This week saw the latest USDA data release, which saw the widely anticipated reductions in Argentine crop output. Soybean production was cut 4.5 million mt and corn by 5 million mt on a combination of reduced acres and yields. Heat and drought have conspired to limit yield in both crops. Thankfully, Brazilian output gains will outpace Argentine losses, which should limit the impact of Argentine woes. The actual figures saw Argentine soybean output at 41 million mt, the Brazil crop was left at 153 million mt, unchanged and in line with CONAB's latest estimate. Globally, end stocks saw a 1.5 million mt cut nut remain more than adequate at 102 million mt, which is up more than 3 million year on year.

Argentine corn output, as mentioned above 5 million mt lower. was estimated at 47 million mt, which is also a full 8 million below December's estimate. It should be noted that this is not the final crop, there is room for further downgrades as the crop is harvested and will likely materialise if heat and dry conditions resume later this month. US data was largely unchanged, and it remains all about Argentine weather into the US planting season. One further point to keep in mind is the forthcoming Black Sea export corridor agreement renewal discussions in mid-March. The ongoing corridor is important if trade routes are not to be compromised and trade patterns further disrupted. US weather looks as if it is favourable in the Midwest, which bodes well for the 2023 crop year at this time. Longer-term, the arrival of the El Niño weather pattern would be favourable for S American crop production next season, although that is a long way off right now. An increase in old crop Ukraine corn exports in the latest USDA figures may be a bit optimistic and a way to help prop up the world balance sheet. We need to be conscious that for this upcoming growing season available supplies are likely to dwindle, despite conflict resolution if there is any.

Wheat data saw the expected uplift in both Russian and Australian output, a combined million mt, although major exporter stock to use figures continue to tighten amid increasing global trade, which was forecast 1.3 million mt higher. Despite this, Russian price aggression continues and limits price rises. Forecast Russian exports were increased 500,000 mt to 43.5 million, and competition remains strong subject to the export corridor continuing to permit flows.

US export sales volumes were reported at a low level as demand steadily switches to Brazil and the news put something of a lid on prices. Amid a picture of large global supplies, the fundamental picture looks bearish, and the technical outlook needs to see prices break higher through overhead resistance if prices are to move higher. We continue to see soybean meal prices as overvalued and over bought but they continue to defy gravity. We would anticipate lower levels if the funds play ball.

Corn prices fell on reduced US export sales news and the impending Brazilian harvest does little, if anything, to improve the US sales outlook. The failure of prices to rally on Argentine weather is (in our view) significant and we hold a cautiously bearish view.

Wheat news is largely absent aside from ongoing Russian export offer competitiveness. The weaker Rouble has kept domestic prices soft, aiding the exporters. Latest offered levels are reported to be $20 under comparable EU prices and as much as $90 below US HRW levels in the Gulf. N African, Middle East and Indian harvests are approaching, and current forecasts contain beneficial precipitation to help the final weeks of the crop. We see the recent uplift in prices as confirmation of the recent low, however we would like to see confirmation of N Hemisphere crops before committing to a longer term bearish outlook.