



Wheat Morning Update & Commentary

This recent break in wheat presents a buy opportunity for many desiring to be long. Index funds and technical oriented spec traders will look to increase positions. Wheat remains strong technically and could be poised for a run at \$6.00. Index funds need 6.30 just to break even on the re-balancing effort done last year. Naturally this run up in price, and increase in shipping coast have left the U.S uncompetitive to North African and Middle East destinations. USDA Export Sales were 362,400 mt vs. an expected 300k-450k mt. Egypt moved for an option origin tender, details are 175k Russian, French, and German - 60k Russian for \$196.50/ton, 60k tons French for \$198.65/ton, 55k tons German for \$198.75/ton. A total of 113,000 mt of Wheat was purchased in a regular Thursday tender held by Japan's Ag Ministry. 71,000 mt of US & 42,000 mt of Aussie. This year's wheat crop in Black Sea producers is showing a higher amount of bug damage, making it harder for exports from the region to meet requirements of some customers. Weather conditions are mostly favorable for emerging and developing wheat in the U.S., but some cool and damp conditions may slow final planting progress. PNW pipeline remains full and SRW supplies overhang the gulf. HRW basis is weaker given the latest run up in futures. Australian harvest is starting to stall out as rain continues to hamper field work. Areas in Argentina and the CIS have received beneficial rain.

Overnight markets experienced above normal volume last night with Chicago trading 5288 contracts. Chicago closed down 12 1/4 cents. Kansas City closed down 11 1/4 cents and MPLS closed down 10 1/2 cents. Kansas City - Chicago spread is now at even money in the DEC and the MPLS - Chicago Spread is now 5 3/4 cents. Matif Milling wheat is trading higher on the day.

Globex Overnight

Contract	Last	Net Change	High	Low	Volume
ZWZ9	554 ⁰	-12 ²	566 ⁴	549 ⁶	5288
ZWH10	575 ⁶	-12 ²	588 ²	567 ⁴	2017
ZWK10	586 ⁶	-12 ⁶	596 ⁴	586 ²	154
ZWN10	597 ⁰	-12 ⁴	609 ⁰	593 ⁶	568
KEZ9	554 ⁰	-11 ²	563 ⁰	550 ⁰	339
KEH10	569 ⁶	-11 ⁰	579 ⁰	567 ⁰	225
MWEZ9	559 ⁶	-10 ⁴	568 ⁶	559 ⁰	163
MWEH10	576 ²	-10 ²	585 ⁴	575 ⁴	129

Early Opening Calls: off 10-12 cents

Top News

- **USDA Wheat 09/10 Export Sales Net: 362,400 mt; 10/11 Net: NONE mt; expected 300k-450k mt
- Merchandisers report 30,000 mt of wheat were bought by private group in Israel
- Total of 113,000 mt of Wheat was purchased in a regular Thursday tender held by Japan's Ag Ministry. 71,000 mt of US & 42,000 mt of Aussie wheat were bought

- Egypt GASC announced 55,000-60,000 mt Wheat tender for Thursday, shipment of grain is for FH January 2010
- UK customs data for Sept pegs Wheat exports at 172,402 mt, bringing the July-Sept periods total exports to 438,169 mt, well below year ago period when over 723,000 mt were exported abroad
- Alberta ag dept weekly report shows overall grain & oilseed harvest for all types is 98% complete.
- Poet LLC has reduced its cellulosic ethanol production cost to \$2.35 per gallon from \$4.13 this past year. Poet was able to cut cost through reducing energy usage, capital expenses, enzyme costs and raw material requirements. The company plans to produce 25 million gallons of ethanol each year from plant waste.
- ETH Bioenergia & Brenco may finalize merger talks by December - the combined company would create the largest ethanol producer in Brazil, with the capacity to crush 37 million metric tons of cane per year, acc. to a Bloomberg News report
- GTL Resources, which operates a 100 mil gal/yr plant in Illinois, reported a pre-tax profit of \$2.5 mil over the last six months, compared to a \$5.9 million loss last year, as margins improve and the company's production increases
- Glacial Lakes Energy, which operates a 55 mil gal/yr plant in MN, investing \$2.8 million to install new dryers and on-site storage, which will enable them to handle 25% moisture corn, from 16.5% limits currently
- Pending Tender: Japan's Ag Ministry announced 20,000 mt SBS feed Wheat tender, with bids due by Nov 18th
- Pending Tender: 100,000 mt optional origin Wheat tender was announced for November 24, by Jordan's gov't, acc. to traders. Shipment was for Feb-Mar 2010
- Pending Tender: Japan announced a November 26th SBS tender for 35,100 mt of food grade Wheat for shipment between Dec - Jan
- Pending Tender: A new 100,000 mt of Wheat tender for Dec 2nd was issued by Bangladesh state run grainary, acc. to traders
- Pending Tender: December 14th is date set for new Bangladesh 100,000 mt Wheat tender, acc. to top official with the agency to administer tender. Delivery of the grain is for March 2010
- Pending Tender: 60,000 mt opt origin Wheat tender bid deadline for Dec 30 was floated on Nov 18th by Bangladesh. Bids must remain valid until Jan 20th
- Liffe Jan milling wheat futures were off -1.75 euro at 132.50 euros/mt.
- Globex Wheat Vol. 114,723; Pit Vol. 4,583; Open Interest Change: - 2,033
- Weather: 6-10 day Forecast: Normal to Above Temps. Normal to Above Precip.
- Outside markets: Energy Complex -0.56 at \$79.02; Gold & Silver: -3.2 at \$1138.0 & -0.035 at \$18.380; US \$ +0.260 at \$75.525

Cash Markets

- CIF SR Wheat steady: Nov. +25 to +?? Dec. +25 to +?? Jan. +15 to ??

--

John Christopher
Linn Group
312.896.2061