

Without doubt this week's news headlines were made by the latest iteration of the USDA's WASDE report released on Tuesday. Interestingly, immediately prior to release, Chicago Mar'21 corn managed to set yet another contract high at \$5.70¾/bu whilst Mar '21 soybeans broke above \$14.00/bu. It seems that the market was not fully anticipating what was to follow later in the day.

In itself the report was relatively tame; 2020/21 US corn exports rose 50 million bu and soybean exports were increased by 20 million. In both instances these changes dropped directly into a like for like change (reduction) in final end stock estimates. Wheat figures were totally unchanged.

World 2020/21 corn production was forecast to grow marginally as was the case in soybeans, whilst wheat saw an 800,000 mt uplift. The impact upon global end stocks was a 2.7 million mt lift in corn, a close to one million mt reduction in soybean stocks and a larger, close to 9 million mt, reduction in global wheat stocks.

Brazilian and Argentine soybean and corn estimated output was unchanged month on month, which is perhaps the surprise that caught many but from an historic perspective we should recall that the USDA usually wait until March or April to make such changes based upon actual harvest data.

Chinese soybean import forecast was left unchanged at 100 million mt, note that their January load rate is 20% above the same time last year, which might give a clue to future USDA numbers. Chinese corn import numbers were forecast to grow 6.5 million mt to 24 million although US exports were only 50 million bu (1.3 million mt) higher. Some suggest that the USDA may well be waiting to see the corn actually ship before making significant alterations to their figures, but it does leave some questions and head scratching.

When all done and dusted, the report left the previously heavily overbought Chicago vulnerable to profit taking, and this is exactly what followed. A sell-off was the only likely outcome.

Our thoughts at this time are that there are a number of areas of concern that need to be ironed out before making a longer-term direction call. For now, the bull run appears to have run its course but that does not mean it will not or cannot resume, or, on the other hand, that the opposite is not true and that we have seen season highs. The issues to be watched include how US corn and soybean export volumes develop, S American weather and how much (and where) rain falls to assist Argentine crops or delay Brazilian harvest, how both Brazilian and Argentine corn and soybean yields develop to name but a few.

Ultimately it seems that we should look forward to a range-bound trading pattern until some of the above issues become clearer and direction can be re-established, up or down, once more.

Post-report it was interesting to note Brazil's CONAB failed to increase soybean production above 135 million mt as well as further US weekly export sales

exceeding trade expectations. These inputs have limited the market decline somewhat and traders are watching S America more closely than ever, recall that the Brazilian crop was planted late with a combination of dry and hot conditions impacting large areas of the crop. More recently, other areas have seen more rain than ideal, which is delaying harvest operations and potentially adversely impacting quality and yield. Actual harvest data is now needed to establish the facts and price direction.

Next week sees holidays in some key regions, US, Brazil and China, which will limit market activity to some degree. Our stance has moved from bullish to neutral awaiting fresh input but our inclination towards bullishness would not take much for it to be re-established.