

Wheat Market Remains Soft, Harvest Looms

The front month contracts in Chicago and KC settled at their lowest levels in a month. Mpls July is approaching the 50 day moving average of 695 ¼. The fundamentals remain weak as the winter wheat harvest gets under way. The wheat market has reacted negatively to a higher dollar trade, while a lower dollar trade has failed to spark a rally.

Early results of the winter wheat harvest may appear supportive. However, the wheat crop in Texas and Oklahoma is not very good. The crop in Kansas should be fairly decent. Some soft wheat producing areas are also fighting the prospects of disease caused by wet weather. Unfortunately for the bulls, many of the bullish domestic issues have been expected. Globally, there are a few problems that continue to develop. Argentina remains dry. Australian wheat growing areas have experienced a variety of weather problems, including persistent dry conditions in western areas. The market is going to continue to focus on the current global supply, which will continue to limit rallies.

Harvest conditions in many areas have been poor as wet conditions have consumed many areas in the southern plains. On a positive note, it appears most of the southern plains will experience drier conditions into next week, but harvest selling will also limit rallies. Spring wheat crop conditions show a crop that is behind schedule, but conditions should remain favorable as many spring wheat producing areas currently have plenty of moisture and weather, conducive to crop development, is expected.

I do not expect to see a sustained rally from these levels at this time. The market has basically fallen about a dollar over the last few weeks. The market is oversold at these levels, however, modest rallies may develop to correct these oversold conditions. Rallies to the current resistance levels are possible. Barring a collapse of the US dollar, I would look to sell a rally if it presents itself.

Do you have a question about this article? For a personal response within 24 hours, please email brian.henry@archerfinancials.com.

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