

Chicago corn, wheat and soybeans have taken a downturn as the week has progressed with one of the key drivers cited as concerns over Chinese demand, or rather the lack of it. Agreed there has been minimal sign of Chinese business in recent days, and as we suggested last week, the window of opportunity for US exporters to make sales to Chinese buyers is shrinking. The progress of Brazilian new crop supplies is ahead of average, suggesting right now that Brazil's export window will open earlier than is traditional.

As if an early Brazil harvest was not enough for the US exporter, it is reported that delays to enter and transit the Panama Canal are growing, and this will only worsen as additional Brazilian supplies become available. The potential "big picture" is one of reduced US soybean export volumes and corresponding growth in end stocks, which will ease what was earlier thought to be a tight supply situation for the 2021/22 crop year. Further pressure is being felt as traders anticipate next week's USDA report featuring an increased US soybean crop yield figure, which would add to overall output and further reduce balance sheet tightness. Of course, we need to see the USDA's report and follow through action from the Southern Hemisphere coupled with a switch of sourcing by China from the US to Brazil, but there is a picture being painted right now, which could well change the formerly bullish/neutral soybean outlook to a somewhat more bearish outlook.

Weather conditions have improved markedly in S America and latest forecasts lean favourable with some commentators suggesting that the weather there could not get much better. Clearly the season has to continue in a similar manner, but the global supply situation could do with a break and see additional supplies to ease the somewhat underestimated impact of tight stocks.

The EU's Food & Agriculture Organisation's latest report was accompanied by an interesting commentary, which we include verbatim: *"Soaring fertiliser prices, in part driven by a strong run-up in natural-gas prices, are poised to add more uncertainty to global food markets well into the 2022/23 season. With international prices of most food crops (with the exception of rice) already at multi-year highs and their exportable supplies barely adequate to meet demand, any weather or input induced shortfall in 2022 could have worrying implications for global food security. To reverse the alarming rise in hunger in a pandemic-ridden world calls for concrete actions to guarantee supplies and access to food, particularly for the most vulnerable."* The US/S American soybean position outlined earlier would be a first step in seeing some relief.

It should not be omitted to point out that global wheat tender business has slowed to a mere trickle, despite belief that coverage remains lower than usual, and this has triggered a sharp decline in ocean freight rates with the Baltic Capesize Index down over 60% from its latest highs. Freight brokers advise us that forward demand and actual charter booking levels are well down from recent volumes leaving vessel owners looking for charterers.

Despite this, global wheat trade is calculated at a record level, some 3 million mt over and above the same time last year. Our take from this is that wheat remains the more bullish prop in the market right now, particularly quality milling grades. Currently we see wheat prices as being overbought and in need of a correction, which seems to be underway to some degree, the big question being, "are we witnessing a correction, or a change of direction?" Our favoured answer is that we are witnessing a correction, although time will prove us right or make us look foolish!

We would like to take stock after next week's USDA report although we see any wheat price "correction" as an opportunity at this time.

