

We return after a short break for the Easter holidays, which spanned four days here in Europe, and it would probably be fair to suggest that this has been one of the most eventful two (shortened) week periods in some time. The March 31 US Stocks and Seedings Reports injected some new life into markets, not from the perspective of stocks but from the angle of plantings. It is now old news and has been digested but for the record, stock numbers were pretty much neutral with wheat and soybeans larger than expectations but some 60 million bu lower in corn. Planting estimates for corn were 91.1 million acres, the same as 2020, but two million below average estimates, soybeans at 87.6 million acres were up 4.5 million year on year but also two million below estimates and wheat (all) was 46.4 million acres, up two million year on year.

Unsurprisingly, the markets reacted – significantly – with limit up moves seen in both corn and soybeans, and importantly, these pushes higher have largely been maintained since the release of the report. New crop corn closed last night (Thursday) at new contract highs; more than 40 cents higher than pre-report levels. New crop soybeans have similarly made new contract highs this week and closed last night some 88 cents higher than pre-report levels. Chicago wheat has not seen the same spectacular moves as corn and soybeans but did have a roller coaster ride on report day, Subsequent new crop price action has been steadily higher, with prices gapping higher yesterday to close 35 cents below this year's highs.

Away from the report, which is yesterday's news, we have this week seen Egypt's GASC once again tender for wheat supplies for August shipment, new crop. They received 19 offers, the cheapest at \$234/mt with an estimated export tax of \$23.80/mt from Russia. Clearly, supplies would appear to not be a problem for Egypt in the new crop position, for now. In the end, Egypt secured 345,000 mt at an average price reported as \$252.09/mt basis C&F with Russia securing 290,000 mt, the 55,000 mt balance was from Ukraine. The reported price was more than \$45/MT below the previous tender reflecting the now significant new crop discount, or should that read the old crop premium?

Remaining on the subject of wheat, it should be noted that spot KC wheat has recently traded at a discount to sport Chicago corn. This is a rare event, to the best of our knowledge only having done so on four occasions in the last fifty years. It would seem to us that the decline in global wheat values, particularly in relation to other grains, has been overdone and that the support seen in the last few trading sessions will continue to redress the norm.

Our opinion on current new crop wheat price levels is that we could well have seen a trading low price made on March 31. Recent weather conditions in key growing areas of the world, EU, Canada, Black Sea, Russia and N Dakota, all suggest that for a bearish trend we will have to see something of a change. Any weather-related supply disruptions will provide fodder for the bulls, who are likely to take the opportunity to redress the wheat vs. other feed grain disparity that has grown recently.

Taking the other side of the argument for a moment, we are seeing aggressive pricing from Black Sea exporters, this is not an unusual stance for them as new season trade begins, but we should remain mindful of significant old crop supply tightness, particularly in European supplies. There is little, if any, room for new crop supplies to be curtailed due to weather related cuts in production due to the limited old crop stocks buffer.

On other matters, we continue to see the Brazilian corn crop shrinking rather than either growing or stabilising due ongoing dryness. Even in a normal year we would not expect to see Brazilian safrinha corn on the export market until August, where will buyers (China?)

source supplies in the intervening period. Argentine early corn harvesting is showing yields some 12% down year on year, well below the USDA's forecast 4% decline. Agreed we are looking at early harvest data as the crop is only 12% gathered, but early signs are not promising.

Amid a tight and tightening US corn balance sheet, with respite from a bumper new crop far from guaranteed at this time, we are seeing an increased volume of wheat being fed to livestock. This is yet another sign to us that the total feed grain supply chain has some issues, and in our opinion, this will not be resolved in a single growing season. It is for this reason that we remain friendly to markets and would even go as far as to say that we have ratcheted our bullish stance up another notch. As we suggested on more than one occasion recently, the dip in prices was an opportunity to add to and/or extend cover forward, and we hope that our advice was taken on board.

It will be interesting to see what, if any, revisions are made by the USDA in their latest report scheduled for release tonight.