

This week has seen continued tension in the Russia/Ukraine hostilities together with ongoing S American crop output questions. This has left Chicago soybeans and bean oil higher, meal turning back up, corn higher but levelling off and wheat reversing early week gains.

Much needed rainfall, 3"-5", has fallen across much of the Argentine corn growing area, which has seen crop rating stabilise with BAGE placing 32% of the crop as good/excellent compared to 22% a week ago. Clearly this is better news, but the rating still stands at an historically low level and doubtless damage has been done, the question being how much? It should not be overlooked that the corn crop is more susceptible to adverse weather and stress than soybeans and weather in the coming six weeks is critical. The Brazilian crop will be significantly determined by weather in the period from March to May.

The S American cash corn market is reflecting downgraded crop prospects and holding firm, which is making US supplies more cost effective and therefore increasing sales and export volumes. Latest exports suggest that pace is holding well above levels needed to hit the USDA's full year forecast, which should see a revision higher and an associated reduction in end stocks. The potential for threats to Ukraine supplies only adds additional pressure to this position. The likely outcome is that US prices rise to capitalise on, and ration this forced demand. Interestingly, the USDA attaché in Argentina has reduced the corn estimate from the USDA's latest 54 million mt to 51 million.

Soybeans reached fresh highs (March '22 \$14.56/bu), eclipsing the June '21 highs. As with corn, potentially reduced S American supplies should push buyers to the US adding to current demand. Brazilian shipments are reported to be struggling for supply following wet harvest conditions and the ship line-up would seem to confirm this. Cash premiums in Brazil are holding firm, close to \$1.00/bu over Chicago futures, a 30-cent gain in a week confirming supply tightness. Coming Chicago price will be very much determined by whether, or not, S American output hits 130 million mt.

Wheat markets have corrected again, likely on the back of no significant Russian moves towards Ukraine, although troop numbers and Moscow rhetoric remain. Simply put, it seems that wheat traders are becoming less concerned with the situation; sensible or not, prices are reflecting this lack of movement and grain flows in the region remain as normal for now. That said, our view remains friendly as the geo-political risk remains, also the N African drought driven increase in demand remains with some commentators adding around 3 million mt to demand from the region.

Pivotal to near-term demand is the Russia/Ukraine situation and whether freight premiums into/out of the Black Sea permit trade to be transacted realistically. Egypt's GASC is reported to be tendering for March wheat supplies and the price of and sources of supply will make interesting reading.

We stay friendly to markets at this time.