As we exit January and begin February markets have been somewhat mixed with soybeans (Mar ’22) reaching new highs and breeching $15.50/bu, soybean meal (Mar ’22) over $440/ton, and soybean oil reaching close to $0.67/lb. March ’22 corn topped out so far at close to $6.40/bu whilst Mar ’22 wheat pushed lower to $7.40/bu looking as if it is probing towards the early January lows. For completeness, Mar ’22 MATIF wheat reached €259/mt, having broken January support whilst London’s May ’22 contract hit £212.25/mt some £3 above recent support.

Taking wheat first, mainly because of the geo-political Russia/Ukraine issue, which dominated and drove the last couple of weeks, little fresh news has fuelled prices higher, and we await further moves, or lack of them, on the Ukraine borders. Wheat has resumed its role as the natural short leg of corn/soybean spread trades, consequently submitting to downward pressures. Wheat in Europe has struggled as new crop Southern Hemisphere supplies have started to become available and traders await fresh export demand. Interestingly, we would highlight that higher quality wheat from Germany is now the world’s cheapest, which might see the slide lower slow down or stop.

Corn in Chicago declined Tuesday/Wednesday in a move we would describe as corrective, with likely triggers being news of Chinese export cancellations (switching vessels to soybeans perhaps), and potential profit taking from an overbought market position. Our view continues to focus on Argentine corn yield and the ongoing concern there due to less than favourable weather forecasts. The crop is rated 28% good/excellent, down four percentage points week on week as welcomed mid-January rains failed to resurrect the crop and our expectation is for continued decline in coming weeks.

Total S American total corn output was estimated by the USDA in January at 173 million mt, and some commentators are suggesting a figure closer to 154 million is more likely. Whether this proves accurate or not, there is clearly increased pressure on Brazil’s safrinha crop to perform. Lower production in S America is already pressured by increased domestic consumption as well as reduced opening stocks, which will pressure the region’s ability to export at historic levels. As we have previously suggested, this will pressure US and Ukraine supplies as importers seek sellers, and the Ukraine position remains far from certain at this time.

Soy markets remain well supported with China noticeable as a buyer in both old and new crop soybeans. As with corn, S American crop output continues to decline with BAGE’s latest forecast at 42 million mt, a further 2 million decline, which compares with the USDA’s January forecast at 46.5 million. S American export offers remain limited, and by all accounts those that are made remain expensive.

We have moved away from Russia/Ukraine dominating markets (for now) and a return to S American weather taking the front seat. Latest forecasts continue to suggest a La Niña focus with dry conditions in situ across Argentina and S Brazil for the coming two weeks. Heavy rains (as much as five inches) are forecast for Central and Northern Brazil with longer range forecasts indicating that this pattern will continue although, as always, confidence that far out is limited but La Niña influences could well support.

Weather data supports continued S American crop woes and output pressure, and for this reason we remain on the side of the bulls. Wheat should be viewed, not in isolation, but in relation to corn, which has a bullish story. The price relationship between the two grains should continue to be front and centre, and if only for that reason we see current wheat price as representing excellent value at this time.