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Prospects of Increased Exports Keep Wheat in an Uptrend

Wheat continues to move with no signs of letting up. Adequate domestic supplies have not provided enough resistance to keep this market in check. While all three markets are overbought, they have not triggered any technical reversals. Sellers have to be very careful until the wheat market posts a reversal of some type.

The concerns about production in the EU and Black Sea regions are the primary force behind the recent move higher. As harvest approaches these concerns have shifted almost entirely to the Black Sea region. As of this morning, these worries are being accompanied by government sanctioned export controls as the Ukraine has implemented export controls that may result in exports being halted. Rumors of similar events taking place in Russia have not been substantiated at this point. In July the USDA estimated Russian exports of wheat for 10/11 at 15 mmt, which is down from 17.5 mmt in 09/10 and 18.39 mmt in 08/09. Given the likelihood of limited exports out of the Black Sea Region and the early season production problems experienced in Canada, which likely reduced their production by 6 mmt, the US has a great opportunity to reduce the massive supplies currently held.

The weekly export sales report, which was released Thursday morning, indicates that demand for US wheat is on the rise. Weekly export sales came in at 919,900 mt vs. expectations of 300,000 to 400,000 mt. The report indicated a few signs of nontraditional hard wheat business. One week of higher than expected exports can certainly be anomaly, but a three to four week period of good exports would indicate an incremental shift to the US for wheat. The trade will be paying closer attention to export sales than normal, as they attempt to gauge global demand for wheat and the competitiveness of the US.

As expected, the Wheat Quality Council's tour of North Dakota and adjacent areas of Minnesota, South Dakota and Montana determined the US spring wheat crop to be very large. Scouts estimated the average yield to be 46 bushels per acre vs. the estimate of 46.2 bushels per acre last year. I still have questions about how much spring wheat actually got planted. However, at the end of the day, it appears there is going to be large supplies of spring wheat available during the fall.

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