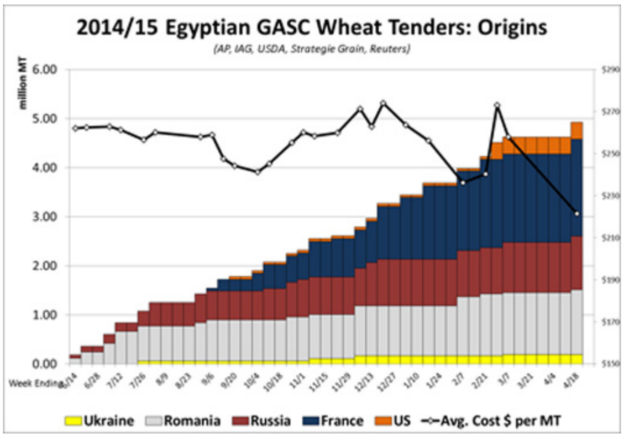
This week started with a surprise (at least to us) tender on Saturday by Egypt's GASC for wheat for shipment between 5th and 15th June. This is the first such tender since 3rd February when Romania picked up the majority business with 180,000 mt and France 120,000 mt. On this latest tender they secured another 300,000 mt with France winning 180,000 mt and Russia and Romania each picking up 60,000 mt.



As can be seen from the adjacent graphic, the price paid was significantly lower than the February deal, and the lowest of the season so far, surprising many by actually how aggressively priced the offers were. The consensus view is that prices were well below actual replacement on the day, as has been the case for much international trade this season, and this maybe continues to point towards a desire to move old crop stocks before we get even closer to new crop availability. Developing crops are continuing to look good and with little in the way of significant cash sales on the books in new crop positions, apart from some feed wheat, who can blame anyone for selling at "cheap" prices?

In a reversal of early estimates, Russian wheat crop output forecasts from various contributors continue to grow. Improving current conditions and an improving weather outlook into May is bringing previously sub-50 million mt estimates closer to the 60 million mt level If this was realised we would, in the normal course of events, be looking at Russian wheat exports in the region of 25-30 million mt.

Staying with wheat, but moving west to the US, we saw the proportion of the crop rated as good/excellent unchanged week on week at 42%, which might well be better than last year's 34% but remains below the ten year average of 49%. This news provided a touch of support into the market that was otherwise lacking much in the way of fresh news, bullish or otherwise.

The spread of bird flu through the US poultry flock is reported to be accelerating at an alarming rate! This is adding concern for US domestic soybean meal and corn demand. On Monday it was reported that Wisconsin declared a state of emergency and called up the National Guard to help clean infected farms in order to contain the disease. Iowa reported that 5.3 million chickens had been infected. Migratory birds appear to be spreading the virulent flu through US poultry flocks at a rapid pace and the fear is that nearly every US state could be infected by the end of spring. By way of note, the US poultry industry is the largest consuming species of US soymeal. The main concern is that if feed demand falls away and the US can not pick up export volumes, which is proving a challenge with the ongoing strength of the US$, end stock levels will move ever higher.

Late week trade saw some support and modest gains coming from what was reported to be fund short covering in corn, wheat and soybeans as a limited number of roadblocks appeared in Brazil as the truckers resumed their protest once again. Seemingly the largest proportion (admittedly of a small number) was in Mato Grosso where the soybean harvest is complete. It should also be noted that port activity was reported to be normal. Consequently our view is that unless the truckers dispute escalates, we are not facing a significant and market moving issue.

StatsCan's latest report shows 2015 Canadian wheat seeding up 3.9% to 24.8 million acres vs. 23.8 million in 2014. Conversely 2015 canola (rapeseed) seeding were down 4.5% at 19.4 million acres vs. 20.3 million a year ago.

Further statistics this week came from the IGC who raised their estimate for 2015/16 global corn output by 10 million mt to 951 million mt, which is lower than the previous year's record 994 million mt crop. Global wheat production for 2015/15 was cut by 4 million mt to 705 million mt with downgrades in Argentina, China and India, and compares with 721 million mt the previous year. Despite the reduction in estimates and year on year output, the IGC commented that total grain output would still be around 3% above the five-year average, which reflects mostly favourable growing conditions in key areas.

Brussels continued its pattern of large weekly wheat exports with this week's total hitting 757,852 mt, which brings the season total to 28,693,727 mt. This is 2.62 million mt (10.03%) ahead of last year's record pace. Partly as a result of strong export numbers to date Stratégie Grains have raised their estimate of 2014/15 EU wheat exports to 32.1 million mt. This is slightly behind the USDA's most recent figure but still points towards ongoing high volume weekly exports.

To make a general summary, the EU and Black Sea wheat surplus appears to be growing and there is not currently any weather issue to spark significant short covering which could spike prices. In corn the US weather is trending warmer and drier from next week, which will speed planting – we know US farmers have invested heavily in equipment that allows them to plant huge areas in a short period of time, and as we have suggested, corn does not have a pressing demand story. In the absence of a weather issue any upside looks limited at this time. In soybeans we are seeing some uplift in prices from the Brazilian trucker's roadblocks but as previously mentioned our view is that this is of limited longer-term impact. In the face of normal weather it feels as if the world is not starved of soybeans. Chart technicals are providing some support – for now, a short covering bounce cannot be ruled out but the fundamentals continue to point lower.