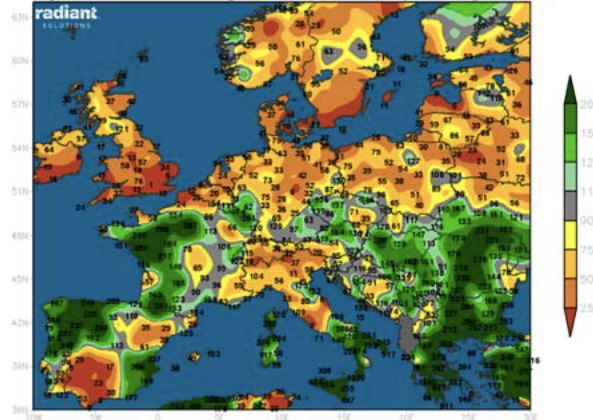


Another week is fast approaching a close and in the UK at least we have seen temperatures reaching multi-year highs if not outright record levels. Alongside heat we have also seen a marked absence of rainfall, which is seeing domestic grass browning off fast and farmed land and crops also displaying signs of stress across much of the country. This is not confined to the UK, northern Europe, southern Russia and Black Sea regions are also warm and dry, and this continues to raise questions over both crop yields and output. In marked contrast we continue to see US crops appearing to flourish although some are starting to question whether excessive heat will materialise in July and add some stress to the corn crop.

Europe - % of Normal Precipitation for Last 30 Days Ending June 28, 2018



Regardless, we have not seen markets react as we might have expected, and certainly we believe that in previous years we would be seeing a push to higher price levels. The on-going US/China trade dispute is the key driver holding prices at such low levels, and until there is more certainty over what direction the tariff debacle will take it is difficult, if not impossible, to make any prediction or infuse confidence into markets.

As a measure of how the disagreement is progressing we saw Chinese soybean stocks set a record level for the fourth consecutive week as their buyers continue to stockpile ahead of any tax imposition, which could well hike prices on as much as a third of their supply to unacceptable levels. Stock levels hit 8.78 million mt last week, the fourth weekly gain, and an increase from last year's 6.92 million mt according to CNGOIC (China National Grain and Oil Information Centre) this week. Despite rising stock levels, crush has also grown with the latest figure reported to be 1.79 million mt although vessel arrivals are more than keeping pace – for now. A simple “back of the envelope” calculation shows that current stock levels equate to around five weeks at current crush rates.

By any measure it is our view that current agri commodity pricing across corn, wheat and soybeans represents extremely good value at this time and if it were not for international trade disputes we would be looking at price levels somewhat higher than is currently the case. It feels as if the Trump administration is prepared to tough this one out with discussions about US farmer compensation now under way. We struggle to see from what quarter any respite will come.

Friday sees the publication of the latest US stocks and acreage reports, scheduled for release at 5pm (UK time). The market appears reluctant to do much ahead of the release despite an expectation that there will be limited price moving news. Corn and soybean residual volumes when compared with the USDA's annual forecast will probably be the most noteworthy item. We will have to await publication to check this out.

Today marks the end of the week, month, quarter and the herald of a shortened week in the US (4 July is Independence Day) as well as report day, little wonder that enthusiasm appears at a low ebb. Our view on the markets is somewhat jaded by the nature of the all dominating trade war and its potential to overshadow the fundamentals. Our view is to stand aside until more concrete news and evidence to justify apposition is available.

We would take this opportunity to wish our American cousins, wherever they may be, a happy Independence Day.