

Welcome or otherwise we have seen a week in which volatility returned to ag markets with a bang! Whilst Europe was enjoying a holiday extended weekend break, Chicago markets took off in a spectacular fashion, led by wheat. Wet weather and heavy snows raised concerns as to the extent of crop damage to wheat, some of which is already headed and suggestions were that the weight of snow would cause stems to break and crop loss to follow. However, the latest information appears to show that the level of concern was overdone and whilst there will doubtless be losses, they are not at the level initially thought. Prices as a consequence have fallen back, in the case of wheat (July '17 Chicago) to below Monday's opening levels and closing the chart gap that appeared between Friday's close and Monday's opening.

Corn prices followed wheat higher initially in the week, but falling as if implied weather premiums were somewhat on the high side. Corn's upside was also limited by the continued fall in energies as crude oil continues its decline in a three week long trend from \$56.85 to \$48.18/barrel (July '17 Brent Crude futures), a 15% fall, pressuring ethanol and in turn, corn. US plantings are also delayed as a consequence of both cold and wet conditions, and quite how much will need to be replanted is still in debate. One thing is certain, and that is that the US crop will not be remembered as an early planted one this year. This week's US planting figure is forecast to reach close to 45%, which will be below both last year and the five year average. The second certainty as far as corn is concerned, is that producers are anxious for the weather to take a turn for the better and a warmer and drier trend will be most welcome.

One "silver lining" to the "clouds" we have seen this week is that US soil moisture levels have seen a good boost and there should be no dryness concerns, at least in the early part of the season, which will allow crops to get away to a good start when eventually planted. Good establishment is key to eventual yield and overall output although planting delays may well offset to some degree the establishment benefits.

The French AgMin reported that only 44% of normal rainfall was received in April with the north and southwest being the biggest deficit regions. Forecasts for the coming week look to contain welcome precipitation not only for France but also Germany and Poland, which should ease some, if not all, of the concerns that have been raised over recent dryness.

Despite the foregoing, the UN's Food and Agriculture Organisation have forecast global 2018 wheat stocks to rise by 3.3% to 247.6 million mt, most of which is attributable to China where coarse grain stocks are set to fall by over 20 million mt in a planned draw down programme. The ongoing issue of substantial global stocks is the key factor that continues to limit price upside, and we believe this will remain the case until such time as we see a substantial crop output-limiting factor, most likely weather driven. However,

at this time this is not, yet, on the cards. This week has been a good example of “sell the rumour, buy the fact”.