

Yesterday's WASDE report came as something of a surprise with December 1 corn stocks cut 380 million bu below trade expectations and was largely a consequence of a reduction in harvested area amounting to 1.6 million acres. 2022 US corn production was cut 200 million bu, which was offset to a large degree by a 150 million bu reduction in exports and a cut in domestic consumption leaving end stocks 15 million bu lower than December's estimate. Unsurprisingly we saw market reaction to the upside with the front month contract closing at the upper end of its \$0.23/bu trading range.

Soybean stocks were reported at 3.022 billion bu, which were 123 million bu below the average trade estimate. Yield was reduced by 0.7 bushels/acre and harvested area was reduced 300,000 million acres leading to a 70 million bu drop in output, offset by a reduction of 55 million bu in exports leaving end stocks a mere 10 million bu down.

Dec 1 wheat stocks at 1.28 billion bu were some 97 million lower year on year and according to our records the lowest since 2007, significantly too they were well below trade estimates. Interestingly the autumn planted area was seen at 37 million acres, 3.7 million above last year and a step along the road towards improved output assuming mother nature plays nicely!

Globally, we saw corn production cuts month on month in both 2021/22 and 2022/23 of 1.99 and 5.93 million mt respectively. Ukrainian production for both years was left unchanged, which could be questionable, particularly 2022/23. Argentine corn production was also cut over the two crop years month on month by 2 and 3 million mt respectively. There is room, in our view, for further cuts to Argentina's 2022/23 52 million mt forecast.

Global soybean stocks saw an increase in 2021/22 and cut in 2022/23 of 2.49 (increase) and 3.16 (decrease) million mt respectively. Argentina was the main culprit in the 2022/23 reduction with their crop cut 4 million.

Wheat data was largely a non-story with a number of relatively minor changes. As we have previously reported, the global picture is currently dominated by aggressive Russian offers backed up by plentiful supplies. One thing is for sure, and that is Russia will not be as aggressive in pricing forever, and when that time comes, we will have to search for an alternative source – and Ukraine is unlikely to be that source. Our belief remains that wheat prices are forming a low point in pricing right now.

Dry conditions in Argentina remain a concern and the impact on output could well continue to be adverse, time will tell. Brazilian output in both corn and soybeans will help offset Argentine losses but the hoped-for uplift in overall S American output to add to global supplies looks to be less than originally wanted. The Ukraine situation also remains a blight on traditional grain and oilseed flows with potential for a "blow-up" as markets eventually begin to grapple with the likely cut in 2023 harvest volumes due to the huge reduction in planted acres, which we believe is not fully priced in at this time. 2023 has the potential to spring some surprises.