Chicago corn and wheat have traded sideways this week in a broad continuation of the recent trend whilst soybeans have made gains over the week. Both Paris and London wheat contracts have also traded sideways in what looks like an ever-narrowing range.

The markets, specifically in Chicago, are awaiting the latest USDA report scheduled for release this afternoon (Friday) and it is possible that traders have positioned themselves cautiously in preparation although we are not anticipating any major fireworks (will we live to regret this last comment?).

In advance of the USDA's update, we saw Brazil's CONAB estimates of their crops yesterday. They put the soybean crop at 122.4 million mt and corn at 115.6 million mt. The USDA's March estimates were 127.0 million and 114.0 million respectively. CONAB's soybean number represents a more than 20 million mt cut from initial estimates, and a record move in a single season. We would venture to suggest that the final crop outturn could well be lower with all the losses not yet fully counted.

In something of a surprise, we saw CONAB increase corn output by 3.3 million mt likely as a consequence of increased safrinha acres, and we note that safrinha yield has been lifted a touch too. If CONAB's numbers become an actuality, we would be looking at the third highest safrinha yield on record. However, for this to happen the weather in the coning 4-6 weeks will play a very important role. Current soil moisture profiles and the two-week weather forecast would point us to conclude that CONAB's forecast is ambitious.

The war in Ukraine continues although it is now more concentrated in the east and Black Sea coastline. We feel that the market has broadly accepted the difficulties that will apply to Black Sea grain and oilseed supplies in the coming six months, but we are not convinced that the longer-term impact has yet been absorbed let alone digested. News that Ukraine plantings are proceeding in the north and west of the country may just be received as news that is better than could be in reality. Supplies of seed, fertiliser, and fuel as well as agro chemicals will all be necessary for a half decent crop to be grown. It will then have to be harvested, stored and ultimately exported; this is a huge task in areas where the devastation caused by the Russian invasion has led to massive infrastructure losses and damage. Global supply chains have not, in our opinion, fully taken into account this situation and we could be staring at another step-change, higher, in prices when this happens.

Our stance remains bullish, S American crops do not appear to have the potential to relieve supply tightness, the US wheat crop has weather issues, Russian and Ukraine export positions are very much an area of uncertainty and demand profiles show little, if any, sign of easing back despite current high price levels. These are signs to us that downside has limited room whereas upside risk remains.