

We end another holiday shortened week, not only here in the UK but across large parts of the European continent, to voting results in the UK's general election in which it seems (although the results are not yet final) that the incumbent Conservative party will be declared overall winners with a clear majority. At least we can be thankful that we only have to endure some six weeks of electioneering compared with the 18 months suffered by our cousins in the US!

In general market terms we have not seen any material change of price trend and market fundamentals continue to point lower. The soybean complex has displayed a touch more strength, or maybe that should be "less weakness", as fund buying materialised in soybean oil and a stronger crude oil market lent some support.

Looking at more specific news, the latest NASS data showing soybean plantings at 13%, which is some 4% ahead of the five-year average. Corn plantings hit 55%, this compares with 19% last week and is also ahead of the 38% average since 2010. It is noteworthy that 32 million acres were seeded; the third largest area on record, and it will not take an extended period of favourable conditions to see planting complete. US wheat rated good/excellent stood 1% higher week on week at 43% and both the spring and winter crop development is ahead of last year.

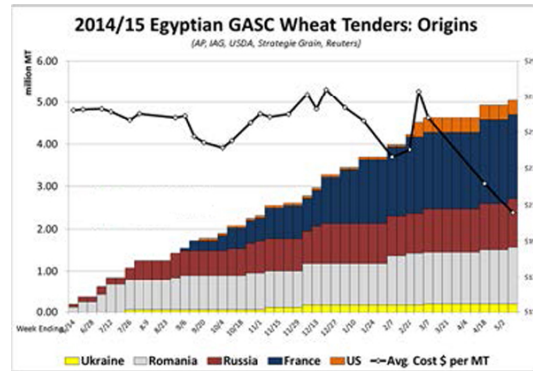
From a US crop perspective therefore it appears that there is little on the horizon to suggest that a crop upset is in the making. One potential US balance sheet "hiccup" remains, and that is a question mark over both consumption and exports in corn. Consumption growth in corn, from both an ethanol grind and a feed perspective, appears to be limited, and exports are pressured from a price perspective by competitive and aggressive pricing elsewhere.

Reuters reported early this week that Russia's Agricultural Ministry has proposed lifting its wheat export tariff from 15th May and for the government to set a new formula for the payment. For guidance, the current tax is 15% of customs price plus €7.50, but a minimum of €35/mt. This move, if enacted, could release as much as 8 million mt of wheat into the "available for export" category, and it is this, which is likely pressuring prices lower at present. As the week has progressed it seems that the proposal is looking more certain, and indeed international markets appear to be factoring in tariff removal from prices.

In a surprise tender Egypt secured a further 120,000 mt of wheat for June 16-25 shipment at an average price of £205.75 C&F, which is well below the \$221.39/mt paid at the last tender on 18 April. Russia and Romania each won 60,000 mt continuing to point to their ability to compete in the international tender market. What the purchase did not tell is the whole picture though, the volume of offers was big, particularly from Russia at close to ½ million mt, and also included US (expensive), French (expensive) and

Polish (expensive) in a big total offer lineup. The Russian volume may well be an indicator of what is to come when their tax is finally lifted!

Brussels latest updated crop S&D's put 2015 soft wheat output at 141.6 million mt, which is a month on month increase of ½ million mt, but with 2015/16 end stocks at 15 million mt, a 1.2 million mt decrease month on month due to a 1.5 million mt increase in animal feed use. Corn output was reduced month on month by 1.7 million mt to 66.3 million mt with end stocks at 16.3 million mt, which is a 2.8 million mt month on month decrease. Perhaps the biggest surprise comes in the corn output figure; yield being the issue, with feed usage up by 1.5 million mt (having lowered it 3 million mt last month!). Given our understanding that the weather has been almost perfect (for yield) over the last month, and the EU's MARS unit's latest data showing a small increase in yields we have to confess to a degree of head scratching on the numbers! Our is clearly not to reason why!



Thursday saw the soon to expire May '15 Matif wheat contract shed €10/mt whilst spot cash markets also dropped although not to the same extent. The significance of the numbers is that the deferred market has not seen a similar decline and our conclusion is that nearby pressure of old crop stocks ahead of a good looking new crop, which is just around the corner, together with a clearer picture on availability of supplies from Russia is causing nervousness in the market.

Brussels has issued weekly wheat exports of 301,414 mt, which brings the season total to 29,629,162 mt. This is another weekly decline and it is getting harder to envision the USDA's 33.5 million mt target being hit. The cumulative export total now stands at 2.92 million mt (10.94%) ahead of last year's record pace.

In conclusion we remain on the side of the bears although ever mindful of the potential for volatile price spikes on unexpected news. However, at this time we would look at such spikes as selling opportunities as we face further potential stock build in key agri commodities as growing conditions remain favourable and demand growth remains stagnant at best.