We have seen some market consolidation this week in the aftermath of the jump in prices a couple of weeks ago. Corn rallied, failed to breach the strong chart resistance and moved lower whilst soybeans have continued to decline and fill the open chart gap left in the rally from the $10.00/bu level up to $10.75/bu. The gap at $10.52¾ appeared an obvious target and $10.50/bu was expected price support although this has given way for now. Closer inspection of the charts shows another open chart gap, this time going all the way back to 13 October, and at a price of $9.74/bu. Will the market target this gap? It is a big drop from current levels, but at this time (as we have said previously) there is limited bullish soybean news at present, so it is not an impossible target. (Chart at right shows nearby Chicago corn futures on top and soybean futures below. Extra line on corn chart is 200 day moving average.

Corn fundamentals remain broadly unchanged with the exception of the possibility of a trade dispute between the US and Mexico. The border wall and import tax proposed by President Trump since his inauguration leaves the potential for market uncertainty. Mexico is a major importer of US corn and pork, or has been, and it seems clear that tension exists between the two parties and quite how it will pan out remains to be seen. Any reductions in US export volume to Mexico will doubtless lead to further price pressures.

From a S American perspective we see a degree of uncertainty remaining over Argentine rainfall. There is a suggestion that soil moisture deficits are accumulating in some regions and as we approach the key pollination period this could reduce crop potential somewhat. Whilst drought is not a “given” at this time we need to keep a watchful eye on the weather position in the next few weeks. The heart of the growing region has been wet so the drier outlook is also beneficial to some areas. The forecast does show some precipitation, but nothing like what we have seen in the past 60 days.

Chicago wheat continues to trade in its broad sideways direction although some support was seen from stronger than expected US weekly export data. Additionally, Egypt’s GASC secured a further 410,000 mt of Russian origin wheat at $193/mt basis fob, which is a full $4/mt above what was paid a week ago. The tender has put some support into world wheat markets although it should be noted that Russia actually offered some 650,000 mt, which indicates the level of stock available in Russia and their need to make sales. There was a total of 14 offers for the tender, the most expensive being US HRW.

Away from Chicago and international markets it is noteworthy that UK feed wheat prices have reached a premium of £21/mt over barley. Whilst this is not a record by any means it highlights the specific situation within the UK, which is somewhat different from much of the rest of the world. Weakness in £Stg vs. other currencies, notably €uro and US$, has led to UK wheat appearing cheap to importers and domestic prices have risen accordingly to prevent an overwhelming volume of exports and potential shortage of supplies within the UK. The latest DEFRA data shows increased broiler chick placings, which will result in additional feed production, which in turn will increase wheat consumption (60-65% of poultry feed is cereals). The conclusion is that UK wheat prices are unlikely to turn down despite what we see as a fundamentally weak global picture.

In summary, the week has seen something of a consolidation from a price perspective. Globally, we continue to see either adequate or plentiful stocks with minimal production threats at this time. Consequently, our price outlook is that upside remains limited although recent history suggests downside will struggle too. Further range-bound trade appears on the cards until such time as there is an interruption to the currently well balanced “big crop” vs. “big demand” picture we have previously described.