

Well, it now seems that the US/N Kore summit is off! President Trump cancelled the summit on Thursday in a letter addressed to Kim Jong Un, citing recent hostile comments from top N Korean officials and concern over Pyongyang's commitment to giving up its nuclear weapons. Trump said it would be "inappropriate" to have the summit given his worries. The final straw, US officials said, was a statement Thursday from North Korea's Foreign Ministry calling US Vice President Mike Pence a "political dummy" and hinting that Pyongyang was ready for a "nuclear showdown" should diplomacy fail. However, Kim Jong Un is still willing to meet Donald Trump "at any time," despite the US President's abrupt cancellation of what would have been a historic summit between the two leaders, scheduled for June 12. Kim Kye Gwan, a top official at North Korea's Foreign Ministry, said Trump's decision to cancel the talks runs counter to the global community's wishes for peace on the Korean Peninsula. Chicago corn futures fell four cents per bushel on the news, and potential for further trade disruption.

That said, front month Chicago corn futures reached levels not seen since the end of July last year and new crop December futures reached new contract highs. The run up in prices has been well documented, but in summary, adverse S American weather, strong US export volumes, questions over US plantings and weather as well as Black Sea dryness concerns have all contributed to firmer pricing. Underpinning developing news is the prospect of shrinking global stocks featured on the last USDA crop report lending long term bullish support to the market. Current forecasts suggest that US dryness will persist and that soil moisture levels will continue to decline in Brazil, Russia and Ukraine, and E Europe may soon follow that trend. Our view is that it will not take much of an increase in weather concern level to push corn prices higher still and that we will need to see more certainty over US yield. It is not unreasonable (in our view) to suggest that only a new US record yield will see the corn price trend turn lower. New short positions are likely limited to growers as the current environment breeds a 'buying dips' cheekiness.

The wheat position is similarly supportive with spot Chicago futures also back at last July's levels. MATIF wheat prices are similarly higher as are feed grade futures in London. Clearly, we are seeing weather issues developing; forecasts for all Black Sea grains remain warm and dry across W Russia and Ukraine and, conversely, cold and wet across the Russian spring wheat area. Russia is reported to have only seeded 50% of its spring crop, which is now getting late and the next two weeks are forecast to remain similarly cold and wet with frosts evident in the last few days. Elsewhere, Canadian Prairies look hot and dry and it is reported that germination is being impacted, adversely. Current forecasts predict showers but not sufficient precipitation to combat soil moisture losses from evaporation. Australia, in particular in the east, remains severely drought impacted and looks to stay that way in the next fortnight with only limited showers in the southeast. Global wheat weather is not helpful and is supporting prices, currently and in the short-term it is best described as threatening. Of all these issues, the threat to winter wheat from the Black Sea carries the most weight and it would not be a surprise to see the European wheat market continue to rally until we see some resolution there.

In soybeans, November Chicago futures came close to matching April highs although stopped just short. The trucker's strike in Brazil appears to be gaining momentum, although we have seen this in previous years and the crop does eventually get moved. How relevant the disruption is remains a question mark, but our thoughts are that it is just that, a disruption and not a major deal at this time. The Argentine harvest is estimated to have reached 80% complete, and we will be watching their Government moves on soybean export taxes with interest. There is an expectation that China will return as a sizeable buyer of US ag products as a result of direction from the Chinese government to purchase more US commodities, the latest outcome of the US/China trade dispute. This is focused on soybeans, creating some bullish sentiment and raising fund interest once again.

Overall, it is predominantly weather that has gripped the headlines and impacting markets although the political playing field is far from receding into the background. We expect supply stories over the next several months to take center stage impacting markets as demand stories will take longer to play out. Our preferred "trade from the long side" appears to remain valid once again this week.