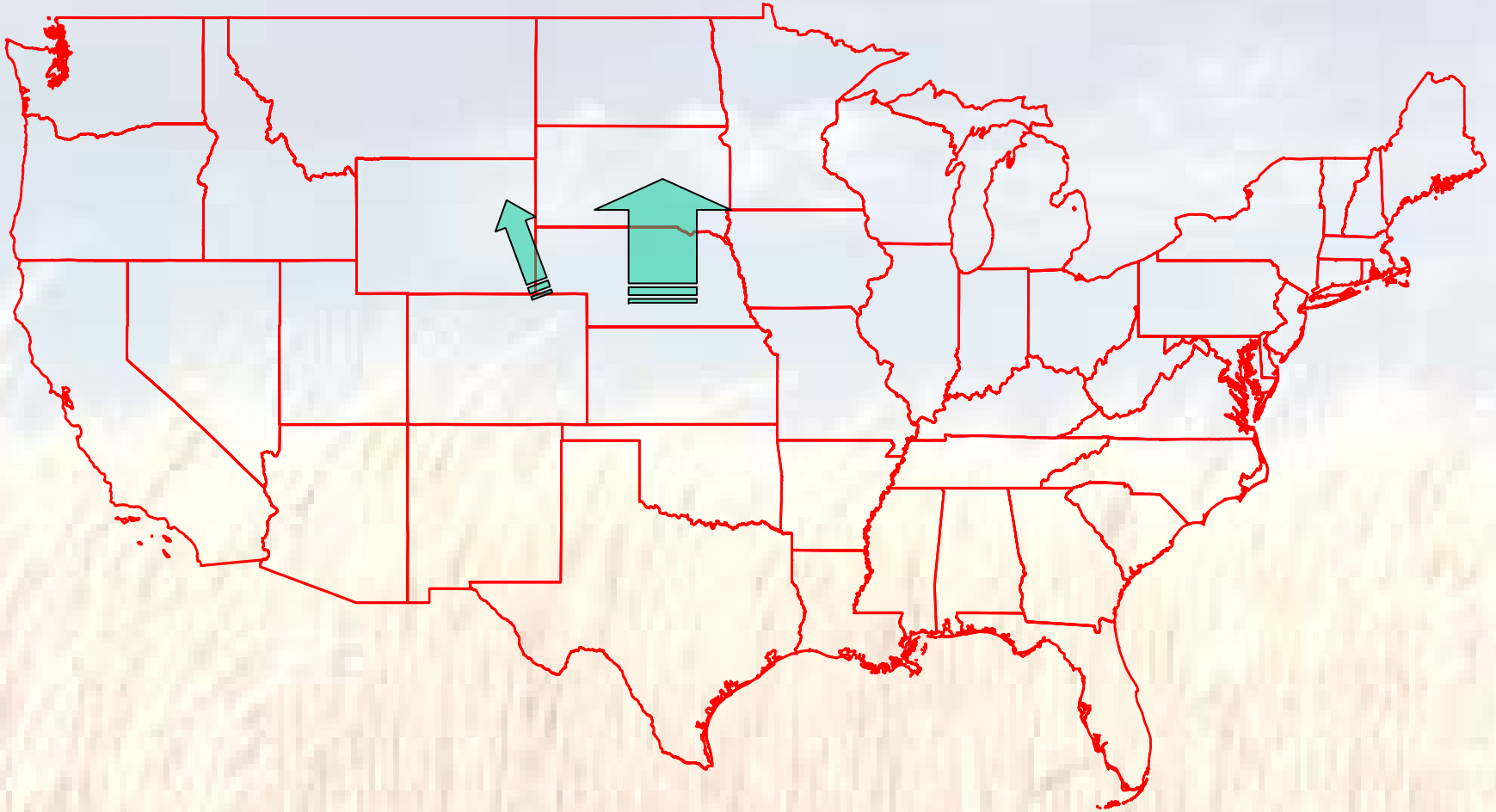
2010 HRW planted acreage decrease...let's start the discussion here

- 6 million acres less “planted” vs. 2009
 - Texas, -1.0 mi; Oklahoma -.5 mi; Kansas -.7 mi;
 - MT and SD -1.0
 - 2010 Production increases will offset southern states vs. 2009 production
- Price a factor last fall?
 - KC futures were over \$5.50...?
- Fall conditions?
 - Late fall crops
 - Too Wet to plant
- But, trends cannot be ignored....

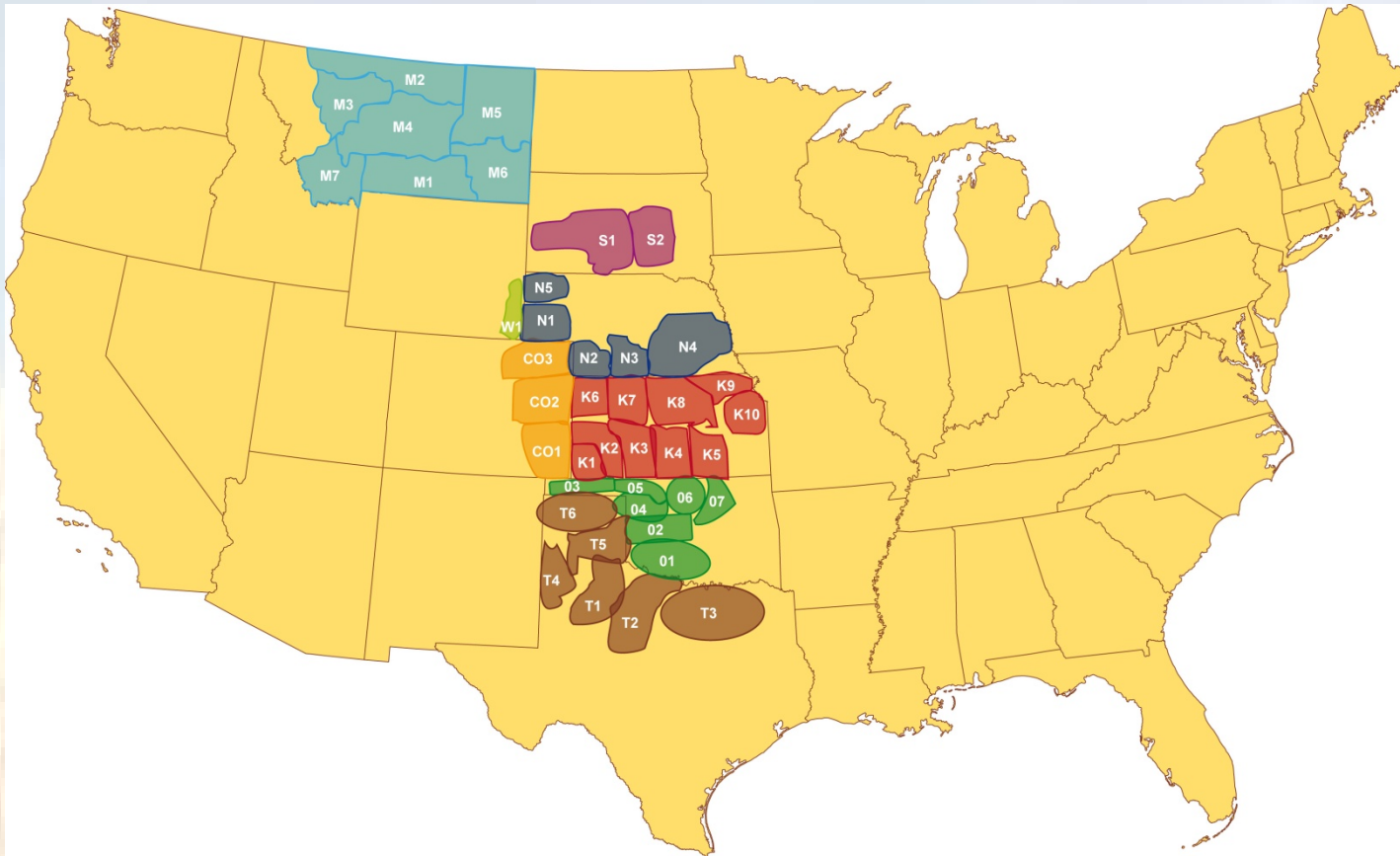
Kansas acreage story....



2010 HRW Harvest Activity: Southern Plains moving North



HRW Wheat Quality Grain Sheds



2010 Southern Plains

- Texas and Oklahoma harvest; increased harvested acres
 - Texas: 3.5 versus 2.45 mi 09; 5.5 mi planted in 10
 - Condition report 78% g/e vs. 43% g/e in 2009
 - OK: 3.9 mi acres vs. 3.5 mi ac 2009; avg yield 33 vs. 22 bu/acre
- TX harvest
 - 124.5 million bushels; 35 bu/acre yield
 - Yields above average; Proteins lower early; good tw
 - 11.5% average vs. over 12% 10 year average
- Oklahoma harvest
 - 129 million bushels; 33 bu/acre yield
 - Proteins low early; Test weights above average
 - Dockage above average
- Overall, story early has been protein...and basis.
 - Lack of export activity early on leads to more of this wheat higher domestic usage or feed

California 2010

- Increased harvested acres
 - .380 versus .315 mi 09;
 - Condition report 90% g/e
- Started slow
 - Cool, wet conditions
- Red and White wheat varieties performing well
 - Test weights coming in above average
 - Proteins spotty; but appear lower than last year
- Northern California
 - Crop very similar to last year; good milling crop, lower protein.
- Overall, very good milling crop, but lower protein has market on edge....Domestic California is a protein market....
- 26.250 million bushel crop; production similar to last year.

Colorado and Kansas early 2010 data

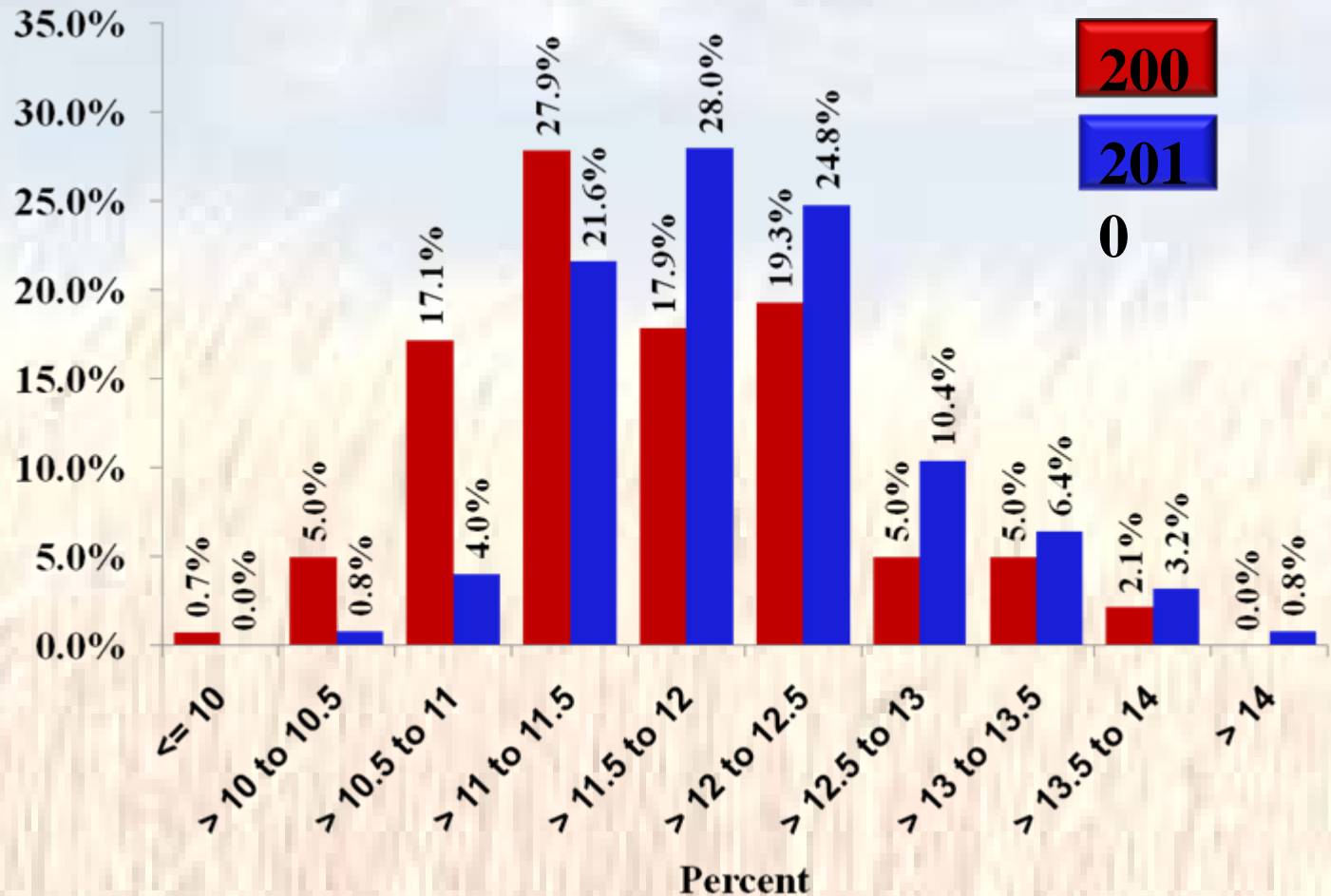
- Colorado wrapping up
 - 85% harvested; Projected 92 mi bushels; might increase...
 - Yields good with proteins similar to last year...low 11s.
- Kansas to produce 369 million bushels
 - Eastern and South Central Kansas yields lower
 - Western and Central Kansas yields very good; state average 45 bu/ac
 - Early reports of ranging proteins
 - 10.5% up 14%....estimates look to have state average above last year
 - Kansas to average 11.7% - 12.0% protein
- Quality
 - Test weight excellent; crop appears uniform
 - Good milling and baking characteristics early
 - Pockets of good protein; domestic market moving fast....
 - Stress from disease and heat is going to help quality in Kansas
- Wide basis levels and storage constraints dominating 2010 story.

Kansas HRW

Protein 2009 vs. 2010

Minimum value	10.0
Maximum value	13.8
Average value	11.7

Minimum value	10.3
Maximum value	14.1
Average value	12.0



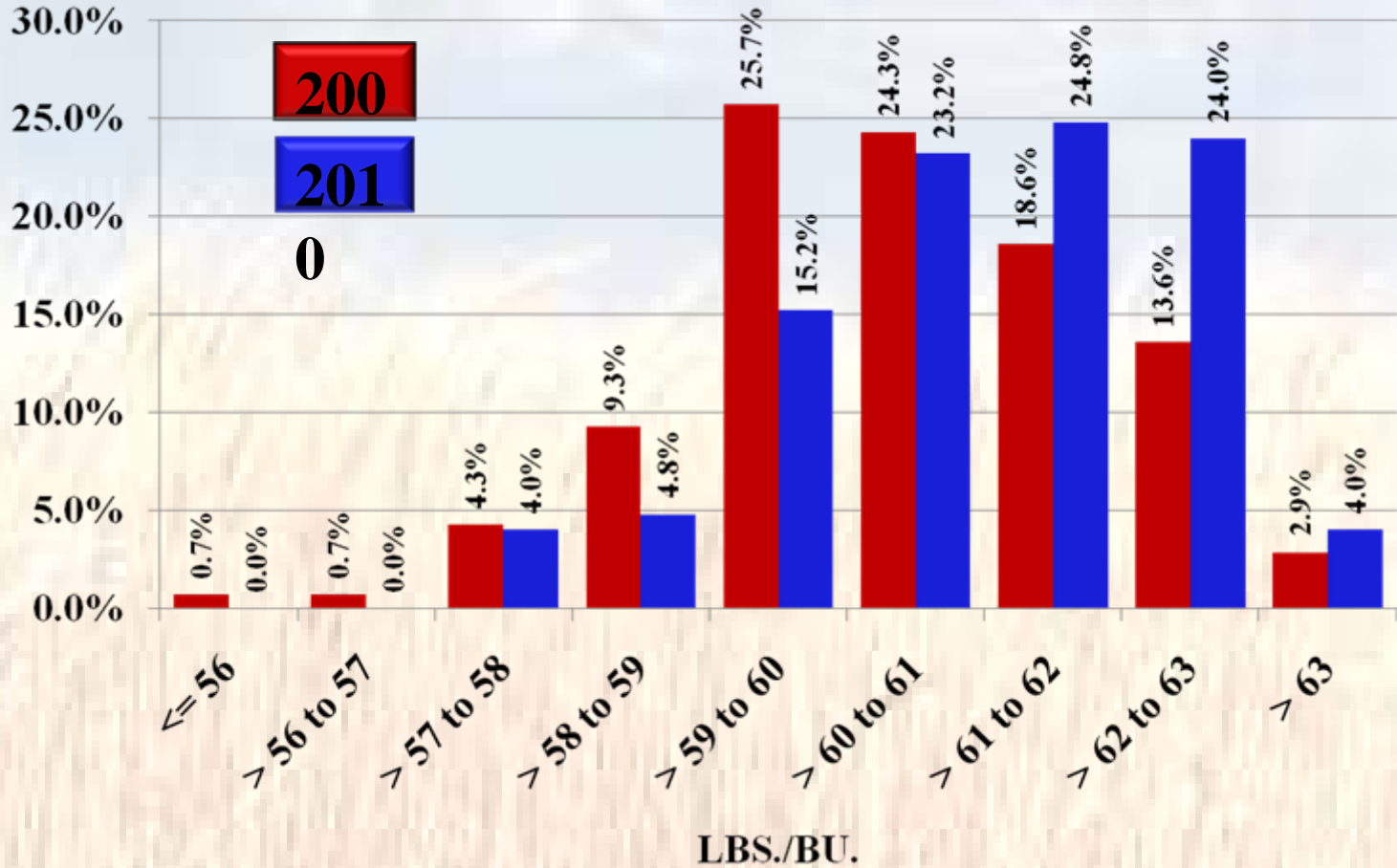


Kansas HRW

Test Weight 2009 vs. 2010

Minimum value	55.8
Maximum value	63.8
Average value	60.5

Minimum value	57.1
Maximum value	64.9
Average value	60.9



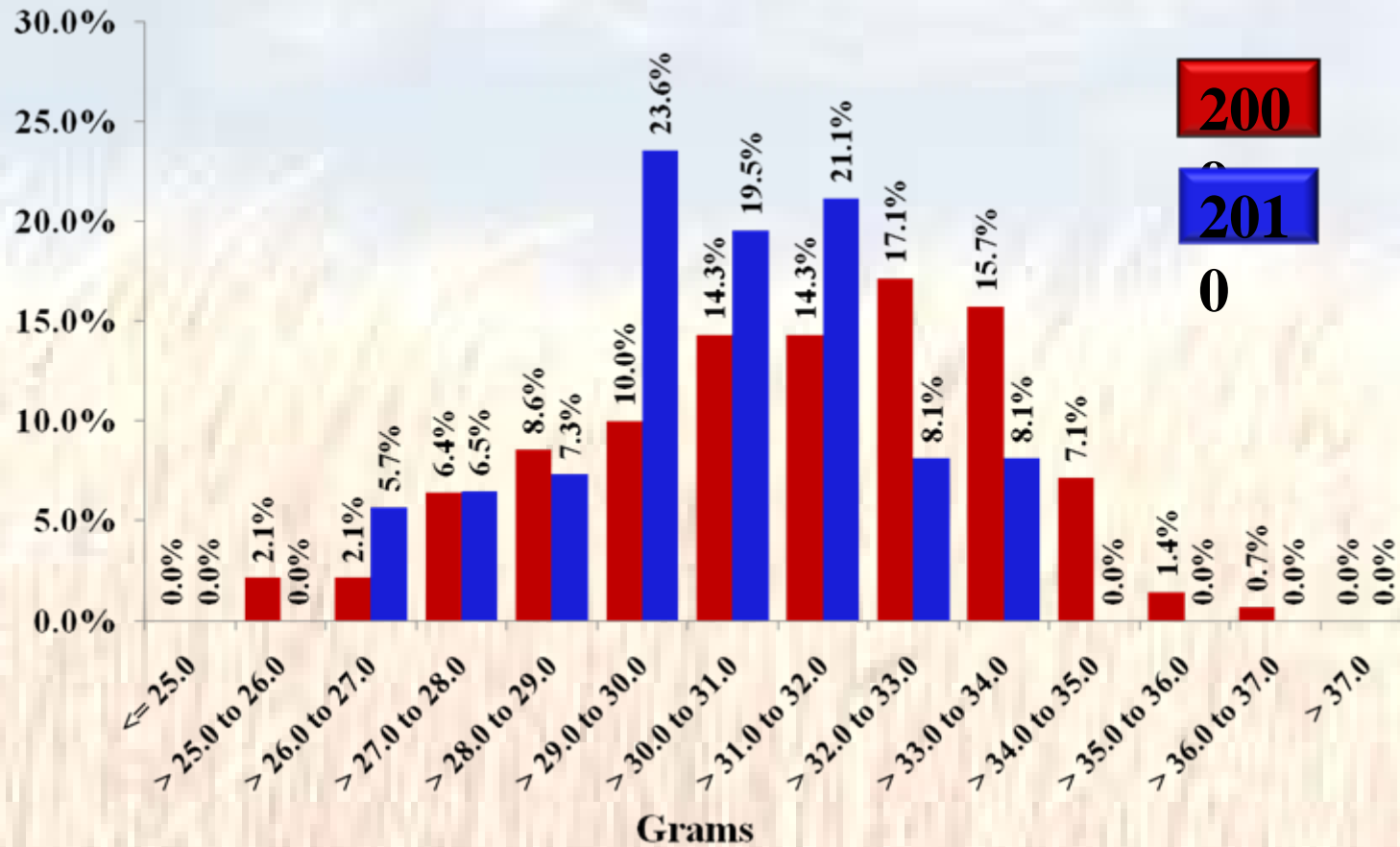


Kansas HRW

TKW 2009 vs. 2010

Minimum value	25.3
Maximum value	37.0
Average value	31.2

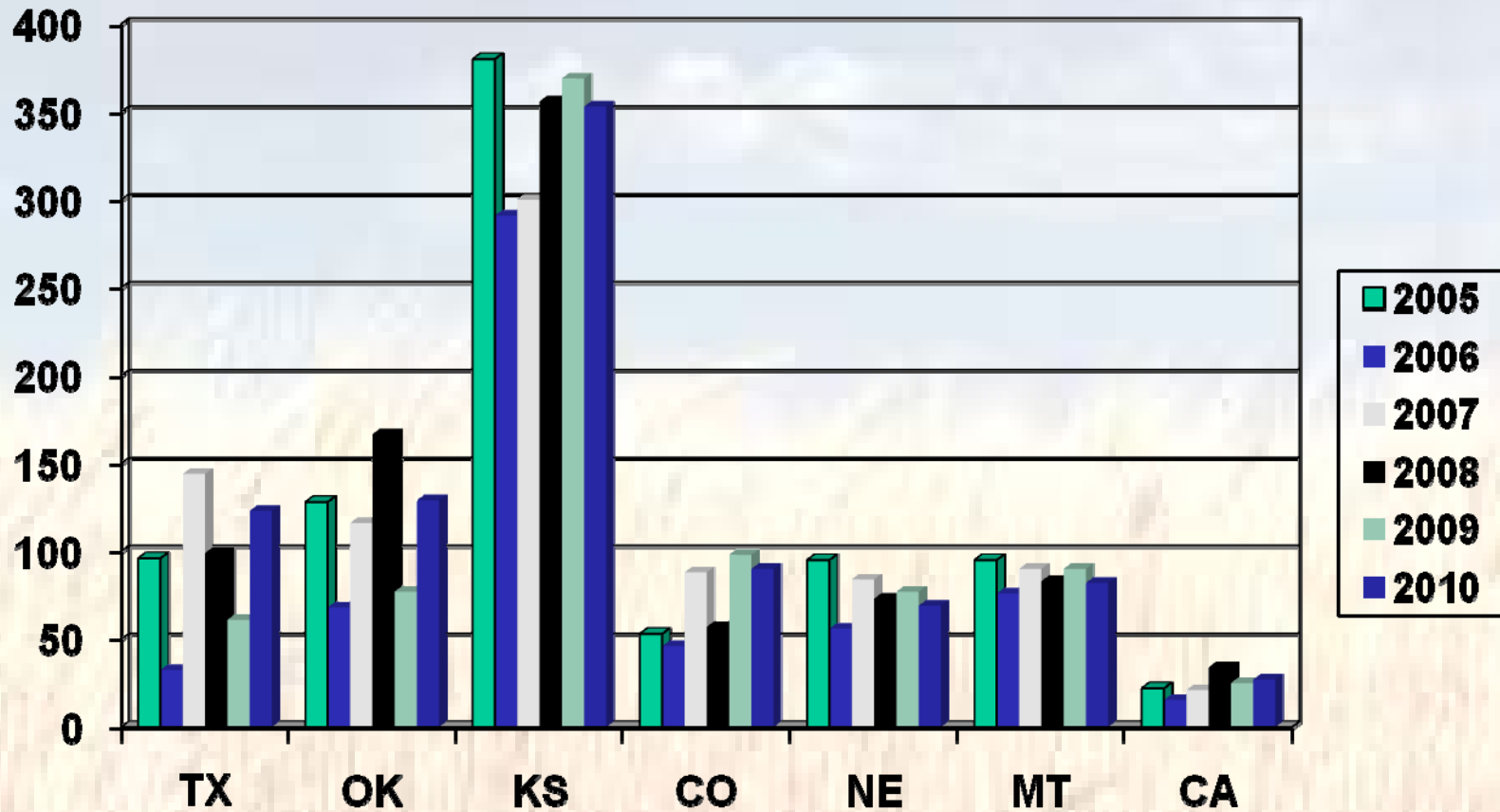
Minimum value	26.2
Maximum value	33.9
Average value	30.3



Nebraska, Dakotas, Wyoming and Montana HRW Expectations

- Harvest now in the northland
 - Nebraska; 70 mi bu; lower pro
 - Wyoming and South Dakota; wrapped up
 - Montana getting ready to start..expecting good crop, high yields.
- Crop Progress reports had crop in very good condition
 - NE 74%; SD 86%; MT 72%
- Weather has been favorable...mostly
 - Cool and wet promoting good conditions and plant growth
 - Not stress...
- Quality
 - Above average crop; good milling
 - Protein premiums on everyone's minds...

Winter wheat Production



2010 Spring Wheat outlook

- Harvest just starting to get underway in South Dakota
- Good size crop, excellent growing conditions
- Protein: Come on boys.....
- Pockets of protein expected with some stress that wasn't there last year
- Not a lot of quality concerns; expecting a good milling spring wheat crop

2010 Soft Wheat outlook

- Smaller crop; plantings off nearly 30%
- Harvest through northern Ohio
 - Tw and damage better than southern harvest
 - 50 mi bushels versus 70 mi in 2009
- Missouri and Arkansas, challenged
 - tw and low damage in pockets
- Illinois production way down
 - 17.5 mi bushels versus 46 mi bu last year
- Soft red overall, production down, vomitoxin concerns, milling premiums
- White wheat just getting under way ID and MI; production similar to last year

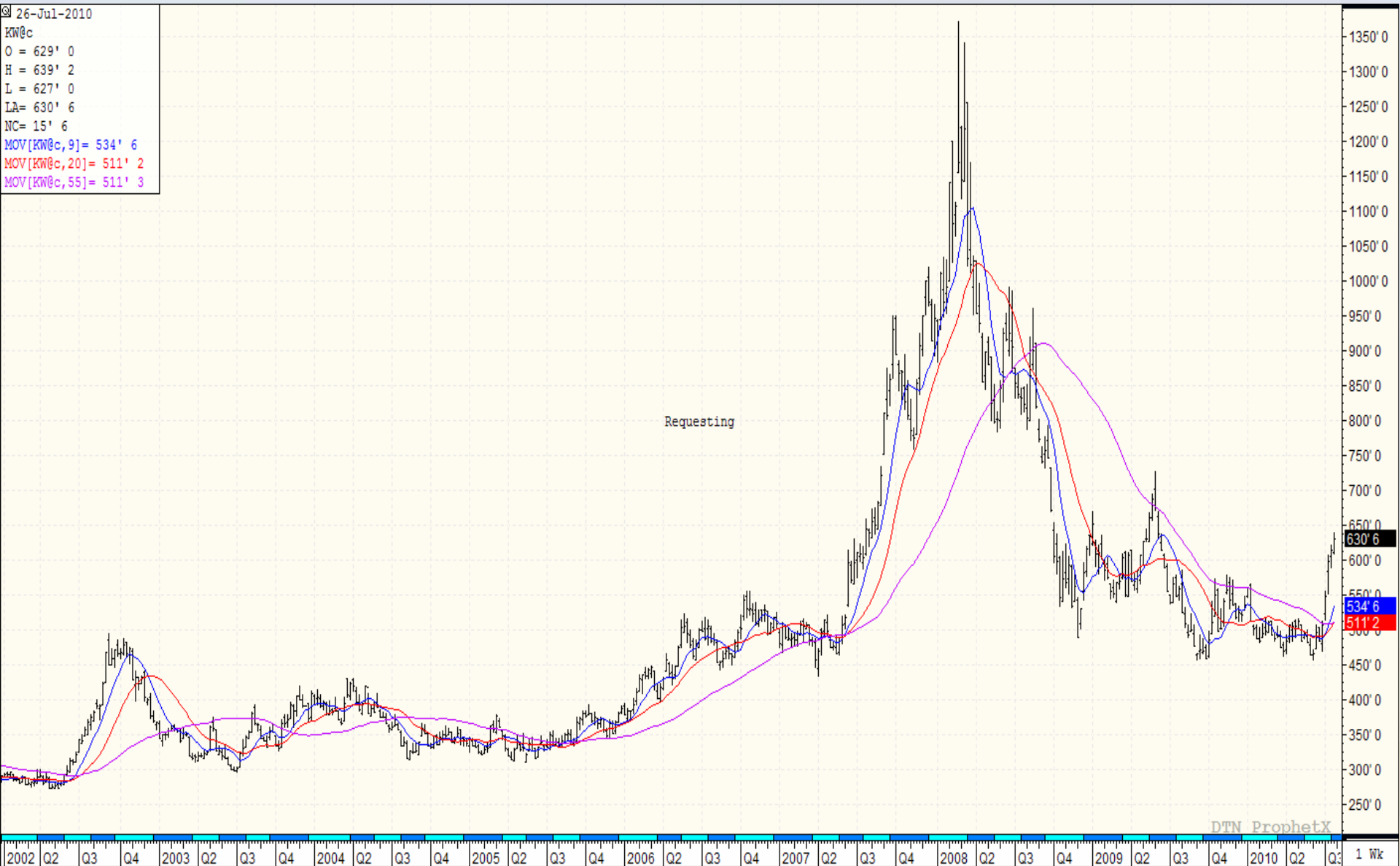
So what does it all mean?

- Above average HRW crop quality for 2010...
 - US HRW total harvest is..80% complete
 - Later crop; Better yields; proteins challenged in areas
 - TW and TKWs look to be good...another good milling crop coming; overall, good uniform crop.
- Buyer's market
 - Opportunity to be selective, but not cheap.
 - Understanding the value of quality will pay this year...
 - Opportunity Exists today to buy US HRW basis levels at prices we have not seen in over 30 years...
- The whole story....don't ignore trends.
 - Just as increased world production lead us to this pricing point...the beginnings of acreage decreases and production concerns are leading the market in a new direction.
- Plantings will be interesting this fall...

A photograph of a vast field of golden wheat stretching towards a horizon under a clear blue sky with some light, wispy clouds. The wheat is in full bloom, and the perspective is from a low angle, looking across the field.

Wheat Market Update and World Situation

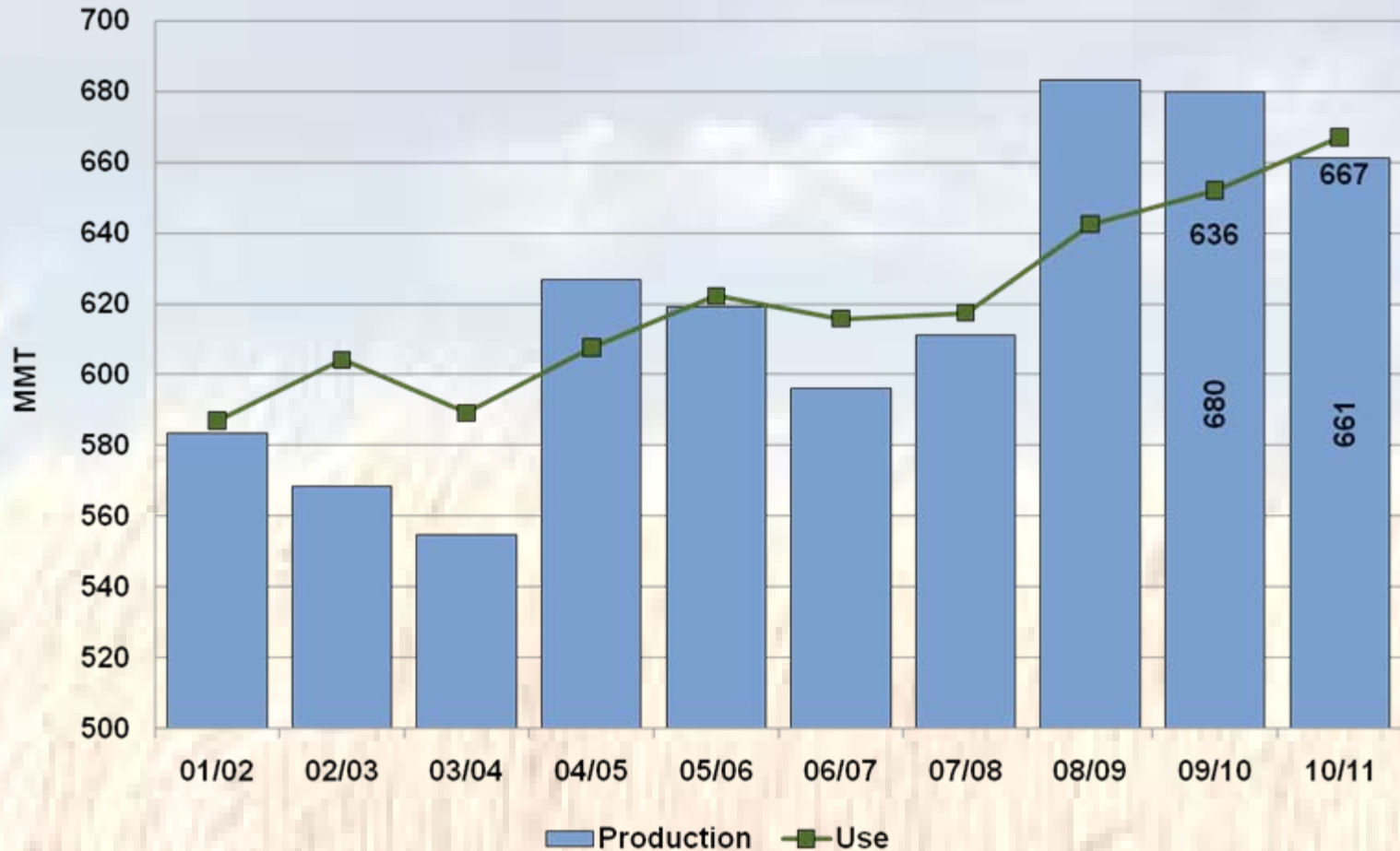
26-Jul-2010
KW@c
O = 629' 0
H = 639' 2
L = 627' 0
LA= 630' 6
NC= 15' 6
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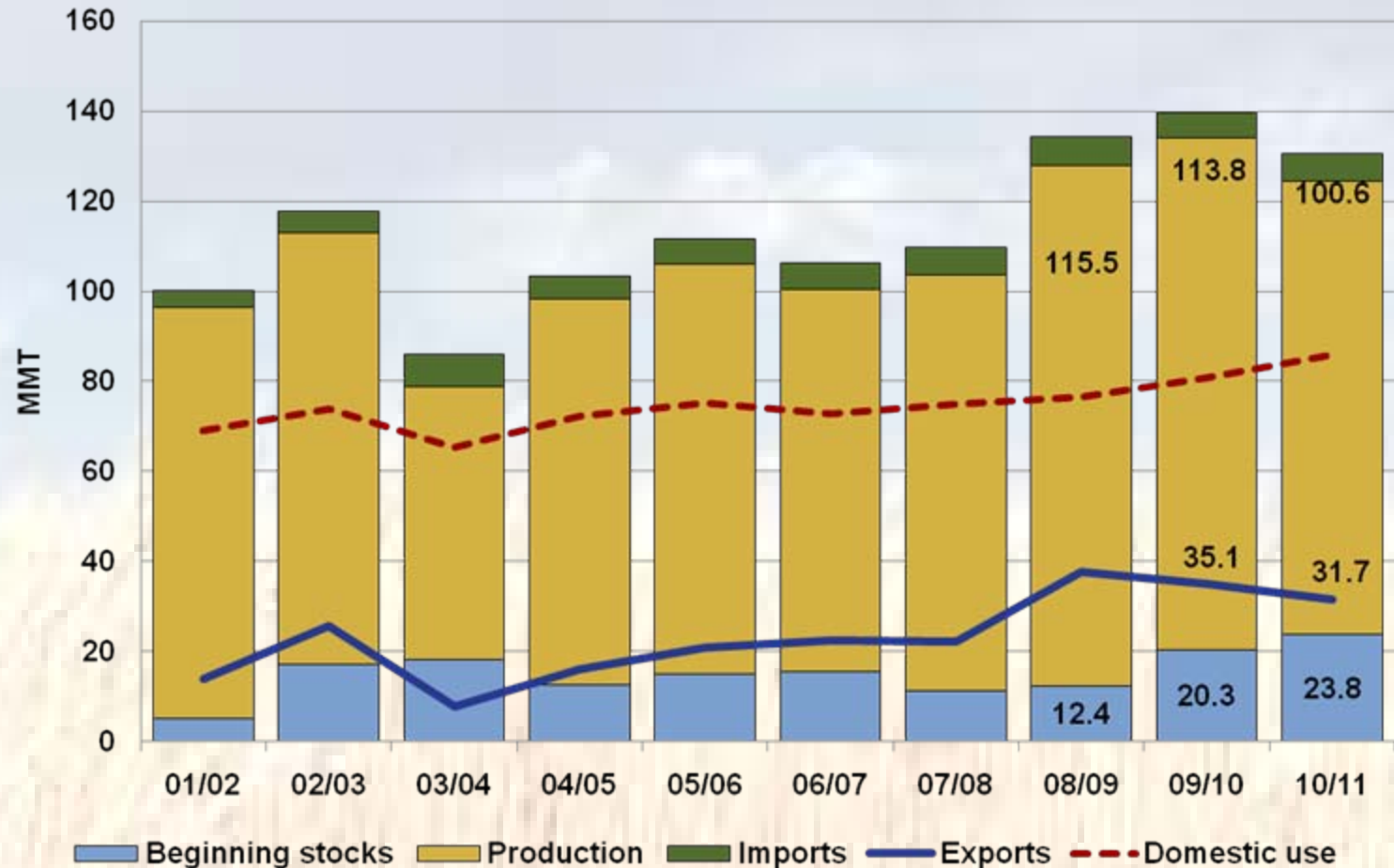
Wheat Market up over \$1.50 since June 30

- Production concerns world wide; Canada and Black Sea region due to weather
- China imports of corn
- Divergence between wheat futures price and cash price
 - $\text{Futures} + \text{basis} = \text{cash price}$
 - Basis for HRW is at historically low levels
- Question is why? World situation tightening but US situation still burdensome...futures reflecting world situation and basis is reflective of localized supply and demand. Basis has been doing the work to make US wheat competitive and fight for storage space in country.

World Production and Use; 2010 use out paces production globally; first time in 3 years...

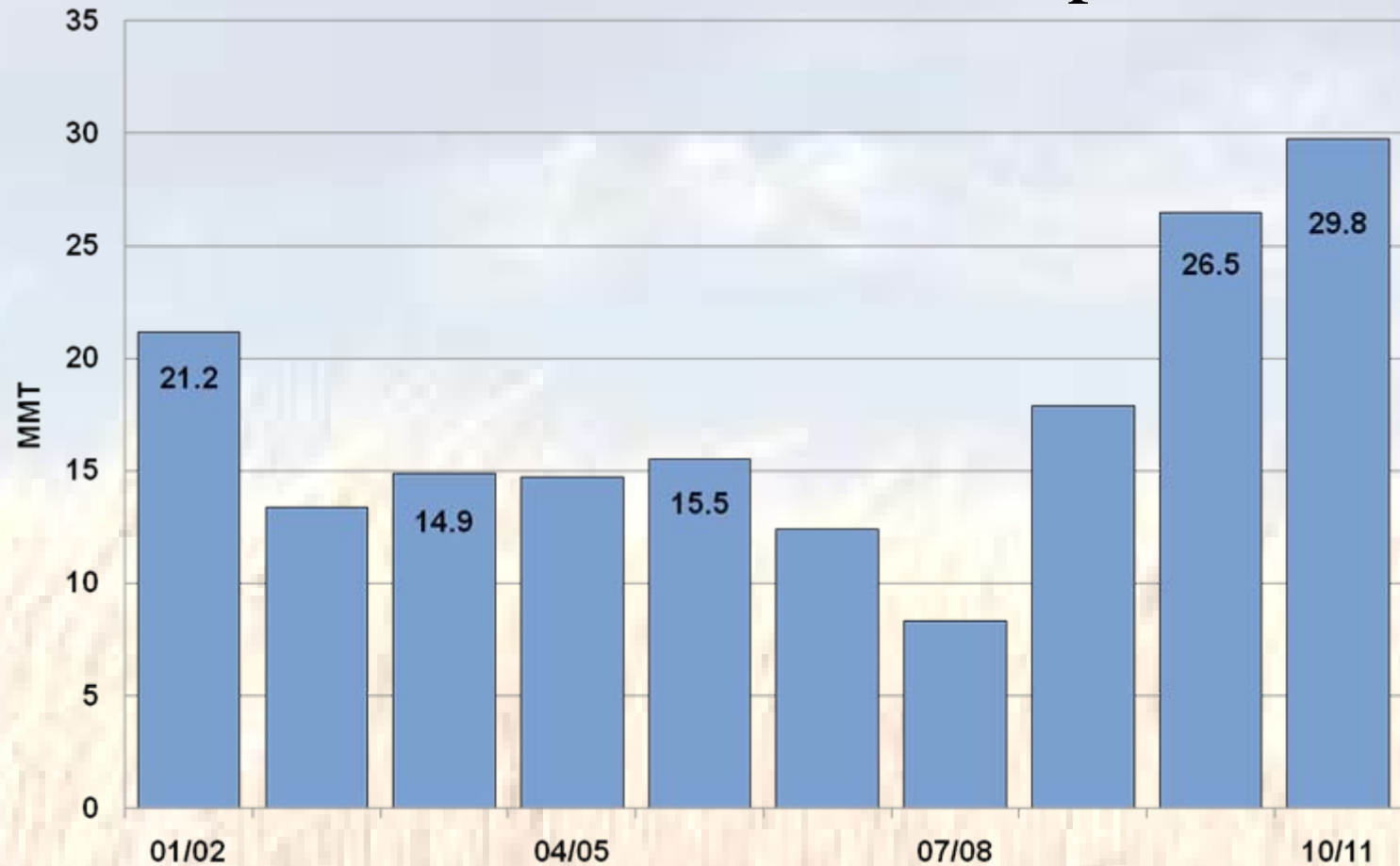


Black Sea Region Situation; production and exports lower impacting 2010



- The Black Sea Region includes the Former Soviet Union, excluding the Baltic States
- **Russia, Ukraine and Kazakhstan** are the most important wheat producers in the Black Sea Region

2010 U.S. Ending Wheat Stocks...still burdensome fundamental picture;



US Corn and Bean crop

- Disclaimer: I am a Wheat guy...but....
- Corn and Beans conditions:
 - Crop ratings right in line with last year's record crop...but need to be...no room for error.
- With the talk of concerns in wheat...cool and wet weather...you need to consider implications of intermarket commodities.
 - Another year of record yields, wheat plantings will be affected.
 - HRW and SRW are the wheats most vulnerable to losing acres to corn and beans
- Implications are expect feed grains burdensome size to stretch US storage and handling infrastructure
 - It will affect hard red winter wheat basis
 - 2012 could be interesting....

Thinking Outloud....#1

- July 14, 2009, Monsanto got back into wheat variety development by buying WestBred
- June 11, 2010, KSU and Monsanto entered into a wheat breeding Collaborative agreement
 - Milling industry needs to stay engaged in these developments
 - Monsanto is being a very good partner to work with in reaching out to all aspect of industry
- Expecting Technology Providing companies to announce wheat breeding collaborative partnerships...
- Opportunity exists for IAOM to help influence the future of wheat variety development...



**KSU Grain Science & Industry
Centennial Celebration Weekend
October 1-2, 2010**

Kansas State University
Department of Grain Science and Industry

Centennial Weekend Highlights

Scholarship Golf Tournament

Open House Tours

Luncheon and Recognition

Science Forum and Recognition

Evening Celebration Gala

Online Registration: www.grains.ksu.edu/Centennial

Kansas State University
Department of Grain Science and Industry



www.grains.ksu.edu/Centennial

Thanks for you time!

www.kansaswheat.org

www.plainsgrain.org

www.uswheat.org