

This week's news is largely marked by its absence! The Black Sea grain export corridor is open, but is it for 60 or 120 days? According to Russia it is only 60 days, but Ukrainian and EU officials are pressing for the 120-day extension. Russian claims that they are being disadvantaged by sanctions, which is a sign they are working in our opinion, is their negotiation stance. We believe that Turkish politics and the re-election of President Erdogan on 14 May is also a consideration for Russia. There is a deepening economic crisis and growing anger towards the millions of refugees unable to return to war-torn Syria leaving much of Turkey's youth alienated towards the current government. President Erdogan's rivals are currently surging ahead in pre-election polls. The outcome of this election will be an interesting watch point. The 60-day extension has seen Ukrainian wheat offered at cheaper levels, ostensibly in an endeavour to gain some sales and export volumes. This was evidenced yesterday with Egypt purchasing 120,000 mt of Ukrainian origin wheat for 15-15 April shipment, Ukraine being the cheapest offer in this latest tender.

Other wheat information includes an almost complete halt in Argentine wheat exports due to weather related supply shortage. Australian sellers are finding buyers in Asia, although prices appear to have found a low at harvest, and this has held. Maybe this is a sign of a more global pricing indicator. All in all, we have seen 2022/23 southern hemisphere wheat export volumes down between 8 and 9 million mt year on year. Attention is turning, or indeed has turned, to northern hemisphere with weather the main focus point. New crop supplies would seem unlikely at this time to allow a global production increase in 2023.

Old crop corn prices have rallied over 25 cents this week, evidencing the latest cuts in Argentine harvest prospects as well as reflecting the latest round of Chinese buying interest in US supplies. Argentina's BAGE has estimated their crop at 36 million mt, below their last 37.5 million estimate and well below the latest USDA's 40 million mt. Some are suggesting that eventual crop abandonment, where it is more costly to undertake harvest than the yielded crop will realise, will bring this figure under 35 million mt.

Argentine soybean crop ratings continue to fall as BAGE estimate just 2% of the crop as good/excellent and poor to very poor ratings rose to 73%. Early harvest results are reported to be more than disappointing, pointing (as with corn) to increased abandonment of harvested acres. This loss of yield, whilst well anticipated and reported has to add support to prices. The Brazilian harvest is reported to be approaching 60% completed but regardless of ultimate yield and output is unlikely to make up for such a poor Argentine crop.

A quick review of the CFTC reports that have finally caught up to the present has the CFTC publishing two additional reports this week covering the weeks ending 28 February and 7 March. For the week ending 28 February for the net position of speculators in the US corn market, we saw the single biggest move lower in history, nearly 150,000 contracts. But this was not all long liquidation but a combination with new short positions. For the week ending 7 March, the story continues with another almost 50,000 contracts taken off the net long, this time with almost a 2:1 ratio of new shorts to long liquidation favouring the new shorts. The result being that speculators as of 7 March held their biggest outright short position since the end of August 2020, which (not coincidentally) is the last time the specs were net short. What drove this is likely a multitude of factors, many of which we have covered in the past month, but this new short is something of a problem as it is not something specs typically do in an inverted market. In all likelihood, one of the sides is going to give; either the new short comes out or the market takes out the inverse and with global stocks as tight as they are, the former makes the most fundamental sense.

We continue to see price downside as limited when compared with potential for moves higher. Current prices in feed grains look attractive to us and we remain of the opinion that cover should be taken at these levels.