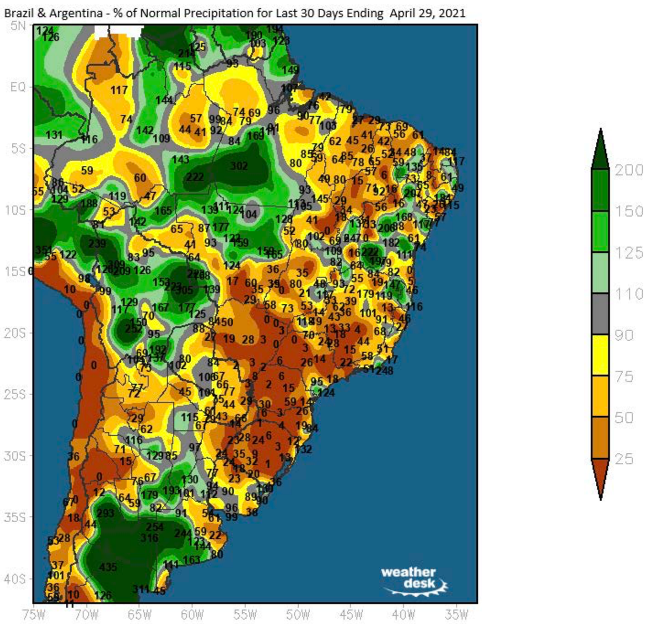
This week has been somewhat less tumultuous than last (thank goodness) with our key wheat, corn and soybean futures markets peaking on Tuesday before turning lower. It is probably true to say that all these contracts were overbought to a considerable degree and due for a correction but on this occasion, it was the fundamentals rather than the technicals that were the driver. We mentioned last week the input from short covering ahead of first notice day, and it seems that this has come to an end, easing the upward pressure, indeed reversing it as buying dried up. The short covering spree pushed trading volumes strongly higher as anticipated, and we are currently looking at sharply reduced open interest as a consequence.

Fundamentally we continue to see tight old crop US supplies in corn and soybeans, which will continue to keep the pressure on cash basis prices, and it is possible that we could see a repeat of May's first notice day shenanigans as we approach July first notice day.

Rumours of Brazilian soybean imports into the US will likely place some degree of a cap on price upside at this time, particularly if confirmed. Of note, ongoing dryness concerns continue to imply continued shrinkage of the Brazilian safrinha corn crop.



Our interest now turns towards US planting progress, and we believe corn plantings will be above 45% post-weekend with conditions conducive to germination and early development.

Globally we are hearing of feed usage switching more tonnage towards wheat as prices dictate better value and this will both ease corn supply pressure whilst adding to wheat demand. How that will pan out as far as prices going forward remains to be seen. Interestingly, Egypt's GASC cancelled its latest tender this week due to high prices, but whether they are able to significantly benefit from continued lower levels going forward remains to be seen.

The EU has this week cut their 2021 wheat crop estimate by 2.1 million mt to 124.8 million, which may well be some 7.2 million above last year but follows on top of an extremely tight old crop carryout position. The growing season will have to see some improvement in conditions, which continue dry, if the crop is to reach this volume. The northern hemisphere is now (as always) dependent on weather, particularly in the coming month of May.

Our view has changed to a more neutral stance having reached, and exceeded, our upside targets. However, we do feel that downside in prices has limitations and the market will not take much in the way of adverse weather news to trigger further price spikes. It seems that we are destined for a summer growing season with plenty of volatility.