

As we approach another weekend our markets have been lacklustre and verging on boring, which is probably a reaction to our “always interesting” comments of last week. It feels as if we have jinxed things somewhat.

The usual culprits have all been in play once again and a quick run through of each, in advance of next weeks WASDE release on Friday, will be this week’s format. US crop condition remains close to stellar with both corn and soybean crops remaining well above previous year and historic average levels. This is giving many commentators the opportunity to punt some very high yield forecasts for both crops and the weather forecasts are also adding to yield and output optimism at this time. Precipitation forecasts remain supportive to continued crop development and whilst there are suggestions of above normal temperatures, these are expected to be limited in duration and overall conditions remain non-threatening into the second half of the month.

On the other hand, In Europe we continue to see pessimism over the wheat crop spreading as harvest itself expands. The previous concerns over the quality and quantity of the French wheat harvest are now being expressed in Germany. Milling wheat premiums look vulnerable to hikes if quality is not found elsewhere in Europe, and whilst EU woes may exist, this could well prove an opportunity for US exporters in coming months. It has been noted this week that Ukrainian FOB corn and wheat offers have risen this week, partially on the back of EU wheat concerns, but also on some dry outlooks for both Ukraine and Russia, which are beginning to pull yield forecasts back a touch from previously elevated levels. We believe that we could well have seen the season lows scored in wheat as the world’s cheapest origin moves higher.

In a release earlier in the week, Reuters reported that the French wheat crop is expected to be the smallest in at least a decade, which would normally send prices significantly higher. However, the (old and possibly stale) news is tempered by abundant global supplies and offset by US prices that are close to decade lows. The season is starting to look as if France will be limited as an exporter paving the way for others, and unconfirmed reports of Romanian wheat finding its way to France, reputedly for tender against MATIF futures, has also had the effect of capping upside.

We saw Egypt’s GASC tender for wheat for September shipment on Tuesday, and whilst Romanian wheat was the cheapest offered (basis FOB) it was priced above the last tender. GASC secured 60,000 mt of Russian origin at \$177.09/mt basis C&F from an exclusively Black Sea origin lineup; once again there were no offers from France or the US.

In the absence of further news input we conclude that we believe that if we have not yet seen the bottom in grains, we are very close to it. Consequently, extending forward cover as a consumer seems a sensible strategy to us right now.