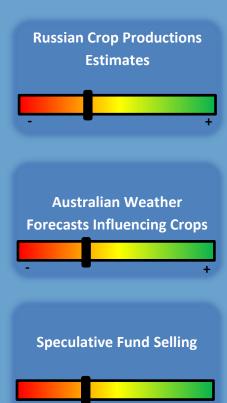
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Wheat Flags Influence on wheat prices





The past week has seen a lack of friendly news with the current headlines pressurising international futures markets.

The Russian wheat crop continues to attract attention with estimates creeping higher due to strong yields in the Central & Volga regions. IKAR increased their production estimate for wheat by a further 1.5mmt to 79.5Mmt.

Pressure also came from forecasts of good rainfall for Australia in FH Aug. Weather has been mixed in Australia with dry conditions in the west & south whilst conditions in the east have been much more favourable. With rain forecast, production estimates for Australian wheat are expected to rebound sharply to about 26Mmt (versus 15.2Mmt LY).

In the US, weather is generally favourable with good rains for the Central and Western US corn belt resulting in higher production estimates and an expectation that the USDA will increase their yield number in the mid-August report.

In the background, conditions in Argentina remain hot and dry which is impacting wheat production potential whilst the French corn crop has also been suffering from hot dry conditions. These factors, however, are not on the markets' radar and are trumped by gains elsewhere.

Pound Sterling has found some strength this week, partly due to the Bank of England announcing unchanged interest rates and quantitative easing unchanged at £750bn, the BoE also suggested that the downturn has not been as severe as initially suggested back in May and there is a level of optimism for the UK economy going forward. Whether this will be the case is still uncertain, but it has offered support for the time being.

Although the UK harvest is progressing quickly, cash trade is relatively thin with extremely variable wheat yields keeping farmer selling slow whilst on the other hand domestic demand is sluggish.

Looking forward, we will see what next week's USDA report brings with some potentially sizeable changes to be made in production numbers.

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