We are fast approaching another month, quarter and year end, and for many they will not look back on 2020 as having been memorable for the right reasons. However, before getting too far ahead of ourselves we should turn back to yesterday's (Thursday) WASDE report, which generated little in the way of reaction when released. The numbers were, generally speaking, unexciting, which was what was the market had broadly anticipated. Probably the biggest area for inspection and analysis is S America and what their likely output of corn and soybeans will be. Acres and yield numbers will doubtless be the focus for many given the ongoing dry conditions, which are reported to be the driest September to December period in the last 40 years. Argentina is unquestionably worse than Brazil although central and northern areas remain drier than desired.

The report (surprisingly to us) left US soybean exports unchanged although the 2020/21 crush was increased by 15 million bu to a record level of 2.195 billion bu. The reason we display surprise at the export number is that current export commitments stand at close to 2 billion bu, around 87% of the USDA's full year estimate with only three months of the crop year gone! This surely leaves some room for upside even if the impending S American weather troubles fail to materialise, and if their crop is adversely impacted then we would expect a significant change by the USDA and prices should react accordingly. The USDA did cut Argentine soybean output by a million but left Brazil unchanged, as did Brazil's CONAB who commented that it is too early to be cutting output estimates. Our final comment on soybeans, is on US 2020/21 end stocks, which were reduced 15 million to 175 million bu, and we fear this is conservative given our earlier comments, and we see this as being pressured lower in the months ahead, which will leave the US very tight given the need for something like a 100 million bu pipeline requirement.

US corn numbers were unchanged as expected by the market although we see the balance sheet becoming pressured going forward as a consequence of the currently elevated export pace. The current pace could become increased should the Argentine dry weather continue or worsen, which would further pressure US supplies. Argentine corn output for 2020/21 was cut a million to 49 million mt and left Brazilian output unchanged at 110 million, which was against the CONAB 2.4 million mt cut, which left their estimate at 102.6 million. To be fair, the USDA did not have this information before making their estimates, but momentum is currently swinging towards a tighter supply scenario.

US wheat exports grew modestly and with a slight reduction in imports we saw the USDA end stocks shrink to 862 million bu, a 15 million reduction. More interesting is the world picture, which saw 2020/21 stocks fall 4 million mt to 316.5 million, the first such reduction in a long time mostly on increased domestic consumption in China, a quick replacement for corn feeding. The Russian crop grew half a million mt to 84 million whilst the Australian crop was increased by 1.5 to 30 million mt. However, it is probably the next move by Russia that will determine price direction; serious food price inflation is a big issue and the market is fearful of a move by the Russian Government to slow or even suspend exports at some time in the New Year in an effort to save supplies, which would have the impact of starving global trade of what is usually the most competitive source of supply. The telling time will likely be when snows melt and how the crop overwintered, which will give a better indication of new crop potential. This is an important watchpoint.

All in all, the report was pretty uninteresting in the data although, as we have tried to imply, it is perhaps what has not been done or indicated that is more important going forward. Clearly, demand patterns are stronger than were originally thought, and we have a number of weather “hotspots” that could well pressure coming supplies leaving balance sheets tighter. This is not yet, in our opinion, fully reflected in prices, and we continue to hold a bullish view on soybeans and corn, and it would not take too much for us to swing that way on wheat as well.