

8/26/10

### The Corrective Phase in the Wheat Market Continues

The continuation of the corrective phase in the wheat is making this market very difficult to trade. Wheat continues to find buyers on any news that even hints as being supportive. However, the overall structure of the market and the propensity of wheat futures prices to move towards unchanged late in the session indicate to me that market participants are not sure which way to be positioned.

The sharply higher moves in the wheat market are the result of good export activity and more importantly the prospects of export demand increasing as global wheat users look for alternatives to buying wheat from the Black Sea region. As a result, the market is very sensitive to the steady stream of news out of the Black Sea area regarding supplies and the possibility of limited exports. Additionally, there are ideas that countries in this region may need to import some grain to cover domestic use. To further describe the confusion surrounding the wheat market, there was also a news article out on Thursday that indicates Russia may be an exporter of 5 mmt of grain, which includes a possibility of 4 mmt of wheat exports. In the course of one day we have seen news articles related to both sides of the spectrum. Expect the wheat market to remain choppy as it retraces the prior move higher. I believe the market can work lower from these levels as we approach the end of the month. However, one can only expect a 10 to 15 cent initial move lower from the current prices. End of the month fund selling could break the wheat market 25 to 30 cents, which would be a buying opportunity for users.

US companies continue to export wheat at a brisk pace. Weekly wheat export sales indicate 1,077,600 mt of US wheat were sold over the course of the last week. This is down considerably from the prior week and down slightly from the prior 4 week average, but it is a large export figure. US exporters of all products are running at near capacity as demand for all Ag related products has been high. This has placed some limits on the abilities of the exports to aggressively offer wheat for fall delivery. However, at the end of the day, the US will continue to be competitive in the export market.

Going forward, expect a choppy trade to continue in the wheat market. World wheat supplies have tightened considerably, but not levels that merit panic. That being said, many locations have seen supplies reduced to levels that merit some concern. The concern stems from the ever tightening supply of wheat fit for human consumption. Tight supplies of wheat fit for human consumption in many countries will likely result in these countries having to import wheat. This does not mean that they will not be able to export some lesser quality wheat.

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