Wheat markets remain under pressure this week despite what we believed to be a bottoming of prices and reversal of direction at the end of March. Continued impact from large Russian supplies remains the dominant theme with Russian interior prices continuing to reduce in US$ terms as the Russian Rouble falls to a fresh 12 to 13 month low. Data shows Russia exported a record volume of wheat in March, 4.7 million mt with April exports expected to be similarly high. The outlook for the next month continues to follow a similar pattern as old crop supplies are traded out to a rapidly closing import market. Thereafter, we would anticipate a somewhat more supportive picture. Strategie Grains have forecast 2023/23 EU wheat output at 128.9 million mt, down 600,000 mt month on month. This compares with 125.2 million mt for the 2022 harvest. The downgrade was largely calculated upon the drier conditions being experienced in southern Europe; Spain was specifically highlighted. That said, Agrimer in France have reported their crop condition to be rated 94% good/excellent, which compares with 93% last week.

In the US we are watching the Plains weather closely for rains to materialise. Failure of forecast precipitation in the second half of April will see a significant reduction in US winter wheat production. Spring wheat planting dates are also important, the middle of May is widely accepted as a cut-off date and growers will be anxious to see rains what conditions are like once the abnormally deep snow coverage melts and then get to worry about germination and crop development. It is a finely balanced wheat picture in the US at present.

Our take on wheat markets today is that nearby prices are dominated and driven largely by plentiful and cheap Russian supplies, a situation unlikely to change. Thereafter we would caution that any interruption to good growing conditions in the northern hemisphere will likely see prices spike higher, the US is finely poised at present, and markets will react to their direction, possibly in a volatile manner.

Finally, and possibly most significant, for wheat, Russia said on Thursday said there would be no extension of the UN-brokered Black Sea grain deal beyond May 18 unless the West removed a series of obstacles to the export of Russian grain and fertiliser. Western governments have imposed tough sanctions on Russia over its Feb. 24, 2022, invasion of Ukraine. Its food and fertiliser exports are not sanctioned, but Moscow says restrictions on payments, logistics and insurance are a barrier to shipments. The foreign ministry said Russian Agricultural Bank (Rosselkhozbank) had to be reconnected to the SWIFT payment system, that supplies of agricultural machinery and parts, and that restrictions on insurance and reinsurance needed to be lifted. Other demands include access to ports, the resumption of the Togliatti-Odesa ammonia pipeline that lets Russia pump the chemical to Ukraine's port, and the unblocking of assets and the accounts of Russian companies involved in food and fertiliser exports. It seems that Russia has four key headlines:

1) No point talking about any extension.
2) Accuses UN Secretariat of distorting details.
3) Ukraine and UN to blame for backlog of ships.
4) 28 vessels awaiting inspection.

Clearly, a further extension to the deal is far from a forgone conclusion at this time. Meanwhile, Poland has agreed to compensate farmers for falling prices caused by Ukrainian imports and Romanian farmers are demanding a ban on imports from Ukraine. The fallout from Russia's invasion of Ukraine remains significant with little end in sight.

Interestingly, the USDA's latest take on international trade seems to fail to take into account the full impact of what has happened in Ukraine. Supply dislocations in one region appear to be taken up by increased Ukraine exports, which we struggle to come to terms with. One point of significance is that an area estimated to be around 30% of the country is contaminated with land mines. Russia is not a signatory to the 1997 Mine Ban Treaty, and this has reflected in their actions. Regardless of the morality or legality of such actions, the country will take an estimated 30 years to decontaminate and return to former productivity. We therefore struggle to see how production and exports can be restored to levels seen prior to the Russian invasion.