

We come to the close of another week in which we have seen little in the way of a change in bearish momentum that flies in the face of the broader global fundamentals. The push lower has been driven, in our view, by non-traditional factors and funds have been pressed out of their net long positions, particularly corn and soybeans, and have built a net short position, which is a rare situation at this stage in the season. If our records are correct, it is only 2010 in which funds held a net short in soybeans and 2013 when they were net short corn. Given this detail and so much of the growing season ahead of us, it is our contention that we are close to a low in market prices right now.

This week's news is largely dominated by ongoing international trade issues that show no sign of abating, and the other topical matter is the latest WASDE report. Given our inability to truly comprehend and forecast what will happen in relation to international trade disputes we will limit our commentary to yesterday's WASDE release.

The soybean data was most anticipated in light of the US/Chinese trade tensions and the collapse in bean prices, and some direction from the USDA was awaited. May and June saw record export volumes, which unsurprisingly saw a 20 million bu increase in overall old crop exports together with stronger export and domestic soybean meal demand of 15 million bu bean usage and a slightly larger residual bean figure saw old crop end stocks lower. New crop figures were perhaps more relevant to the trade and the 30 million bu increase in output was no surprise, neither was the 250 million bu cut in new crop bean exports. An additional 45 million bu increase in crush demand left new crop ending stocks 195 million bu higher. Other highlights from the report attributed to the trade dispute include forecasts for new crop Chinese imports down 8 million mt to 95 million, China crush was lowered by 5 million mt, SA new crop production 3.5 million mt, and global carryout was raised 11.3 million mt. All said and done, the changes were reasonable for an outlook assuming trade conditions remain the same.

The data release was viewed as bullish corn and market anticipation was that we would see a cut in corn exports given the much-mentioned trade disputes. However, in a move we see as a surprise, old crop exports were increased 100 million bu and ethanol crush demand by a further 25 million. A drop in feed and residual of 50 million bu left old crop end stocks 75 million bu lower. New crop end stocks were estimated a shade down month on month at 1.552 billion bu, which is some 475 million below the current season figure. The August WASDE report will feature yield revisions with the statistical arm of the Department conducting extensive field surveys and farmer interviews. Current market expectations are for above trendline yields.

US 2018/19 wheat output was above expectations at 1,881 million bu, a 54 million month on month increase and 140 million above the prior year. US export projections were increased and end stocks saw a 40 million bu month on month increase. Globally, the wheat crop was dropped close to 8.5 million to 736.3 million mt, 21.7 million below last year and the lowest in four years. Russia and Ukraine saw 2.5 million cut from their output whilst the EU figure was slashed 4.4 million. Strong international demand is

forecast to result in a significant (18.4 million mt) drop in major exporter's stocks, leaving them at their lowest levels in six years.

We remain concerned that global trade is suffering from current disputes that seem to be escalating rather than moving towards resolution. We know that WTO resolution processes are infinitesimally slow at best, and as such we hold little hope for any short term progress unless warring parties decide it is in their best interests to make meaningful inroads to scale back their individual stances. However, the WASE report gives us some hope that we have perhaps seen the full price impact, or close to the full impact, already reflected in current price levels. US crop ratings remain elevated and strong and it was interesting to note that corn pollination is taking place with favourable conditions in place; one hurdle overcome. We now await July and August heat and precipitation to see how both corn and beans continue their development. EU and Russia/Black Sea harvests are anticipated under some level of concern over the long standing dry conditions and quite what the overall extent of losses will be. In a related issue, the volume of available winter forage (silage and hay, as well as fodder straw) is also of concern. We are currently of the opinion that the forthcoming winter season will not see historically cheap feed costs despite low international corn and soybean prices.