

It is tempting to (slightly tongue in cheek) write, "Please refer to our comments of last week." It seems that little, if anything, material has changed over the course of the last seven days since our last update. Of course, there are some newsworthy issues, but as far as market moving issues are concerned, there is scant information.

From the "scant information" list we would highlight that the US Congress has passed a bipartisan agreement, which prevents the Government shutting down, and importantly, President Trump has agreed to sign it. The bill provides \$1.375 billion for his border wall, less than the requested \$5.7 billion, and it is reported that the President is planning to go ahead with his intention to declare a national emergency to get the balance of funding. Regardless of the rights or wrongs of the "wall", the important issue from the market's perspective is that a further shutdown, and all that goes with it in terms of lack of data and reporting, will be averted. This has to be a positive step and markets and traders will be able to return to more objective analysis with market direction potentially becoming similarly more objective.

Closer to home and our second "scant" point is (unsurprisingly) on the subject of Brexit; angry Conservative loyalists turned on the party's Brexiteers after Prime Minister May suffered another humiliating Parliamentary defeat on Thursday. The pro-Brexit European Research Group's collective decision to abstain from the vote sparked yet more turmoil for the party who lost by 45 votes, a narrow but important margin. Some ministers insisted the result was largely symbolic but it further underlined the depth of the divisions inside the party. The defeat had been largely unexpected with most attention focused on the next set of votes due on February 27. That vote is expected to see a concerted cross-party push to prevent a no-deal break. Despite her loss on Thursday, Downing Street insists the Prime Minister will continue with her negotiating strategy with ministers dismissing Thursday's vote as merely a "hiccup". Clearly the road towards March 29 remains not only twisting but also increasingly bumpy.

In a return to more traditional subject matter for our commentary, it is interesting to see new crop, Nov '19, UK feed grade wheat futures reflecting a substantial (almost £20) discount to the old crop contract, Jul '19. Anticipation of a large global wheat crop in the 2019/20 season is the dominant driver of the discount. New crop N Hemisphere weather has been generally favourable and cold weather in key US winter wheat regions appears to be dissipating. Clearly, we are a long way from harvest and there are no certainties in life but, for now, the market is reflecting the more positive outlook. European and Black Sea wheat growing regions are also receiving more favourable weather conditions, which is adding to sentiment.

Direction for both old and new crop prices will depend on a number of factors as we move towards the end of the current season. One of the key factors will be the situation regarding end stocks as the season draws to a close. For the current season stocks-to-use ratio of major wheat exporters, at 14.7%, is the lowest since 2013-14. Tightness in the old crop wheat market this season should not come as a surprise. However, that low stocks

levels mean that a large level of production will be required to return stocks to “normal” levels, which may limit some of the building bearishness in old and new crop pricing.

Interestingly, Russian milling wheat price levels dipped in an effort to remain competitive in a move that surprised many, including us, given their supposedly tight supply situation. Prices hit their lowest in a month as exporters battled global competition and the Ruble also hit monthly lows. Markets continue to turn to Russia, the world’s largest exporter, and Russian prices as the key barometer of direction.

US corn stocks/use is resting at its lowest level in five years. The market needs to ensure a larger seeded area to guarantee the 2019 crop produces an adequate supply. The USDA estimated 2018/19 total US corn demand at 14,865 million bu, which is 445 million above production. Various estimates for 2019/20 US corn stand as high as 15 billion bu, which means that to prevent a further decline in US corn stocks or the stocks/use ratio, the US needs seed an additional 2.5 million seeded acres. With US farmers not getting much seedbed preparation completed last autumn, the pressure is on for early fieldwork/seeding. Watch this space!

In summary, a week with little new information from a market moving perspective, has left us with plenty to write about! We are at a pivotal point as far as forward pricing is concerned, and it will be vital to keep a very close eye on key drivers in the coming weeks and months.