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I Do Not Believe We Have Missed Our Opportunity to Sell Wheat

While the fundamentals and the inability to do soft wheat business into Egypt plagues buyers in the wheat market, the dollar remains the key factor. I am not bullish wheat, but the market has not reached my current upside objectives. Perhaps it is greed or perhaps it is my disinterest in being involved in a market that tends to trade up or down to a particular level early in the session followed by a relatively narrow trading range. Regardless, I was not an aggressive seller on the move higher.

No need to worry about a missed opportunity at this point. I am not a proponent of selling the wheat market at these levels at this time, but I will be evaluating the opportunities that present themselves, if the wheat market can rally back to the recent highs. It appears the sellers have backed off a little bit near these levels. I expect them back in a big way if the dollar index rallies through the recent high of 80.835, which was posted last Friday and again on Thursday.

The Commitment of Traders Report released last Friday afternoon indicates that trend following funds continued to build their net short position. As of Feb 9th they were net short a record 74,800 contracts. Additionally, trend following funds in KC increased their net short position to 7,800 contracts. Finally, trend following funds in Mpls remain net long 7,400 contracts. The large net short fund position in the Chicago contract will likely reduce the aggressiveness of many sellers in the wheat market as one does not want to get caught in a short covering rally. I am not sure they have much to worry about at this point. If you are bearish wheat continue to look for opportunities to get short the market on rallies. While I haven't taken advantage of the opportunities of late, the market has provided opportunities for both buyers and sellers. Bears should continue to look for opportunities to sell near resistance levels. While it does not look like we are going back to those levels today. I believe we will get back to those levels prior to testing the recent lows and possibly the lows of last October. Of note, milling wheat futures in Europe have traded down to lows of the October time period.

The following items are likely to be market moving factors, but worth mentioning, as a few of them could come into play later in the year. The USDA projected 09/10 wheat plantings at 53.8 million acres vs. 55 million acres at the last estimate. Obviously, the winter wheat plantings are set in stone. Spring wheat is the wild card. A quick look at the current prices for spring wheat would not entice me to plant more acres of spring wheat next year. However, barley as an alternative to wheat is not nearly as attractive, as it has been, in the past few years. I expect to see a reduction in spring wheat acres from last year. This is not an issue at this point, but could provide some support in spring wheat as we approach planting.

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