It seems that the focus of markets is rapidly turning to weather as N Hemisphere crops establish and move closer towards harvest. Indeed, the US wheat crop was 15% harvested by week ending 14 June, right on the five-year average and with the latest weather forecast favourable for the next ten days it seems likely that progress will be swift. Wheat condition in France is at its lowest since 2011 with 56% of the crop rated good/excellent a couple of weeks ago. The outlook for harvest 2020 is beginning to recede and coupled with non-EU export volumes for the current year at an anticipated record of 13.45 million mt leaving reduced stocks, the available supplies for 2020/21 are looking somewhat tighter. In Ukraine we have been watching soils continue to dry as harvest approaches, the economy ministry released their latest production forecast at 23 million mt, which is some 5.3 million below last year. The upshot is that we are looking at a N Hemisphere exportable surplus tonnage some 8 million mt below last season, which is supportive if nothing else.

The seasonal price trend for wheat generally trends lower into and just beyond harvest, a trend we are seeing at present, and with the above points in mind it would seem that we may (just) see an earlier "bottom" than is the usual case. The Chicago premium for wheat over corn has eroded quite sharply, making it somewhat better value, which could add support to this theory. Our final point would be the oversold nature of the wheat markets, which could introduce nervousness and potential to trigger a spike higher if bullish news were to materialise.

That said, we would reiterate last week's point that the latest USDA report showed record global stocks of 316 million mt. However, the argument we are attempting to put forward (somewhat awkwardly) is not one of absolute supply, rather one of price direction from current levels, which were established in the face of such stock levels.

Weather is also playing its part in the corn story, we are looking at a massive fund net short position, which carries all the risks that we have previously described, and the funds seem content to await verification of such favourable weather conditions, and reap their rewards with lower prices. Cheap and plentiful S American supplies weigh on the market and leave US export volumes pressured to say the least. It is reported that the Argentine corn harvest is progressing at a pace ahead of last year and export offers are substantially cheaper than US through to autumn adding to pressures. The picture remains one of oversupply in the face of a non-exciting demand picture.

Soy markets seem to lack major news input and despite the technicality of the 100-day moving average being breached this week there has been minimal follow through, which would normally not be the case. China's Phase One trade deal agreement is expected to be fulfilled, but the pace of trade appears to be falling somewhat short of what is required, and this is not inspiring confidence to the marketplace. Weather conditions for new-crop US soybeans are favourable, and this is also adding to upside limitation.

Our conclusion is that wheat could well be forming a season low although we do not see that this will be particularly rapid, corn has a heavy feeling to it and as was the case last week, we would sell any rallies of substance. Soybean markets, if weather continues favourable, look as if they will struggle to move much higher.