

Another week and the war in Ukraine show no signs of ending despite “negotiations”. If anything, hostilities by Russia appear to have intensified and the women and children of Ukraine flee the bombs and missiles in huge numbers. This remains the key driver of markets and prices at this time.

March '22 soybeans have remained in \$17/bu territory since the outbreak of war and have broadly traded sideways over the last week. March '22 corn in Chicago, whilst below their last week high spike remain in the region of \$7.50/bu and, like soybeans, have traded in a broad sideways pattern. Wheat, the main grain impacted by the war, has shown volatility the likes of which we have never seen. Six days of Chicago contracts settling limit up with a peak price \$14.25/bu followed by three days of sharp losses amounting to \$3.50/bu; breath-taking hardly describes the action. The London May contract has been less dramatic with a run higher to record levels £314.00/mt before pulling back to close at £293.00/mt yesterday. Paris' MATIF peaked at €450/00/mt before dropping back sharply to €386.25/mt. Such movement and activity has also been seen in global energies with crude oil (Brent) reaching \$140/barrel before slipping lower to \$111 Thursday.

Clearly the war has created an environment of fear and uncertainty, which has led to a rush to cover short positions, buy supplies, add speculative length, or hedge positions, all of which has pushed markets higher. Unsurprisingly we have seen a topping out/easing back in prices in the last few days. This is not necessarily down to any material changes in the fundamental situation, rather the fact that the number of buyers has slowed to a trickle and finally stopped – for now. We are not yet convinced that price tops are in, markets are merely pausing for breath.

Sanctions by NATO members and other western nations are having a material impact upon Russia. However, we have recently seen Putin suggesting that a ban on Russian raw material exports will be his latest move. A similar de-facto Ukraine ban is already in place for the duration of hostilities and potentially longer leaving global importers having to look elsewhere for supplies of wheat, corn, sunseed and sunoil.

Moving on, we have received the latest USDA report this week, which was received as neutral to slightly bearish in its content. Brazilian and Argentine soybean and corn crops were cut, and US 2021/22 soybean and corn end stocks were also reduced. However, some were looking for bigger reductions and interestingly, US export volumes did not appear to be adjusted for the Ukraine war (10 million bu cut in wheat exports), which may follow in later reports. The other point of note was global end stocks, which were cut in soybeans and corn, 2.87 and 1.25 million mt respectively, and a 3.3 million mt increase in global wheat stocks. Disruption in commodity supply because of the war will be largely felt in the new crop 2022/23 season which will not be included in the USDA reports until their May release. Although they did an initial assessment of the disruption which was reflected in Black Sea export adjustments for the 2021/22 season, the USDA can essentially “kick the can” down the road and deal with the bigger question of next season's supply and availability in a few months.

Brazil's CONAB confirmed the USDA's decline in soybean production with a small increase in area to a record 40.7 million ha with a yield of just over 3 mt/ha (44.8 bushels/acre), 15% down year on year and some 12% under trend, the lowest yield in the last five years. Corn production was left unchanged at 112 million mt with both summer and safrinha yields slightly down due to the ongoing dry conditions in the south. Safrinha crop area was increased, unsurprisingly given recent prices.

Markets are extremely difficult to trade right now, Ukraine being the biggest unpredictable and we remain friendly for the time being, more so on prices corrections lower. It is difficult to see past the war as there seems little sign that an end is anywhere close. Even when it is over, it seems that logistical pressures will make any early resumption of trade impractical. In the meantime, the gap in global trade has to be made up by other exporters, which places added pressure on northern hemisphere crops to perform. There is an additional pressure on the horizon, that being supplies of fertiliser, essential for crops to perform optimally, and we see the ban by Russia on fertiliser exports as a further threat to output in the coming season. Prices have already rocketed, and we have heard some growers rationing input, which can only come at the expense of output. This is not the season for placing limitations on crop performance.