

GLOBAL WEATHER AND COMMODITY RESEARCH WORLD GRAINS

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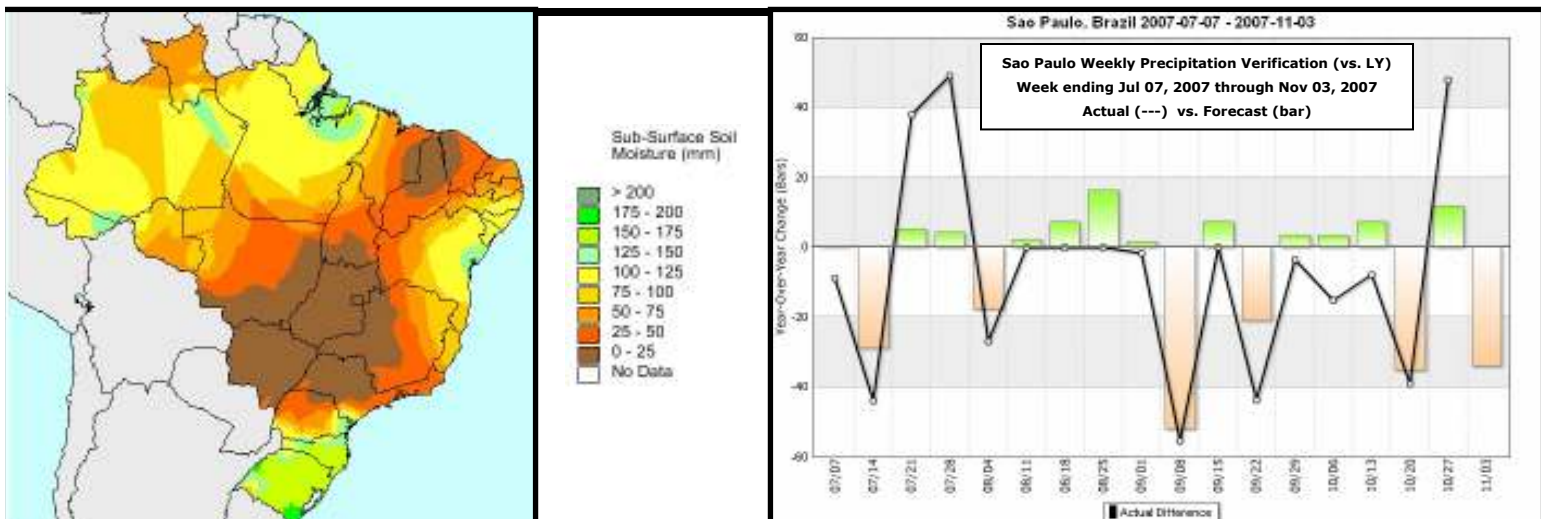
WEATHER RECAP AND SHORT TERM OUTLOOK FOR MAJOR ORIGINS

MARKET NEWS:

- As expected, the Australian Bureau of Agricultural and Resource Economics (ABARE) again lowered the Australian wheat crop estimate from 15.5 mmt down to 12.1 mmt for the current crop. Records are showing this to be the worst drought in the country's history. ABARE also decreased estimates for the barley and canola crops.
- The US dollar index reached an all time low as of late last week.
- NYMEX Crude oil prices exceeded \$90/barrel in last week's trading, and the current price levels are expected to continue to support stronger demand in the biofuels sector. Crude prices (Dec07) have increased from just above \$70/barrel since the beginning of May.
- Nearby corn and soybeans futures (CBOT) rallied late last week on oil news, but good harvest conditions should exert some downward pressure on prices.

BRAZIL:

- The expected transition in the weather pattern did materialize last week, bringing beneficial planting conditions to most of the corn and soybean regions after an extension of the seasonal dry period (see Sao Paulo forecast verification table below right). Weekly rainfall totals in growing areas for the following states were as follows: *Sao Paulo*, between 25 and 49 mm; *Parana*, between 5 and 13 mm; *Minas Gerais*, 13 to 16 mm; *Mato Grosso*, 55 to 70 mm. Temperatures for the week were slightly above normal in the northern Centre-South growing areas, and normal to slightly cooler in regions to the south.
- The improvement in soil moisture for the middle October period is now starting to become evident (see USDA map below left), as the return of the rains is recharging dry soils; this moisture recharge is particularly helpful for improving field conditions in the regions extending into Mato Grosso, which have been notably dry over the last month.
- The outlook for the next 1-2 weeks for most of Brazil is for the current front to continue to bring additional rainfall for much of the current week, as the low pressure in place will allow for the transport of a good deal of available moisture originating from the eastern Pacific to migrate into soybean production areas. Next week, soybean growers will still see rains, but the weekly totals for week 2 will be much lower than the current week. This pattern of plentiful rains now will help the early plantings, while the lower totals next week will allow for good planting progress.



ARGENTINA:

- Argentina's corn and soybean areas benefited from the same pattern that helped Brazilian growers last week, as the same system that brought rain to Brazil covered brought rain to the country's production regions.
- The Weather Trends forecast and verification chart for Santa Fe (see precipitation chart for Santa Fe below right). The return to a favorable pattern commenced last week with healthy rainfall totals, ranging from 33 mm in northern regions to nearly 60 mm in eastern fields. These weekly totals are both above normal and same week of last year.
- The recent rains will help recently planted corn, and the favorable rainfall pattern will extend into much of November; beneficial weather for pre-silking.
- While the rain is helping improve soil moisture, the anticipation of a wetter November may lead to some planting delays for soybean growers, particularly those in western Argentina. However, the delays shouldn't be significant, and by late November into December, planting conditions should be favorable.

EU:

- The general pattern that was described last week did continue, with cool and dry conditions prevailing over much of the wheat and corn planting regions in France, Germany and Spain. While the dry conditions experienced (less than 5 mm) may be helpful, the unseasonably cool temperatures did approach freezing in eastern France. The outlook for the next week is for a little more warmth to dominate, then a return to cooler temperatures around 06/07 Nov.
- Poland, Hungary and Romania had another good week for planting (moderate temperatures, weekly rain totals below 10 mm), but the pattern is still expected to turn wet by early next week. This could lead to some planting delays for wheat, but it will be beneficial moisture for rapeseed production.

UNITED STATES:

- Last week, harvest conditions were generally favorable in both the eastern and western belts, with some delays occurring in the latter part of the week; more of the harvest delays were apparent in the states in the eastern belt.
- The previous week's USDA crop progress report had estimated 60% of the corn harvest to be complete, vs. 51% for the same week last year and the 5 year average of 55% for the 18 major growing states. Harvest pace in IL, IN and OH is significantly ahead of schedule. For the soybean harvest, major states are 75% complete, compared to 76% for last year and 78% for the 5 year average. Winter wheat plantings are close to last year and the 5 year average, while emergence is slightly behind.
- The dry week ahead in the corn and soybean belts is good news for the majority of growers, as harvest activities should have a good week, making up for lost time last week due to last week's wet pattern. The anticipation of the current drier week extending into next week, combined with the rains in South America, already have November soybeans trading lower.

AUSTRALIA:

- As mentioned above, ABARE's wheat estimate was cut by 3.4 mmt. Slight improvements in field conditions have been seen via satellite imagery as a result of the recent rains, but these few bright spots are not enough to make up for the areas still suffering from a lack of moisture.
- The rainfall outlook for many of the Australian wheat production regions does not really start to improve until the second week in November, when weekly totals between 12 and 20 mm are in the forecast.
- The transition to a wetter pattern over much of Australia will extend through November into mid December.

CIS:

- The cool and dry conditions (vs. LY) dominated the pattern over much of the CIS region; while this pattern over the last 5-8 days has been cooler than last year, it has still been anywhere between 3 and 5°C above normal for this time of year. The warmer than normal weather is anticipated to remain into next week, followed by a sharp drop to cooler temperatures, with the transition occurring around 9 November.

