

As we reach the end of a holiday shortened week all eyes are focussed fairly and squarely on Russia's invasion of Ukraine to almost universal global condemnation. Regrettably, Russia has received support from China in the form of financial support in something of an economic lifeline. The watching and speculation is now over and the world awaits the extent of Russian moves into Ukraine, but 30 hours in it seems that military action is not limited to the eastern border as was originally anticipated; media reports indicate significant airstrikes across the country and troops are following up in their advances.

Military support for Ukraine is limited to non-existent at this time as Ukraine is not a member of NATO, but swift imposition of economic sanctions by large portions of the western world is designed to cripple the Russian economy. Bank assets will be frozen as will the assets of multiple individuals/entities, the Russian airline Aeroflot has been banned (from the UK), restrictions on exports to Russia are in place on many items and other sanctions are also in place.

Military and economic issues aside, it is unclear to what extent, or even if grain exports will resume/continue. Whilst there is no ban as such, there is a de facto ban as issues such as finance, vessel insurance and even grain logistics and loading difficulties will make shipments difficult if not impossible for the time being. Assuming there is a return to some sort of normality, the question of whether Russia is in control, or not, must be asked. If the answer is, "yes", will Russian export taxes apply?

Clearly there are many unanswered questions at this time and doubtless more will arise in coming days. Markets (unsurprisingly) reacted violently and quickly on the news of Russian invasion. Limit up moves in Chicago were seen although soybeans and corn markets retreated whilst global wheat markets jumped by as much as \$60-\$80/mt. Soybeans rallied to \$17.65/bu, just below the 2012 high, before retreating and closing the day lower. Soybean meal traded to its highest level since 2014, again retreating later in the day, and soybean oil hit another new record high at close to 75 cents/lb. Corn in Chicago was mixed with old crop up 7 cents/bu and new crop down a similar amount.

Wheat markets are probably the biggest commodity news item with global prices reaching new highs. Chicago and KC wheat old crop contracts jumped 40-50 cents/bu, MATIF rose €60/mt but closed close to €30/mt up on the previous day. Key going forward will be whether or not international grain trade will resume normality, and when. An estimated 38 million mt of combined Russian and Ukraine wheat has been exported so far this season, down 17% year on year. Using USDA forecast figures, that leaves 18.5 million mt to ship before year end (June 30). Can importers buy that much and will that volume be able to be shipped are two obvious questions. The likely outcome is a degree of supply dislocation, which will place demand upon EU, US and southern hemisphere for a period of time before resuming some more normality.

However, the geo-political issues pan out in coming weeks is all but impossible to predict and will doubtless be the key headline, but we should not lose sight of the other "elephant in the room", S American weather. There is a forecast improvement in S American weather prospects with the 10-day forecast suggesting between 2 and 4.5 inches of rain could fall across the driest areas of NE Argentina and far southern Brazil, which would be most welcome, but more is needed. Soybean harvest will progress in much of Mato Grosso and Goias, but concern remains over south-central Brazilian drought and its impact on the safrinha corn crop.

One thing looks to be a given right now, and that is that market volatility will remain high until such time as some certainty over the position in Ukraine is known. It is unlikely that

there will be zero grain exports from the Black Sea, particularly amid current elevated prices, and opportunities will doubtless arise for exporters in due course. S American weather and crops should not be ignored whilst focus is on Ukraine that could prove costly. Our outlook remains friendly, which should not be a surprise. We extend our sympathies to all in Ukraine and hope that the hostilities reach a swift conclusion with minimal casualties and damage.