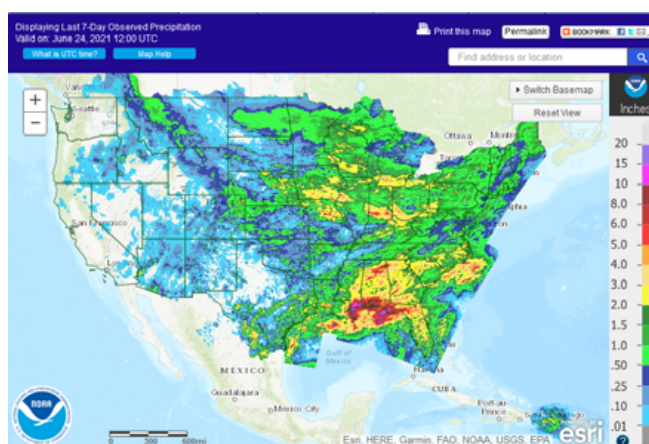


We have seen mixed markets this week with soybeans and wheat taking a more sideways direction following recent declines, whilst corn and soybean meal have continued to slide lower and soybean oil has moved higher off recent lows.

The latest rainfall in the Midwest has clearly pressured markets with the weather premium eroding fast and adding pressure to downside as funds exit market length. Next week's USDA report, scheduled for release on Wednesday has also added to "risk-off" mentality. The general market mindset has moved from bullish to bearish – for now.

Soybeans (Nov '21 contract) appear to have found some chart support with the possibility of a technical "double bottom" formation in the making. Added to this, suggestions that China remain in the wings as a buyer on price declines also adds a degree of support. The ongoing supply tightness in the US has not gone away despite slowing crush demand. It is not possible to conjure up additional old crop stocks, thus the current crop has added pressure to perform and the USDA's 50.8 bushels/acre yield, the second highest ever, whilst ambitious has to materialise if further bullish momentum is not going to resume. US soybean meal is, without doubt, competitive in global terms, and this should provide some price support. Malaysian palm oil prices have turned higher in what many see as a seasonal direction, which should provide support to other vegoils, including soy. The Chicago soybean oil market has made respectable gains over the last week, with signs that a trading low has now formed; only time will tell if that is the case or not.

The corn bears have led the way over the last two weeks driven largely by weather forecasts and much needed rainfall. The latest GFS and EU weather releases have a return of heat and dry conditions to western Midwest and Plains regions, which if correct will likely see an end to declines for now and a possible reversal of direction. Volatility has not ended for this season just yet. As with soybeans, it seems China remains a ready buyer at competitive prices, which is supportive to price. Fund length has reduced considerably, giving room for considerable volume buying if and when conditions allow. Potentially next week's USDA release could provide a catalyst. Recent days have seen some talking of a sizeable increase in US corn planted acres, possibly as much as 6 million acres, which would provide cheer to the bears if contained in the USDA release.



Wheat in Chicago, London and Paris seems to have found a degree of price support and declines have been stemmed – for now. Canadian dryness continues to be a threat as does heat and drought in Russia and Kazakhstan where concern is growing. In the US, spring wheat crop health ratings stand at just 27% good/excellent, with suggestions of further downgrading over time. The likelihood of significant yield losses are high, although winter crop gains are likely they will not offset spring crop losses. There is some concern that quality for winter wheat in the US may be threaten by too much rain but only time will tell.

We have been on the bullish side of markets for some time now, and the last couple of weeks have tested our resolve somewhat. We are not yet ready to give up on our long-held view, risk remains to the upside on what we perceive to be tight old crop supplies, S American crop output, weather risks, growth in demand particularly from China and now

with room for the funds to jump back in on what must now be considered to be much better value prices. At the same time, we accept that there may be some risk to the downside if US production is optimal. We have already written earlier that volatility has not yet ended, and we anticipate a long season of price instability.