

In yet another holiday shortened week we have seen prices continue to grind lower on the back of what feels like an overwhelming bearish fundamental picture. New crop soybeans (Nov '15) broke through the psychologically important \$9.00/bu level although they did not manage to close there. Given the likelihood of an end to the disruptive (from a price perspective) Argentinian oil workers strike it feels as if it is only a matter of time before we see a convincing push lower. It is interesting to note that the supply disruption has had a supportive effect on nearby prices but will likely have the opposite impact on deferred levels as delayed supplies eventually reach the market, which already appears to be plentiful.

To top off the soybean picture, this week's planting progress update showed the crop to be 61% completed compared with 45% last week, 55% a year ago and the ten-year average for this time of year of 58%.

The Dec '15 corn market has come within a couple of cents of the contract low of \$3.64¹/₄, which was set in October 2014. The July '15 contract breached the \$3.50/bu support level a couple of times this week although, as with soybeans, we need to see a convincing close lower to turn price support into resistance.

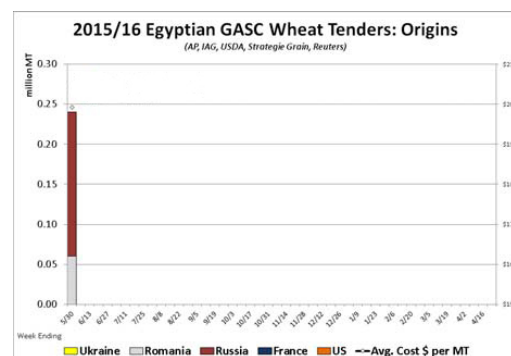
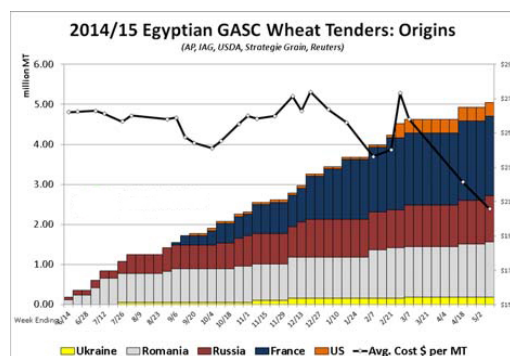
Corn plantings were reported to be 92% complete compared with the ten-year average of 88% and were also above last year's 86% level. The market was looking for the weekly crop condition update to show 75% of the crop in good to excellent condition, and the report showed it to be 74%. The 10-year average for this time of year is 71% and the highest percent rated good/excellent was 78% in 2007 while the lowest was 63% in 2005. There is growing concern for the last of the corn acres in parts of Missouri, Oklahoma, and Texas where heavy rains have caused significant planting delays. It would not be a major surprise to see increased prevented plant claims or crop switching there, impacting at most ½ million acres (mostly in Texas).

The global corn picture was topped off this week as the International Grains Council released their latest estimate for 2015/16 world corn output. Their latest forecast was 10 million mt higher at 961 million mt albeit not quite up to last year's bumper 997 million mt crop. "Despite some market uncertainties in the past month about crop outlooks in certain regions, especially in North America, world total grains output prospects remained generally favourable," the IGC said in their monthly update.

The IGC also added 10 million mt to their global 2015/16 wheat estimate, which now stands at 715 million mt, and like corn is below last year's 721 million mt. Dec '15 wheat, like soybeans and corn, has also seen declines and the \$5.00/bu level has been tested but not (yet) breached so far this week. A break below this level will likely see the early May low of \$4.85³/₄ placed under pressure.

US winter wheat rated as good/excellent stood at 45%, which is unchanged on last week and compares with 30% last year while the 10-year average for this time of year is also 45%. The weekly spring wheat planting report showed the crop to be 96% complete compared to 94% last week and 70% last year while the 10-year average for this time of year is 83%. The conditions report showed 69% was rated good/excellent compared to 65% last week and the 10-year average for this time of year at 78%.

We saw the first new crop (from an Egyptian perspective) tender by Egypt's GASC for 1-10 July shipment, which saw a deal for 240,000 mt with Romania picking up 60,000 mt and Russia the balance. More important was the price, the reported average C&F level was \$199.28/mt, which is the first sub-\$200 price we have seen for a very long time.



On a more supportive note, it should be borne in mind that there are some concerns over the Russian and US crops following less than ideal weather conditions. Dry conditions in Russia have been more of a focus than the wet conditions in the US and it is the former that is being watched more closely going forward. As we know from history, dry conditions tend to impact wheat crops adversely more than wet, the old adage, "rain makes grain", should not be forgotten!

Brussels has issued a reduced volume of weekly wheat exports presumably due to the recent holiday breaks. This week's tonnage reached 253,455 mt, which brings the season total to 31,056,141 mt. The season to date total is now 3.066 million mt (10.95%) ahead of last year.

In conclusion, we have seen another quiet week from a news perspective and the bullish news machine appears to be struggling right now. At the same time the bears have little in the way of new input, although it is probably fair to suggest that the fundamental old crop stockpile added to what looks like a big (and currently unthreatened) new crop in the face of an almost static demand picture points to extremely limited price upside and more likely a continued grind lower into harvest time. That said, as we have previously stated, short covering can (and will) produce volatile spikes in prices although they will likely be capped by producer selling.