

## Wheat Carryout Grows

Expect the wheat to remain under pressure as the globe deals with massive stocks. However, the rate of price erosion may slow. That being said, look out if the March contract in Chicago breaches the 100 day moving average of 528 as fund selling may increase considerably. Wheat stocks remain extremely high.

This morning the USDA estimated the 09/10 domestic carryout at 900 million bushels. This is an increase of 15 million bushels from the November estimate. The average analyst estimate was 886 million bushels. By this point the production should be completely figured in, but I expect the carryout estimate to increase on a future reduction of exports and possibly further reductions to domestic consumption. They also increased the world carry out estimate to 190.9 million metric tons, which is an increase of about 2 million metric tons from the November estimate.

Expect more pressure if the dollar does not resume the downtrend. These markets had been lower for 7 days in row. A modest bounce after a move of that nature is not out of ordinary. If the wheat market trades on its own merits it will work lower over time. The dollar will be a key factor as a weakening dollar would create inflationary concerns. Inflationary concerns tend to encourage fund buying.

I expect the market to drift lower under the weight of supply and stabilization of the dollar. The funds may get active, if the March contract in Chicago breaches 528. Generally speaking, a low volume trade should continue into the holidays.

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