



**Who thinks the price of wheat
should go lower?**

A Unique Buying Opportunity

Alan T. Tracy

President

14 November 2008



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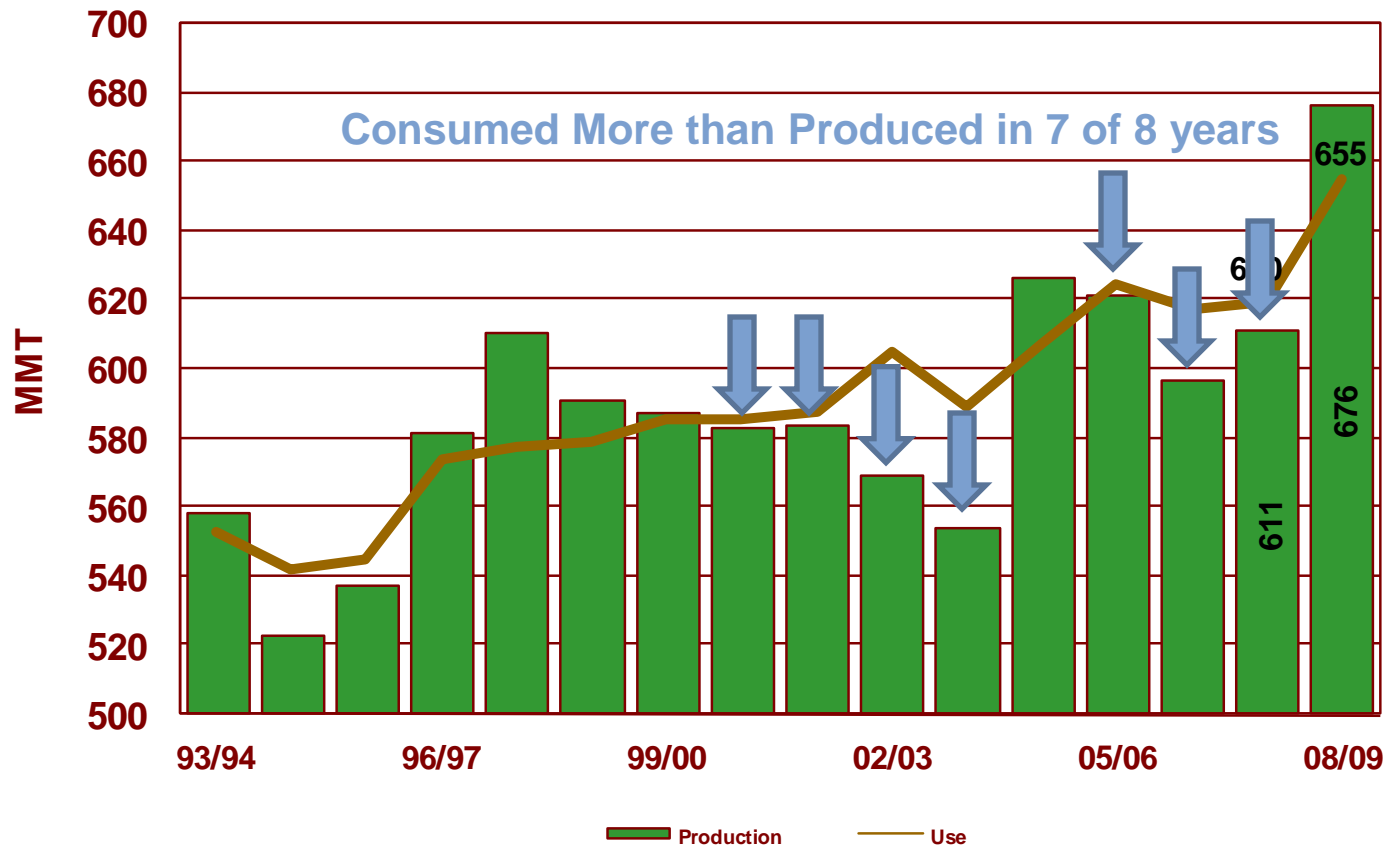
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Why I Predicted Higher Prices Last Year

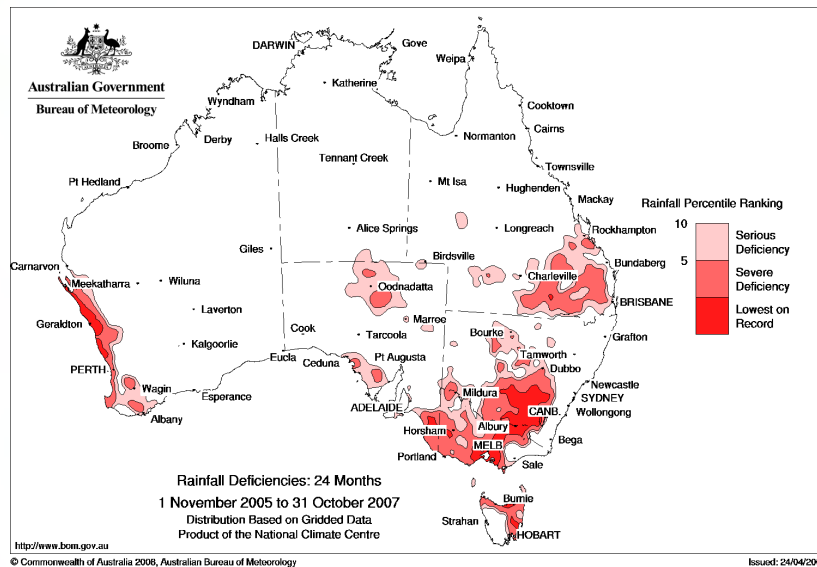


Friday Futures Prices in 2007/08

Production Gap Depleted Stocks



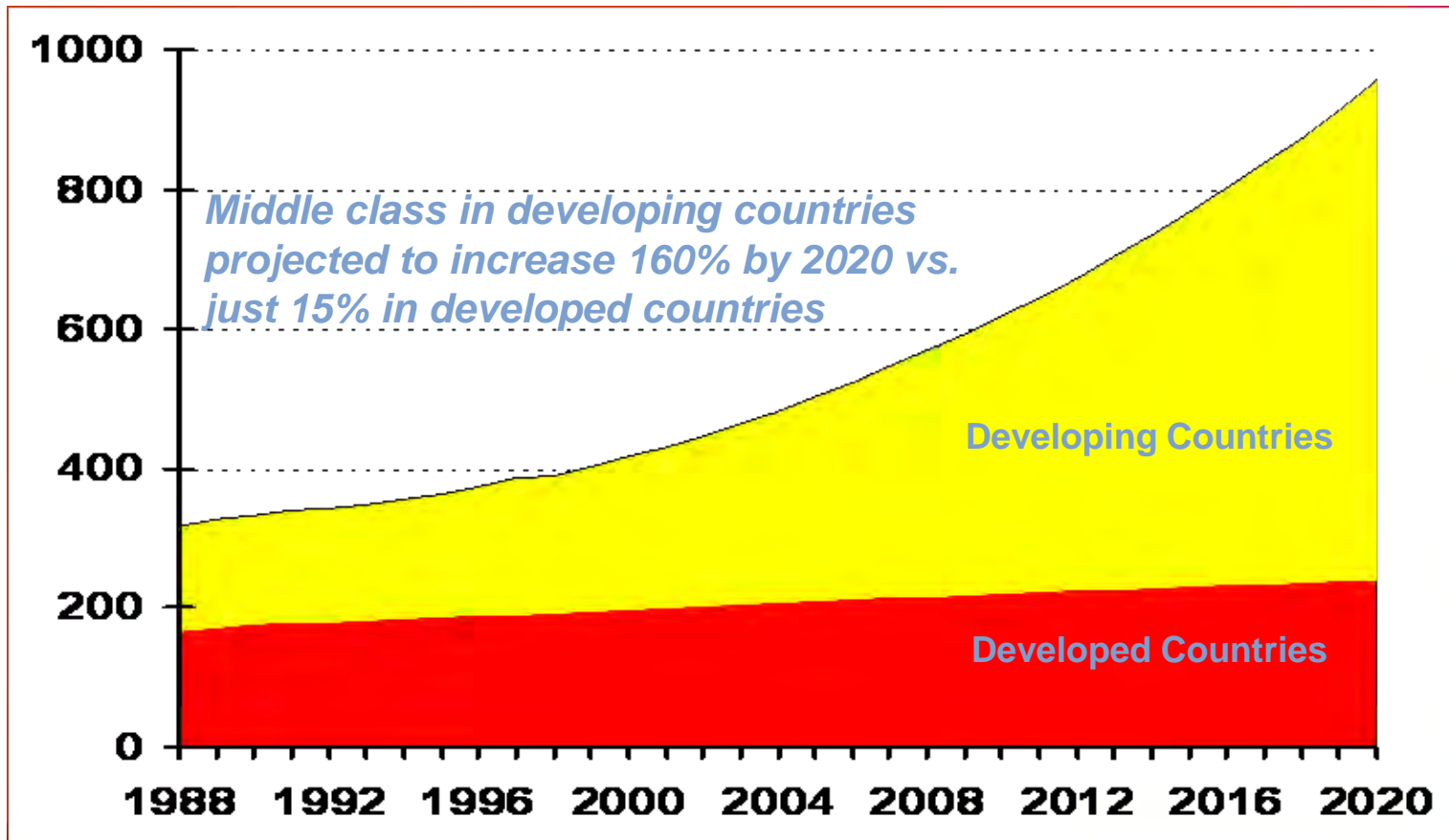
Drought and Other Production Problems



Australia 2 Years Running

U.S. “Easter” Freeze

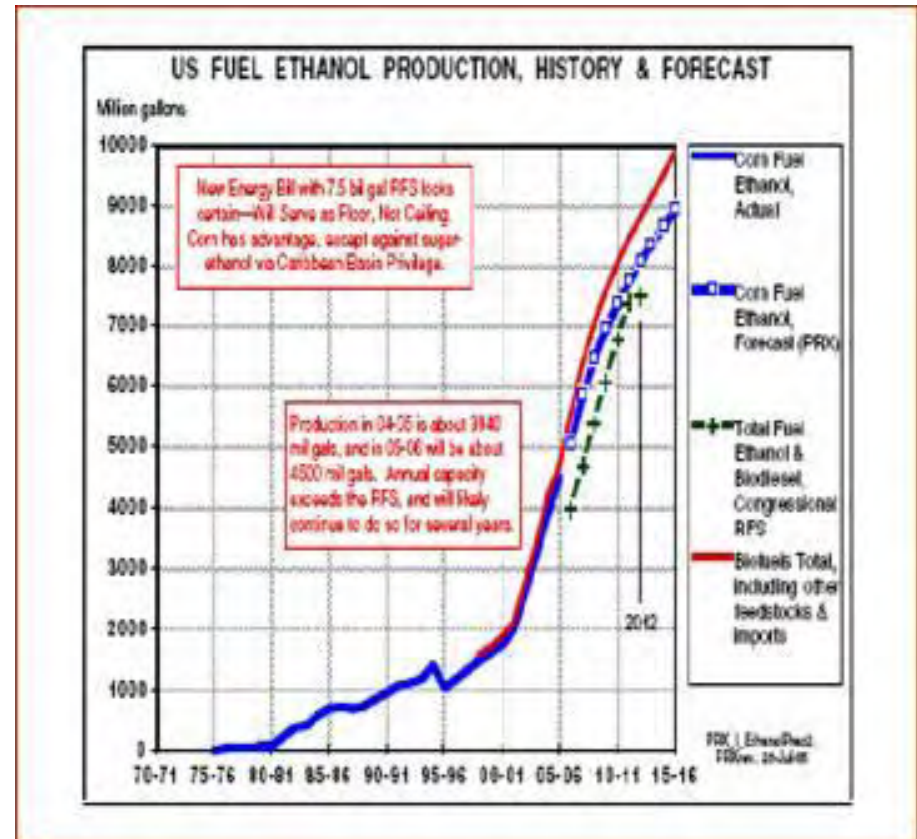
Rising Incomes Fueled Food Demand



Source: Global Insight's Global Consumer Markets data as analyzed by OGA

Ethanol Demand Hurt Planted Acres

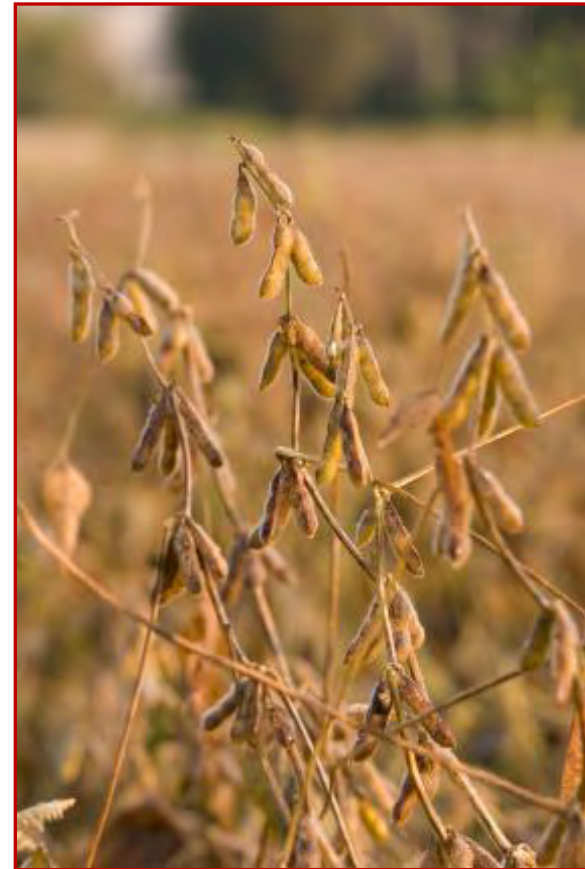
- U.S. Mandate: 15 billion gallons from corn by 2015*
- Will require 136 million metric tons of corn per year



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Biotech for Corn, Soy...But Not for Wheat



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And One I Underestimated...

The St. Petersburg Times

Issue #1317 (83), Tuesday, October 23, 2007

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Wheat Export Tax Planned

By Aleksandras Budrys
Reuters

MOSCOW — The government plans to slap a prohibitive tariff on wheat exports in a move analysts say could cause an abrupt rise in world prices.

A source in the Economic Development and Trade Ministry said Friday that the ministry was considering recommending a tariff of 30 percent, or no less than 70 euros (\$100) per ton of wheat.

There is currently no tariff on wheat exports but a tariff of 10 percent, or no lower than 22 euros per ton, is due to be imposed from mid-November.



Auto
Russia
08
WINTER
2-4

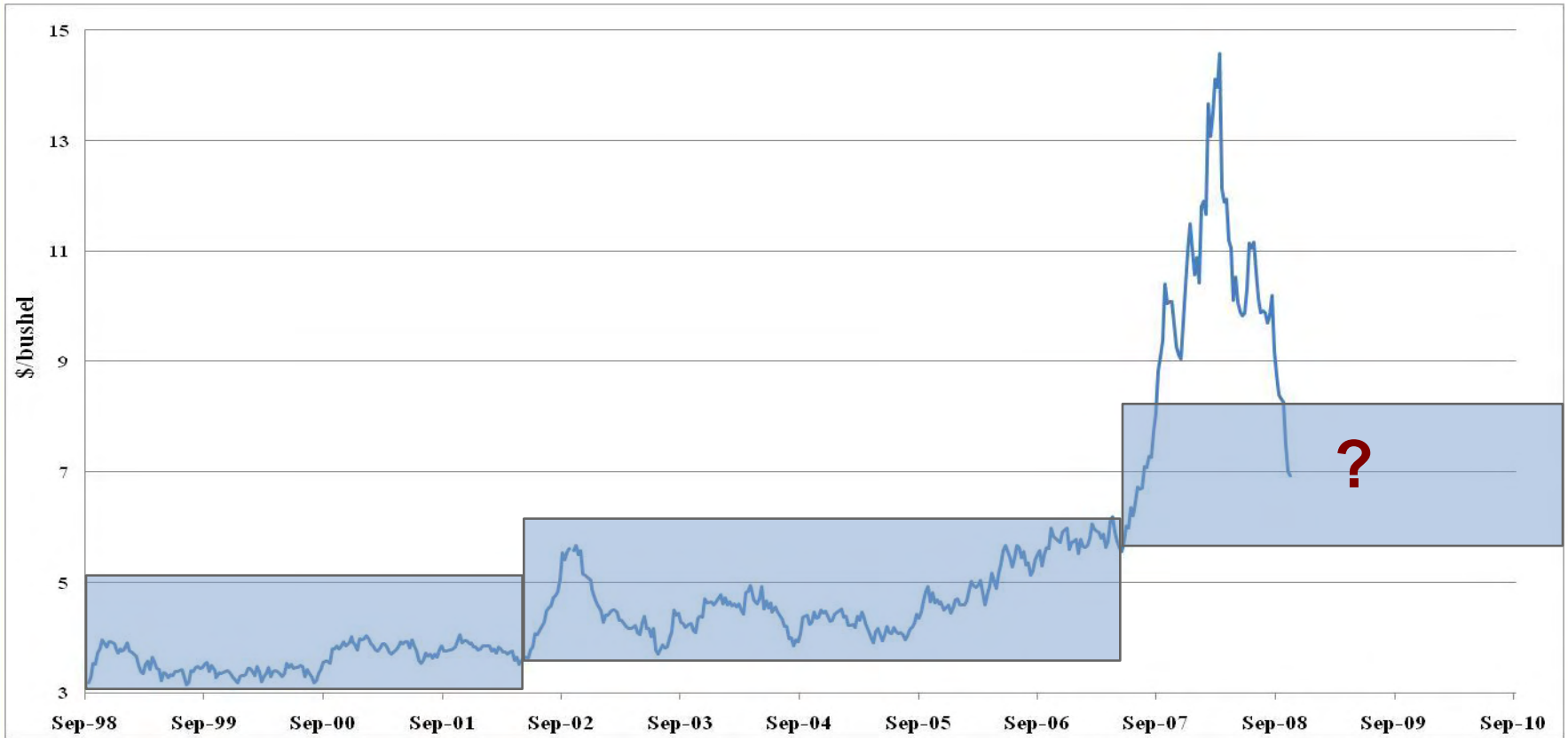
Major exporters hoarding supplies to manage food inflation



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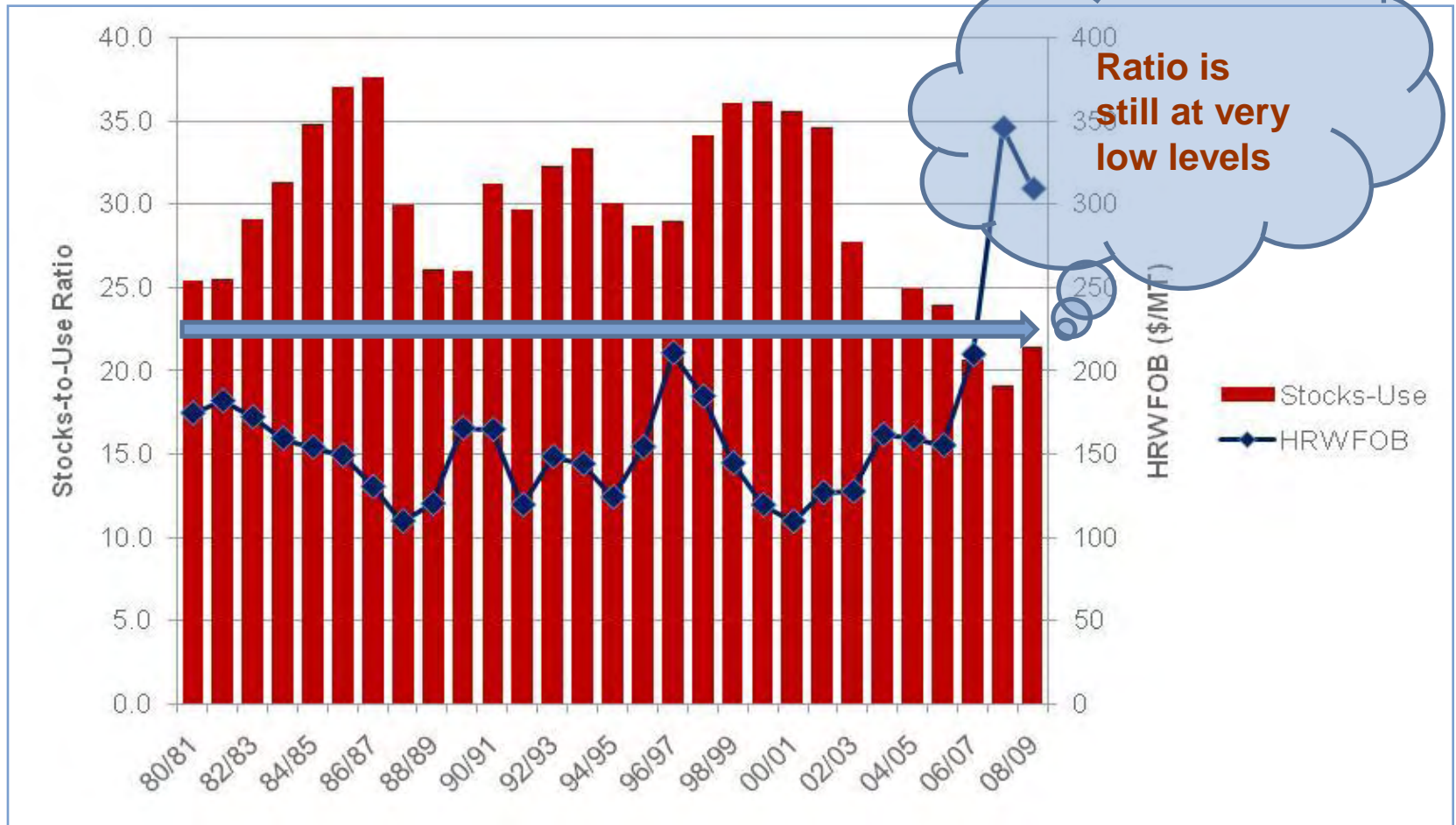
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New Trading Range Ahead?

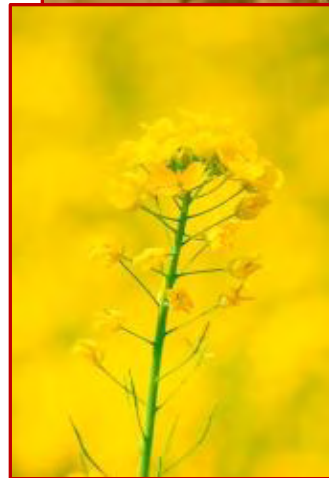


HRW Futures Prices September 1998 through 10 October 2008

Wheat Prices Respond to Stocks



Competition for Acres



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Compare Wheat ROI to Corn, Soybeans

2008 Crop Year (Sept. 07)

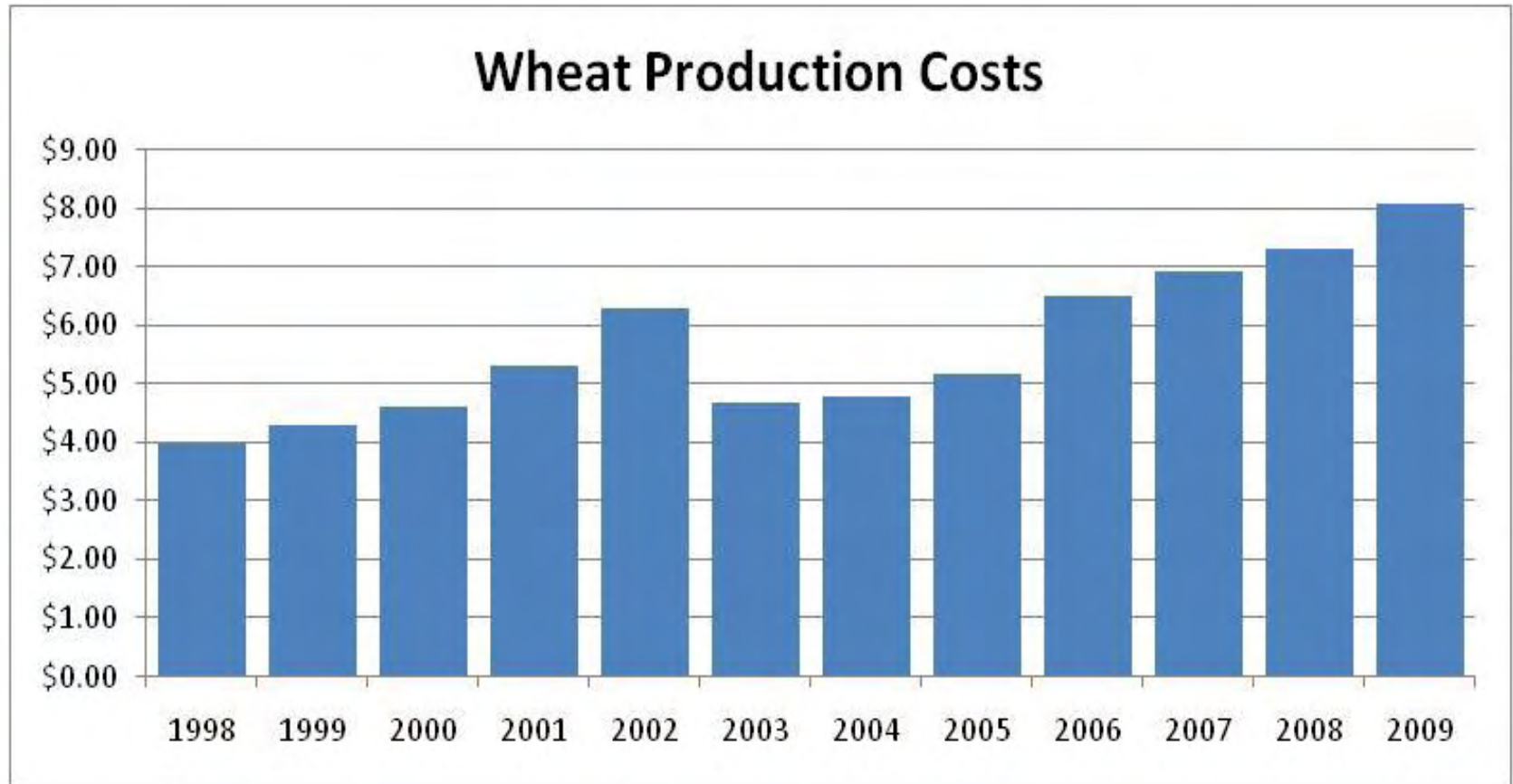
	SRW	Corn	Soybeans
Toledo Terminal \$/Bu	\$5.80	\$3.25	\$8.55
Gross/Acre	\$443	\$578	\$427
Expenses/Acre	\$202	\$320	\$191
Return to Land and Labor	\$241	\$258	\$238

2009 Crop Year (Sept. 08)

	SRW	Corn	Soybeans
Toledo Terminal \$/Bu	\$6.34	\$5.40	\$10.99
New Crop Futures	\$7.97 (July)	\$5.96 (Dec)	\$11.92 (Nov)
Gross/Acre	\$476	\$891	\$550
Expenses/Acre	\$327	\$480	\$273
Return to Land and Labor	\$149	\$411	\$277

Sources: Jay Griffith, Wheat Producer/Ohio Wheat Growers Association

Return to Past Low Prices is Unsustainable



Source: USDA/ERS

The World at Night



Earth at Night
More information available at:
<http://antwrp.gsfc.nasa.gov/apod/ap001127.html>

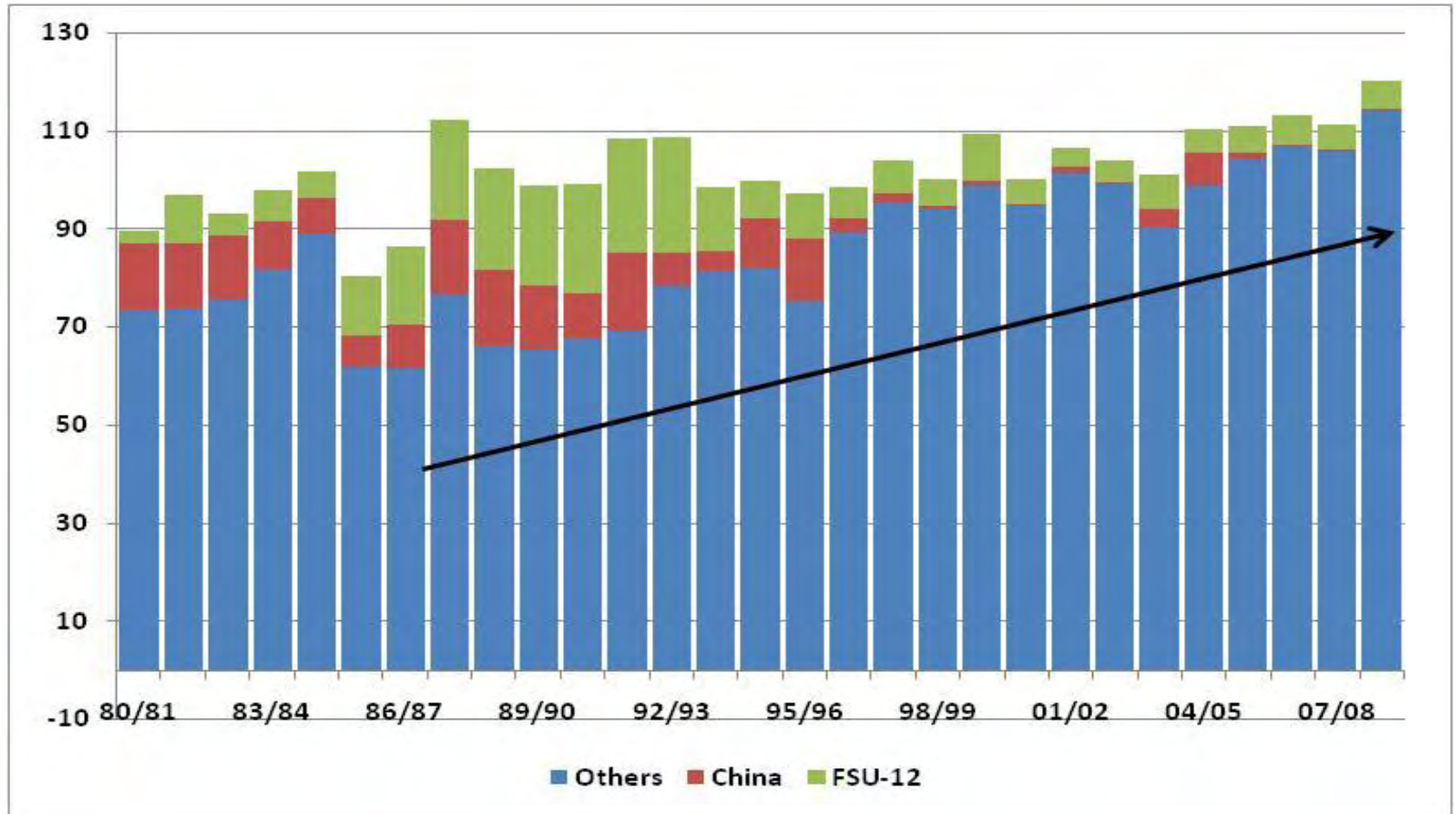
Astronomy Picture of the Day
2000 November 27
<http://antwrp.gsfc.nasa.gov/apod/astropix.html>



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Wheat Demand Growing



Trend in “other” importers denoted (→)

Game Changers



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Financial Crisis



Conflict



Crude Oil Prices



Ug99



Weather



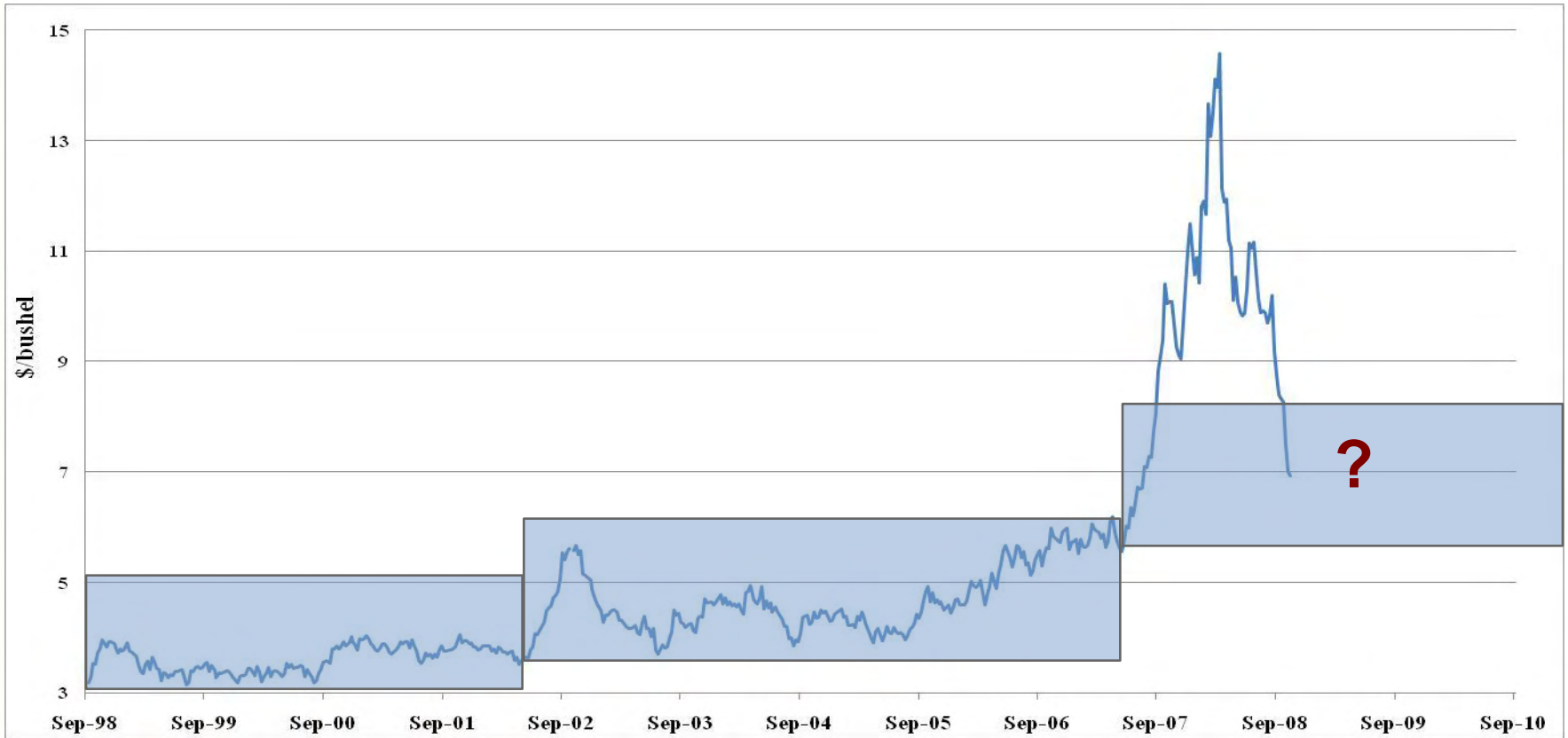
Fundamentals will ultimately drive the market



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New Trading Range Ahead?



HRW Futures Prices September 1998 through 10 October 2008

Opportunity for Buyers

- Prices are less than production cost
- U.S. origin freight rate spread narrowing
- An abundant crop of excellent quality
- Reliable supply
- Low prices not sustainable
- USW is here to help



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Thank you!



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