Chicago corn and soybean markets continue to range trade (albeit towards the lower end of the range) whilst wheat continues to correct lower through the last week. The latest USDA report could best be described as a non-event, with no excitement leading to a degree of position liquidation and the consequent impact on prices. The (non) report was not unexpected as March reports rarely offer anything other than a benign set of data in advance of the Stocks and Seedings Report scheduled for release on March 31. It may be worth mentioning one (almost) stand out figure, which was the 1 million mt increase in the Brazilian soybean crop to 134 million. Otherwise, there was a ½ million mt decline in the Argentine crop to 47.5 million. There has been doubt shed on the Brazilian increase due to the rain induced harvest delays and potential for quality losses.

More recently, the concerns over S American weather have taken a small pause for breath as forecasts show some much-needed precipitation is scheduled for central Argentine later next week. It is hoped that this will stabilise the potential of crops, but we cannot help but continue our feeling that damage, and irreversible damage at that, has already been done. Clearly the forecast rain has to materialise and fall, meanwhile conditions continue dry until that time.

In Brazil it will be important to monitor weather closely, both rain and temperatures, and gauge what impact it is having on the safrinha corn crop. Bearing in mind the weather conditions when the crop was planted and the resultant delays, temperatures at crucial pollinating time will be critical to ultimate yield and output. Adding to this, the planting delays also increase the potential for the beginning of the dry season to develop while the second crop corn is finishing. Given the forecast yields given by both USDA and CONAB, which stand at record levels, weather has to play ball for the remainder of the growing season, and it is for that reason that we see our crop risk rating somewhat higher than many previous seasons.

CONAB's latest release this week saw a 3 million mt month on month increase in total corn output, which now stands at a record 108 million mt. High prices and increased acreage as well as record yield levels all combine to make up CONAB's figure. First crop corn output was reduced some 140,000 mt to 23.5 million mt, their lowest level since 1990, which places more emphasis on the safrinha crop this season. Planted safrinha corn area stands at a record 14.7 million ha, another month-on-month increase, and some 600,000 more than originally estimated in January. This is not surprising given elevated global prices in US$ terms and the impact in local currency, Reals, produces record domestic price levels and a massive incentive to get a big crop planted. The crop is now in the hands of the Weather Gods, which cannot be predicted with certainty at the best of times, but it is fair to say that this year so far has seen both abnormal weather as well as delays to plantings. For that reason, we would urge caution against relying upon the current record output prediction.

Away from S America, Egypt's GASC made another wheat tender, which saw significant Russian volume offered, something of a surprise maybe. However, it was Romania that secured the 360,000 mt tender at a reported price of $283/mt basis fob, which is an $11/mt reduction from the last tender in early February. Clearly, the wheat market is now focussing on new crop northern hemisphere weather conditions and production. It should not be forgotten that global demand remains strong, with potential to grow as consumption picks up in the post-Covid era and new crop European wheat is looked at as a replacement for short global corn stocks. Similarly, we should not lose sight of the uncertainty that Russia has heaped onto the market with its export tax position and all that goes with it. For these reasons we look at the current price "dip" as further opportunity to add to or extend cover.

If not already obvious from the above, we are still friendly to markets, more so now that prices have eased somewhat. In addition, starting this weekend, Chicago market position limits will be increased, which will permit funds and their managers to take on board increased risk. If they choose to take this risk, there could be an increase in buying, particularly on the current decline in prices, fuelling a push to higher levels. It has also been pointed out that the commodity to equity ratio stands at record low levels, which could see additional monies flow into the commodity space. Timing is again particularly good for this given the opportunity for increasing physical commodity demand growth as the world breaks free from the Covid-19 pandemic.