



Wheat Ends Week Strong

The day started slow with the markets waiting for the USDA's report. Other than a few tweaks in the by class S&D's, the USDA made no changes in its US all wheat balance sheet. USDA did make some very minor changes in the by Class wheat estimates, which did not change total balance sheet. They raised HRW stocks by 5 Mil Bu, HRS stocks were lowered 2 Mil, while SRW stocks were reduced 4 Mil.

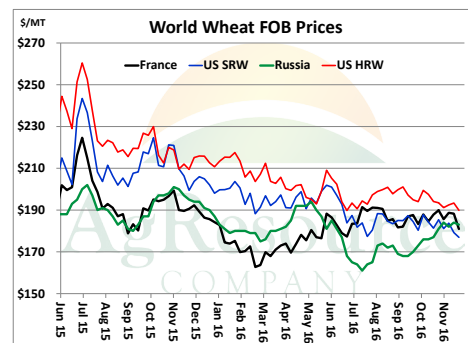
Durum stocks were also lowered 3 Mil Bu. In 2017, ARC projects US wheat area to fall to its lowest level in over 50 years. End stocks are projected to decline slightly. Despite the lower stocks, farm-gate prices next year are projected to drop 35 cents to \$3.35 - - the lowest price in over 15 years. Prices will fall due to abundant global supplies.

Global wheat stocks were raised yet again, this month by almost 3 MMT to 252 MMT, a new record and above trade expectations. The USDA raised global wheat production nearly 7 MMT thanks largely to a nearly 5 MMT boost in the Australian crop. Small increases were made in the Canadian and EU crops. Overall, production for the major foreign exporters was raised almost 7 MMT.

Commentary:

Despite the lack of export demand, EU wheat futures were higher ahead of the USDA report mostly on the weaker Euro, and they maintained their following a USDA report which brought no surprises but which was fundamentally bearish. In the Black Sea, yesterday's news on Indian import duties sparked a resurgence of interest in Ukraine and Bulgarian wheat which pushed the bid-offer for 11.5 pro (with an Indian phyto) to \$181-185 for any position through Feb, which reflected a \$2-3 premium over Russian 12.5 pro.

Beyond February it's Aussie wheat which becomes more interesting for India. Perhaps the most important point to note tonight however is the Euro: with a close at 1.0544, that is just 5 ticks above the close back on 13th March 2015, which was the low going back to January 2003. On the charts, a break through that level makes US\$ parity look a near certainty, after which there is no support above the all time lows of 85¢.



US Fob	2SRW (Gulf)		White Wht		HRW 12 Gulf		2HRS 14 Pro	
	Premium	\$/MT	PNW	Premium	\$/MT	PNW	Lakes	
Jan	70	175.73	189	105	187.31	245	225	
Feb	70	175.73	187	105	187.31	245	N/A	
Mar	70	175.73	185	105	187.31	245	N/A	
Jun	60	175.92	183	95	187.86	245	N/A	

Other Fob	France		UK (\$)		German		Baltic		Russian 12.5		Egypt	
	11. pro	11 pro	12.5 pro	12.5 pro	Azov	Big Port	C&F					
Jan	172.14	186.11	174.50	172.50	156	181	195					
Feb	173.57	186.29	175.75	173.75	156	181	195					
Mar	175.00	186.47	177.00	175.00	156	181	195					
Jun	173.71	186.65	178.25	176.25	-	-	-					

€/£: 1.0610

Rub: 63.300

Futures	Chicago/SRW			Kansas/HRW			M'polis/HRS			China
	Mar	May	JLY	Mar	May	JLY	Mar	May	JLY	Jan
Previous	408.25	418.75	430.25	404.75	416.25	428.50	531.00	533.75	537.25	2996
Close Dec 09	413.00	422.75	434.75	411.00	423.25	435.50	536.25	538.50	543.50	2994
Change	+4.75	+4.00	+4.50	+6.25	+7.00	+7.00	+5.25	+4.75	+6.25	-2

Futures	CBOT EU Wheat (€)					Matif (€)					Baltic Freight Indices		
	Dec	Mar	May	Sep	Open interest	Dec	Mar	May	Sep		08-Dec	09-Dec	Change
Previous	173.00	172.75	165.50	169.75	2,429	164.50	167.50	168.00	172.00	Cape	1935	1724	-211
Close Dec 09	173.75	173.25	165.50	169.75	2,355	165.50	168.25	169.00	172.75	Panamax	1565	1547	-18
Change	0.75	0.50	0.00	0.00	-74	1.00	0.75	1.00	0.75	Dry	1162	1122	-40

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