This week has seen something of a change in fortune for markets, a sizeable drop in prices was seen post-USDA report release. We will spend a few moments on key report numbers, which have already been well reported. Brazil's corn production was estimated by the USDA at 102 million mt, which is high in our opinion. We have been suggesting for some while that it is our view that the Brazilian crop is and has been shrinking not growing, and that a 90 million mt crop, or lower, was not beyond belief. Current weather trends and forecasts continue to back up our belief and we remain steadfast in our view. Brazil's CONAB appear to not share our or the USDA's view with their latest estimate standing at a heady 106 million mt.

Soybean numbers were uninspiring with the US carryout unchanged month on month at 120 million bu, a tight figure and probably at pipeline or very close to it. Global numbers also saw some shrinkage although a rebound is forecast next crop year. China, the key player in soybean markets was left unchanged for the 2020/21 crop year in terms of both crush and import numbers with both growing in the next season.

2021/22 wheat numbers were again limited in surprises with growth seen in global end stocks as well as consumption.

In summary, the USDA's corn numbers were seen as bearish in relation to trade expectation, mainly on the back of their elevated Brazilian production figure and the 2021/22 rebound. Our big question is when are they going to drop their number to something more realistic, or is our own figure wrong? It seems that everything is now all about weather, both in Brazil where the damage is all but done and we are just awaiting then final outcome, and also in the US where plantings are under way and progressing well, but soil moisture levels are below optimum. Our main thought is that there is very little room for weather to throw a spanner in the works and compromise northern hemisphere output.

Soybean numbers also look optimistic to us with no real signs of a slowdown in either crush or Chinese demand despite rumours to the contrary. With tight US end stocks and potentially strong crush and Chinese demand we see the weather risk as the biggest single issue to watch in coming weeks.

Wheat, as we have stated on many occasions, competes on price with corn and current price relationships suggest that wheat disappearance in feed diets at a rate unlikely to allow a speedy stock rebuild. That said, wheat is likely to be a follower of corn prices rather than creating its own path at this time. Recent rainfall in northern Europe will ease what were growing concerns over dry conditions and potential yield issues. On the flip side, northern US Plains and Canadian Prairies are dry with the latest weather forecasts not particularly favourable. The US Drought Monitor shows over 80% of the US spring wheat area experiencing drought or severe drought, and the potential for temperatures to rise will need to be watched. Russia and Ukraine growing regions also need to be monitored for returning warmth and dryness. In summary, there is little doubt that big wheat crops are needed across the northern hemisphere to fill growing demand patterns.

Away from the USDA report, there remain concerns over Mississippi River barge traffic following the discovery of damage to a bridge, which is being checked by structural engineers over fears that visible cracks could lead to a catastrophic collapse. Alternative routing to export points is both slower and more expensive and would seem to be the trigger for cash basis levels, which have recently soared, to ease back.

In summary, we see this week's easing in prices as an opportunity to catch up on making any purchases to fill gaps in cover and/or extend cover further forward. It is our view that the fundamentals are not changed materially by the release of the latest USDA update.