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Wheat Sets Back as Dollar Levels Off

Many factors can be attributed to the recent setback in wheat. One of the primary fundamental factors is the fact that US wheat is not very competitive in the export market. Additionally, the market sees better prospects for completing the winter wheat plantings. Finally, recent weakness in the corn and soybean markets has generated some additional selling in the wheat complex. However, one probably has to credit the leveling off of the dollar, as well.

Fund buying has been prevalent on days the dollar has traded lower. All three wheat markets continue to trade near their respective 20 day moving averages, which will likely result in a choppy trade. If the dollar doesn't post a considerable break and the corn and soybean harvest doesn't experience unexpected delays, the wheat market should continue to work lower. Perhaps a 30 to 40 cent sell off is in order. I would be looking to buy that break. I believe the investment community will continue to want to buy commodities.



Winter wheat plantings remain behind normal pace, primarily due to wet planting conditions and the fact that many of the fields to be planted have not been harvested. Hard red winter wheat is slightly behind pace. The soft red winter wheat growing areas of IL, IN, Mo and AR are experiencing the most problems. I expect many of these producers to scrap the idea of planting wheat this late in the year. Besides dealing with poor soil conditions and crop insurance deadlines, many producers are probably short of manpower as they attempt to harvest corn and beans.

I expect all three wheat markets to make another push lower. I believe the front month contracts in all three wheat markets can work down into the 460 to 470 price range. The hard wheat markets may garner a little bit of premium compared to the soft wheat, as fund selling could weigh more on the Chicago contract. I believe people with short positions should allow some time to give the market a chance to work lower. I would be careful putting on new short positions here. If you are doing so to hedge crop, I would not talk you out of it. If you are doing so on a speculative play, the market has been prone to sharp moves higher, primarily based on fund buying. The weather in November can change quickly. If corn and soybeans find support, wheat may have a difficult time breaking. I believe bulls can allow the market the market to work lower.

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