Mid-summer day has arrived although it does not quite feel as if summer knows when to put in an appearance! Heavy rains and flooding in recent days in the UK have given way to conditions that are un-summerlike although it is probably fair to suggest that crop progress remains undaunted. “Rain makes grain”, as the saying goes, and from a UK perspective there are no suggestions that this is anything but true although it should be noted that we remain some way off harvest right now.

The same cannot be said from the US farmer’s perspective; late planting and all that goes with it remains an issue, as yet unanswered. Markets have vacillated somewhat this week with Monday making recent price “tops”, which are being called by some as potentially lasting. From our viewpoint, we are not fully on-board with this view. Markets have pushed higher, rightly so, and this move up was certainly due; fund short positions and planting delays being two justifications. The size and speed of the correction higher left markets overbought and in need of some “pause for breath” and correction lower. In addition, we are still awaiting answers to all the big questions over acres, Prevent Plant enrolment, early crop development, summer weather conditions, resolution to the US/China trade dispute etc. etc. All but the latter will have a somewhat clearer picture in the next four to six weeks and markets will have a better idea of the longer-term outlook, and will be able to trade with more confidence. Until that time, we see prices in a choppy, back and forth and somewhat nervous pattern. Another old saying that “the bull needs to be fed”, appears to be holding water, lack of fresh bullish input has limited price upside – for now!

To be more specific, soybeans made gains of $1.10/bu (July futures) since the lows of early May, which is not to be sneezed at, yet we are struggling to adopt a bullish stance due to the size of global stockpiles and the fact that the US crop is far from written off. We all know from history that the soybean plant is remarkable in its ability to cope with adversity, and it is probably fair to suggest that we are not looking at adversity from the US soybean farmer’s viewpoint just yet. There is sufficient time for US growing conditions to improve and we would not write off prospects for trend yield at this time. However, there is ongoing concern that the bumper potential we have seen the last few years is off the table from a lack of early planting, especially in Illinois.

US corn prices have eased back as weather conditions made a turn for the better and profit taking eased the upward price pressure. There remains a degree (quite high degree) of uncertainty over final corn acres, harvested acres to be more specific, as well as yield and overall output but current weather forecasts look to be more supportive of the developing crop than was the case just a few short weeks ago. News that there is some evidence of demand rationing in the form of switching to feeding wheat in place of corn has helped to ease some supply concerns. However, we should not ignore the overall bigger picture that US corn potentially remains a supply driven bull market, which has witnessed gains of $1.20/bu. Such moves almost demand a “pause for breath”, which could be what we are seeing at this time. After next week’s Acreage Report from the USDA, focus is likely to shift to weather again.

The wheat market saw Egypt's GASC step into the tender business once again with 290,000 mt of Russian and Romanian grain secured at an average price reported to be $197.40/mt basis fob. The price is $6.50 lower than at the same time last year. Despite the general fundamental position in wheat being one of crops developing well and no real stock or supply issues around the world, the fortunes of wheat will remain quite closely tied to those of corn, certainly until more is known of the US corn crop, and it would be wrong to ignore this.

Our position therefore remains that soybeans and oilseeds in general appear to be overvalued right now, corn and wheat have the potential to make higher prices although wheat will be the follower rather than the leader.