This week saw the release of the latest USDA update with headlines largely dominated by the cuts to Argentine corn and soybean production, which exceeded expectations. Corn production was cut to 40 million mt, 7 million below February's estimate and down from 55 million mt in January. Argentine soybean production was cut by 8 million mt to 33 million from 41 million in February. Brazilian production of both crops was left unchanged month on month. Such Argentine crop losses, whilst not unexpected, are significant and will prevent global stock build as well as making some substantial changes to global trade flows, at least for this coming season. One thing should also be noted, and that is the prospect of further Argentine losses before their harvest is complete. Suggestions of significant crop abandonment are widespread but almost impossible to fully quantify at this time.

Headline bullishness in corn and soybeans was not replicated in the wheat picture. We have been looking at what seemed to be reasonable global stocks, notwithstanding the Russia/Ukraine situation and price drops have reflected this. Russia's ongoing price aggression has all but confirmed this. The USDA's figures substantiate increased production in major exporting nations, Australian production was increased a million, Kazakhstan increased almost 2.5 million mt and major exporter stock to use ratios improved month on month. That said, we have to look forward and consider lost acres in Russia and Ukraine from autumn planting. Some reports suggest that as much as 50% of Ukrainian acres are unplanted, and more important, unplantable. The reasons include not only specific war related issues but also sky-high fuel costs, shortages of seed, labour, fertiliser, agro-chemicals, and machinery. This will place greater importance on other northern hemisphere regions to perform without loss this season.

Away from the USDA report we have seen Brazil's CONAB increase 2022/23 corn production to 124.67 million mt, an increase of 930,000 mt whilst cutting soybean output 1.47 million to 152.89 million mt. Argentina's BAGE cut corn output 3.5 million mt to 41 million and also cut soybean production by 4.5 million to 29 million mt.

The Russian stance on the Black Sea grain export corridor remains firm. They claim that there are plenty of questions remaining unanswered that will prevent them from renewing the pact. There are no reports of scheduled talks at this time and Russian demands include that Ukrainian grain flows to "needy" destinations as well as sanctions on Russian grain exports being lifted. Our best guess is that we will see the pact renewed.

With the dramatic cut in Argentine soybean output, potentially not offset fully by gains elsewhere in S America hot on the heels of the last US harvest, which was some 6 million mt below 2021, added to expectations of growing Chinese import demand as they emerge from their Covid-19 lockdown, we see the importance of a significant or record US crop growing. If we see a reduced US crop, the high prices of 2022 (close to $18/bu) could well be tested.

The importance of timely and widespread US corn planting should also be borne in mind. Price levels are currently very oversold and liable to correction, fund selling has pushed prices close to technical chart support levels. Wheat prices are similarly very oversold with short positions very much the theme right now. We have little doubt that current prices offer very good value and consumer coverage could act as something of a floor as demand is uncovered.

Volatility looks to remain a feature as weather, geo-political issues, and conflict remain uppermost in the headlines.