

After a number of weeks pontificating on whether, or not, Russian wheat export pace is to continue, we have at last seen some hard evidence that a slowdown is now in place. According to SovEcon, November saw a slow down and December is forecast to see a further reduction in pace. As anticipated, supplies close to ports have been exhausted and the onset of winter weather conditions is disrupting grain transport which, together with the smaller year on year grain crop, is causing the export pace to (finally) ease back. 2017/18 saw a record wheat export volume of 40.4 million mt, and the current year forecast for July to December volumes is put some 10% above last year. However, based upon the smaller total crop and the slow down in exports experienced in the last couple of months, it is expected that the full year total will fall below that of 2017/18, indeed the Russian Ag Ministry estimated the full year at 35 million mt.

This news has impacted global markets with cash prices tightening, and it should not be forgotten that Russian prices are normally among the world's lowest. The situation is offering, not only support, but also hope to other major exporters (USA) for additional trade to come their way in coming months.

Sticking with wheat related issues for now, the UK's DEFRA has this week estimated the domestic crop lower than previously at 13.953 million mt due in large part to lower yield. Whilst not a significant drop, it is still 133,000 mt below the October initial estimate, and confirms the crop to be the lowest since 2013. What was apparent from the figures was the marked regional differences in output with Scotland, E England, Yorkshire, Humber and E Midlands all below average. The impact of lower output has been mitigated to some extent by the drop in anticipated demand from the bioethanol sector. The Vivergo Fuels plant announced closure in September this year with the loss of demand of over a million mt of domestically produced wheat. The Ensus plant, which has suffered a run of "temporary" shutdowns, announced another "pause" in production effective at the end of November with no dates given for resumption of work. The plant, when fully operational, was also forecast to consume over a million mt of wheat. Overall though this does not point towards a significant surplus, as prices would reflect.

Egypt's GASC has made another wheat purchase, this time for February, with the price of the 120,000 mt split between Ukraine and Romania reported at \$263.90/mt basis C&F, which is the highest since early 2015 and up some \$5.60/mt from just a week ago. The news has added support into world wheat markets as traders reflected upon tightening global supplies as well as the specific Russian position mentioned previously.

Away from wheat, soybean markets have eased as US/China's previous buoyancy loses headline status and enthusiasm. March Chicago soybean futures closed a previously open chart gap from earlier in the month and it feels as if the political scene will continue to dominate the oilseed for the foreseeable future. Corn markets struggled in the face of long liquidation as traders tired of waiting for potential Chinese buying.

Our views remain pretty consistent with wheat as our preferred product in the face of tight and tightening stocks and close to record low stock to use ratios in major exporting countries. We struggle to see a scenario in which price drops of significance, in wheat, could be maintained if ever they were to materialise.

We would like to wish all our readers a very happy and safe festive season and a prosperous New Year. Our next report is scheduled for release on Friday 4 January 2019.