Last week we discussed the “corrective” move in prices seen in Chicago and asked the question, “was it a correction or a change in trend”, giving reasons why we believed it was the former. It seems, at this time, that our hypothesis holds water and that the move lower was corrective in nature. March ’21 Chicago corn futures have recovered all the losses, and some, making fresh contract highs although yesterday’s (Thursday’s) close was off the session highs. March ’21 soybeans have not seen the same recovery as corn, but have seen a dollar/bu gain from recent lows, and $14/bu seems to be providing some overhead resistance for now. March ’21 wheat saw some decent recovery although Thursday’s moves saw a small price gap filled to the downside and prices closed just off the session lows. EU wheat in both London and Paris have recovered from the lows with £5 and €10 gains.

“Where next?” We would point to the same issues that we highlighted last week and suggest that they have the same underlying influence and consequently we remain friendly. We would be very reluctant to be exposed to a short position until there is some convincing or material change in the underlying fundamental drivers.

S American weather issues remain, and even at an extremely early stage, we see the soybean harvest in Brazil’s Mato Grosso (a week ago) at 2% which compares with the average of 12%. It has been suggested that this delayed pace will continue throughout February, and consequently export sales commitments could well come under pressure due to lack of availability. This will place further pressure on US supplies as buyers look elsewhere, and could well see ship line-ups growing to significant levels.

The impact of soybean harvest delays in Brazil (assuming they continue) could well have a knock-on effect on safrinha corn planting despite the significant price incentive to get the crop into the ground. Plantings as of a week ago in Mato Grosso, the main safrinha corn producing state, were at just 1%, well below last year’s 10% and average 8% rate. If plantings remain at such a delayed rate we could well be looking at either reduced acres or less than optimal timing for the late crop, which will impact yield and output as well as timing of harvest. Our view on the situation is that we have a number of issues coming together, none of which fill us with joy! In an already tight, and tightening, market the picture we have painted is not what we want to see. Caution is the watchword.

Argentina’s BAGE cut their estimate of their soybean crop by 500,000 mt to 46 million mt, some 2 million below the USDA’s latest figure. On top of that there are numerous rumours circulating that Argentine soybean export taxes will rise to 40% and to 33% on meal and oil. S Brazil has seen heavy rains on already wet fields with more exceptionally wet conditions forecast in the coming week to ten days. Such conditions do not bode well for timely harvest or crop quality.

There is not much in the way of fresh wheat specific news aside from a suggestion that Argentina may follow Russia in increasing export taxes to ease domestic prices and combat rising food price inflation. There are also suggestions circulating that Russia may further increase their export taxes if domestic prices do not decline in coming weeks. Regardless, we are not convinced this will have a major impact as exports are effectively slowed at current levels of export tax. The pressure has now been placed largely upon EU shoulders to meet international demand with the US closely behind where freight allows. Prices look to remain pressured until N Hemisphere crops are better estimated, and indeed harvested.

Our advice remains to add to/extend forward cover on price dips and not be short until such time as we have a convincing argument to strongly suggest prices have formed a top.