

Markets have once again proved somewhat frustrating as clear direction and trend remains largely absent. Chicago corn and wheat futures have chopped back and forth with little in the way of fresh news, whilst soybeans picked up as we reached the tail end of the week.

Soybean prices saw a turn higher on expectation that China would return to the market as their traders returned from a week long holiday as well as yield reports that were reported as somewhat less than impressive. As prices rose, the 50 and 100 day moving averages were breached and this triggered technical buying on Thursday keeping futures prices firm.

In stark contrast we have seen spot US cash basis prices for corn and soybeans falling to levels not seen in many years as river water levels remain low and freight rates soar. However, this appears to be a short term issue as forward freight levels are significantly cheaper and consequently it would permit basis prices to rise to more normal levels.

Egypt once again purchased Russian wheat, this time 180,000 mt at \$213.38/mt basis C&F, which is around \$1 above the last tender. Russia's AgMin put their wheat crop at 81.4 million mt, a shade over the USDA's latest figure of 81 million. Aside from this, there is little additional, market moving, news input.

In the UK, DEFRA provisionally pegged the UK wheat crop at 15.163 million mt, some 5% up on last year despite reduced plantings, which indicates improved yields. The impact of lower opening stock levels will be offset by the increase although overall availability remains below 2016/17 unless we see higher import volumes.

DEFRA UK Wheat

<i>million mt</i>	2016/17	2017/18
Opening stock	2.787	1.766
Production	14.352	15.163
Total availability	17.139	16.929

Barley production saw a greater increase, provisionally 11%, to 7.36 million mt on the back of increased acres although the weather delayed harvest leaves some uncertainty over the final figure. The additional output will, to some degree, assist with the slight reduction in wheat availability.

Going forward, the key to price direction lies predominantly with US corn and soybean yield data. Early numbers were less depressing than originally thought although later planted crops may not follow the impressive start as drier conditions and lack of finishing rains could well see lower yield. The national picture will become clearer as harvest progresses. The second factor to watch is S American conditions; there remains an on-going dryness in Brazil's central corn growing areas and too much rain across the southern first crop area and into Argentina. This is clearly less than ideal in a world where we have become accustomed to close to ideal growing conditions in the last few years. Perhaps this will provide us with something of a reality check!

In summary, we stick to our limited downside ideas and await US yield data to confirm or deny our upside potential views, whilst at the same time closely watching for developments in S America.