

Our markets this week have showed a little less volatility than has been the case lately. Dec '21 Chicago corn has moved sideways in a broad trading range whilst Nov '21 soybeans appear to have steadied their early week decline. Chicago Dec '21 wheat has meandered sideways at the upper end of its trading range, a pattern which has been replicated to a large degree by MATIF and London, although the latter appears to be under some pressure from the recent strength in Sterling vs. Euro. The Bank of England has continued to hold UK interest rates at their historic low of 0.1% despite forecasting a jump in inflation rates to around 4% by year-end, although suggesting that this would be a temporary rise and potentially self-correcting. An increase in interest rates was strongly hinted at but only in Q2 or Q3 according to the Bank's Governor.

The start of the week saw Egypt's GASC tender for wheat once again, this time securing a single 60,000 mt cargo from Romania at a reported price of \$293.74/mt basis C&F, the marketing year high and some \$14 plus above their last tender. Perhaps more interesting, or maybe significant, is the fact that offers to Egypt were limited to a mere five whereas history would suggest a dozen or more would normally be expected. Two of the offers, from Russia, were priced well above cash levels, and unsurprisingly were put to one side (read ignored). Potentially the market rumour of poor-quality EU supplies, as a consequence of widespread and heavy July rain, and lower than hoped for Russian harvests have pushed cash values higher and spooked sellers into a combination of restricted volume offers and higher than expected prices. We would not be surprised to see this become something of a trend in international trade through the rest of the current year given what we believe to be limited physical cover for Q4 2021 and beyond.

Russian wheat crop estimates continue to be a key discussion topic with a 73-77 million mt crop estimated by many. The market was considered to be somewhat overbought on such "fact" (estimate) but cash prices have remained and not receded – yet. Canadian production potential continues to erode in estimates, although such estimates remain in a wide range and the EU crop is being traded as a "big" crop with some major quality concerns. Such issues argue for shrinkage in the quality sector volume but an equal and opposite gain in the feed sector. We await Mother Nature to settle the weather and allow the EU harvest to gather full swing and get the crop into storage, then perhaps we may see some more settled price trends and a reduction in volatility.

We have previously hinted at upcoming world wheat tenders, and this has materialised with Turkey picking up 325,000 mt, Jordan issuing a tender for 120,000 mt and S Korea tendering for 135,000 mt. Such volumes have added to an already reasonably well supported market.

Aside from wheat, we see Argentine truckers once again striking, not in itself unusual or uncommon, but with the Parana River having such low water levels (not seen in over 70 years), which is limiting vessel loading operations, the point to "top up" vessels at Bahia Blanca prior to final export has become a target for the truckers from which to press their point. Corn and soybean stocks at Bahia Blanca are reported to now be minimal or totally depleted leaving vessels either waiting or sailing with well below optimal cargo volumes adding hugely to shipping costs. The ultimate outcome is for Argentine exports to stop until the situation is resolved, which places pressure on alternative origin supplies, either Brazil or US.

We should not ignore the fact that improved rainfall is finally expected to arrive this week in the western US Midwest and follow up showers are in the forecast for next week plus the next USDA report will be published on 12 August (Thursday). Changes to balance sheet estimates are largely expected to be on the supply side with revisions to Northern

Hemisphere grain production to be the most prominent, of which most are expected lower (Russian, Canadian, and US hard spring wheat specifically). This report is also the first to include US yields estimates of corn and soybeans based on a farmer survey instead of a mathematical model. Watch for market adjustments based on this USDA report.

Our interpretation of such data leads us to continue to support the bulls until such time as good news and alternate news inputs suggest otherwise. We reiterate our advice to ensure cover levels are extended as and when opportunities arise.