



MI Prospects



Dynamic demand?

With prices remaining historically high and the northern hemisphere 2012 crops now largely known, thoughts are focusing on the demand side of the picture – is demand rationing occurring and to what extent?

While this is an ever changing picture, analysis of utilisation to date can provide an insight into likely availabilities in the second part of the season.

In the UK, data on usage in the first five months of the season does not yet show significant demand rationing. Compound feed production is above last year's levels although there is increased usage of barley, maize and cereal by-products. Imports have also increased to compensate for the lower availability and quality of the UK wheat crop. Trade through the rest of the season will be carefully watched to see how it's reflecting usage and potential carry-over stocks. Estimates of UK cereal supply and demand will be updated by Defra on 30 January 2013 and published on www.hgca.com/markets.

Significant demand rationing is yet to be in evidence in the US despite tighter availabilities than last season. This is particularly the case for soybeans with a large proportion of the export forecast already exported or committed for export increasing the potential reliance on the South American crops.

The situation in South America generally looks more favourable than last year when drought badly affected crops, particularly for maize. However, weather conditions remain a concern as it will be some months until all crops are harvested.

At the same time, information is starting to become available on the areas planted for harvest in 2013/14. Strong forward prices look to have encouraged farmers in the US to plant the largest wheat area since 2009 – however the drought is still having a negative effect on crops and more moisture is needed both to assist winter crops emerging from winter dormancy and spring planting.

With prices currently remaining historically high, this increases the potential risk to farmers should prices fall. As such understanding risk and adopting a strategy to deal with that risk is as important as ever. This issue of Prospects includes an update to the evolving demonstration of Price Risk Management launched in by AHDB/HGCA in October 2012.

Helen Plant

Growers can visit mills and maltings as part of Meet the Processor 2013 in a bid to get a commercial and practical insight into what happens to grain beyond the weighbridge. [Click here](#) for more.

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UK Trade and Usage Data

The UK was a net importer of wheat for a fifth consecutive month in November. Despite high prices, demand for both wheat and barley remains strong; combined with lower quality and quantity of UK crops this is stimulating import demand and limiting export business.

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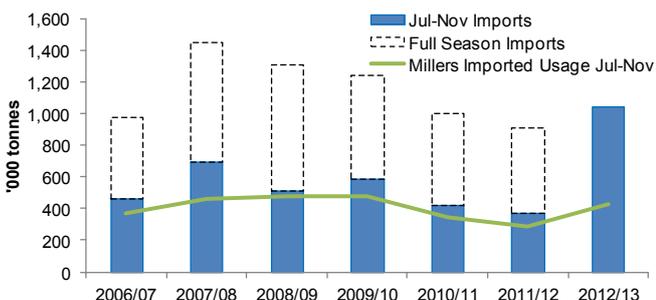
Wheat Trade

The UK was a net importer of wheat for a fifth consecutive month in November 2012, according to HM Revenue and Customs (HMRC). UK wheat imports during the July-November period were 1.04Mt against exports of only 477Kt. This is the highest import level for this point in the season since 1993/94, and already more than full season imports in 2011/12. The last time the UK was a net importer was 2001/02 when the UK wheat crop was only 11.6Mt.

In the season so far imports were highest during September at 232Kt and continued just below that level in October (221Kt) and November (225Kt). Almost a third of all imports have been of German origin (311Kt) as UK processors source wheat to compensate for the low specific weight UK crop.

UK millers are the main users of imported wheat and in a typical season their imported usage equates to around 80% of reported imports to end-November. During July-November 2012, millers (including starch and ethanol producers) have used 432Kt, only 42% of the total imported during the same period, shown in Figure 1. A portion of the additional imports will be in port, merchants or futures stores, but imports are also being used in the animal feed supply chain. This is particularly true for Northern Ireland where wheat requirements since September have mainly been sourced from competitively priced EU origins, rather than other UK nations. Typically Northern Ireland compound feed usage is circa 500Kt of wheat per annum.

Figure 1 Jul-Nov wheat imports and millers imported usage



Source: Defra

Between July and November the UK typically, based on a 10 year average, imports 44% of the eventual total for the season. Applying this average to the current season would imply 2012/13 imports of 2.3-2.4Mt, but as previously stated this is not a typical season so these assumptions may not hold. A high level of imports could lead to a surplus of domestic wheat at the end of the season, which would need to be priced appropriately to attract export customers, or be held as carry-over stock

Since late November UK nearby LIFFE wheat futures have been at a premium to the equivalent Paris futures, which reflects the UK need to import wheat and in turn restricts exports. Export of the 2012 harvest started at historically typical volumes in September (224Kt), as contracts arranged pre-harvest were fulfilled, but the rate dropped to levels more reflective of the UK crop quality and availability in October (98Kt) and November (97Kt). The poorer quality of UK wheat, uncompetitive prices against other origins and growing UK demand, mean that **opportunities for export business are very limited** this season.

Wheat usage

From the beginning of the season to the end of November wheat usage by millers, starch and ethanol producers increased by 9.8% year-on-year to 2.72Mt. This growth is a combination of slightly poorer flour extraction rates and more wheat usage by the bioethanol sector. The home-grown proportion of wheat milled has declined from 89% in July to 80.5% in November with further declines expected at least into December as users switch more to imported supplies.

Following a 17% increase in wheat use between 2010/11 and 2011/12, UK distillers are reporting a further 4% growth to the end of November 2012. This growth is mainly a factor of additional operating capacity, although demand for the end product is also healthy. Shipments of wheat are being delivered into Scotland from the South and East of England, and potentially other origins to maintain supply to the Scottish distilling and feed sectors.

Consumption of wheat in GB compound feed is up by 2.5% year-on-year to 1.23Mt, but this is mainly due to much higher levels in July when wet weather prevented livestock from grazing. For August, September and October wheat usage remained fairly similar to the previous year and in November declined by 1.5%. Against a background of general increases in feeding, these figures show that wheat is losing out in rations to more economic barley and maize. Compound and Integrated Poultry Unit (IPU) feed usage is discussed further below.

UK Trade and Usage Data

Total wheat usage reported by the Defra surveys (including millers, starch, ethanol, distillers, compound feed and IPU) shows that for the period July-November 4.86Mt was consumed compared with 4.57Mt at the same point last year. This shows that despite the smaller and poorer crop there is no let up in demand.

Barley trade

Cumulative UK barley imports for July-November 2012 are reported at 70Kt, similar to the same period in 2011 but still the highest since 1998/99. Exports for the same period were reported at 281Kt, the lowest volume seen for this five month window since 2007/08. A second season of greater than average imports combined with lower exports compensates for the smaller UK crop and continuing strength in demand.

Given the similarity to last season, this could suggest that the UK will import similar levels of barley in 2012/13 as 2011/12 (156Kt), however with discounted poor quality wheat available, choices of grains into feed may vary from the norm and among other factors impact requirements.

Barley Usage

Between July and November maltsters, brewers and distillers increased their usage by 2.1% compared with 2011 to reach 735Kt. November was a particularly strong month (up 5% year-on-year) but industry capacity limits the level of growth possible in this sector.

During the same period, barley use in GB compound and IPU feed increased 12% and 9.3% respectively. In tonnage terms this is a larger change than wheat and shows barley returning to a more dominant position in feed rations as a more 'normal' price discount is seen between the two grains.

Total barley usage reported by the Defra surveys (including maltsters, brewers, distillers, compound feed and IPU) shows a slight increase for the period July-November with 1.09Mt consumed, compared with 1.04Mt at the same point last year.

Animal feed usage

Retail production of animal feeding stuffs for GB is up 4.9% year-on-year for July to November 2012 at 4.11Mt. Sheep feed saw the biggest increase in compound production of 18.4% at 179Kt, followed by cattle feed - up 7.3% to 1.63Mt. This is not surprising as these are the main grazing species and wet weather has limited grazing. It also shows that high prices are not currently having a rationing effect in the UK.

Barley and imported maize have increased their share in feed rations, while wheat shows smaller increases and soyabean meal a small decline year-on-year, although other oilmeals have increased. Use of cereal by-products has increased 10% which is likely due to greater availability of the milling by-product, wheat-feed, as milling lower specific weight wheat gives more by-product. Production of dried distillers grains (DDGS) by ethanol processors may also have an impact.

Poultry compound feed has increased by 4% year-on-year for the July-November period to 1.36Mt, while feed production by IPU increased to 1.11Mt, up 0.7%. IPU data shows that total cereals usage increased by 1.4% to 696Kt giving a cereal incorporation rate for July to November of 62.3%, slightly higher than 2011. Poultry chick placings data is supportive of continued demand for grain from this sector at least during December and January.

Closing Comments

The trade and usage data available to the end of November shows that despite higher prices and lower availability of UK crops, demand to date seems strong. The need to use additional wheat to extract the same level of flour as last year as well as additional feed and bioethanol requirements are all contributing factors. To allow this to continue imports are a focus of the current season with a rapid pace seen in the first five months of the year. Trade will be watched carefully over the rest of the season as it is very much an evolving situation, with decisions still being taken on the volumes needed to supply UK processing demands.

Key Points

- The UK was a net importer of wheat for a fifth consecutive month in November
- UK millers continue to increase the proportion of imported wheat used
- GB compound feed production has increased 4.9% year-on-year, driving additional demand for cereals

Wheat Pricing Strategies for 2013 (Part 2)

This is the second in a series demonstrating Price Risk Management in real time, this article provides the first indication of how each strategy is progressing, their potential returns and the risks that remain.

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In October 2012, AHDB/HGCA launched an evolving demonstration of Price Risk Management, following a series of strategies from planting through to final sale of the 2013 harvest (see [Prospects Vol. 15 Issue 9](#)). The strategies included a range of both forward and post-harvest sales, as well as the use of risk management tools such as Options. This article provides the first update on their progress, using the latest price information up to 11 January 2013.

Key assumptions

Details of the farm, with its crop area, expected yield and production forecast, and costs of production, are detailed in the first issue. To ensure transparency, selling dates for each of the strategies were made in advance. Returns are based on the present day value for each strategy as at 11 January 2013.

The strategies – summarised in Figure 1

Do Nothing - “Nerves of steel”

Representing one of the most extreme strategies with all sales made post-harvest this strategy maximises both the risks and potential rewards from the market. The strategy benefits from any strengthening in the market over the course of its life, but is heavily exposed to any fall in value.

The overall strengthening of the market over the last four months has been to the advantage of this strategy, although market weakening since December has been to its detriment. “Nerves of steel” ranked fourth in terms of average price per tonne. However, with 100% of the crop unsold, this strategy is the most exposed. The recent downturn in the market poses a significant risk to this strategy and if it continues will see this strategy slip further down the rankings.

Averaging I - “Steady”

This strategy aims at reducing volatility in the market by making a number of frequent sales, with half of the production forecast sold forward pre-harvest and the remainder sold post-harvest. A little over 20% of the crop has been sold and the strategy is currently ranked second.

Averaging II - “Average Joe’s”

The second ‘averaging’ strategy started slightly later than the previous (January 2013 rather than September 2012) as it sought to gauge market conditions and benefit from traditionally higher prices at the start of the year. However, due to the downturn in the market since early December, this strategy currently receives a slightly lower average price per tonne than “Steady” and is ranked third. A large proportion of the crop forecast remains unsold and at risk from any further fall in the market.

Minimum Price Contract (based on Options) - “Full metal jacket”

This strategy represented another extreme as it sold the entire production forecast in early September at £166/t (ex-farm). The strategy also took out a November 2013 Call Option at-the-money, at a premium of £16.30/t to benefit from any strengthening in the market. For the purposes of this demonstration, it is assumed that the Option is exercised the day before expiry (9 October 2013).

This strategy is currently ranked last. At the time of sale, feed wheat prices were some of the lowest recorded over the period. On top of this, the Option currently contributes a net loss to the strategy. Although an additional £12/t would be received if the Option were exercised at current market conditions, the increase is not sufficient to cover the Option premium.

“Full metal jacket” is the only strategy at present with negative profit margins. Ex-farm prices in early September were below costs of production for this farm (estimated at £168/t – see Prospects Vol. 15 Issue 9). At present values, the Option nets a further £4.30/t loss to the farm (current worth if exercised today, less premium). As such, this strategy currently results in losses of approximately £6/t.

Figure 1: Summary of returns and risks based on market values as at 11 January 2013

Strategy	Current Average Price (£/t)	Current Average Profit/Loss (£/t)	Current Ranking	Proportion of Crop		
				Sold	Exposed to Upside	Exposed to Downside
1 "Nerves of Steel"	176.6	8.7	4	0%	100%	100%
2 "Steady"	177.4	9.5	2	21%	79%	79%
3 "Average Joe's"	177.3	9.4	3	9%	91%	91%
4 "Full metal jacket"	161.5	-6.4	7	100%*	100%	0%
5 "The city boy"	170.2	2.3	6	50%*	100%	50%
6 "Simplicity"	173.8	5.9	5	33%	67%	67%
7 "Trigger happy"	181.5	13.6	1	25%	75%	75%

* Covered by Option

Wheat Pricing Strategies for 2013 (Part 2)

Options II - "The City Boy"

The second strategy to incorporate the use of Options, sold 25% of forecast production forward in September 2012, covered with a November 2013 Call Option at £16.30/t. At the same time, a further 25% of forecast production was sold forward for May 2014, covered with a May 2014 Call Option – costing £20/t. The remaining production will be sold in March 2013 (pre-harvest) and April 2014 (post-harvest).

Like the previous example, this strategy is currently restricted by the proportion of forecast production sold forward in September, at some of the lowest prices recorded in the past four months. The additional costs from the Option premiums also hinder profit margins. The small margins currently recorded are largely supported by the proportion of crop that is yet unsold. This unsold crop is able to take advantage of the overall increase in prices since September, and does not have additional cost of the Option.

Three thirds - "Simplicity"

This strategy split sales of the production forecast into three equal lots. The first was sold at the beginning of September, the second will be sold in June, and the remainder sold post-harvest.

Due to the early sales, this strategy currently ranks fifth in terms of expected returns. Ex-farm prices in September, at £166/t (November futures at £172 less £6 basis) were slightly below budgeted costs of production, netting a loss from these sales. Positive profit margins are due to the increase in overall prices – above costs of production – since September, to the benefit of any unsold wheat. The unsold crop does, however, remain at risk from any further fall in the market.

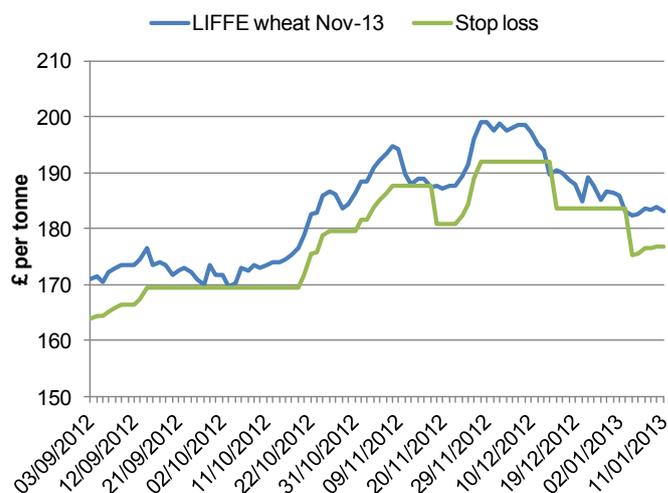
Target pricing: floating stop-loss - "Trigger happy"

The floating stop-loss strategy is presently ranked as the highest performing, achieving an average price – at present-day value – above that achieved by other strategies.

The strategy involves a trigger/stop-loss price, tracking the market at a £7/t discount. In a rising market, the trigger rises at the same rate as the market price. However, as the market falls, the trigger price remains constant. If the market continues to drop, falling through the trigger price, a sale is made and the trigger price now resets ready for the next lot.

Three selling periods were identified, the first of which being September 2012 to January 2013. Each selling period was allocated an equal proportion of the forecast production (600t). These were then split into a further four 150t lots.

Figure 2: The "Trigger happy" strategy



Source: AHDB

The rising market in the first three months (September–November) resulted in an increase in the trigger price, as shown in Figure 2. The fall in market value in mid-November triggered a sale at £187.5/t, before rising again. The continued fall in market value since early December has triggered two sales, the first at £190/t and the second at £183/t. One lot remains available for sale during this first selling period. If the market price remains above the trigger price by the end of January, the balance (150t) will be sold at the prevailing price on the first working day of the following period (i.e. 1 February 2013).

The next update

The exercise will track the progress of the strategies over their life span (next 15 months), updating the returns and risks associated with each in due course. The next update will be in March 2013.

South American Crop Update

Recent weather conditions in Argentina have allowed good harvest and planting progress but dryness is seen to be building in western Argentina. In Brazil, rains in the northern part are currently beneficial for soyabeans and second maize germination but not for the first maize crop.

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Argentina

Wheat

The USDA in its January report, revised the 2012/13 Argentine wheat crop lower to 11Mt from 11.5Mt in December and 15.5Mt in 2011/12. More area is expected to be lost due to heavy rains in December, plus lower yields have been suggested by harvest reports.

The Argentine government cut its crop estimate to 10.1Mt from 10.5Mt due to wet weather but recent sunny weather has helped the wheat harvest progress well. With the harvest now complete, attention will be on assessing final production and the quality of the crop.

Following the disappointing Northern hemisphere wheat harvest, markets have looked forward to the southern hemisphere crop to provide relief. However, with production issues in this region exports are expected to be lower and hence little relief. Argentine wheat exports are currently seen by the USDA at 5Mt compared with 12.9Mt in 2011/12.

Maize

The beginning of the maize season was characterized by flood concerns, hence uncertainty over how much will be planted, but farmers have been able to plant more after recent dry and sunny weather. As at 17 January, 93% of the intended maize area had been sown, up 3% points on the previous week and same as the equivalent period in 2011/12. Over 90% of the planted crop is seen as in a good/excellent condition by the Argentine government.

The USDA revised the 2012/13 Argentine maize crop up to a record 28Mt (27.5Mt December) as higher than expected yields more than compensate for a lower harvested area.

Soyabeans

The 2012/13 Argentine soyabean crop was revised 1Mt lower from the December estimate by the USDA to 54Mt, due to a lower projected area following excess moisture in the central growing region.

However, dry conditions experienced recently have allowed good planting progress. As at 17 January, 96% of the soyabean crop had been sown compared with 92% the week before and 95% at the same point in 2011/12. The Argentine government also rates 84% of the crop as in a good/excellent condition.

Weather update and forecast

In the short term, dryness is currently seen to continue to build in western Argentina and more rain is needed in the region. On the other hand, the drier weather pattern in the eastern region is expected to ease wetness and is seen to be improving maize and soyabean conditions (as at 18 January). Over the next month, drier weather in the north eastern region is expected to ease any wetness left but wet weather patterns are forecast to continue in the South East.

Brazil

Maize

Brazil's 2012/13 maize crop was revised 1Mt higher by the USDA from its December figure to 71Mt, on higher expected yields due to favourable rains seen in December across the southern region. The Brazilian government supply agency (Conab) currently estimates the crop higher than the USDA at 72.19Mt, but slightly lower than last season's 73Mt. This is due to a reduction in area more than offsetting the expected increase in yield from last season's drought affected crop. The area is likely to fall as most farmers favoured additional soyabean planting at the expense of full-season maize.

Also Conab estimates that 52% of the maize crop will be from the Safrinha crop, which is planted after harvesting the early maturing soyabean crop. The agency also expects yields to be lower than last year. The Safrinha crop is highly dependent on the amount of rainfall received in the short growing season, so weather is very critical for the crop for which harvest begins in May.

Soyabeans

The 2012/13 Brazilian soyabean crop is projected by the USDA at a record 82.5Mt (66.5Mt 2011/12), up from 81Mt in December on improving yield prospects due to favourable rains. Conab sees the crop at 82.6Mt. Recent rains have been beneficial for the soyabean crop but these will be required to subside soon, particularly in central Mato Grosso, so harvesting of early maturing soyabeans can begin. As at 10 January, about 1% of the soyabean crop had been harvested.

Weather update and forecast

Recent rains in northern Brazil are currently seen to slow dry down and harvesting of the first maize crop but beneficial for soyabeans and second maize germination. Dryness in the south will continue to ease the wetness in this region, however if the dryness persists for too long crop growth may begin to be stressed.

Concluding comments

Given the high dependence of the global market on the South American harvest, it is critical to monitor the weather in the region as the final size of maize and soyabean crops, is very weather dependent.

US Stocks and Usage

US stocks as at 1 December were lower than last year for wheat, maize and soyabeans. In addition the usage of stocks was high, increasing reliance on South American production, particularly soyabeans.

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US stocks reports are released quarterly with the latest snapshot as at 1 December. By combining this with data from previous reports, as well as export commitments, it is possible to chart the usage of stocks over the marketing year. It is then possible to see where indicated usage is in comparison with the USDA forecasts, and assess what this means for demand over the rest of the season.

For wheat the start of the marketing year is 1 June, for all other crops mentioned herein it is 1 September. Stocks as at 1 December are shown below in Figure 1.

Figure 1 US Grain and soyabean stocks as at 1 December

M tonnes	2011	2012	% change
Maize	245.0	204.0	-16.8%
Soyabeans	64.5	53.5	-17.1%
All wheat	45.3	45.2	-0.2%
(of which Durum)	1.3	1.7	26.7%
Barley	3.0	3.4	13.5%

Source: USDA

Maize

Reflecting the difficult and varied season total stocks in just 3 of 16 states for which there is data are higher than last year. North Dakota and Minnesota both saw an increase in stocks, after a year in which rainfall was sufficient and yields were generally average or better. North Carolina, on the East Coast, also had larger stockpiles than 2011, although the quantities stored are relatively small compared with states within the Corn Belt. Into drought affected areas, South Dakota and Illinois recorded the largest decreases in stocks of 28% and 33% respectively.

Wheat

Wheat stocks were more consistent with last year after a relatively good harvest. In 9 of the 20 states for which data is available, stocks were higher than 2011. The large growing states of Kansas, Oklahoma and North Dakota all increased their stocks, offsetting smaller stocks in more peripheral states. In states where mixed agriculture is found, lower stocks could be consistent with greater feed use as pasture condition is poor where rainfall has been below average.

Extrapolating current usage forward and combining this with current export commitments, the US is likely to fall behind the USDA's forecast total season demand figure, unless demand increases between now and 31 May. This suggests that US wheat could need to become more competitive with world markets to stimulate export demand.

The previous 3 years have all seen below projected demand in the first half of the marketing season. 2008 was the last season when more than 50% of total US wheat sales occurred in the first 6 months. However, with most large importers now assumed to have covered their requirements it remains to be seen where the required US demand will come from.

Soyabeans

Low soyabean stocks are a symptom of both a poor harvest and high export demand as the US supplies world markets until the South America harvest in Q1 2013. Only one state (North Dakota) of the 11 for which there is comparable data, had higher stocks than 2011. A record indicated usage of 33.21Mt has disappeared from stocks between 1 September and 1 December. This implies that despite the high prices there is yet to be any significant demand rationing.

When future export commitments are included, the US had committed 52.3% of the current season's supply in the first three months of the marketing year, slightly ahead of the 52.2% committed in 2010. This is the highest percentage committed for at least a decade. These figures do not include any domestic forward sales, only indicated usage so far and export commitments which have yet to be fulfilled.

As at 3 January 85% of the country's forecast export level had been shipped or committed, compared with 66% at the same time last year. With US supplies tight, this indicates a heightened reliance on South American supplies when they become available. However, should South American crops not perform as anticipated, considerable demand rationing is likely to be needed.

Concluding comments

Despite stocks being lower across all three major commodities, export performance in the next few months will be crucial. US wheat needs to become more competitive to attract export demand, whereas 85% of estimated US soyabean exports have been sold within the first quarter of the marketing year. Maize stocks as at 1 December reflected lower production as the Corn Belt suffered from drought.

US Winter Wheat Area and Crop Conditions

The US winter wheat area is estimated at 16.9Mha – an increase of 1% on last year and the largest area since 2009. The condition of crops in the central growing region continues to be affected by low soil moisture levels but conditions have improved in the north and east.

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The area planted to winter wheat in the US for harvest in 2013 is estimated at 16.9Mha, an increase of 1% (0.2Mha) on the area planted for harvest 2012 and the largest area since 2009. However, within the headline figures there are sizeable differences between regions and classes of wheat (Figure 1).

Planted Areas

Hard Red Winter (HRW), the largest class of winter wheat was planted on an estimated 11.78Mha for harvest in 2013, down 2% on the previous year. Due to the dry autumn, planting was able to get underway quickly, with a small delay in September while growers waited for rainfall. By the end of October planting had progressed ahead of the 5 year average and was largely complete.

Soft Red Winter (SRW) wheat has been sown on an area of 3.81Mha, an increase of 16% over 2012. SRW is generally grown in states further east, where weather conditions have been more favourable and where rainfall has been adequate. Farmers throughout the main growing states of Illinois, Ohio and Arkansas have all increased their wheat areas by more than 20%. A record area of 389Kha was sown in North Carolina.

The SRW wheat area may also have been supported by the opportunity to double crop with soyabeans, which on paper is a very profitable choice for farmers if weather conditions are suitable. Historically regions growing SRW wheat have considerable opportunity to double crop due to the long growing season and normally sufficient rainfall.

White wheat has been sown on an area of 1.32Mha, down 2% from 2012. States across the Pacific Northwest, which dominate white wheat plantings, all cut their areas with Washington sowing the smallest area on record. Over to the East, New York State and Michigan, which by comparison produce a small quantity of winter wheat, both increased their areas reflecting the more favourable weather conditions.

Crop Conditions

The final national crop progress report for 2012 was published on 26 November, although some states produce individual reports throughout winter. As at 26 November 34% of the national winter wheat crop was rated as in a good/excellent condition compared with

52% a year earlier. This was the lowest ever rating for a November crop condition report.

In Kansas as at 30 December, 24% of the crop was rated as good/excellent compared with 29% at the start of December and 53% a year earlier. Almost all regions of the state had received low rainfall, with only districts towards the northwest receiving more than would usually be expected. Crops have also been affected by winter weather; 21% was seen to have some form of wind damage and 15% some frost damage.

In Montana where the planted area was cut for the fourth consecutive year, crop conditions have improved over the last month, with 40% now rated good/excellent, and compared with 29% a month earlier. This time last year 30% of the crop was rated good/excellent. Farmers in Montana have the opportunity to plant spring wheat as well as winter wheat, and so could have waited for moisture levels to recover rather than plant into a dry seedbed.

South Dakota also grows both Hard Red Spring and Hard Red Winter wheat. At the end of December 2012 just 3% of the winter wheat crop was rated as good/excellent compared with 41% a year earlier. Recent snow was seen to bring relatively little moisture in comparison to the deficit caused by the drought, and as such crops remain stressed.

Figure 1 US winter wheat planted area by class for 2013

M hectares	Planted Area	Change on 2012 (%)
Hard Red Winter	11.78	-2
Soft Red Winter	3.81	16
White Wheat	1.32	-2
Total exc. Durum*	16.92	1

* total may not agree due to rounding

Source: USDA

Concluding comments

Growers in the US have planted the largest wheat area since 2009 in challenging conditions. Due to continuing drought through central regions, the area of HRW wheat has decreased slightly, and crops in these areas continue to be stressed by a lack of moisture.

However, in regions where the weather was more favourable, growers took the opportunity to plant increased wheat areas to take advantage of the strong forward prices. Eastern states, which grow mainly SRW wheat, have received more adequate moisture and as a result the area of SRW wheat has increased considerably.