We return after the US Independence Day holiday shortened week and an intervening USDA report in which it was announced that 2020 US seeded area declined an astonishing 7.6 million acres from March intentions. Whilst this is only a small percentage of overall planted area (approximately 1%), it comes as a surprise given expectations and weather in the planting season. It would be normal to see additional acres in close to ideal planting conditions rather than the reverse. We would not be in the least surprised if future reports add back some of the “lost” acres but clearly, we will have to wait and see if that becomes a reality.

The detail, now “ancient” history, really points towards corn acres which were estimated at 92 million, a 5 million acre decline, the biggest cut in acres from intentions and well outside the majority of market expectations. Could it be that the Prevent Plant option was the better bet this year? We will have to wait until August to get some indication as to whether this is the case or not.

Whilst the acreage numbers provided something of a bullish surprise, the same cannot be said of the stock figures, particularly corn. The report put corn stocks at 5.224 billion bu compared with the trade’s estimate of 4.95 billion, and 22 million bu up on last year. Wheat was also higher than expectations. Soybean stocks came in a bit lower than the average guess but within the range.

As previously said, the stocks report is now history, and we await July’s WASDE report scheduled for release later today. Doubtless we will see some adjustments made on account of the stocks and seedings numbers, although our calculations would indicate that there is little, if any, chance of shortages in the near future. At this point, the bulk of the changes made in this report are likely already factored into the market.

On a more up to date note, it is interesting to see than the funds continue to hold onto a large portion of their net short in corn despite some weather premium creeping in as weather, particularly in the Midwest, is forecast to become dry and hot although that is by no means a given at this time. If weather conditions actually turn out benign rather than stressful to the corn crop we could easily see weather premium removed and fund shorts increasing as prices come down.

Soybean markets have also reflected some weather concerns and have turned somewhat and looking forward the main driver (politics aside) will be weather, weather and more weather. Wheat markets remain firmer as Russian and Black Sea crops in particular continue to decline. Early Russian yields disappoint although it will be important to see how the main volumes come off the field before making too hasty a judgement. That said, interior prices are rising as a reflection of the early numbers and consumers push their cover levels both higher and further out. Despite the move higher, Russian wheat remains the world’s cheapest.

Whilst there is mixed news, bullish acres, bearish stocks, weather concerns, potential yield downgrades, we return to the “big picture” that continues to display more than adequate global stocks of major agri-commodities, Covid-19 related demand destruction and a generally non-bullish scenario. What we will likely see in the coming weeks is prices reacting (from current levels) to weather related news and northern hemisphere crop yields as and when available.

Our views are generally bearish corn, wheat appears to have formed an early season “bottom”, and soybeans remain extremely dependent upon rainfall in the coming few weeks.