

The feature of the week has to be the latest USDA report, which was released yesterday (Thursday) afternoon. In a nutshell it was viewed upon release as somewhat bullish for US corn and soybeans in the light of a decline in production and Chicago wheat rallied strongly on the 10% cut in US seedings. Perhaps viewed as a surprise was the reduction in 2016/17 soybean end stock figure, which was trimmed 60 million bu; reduced acres (both planted and harvested) as well as a 0.4 bushels/acre cut in yield being the key factor.

Whilst prices rallied on the report, unsurprisingly, it was perhaps the magnitude of the rally that caused us to raise an eyebrow. We continue to see a global supply in corn, wheat and soybeans that leaves little reason for concern and wonder if it is merely the fact that we have been in a multi-year period of low and declining prices that has left the trade feeling “enough is enough”. One thing remains pretty clear to us, and that is the fact that S American yield and output are the main issue going forward and as a consequence the weather in both Argentina and Brazil needs to be closely monitored in the coming six weeks.

To try and summarise the report in as few words as possible, global production in corn, wheat and soybeans for 2016/17 is minimally changed month on month and global end stocks are similarly only marginally changed. The “big crop” element of our supply and demand equation remains undisturbed whilst the “big demand” picture remains similarly intact. We have to await some supply interruption, more than likely as a result of some weather related damage, before this position changes.

A further “kick in the teeth” for the US was a poor week of export sales data, soybean figures were the second worst of the marketing year following on from minimal sales the previous week with sales below expectations. Corn figures were similarly poor although more in line with expectations. However, keep in mind that this is the time of year that we begin to see soybean weekly shipments and sales tail off.

Away from the USDA’s latest report there appears to be a growing rift between China and the US as the Chinese import duty on DDG’s points to their less than welcoming stance towards the US in their marketplace according to the US Grains Council. Chinese importers will have to pay “anti-dumping” duties of between 42.2 and 53.7% plus an 11.2 to 12% anti-subsidy tax (up from 33.8% and 10 to 10.7% respectively) for the next five years. The Grains Council’s view is that China is on a mission to restrict US access to their feed grains marketplace, and also referred to Chinese tardiness in approving GM corn events effectively limiting exports. The tax hike follows ten days after China also raised tariffs on US ethanol from 3% to 5%, limiting US export growth opportunities.

Whether these moves are in any way related to the imminent inauguration of US President Elect Trump, who not long ago labeled China as “currency

manipulators” and threatened US import tariffs on Chinese goods, remains a matter of speculation. However, regardless of the reasons, the outlook for US/Chinese trade relations does not look promising at this time.

The week has been interesting, markets have reacted higher and the biggest question is, “are we now moving into an upward price trend?” Whilst it could be tempting to answer in the positive, the current global stock position leaves us cautious and reluctant to fully embrace this stance. We are happy to avoid a short stance but not fully supportive of an outright long until such time as we see some (weather driven??) crop supply disruption in S America or maybe Black Sea regions.