

First of all, we should refer to Tuesday's WASDE release in which we saw 2019/20 corn and soybean data totally untouched. 2020/21 soybean yield was reduced from October's 51.9 bushels/acre to 50.7, which left production 98 million bu lower at 4,170 million. With crush and exports unchanged this dropped into a 100 million bu reduction in end stocks. Brazilian soybean production was left unchanged at 133 million mt whilst Argentine output was cut 2.5 million to 51 million mt. Chinese imports were left at 100 million mt after 2019/20 imports were increased 1.13 million to 98.53 million mt.

Corn yield was cut 2.6 bushels/acre to 175.8 leaving production 215 million bu lower at 14,507 million and end stocks 465 million lower at 1,702 million bu. In addition, the USDA raised China corn imports to 13 million mt from their noticeably static 7 million which signifies a change in policy as previously imports were limited to announced TRQs.

Global end stocks saw cuts across the board with soybeans 2.2 million lower at 86.5 million mt, corn down a more substantial 9.1 million at 291.4 million mt and wheat 1.1 million lower at 320.4 million mt. Of note is the fact that wheat stock numbers represent a record level, and as such should put some sort of cap on prices. However, regional stock levels will doubtless create a "new normal" in terms of differentials, as an example we should see European prices increase to ration supplies and slow exports, which will pave the way for something of a change in trade flows.

More fundamentally, S American weather remains probably the biggest single factor determining ongoing soybean and corn price trends. Argentine and S Brazilian dryness, which has crop limiting potential, presents a more bullish scenario than has been the case for some while. Weather conditions in the remainder of 2020 and into January will be critical. Watching the developing La Niña pattern, reputedly the second strongest recorded, will be time well spent and S Hemisphere weather variation should be anticipated adding to market risk.

News of the US election result, a Biden victory, has left some concern over possible travel restrictions in an effort to stem the transmission of Covid-19. This could have the impact of reduced fuel demand and in turn corn crush for ethanol although it is too early to make that call right now. Regardless, corn markets eased into the end of the week as profits were booked and some risk was taken off the table. Offsetting this to some degree is the news that Argentine corn plantings at 31% (vs. 44% last year) will leave acreage reduced and therefore export availability similarly down and therefore paving the way for US exporters.

Soybean prices also appear to be easing into the weekend with supplies more plentiful, farmer selling very much more in evidence and similar risk-off and profit taking signals. However, support from global vegetable oil markets remains and oil share from crush becoming a more important factor.

News of a Russian export quota has not impacted markets as was previously feared. Export quotes and cash markets in Black Sea and EU have eased a touch and possibly, just possibly, we could be seeing something of a “top” at last.

Global stock markets took heart from news of an imminent Covid-19 vaccine and made strong gains, which has created a somewhat more positive sentiment. It is likely we will see further vaccine development news releases in the near future, and the odds are stacked in favour of one or more of these becoming truly effective in controlling the virus’ spread, helping markets move away from what has been an extremely destructive influence.

In conclusion we still have concern over soybean and corn prices, mainly due to S American weather and this needs to be watched closely. Chinese demand remains key, and the “will they – won’t they” question mark over ongoing corn purchasing will be key to what happens to prices going forward. Wheat, as previously suggested, appears to be much more of a follower of corn rather than relying upon its own fundamentals, which are much less bullish than corn, and shows the potential for a price “top” in our view.