Aside from this weeks WASDE update, more of which later, the markets have been somewhat dominated by continued upside momentum, which is something of a reversal from what we have been witnessing over past months. What has changed and how much further will prices rise? As ever, easy questions to ask but not so simple to answer!

In a nutshell we have seen little in the way of major change to fundamentals. Yes, there are suggestions of too much rain in Argentina, which will result in some soybean output reduction, possibly two to three million mt; too little rail on the Safrinha corn crop in Brazil with a potential for as much as five to ten million mt; Canada may be dry this coming summer season and wheat crops could be trimmed back a touch; El Niño appears to be waning and La Niña could be an issue in the second half of the year. On the other hand, we are looking at potentially large winter cereal crops across Europe, Black Sea and FSU as well as good early crop ratings in the US together with the onset of the US soybean and corn spring planting season, which we know from history can proceed extremely rapidly when conditions permit. None of the foregoing is a material change to what we knew two or three weeks ago, so the recent price rally must have been triggered elsewhere.

What does appear to be the case is that money flows in the form of speculative or fund buying have been described as “huge” in recent times. This has had the effect, which we have frequently described, of pushing markets higher and in an almost domino fashion the resultant chart triggers (moving averages in particular) have given way initiating further buying and yet higher prices. Whether this rally has run out of steam as the weekend approaches is yet to be determined, but without doubt it has woken up many who have been lulled into a sense of security as prices languished at multi-year lows.

Interestingly we have seen little in the way of cash wheat price uplift as futures prices rose, and this is the one key reason we struggle to jump into the bull camp (as far as wheat is concerned) right now. There is certainly plenty of supply in Europe and this week’s EU soft wheat export licences amounting to 1.18 million mt attest to this fact. The season total now stands at 25.26 million mt and the (revised) USDA season total of 32 million mt looks to be attainable particularly as exporters remain aggressive with offers in an effort to reduce stocks as demand dwindles in advance of a fast approaching and potentially record new crop harvest.

The latest Egyptian tender further evidences the lack of strength in the cash wheat position. This week GASC secured 175,000 mt for late May shipment, Romania picking up 120,000 mt and Ukraine the balance at a price of $192.12/mt basis C&F. The price reported was marginally below the previous purchase from France just under a week earlier and once again offers were limited presumably on the back of the ergot issue that remains unresolved.

The USDA's April crop report was not shock inducing and will now most likely bring market focus back to the important issue of weather. We saw adjustments lower in US wheat and corn feed use as the March stocks report suggested would be the case and US soybean exports were increased slightly. The overall picture of slight increases in global soybean and corn stock levels together with record large wheat stocks remains. From our perspective little else remains to be said on the report.

In summary, we have seen an adjustment higher in prices on what seems to be the back of a currently unchanged fundamental picture and fresh money inflows. Whether this becomes a change of trend, a new pricing platform or is merely a spike upwards in the longer-term downtrend will only become apparent in time. We continue to keep an eye on global stock levels, which remain stubbornly high and now turn attention to US planting progress, weather and crop development, all of which will provide the next clues as to the next price moves. We should also not lose sight of the political issues in Brazil and the impact it may, or may not, have on their currency and status as a major exporter. In addition, the Chinese economy, their soybean import pace and their changing agri-support packages all need to be watched as the potential impacts upon global pricing will not be insignificant. We are entering into an interesting period of time as far as agri-commodities are concerned.