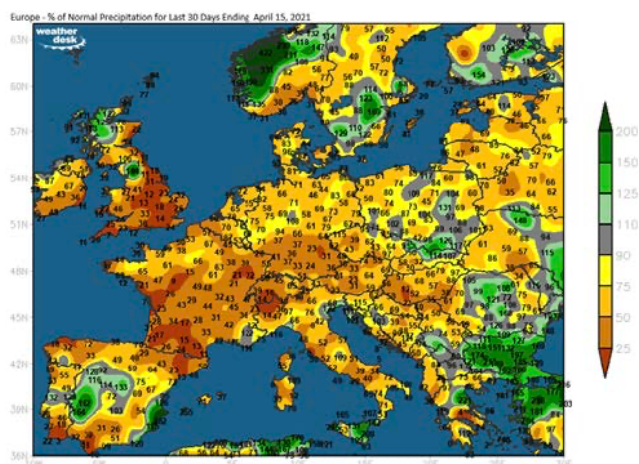


We come to the end of another week with new crop feed grain markets continuing to display firmness and trending higher whilst soybeans have traded sideways whilst maintaining their post-report gains.

We continue to have concerns over dry conditions across much of the EU and Ukraine, particularly eastern areas where soil moisture levels are becoming significantly below optimum and point to forthcoming crop stress and yield issues. Whilst the season is still early, there is little doubt that both plentiful and regular rainfall is now essential if the region is to provide its anticipated wheat volumes this season. However, at this time forecasts do not contain any immediate signs that meaningful precipitation is imminent, watch this closely. Pressure remains on output as a consequence of increased EU export volumes in an already tight season as well as Russia's export tax volume restrictions.



US corn prices continue to climb ever higher with May '21 Chicago futures touched \$6.00/bu before retreating somewhat. Cash supplies would appear to be in strong hands as cash basis remains firm. Clearly, old crop prices are seeing pressure and new crop, Dec '21 futures, are similarly strong amid the wider feed grain tightness with prices reaching \$5.17/bu yesterday. S American (Brazilian safrinha crop) supplies, which we believe to be shrinking rather than growing will continue to offer support to prices and should encourage an expansion of US acres. It would then be up to the weather to determine whether or not the crop performs sufficiently well to allow any significant stock rebuild, which would then offer some respite to the current price trend.

Argentina's BAGE has increased its corn output forecast by 1 million mt to 46 million, just below the USDA's 47 million amid an unusually slow harvest pace. It was reported this week that harvest had reached a mere 14% compared with 33% last season.

Soybeans, as mentioned, have held onto recent price gains although not moving significantly higher over the last two weeks. There is little question that US old crop supplies are tight, possibly below pipeline threshold giving need to an import programme. S American cash prices appear to be trending higher and most indicators suggest to us that there is an ongoing requirement for some degree of price rationing to emerge. US planting weather is now going to be a key driver for price outlook, and we are sure few will need to be reminded of the rapid pace that the US grower can adopt when conditions are favourable. It seems this season will be one where such a pace could well be required.

Clearly there remain a number of issues, which will determine prices going forward. Most significant are weather related, and cover most of the key global production regions. In addition to weather, we should also pay close attention to any changes in Russian export taxes, which would likely become a significant market influence should they materialise (not that there is any suggestion of such at this time). We see risks to the upside as more likely than downside at this time.