

We return after an extended weekend break for the Easter holiday to see markets once again displaying high volatility. Chicago corn (May '22) has made fresh contract highs and hovering in the \$8.00/bu region, soybeans (May '22) also at fresh contract highs over \$17.50/bu and holding close to that level whilst Chicago wheat continues its very broad sideways trend of the last five or six weeks and is currently in the middle of the range close to \$10.50/bu.

We would express surprise at Chicago wheat's recent decline into the mid-range given the crop's potential downgraded yield prospects as a consequence of ongoing Plains drought. One explanation could be the relative price of US wheat in the global marketplace, where it holds a high premium to other sources and therefore a correction lower would not seem out of place. EU markets in both London and Paris continue to hold closer to the recent highs and would appear to reflect the real market situation better than Chicago prices might suggest.

Ongoing conflict in Ukraine shows no sign of abating, and the likelihood of wheat exports in any meaningful volume from the Black Sea seem to be far off. If a close to "normal" Ukraine crop is grown, which is by no means a given right now, there are many hurdles to overcome before a "normal" export programme can be undertaken. Road or rail transport to port, storage at port, elevation into shipping vessel are all likely to have varying degree of difficulty due to war damage and the timeframe to rectify this is a huge unknown. In addition, vessel movement in the Black Sea itself is doubtful not only due to shipowners' reluctance, but also the prohibitive levels that apply to insurance costs. When we will see a return to traditional trade flows remains to be seen, meanwhile the odds of a return to previous price levels seem a long way off.

Global corn markets are reacting to increased S American availability and more competitive fob offers. Argentina's harvest is reported to be 23% complete, up from 17% this time last year, and the grower would appear to be happy to make sales to create cash inflows right now. The Brazilian safrinha crop remains some way off, and quite what yield should be factored in remains the subject of much discussion. Our view remains that the crop is still shrinking, and further losses are to be expected.

Soybean prices have found some support from ever increasing soybean oil prices, which have found new contract highs in both old and new crop positions. Chinese interest in US new crop supplies has grown as supplies in Brazil tighten. The Chicago old crop price premium to new crop supplies stands at historic high levels and it should not be overlooked that the new crop (Nov '22) price level over \$15/bu has never been sustained for so long so early in a season.

We currently hold a neutral to friendly view on the grains, corn and wheat, in the short-term, but longer-term remain bullish. US summer dryness remains a concern, the longer-term weather outlook would support this but clearly needs to verify. Any material expansion in drought and yield loss would point to new, potentially record high prices. Soybean prices are historically high, we would be cautious in looking for higher levels today but any significant price decline would look like a buying opportunity.