

Markets this week have once again retained the focal points of weather and war with US weather taking prime position. Early season weather appears to be starting on a less than favourable note for the US grower with something of a polarisation of conditions, soils either too dry or too wet. Weather forecasts show some heavy rains in the coming fortnight, which will add to N Plains and Midwest planting delays. This has the prospect of limiting yield and output although the actual impact will have to be awaited as the season progresses. The latest US Drought Monitor suggests continued drought across the HRW belt with crop health deteriorating further before any suggestion of levelling off next month. The need for weather conditions to change and improve is imperative and becoming urgent if anything like bumper or record soybean and corn harvests are to become an actuality.

US corn futures have set another record high level again this week driven in large part by weather as previously described. In addition, Chinese buying of US corn, both old and new crop, has also added to price gains. It is highly likely that these recent Chinese purchases are to replace previously purchased Ukrainian supplies that have become restricted in availability or simply not available. These additional sales suggest to us that there is a strong likelihood of further reduced US end stocks adding more need for a big US crop this year to boost supplies.

Soybeans have traded below recent highs with soybean oil reaching new all-time highs as global vegoils continue to firm. Interestingly, we understand crush margins remain strong despite the relatively high bean price, which suggests that the potential for prices to move higher looks better than a move lower. With current strong crush and export volumes it would seem likely that competition for diminishing stocks will keep prices from declining far, and if planting and harvest are delayed this will become more relevant.

EU wheat futures in both Paris (September '22) and London (November '22) have firmed to reach contract highs. The Ukraine war remains a key factor potentially driving buyers to European supplies and tightening balance sheets. In addition, recent weather conditions across northern Europe have been dry, which has the potential to limit yield although there remains time for this to be prevented. One of the most interesting wheat points to note (for us at least) is that new crop price discounts to old crop have reduced quite markedly in the last few weeks. Our recent question of whether old crop price would fall to meet new crop or vice versa seems to be providing the answer that new crop is rising to meet old crop. The factors supporting this include Ukrainian availability, EU weather, US crop potential and overall global tightness.

We continue to favour a bullish stance and are active buyers of any price dips of significance.