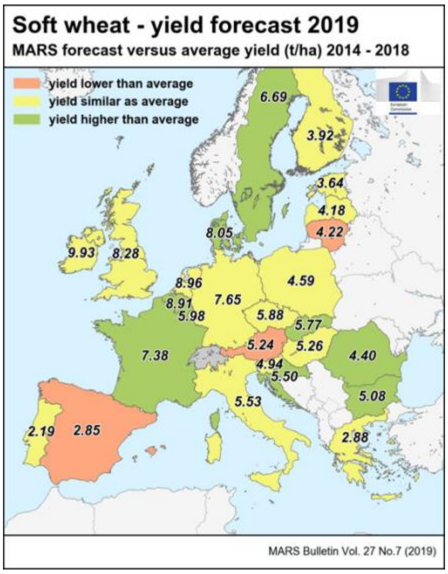
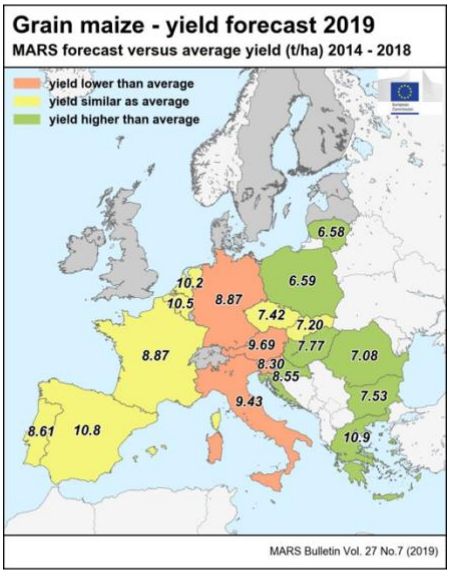
News this week is somewhat scant with headlines being grabbed (at least here in the UK) by record breaking temperatures across not only the UK but much of continental Europe as well. Whilst railway lines buckle in the heat and overhead power cables sag sufficiently to cause fires, harvest progress has been able to speed up and haymaking is rapid to say the least. Heavy rain and thunder storms are a feature of the current weather pattern, temporarily disrupting rather than devastating progress in the fields. Current conditions would appear to be having minimal impact upon cereal crops, which seem to have largely escaped heat damage due to the level of maturity at the time temperatures started rising. The July MARS (EU's Monitoring Agricultural ResourceS unit) report forecast total EU soft wheat output at 6.04 mt/ha compared with 5.62 in 2018.



The biggest possible downside to the heatwave is the impact upon the French maize crop, which has had some questioning the crop's progress under such extreme temperatures. The latest MARS report advised that there was "minimal impact on maize crops from the extreme heatwave" and that crop prospects "remain relatively good" with yield forecasts only dropping marginally with estimated levels just 3.4% below the five-year average at 8.08 mt/ha compared with 2018's 8.35 mt/ha. They added that E European crops were anticipated to hold above the five-year average with Romania standing out with a 37% increase on five-year average yield. The surprise was that Ukraine's yield was also forecast higher although below last year's level.



Away from Europe, we saw Nov '19 soybean futures trade below $9.00/bu as weekly export and sales data remained lacklustre and weather forecasts added rain to the longer-term outlook. Export pace remains behind that needed to reach the USDA's latest forecast, and outstanding old crop sales volumes at some 9 million mt remain record large, suggesting that volumes could either be rolled into next crop year or ultimately cancelled.

US corn news follows a similar pattern with poor export demand and weather forecasts offering some hope in the form of cool and wet outlook which will ease some of the crop development fears. Export sales were below last week at a mere 5 million bu, well off the

USDA's required pace and there is little sign of a change in fortune anytime soon as Argentine offers remain extremely competitive and both Brazil and Black Sea offers continue to represent better value than US. Our view is that we will ultimately see an upward revision in US old crop stock levels, which also helps to de-pressure US new crop supplies.

Wheat news is limited, the main headline being suggestions that the Russian crop will likely be under that of last year with some estimates below the USDA's current 74.2 million mt. 72 million mt appears to be a number many are comfortable with at this time, and this is just under last year's output. Ukraine is expected to make up for some of this shortfall leaving export potential from this key global region broadly similar to last year. Given current sluggish global trade activity, this "headline news" is therefore of limited significance.

Politically, we have seen some updates with the UK getting a new Prime Minister, Boris Johnson; the key task for him remains that of negotiating Brexit, which seems to us an all but impossible one. Johnson's commitment to leave the EU "deal or no deal" on 31 October is divisive to say the least. EU officials are standing firm on their stance that no further negotiation is possible and the Irish border backstop issue remains an insoluble issue. The withdrawal deadline is now less than 100 days away, and with Parliaments in the UK and Europe about to take a summer recess it is tough to see how either side can resolve their differences.

US and Chinese trade negotiators are due to resume discussions for the first time since May, when talks collapsed, as the US government pledged support to hard hit farmers with an aid package reported to total $16 billion. Aid in the region of $15 to $150 per acre is expected to start in mid-August in a move to make up for lower farm prices and lost sales. The move to provide support is not universally popular as Democrats were critical, saying farmers needed fair trade instead of a bailout.

We continue to await further US crop development, N Hemisphere harvest and weather updates before changing our stance.