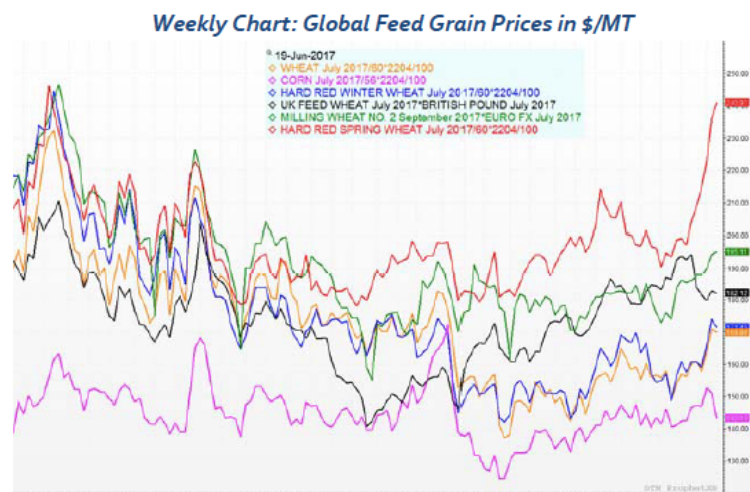


Another week comes to a close and we see yet another, somewhat different, picture emerging. It seems that despite the massive corn short covering spree by the funds as reported by the CFTC last Friday, prices have not reacted as might have been expected, i.e. higher. Indeed, we are seeing new crop (Dec '17) Chicago corn futures trading down to \$3.80/bu, down from \$4.09/bu just two weeks earlier, that is a 7% decline. Is this truly reflective of what we see the US crop at this time? Once again we ask a question that is not simple to answer with accuracy or confidence at this time.

Corn condition, as reported this week, stands at 67% good/excellent, which is unchanged week on week, below last year's standout 75% but only two percentage points behind the ten and twenty year averages. On the face of it this is not a crop in dire condition. However, it seems that reports from "on the ground" suggest that all may not be as rosy with a high degree of variability in the crop. Current growing conditions have not been as benign as has been the case in the last three or four seasons with a cold and wet start followed by hot and dry conditions although current conditions appear more to the crop's liking. Where does this leave us? Currently the USDA has increased US 2017/18 carryout by 15 million bu, purely as a consequence of a one for one increase in opening stocks. We will have to wait for the July 30 Acreage and Grain Stocks Report and then the August WASDE before making any formal judgement. Suffice to say, the US corn crop still has the potential to please or otherwise, and this will most likely be as a result of weather in the remainder of June and July (and August for soybeans).

Sticking with grain, wheat prices have also eased, but not to the same extent as corn. There are, however, somewhat different circumstances surrounding global wheat crops when compared with corn. The US high protein spring wheat crop was rated 41% good/excellent, down 4% week on week and way behind last year's 76% as well as the longer-term averages. Recall also that the USDA's latest forecast of harvested acres for 2017/18 is more than 12% behind last year. In addition, looking towards Europe, Black Sea and Russia, heat and dryness have taken a toll on potential output. The latest estimate for the French soft wheat crop, by Stratégie Grains, has seen yield decrease from 7.15 mt/ha to 6.88, although this is a significant improvement on last year's 5.38 mt/ha. Acres are also forecast a shade down, and overall output at 35.63 million mt is down just over a million and a half, yet still above last year's 27.94 million mt.



As a consequence we have seen Dec '17 MATIF wheat futures peak at €uro 183/mt, up from a low of €uro 169.5 in early June, although prices have eased back closer to €uro 177/mt in the latter half of this week. London wheat futures (Nov '17) have displayed a similar uptick climbing steadily since late March's low of £137/mt to a high of £149/mt almost without a break. The weakness of £Stg has undoubtedly contributed to stronger

UK wheat prices, helping to combat growing exports, although latest information suggests tat the UK will be a net importer of wheat in 2016/17.

To conclude the crops roundup, soybeans have fared somewhat better as a crop with the proportion rated good/excellent standing at 67%, up a point week on week, behind last years 73%, but more significantly ahead of the longer term averages. In addition, we should keep in mind the remarkable ability of the soybean plant to withstand adverse conditions and weather stresses much better than either corn or wheat crops, and come back with decent yields. It seems that early poor conditions, which have given way to the current improved position, have left output prospects better than originally anticipated.

Where does this leave us? Clearly we are in the weather market season and both crops and markets will continue to react accordingly when the forecasts change. It remains our view at this time that there remains more price risk to the upside than to the down.