

Since our update last week, we have seen the USDA's latest report, which was pretty much in line with expectations potentially giving some hopes to the bulls for wheat and soybeans whilst potentially neutral to bearish for corn based upon an increase in acres. Post-report market reaction was minimal, which came as no surprise.

In wheat the US balance sheet remained unchanged whilst taking 7 million mt off 2023/24 global end stocks leaving them at a projected 258.6 million, the lowest since 2015. We saw major producer stocks cut by 1.8 million mt to 54 million with a corresponding cut in stock to use ratios. Unsurprisingly cuts were made in Canada, Australia, Argentina, and also the EU. Ukraine output was boosted by a small offsetting 1.5 million mt. The result leaves Russia, once again, the world's largest exporter with a projected figure of 49 million mt.

Corn yield was cut by 1.3 bushels/acre to 173.8 but this was offset by an increase in harvested acres of 800,000 adding an overall 23 million bu to leave the 2023 crop at an estimated 15.134 million. 2023/24 global corn stocks were estimated at 314 million mt, a 3 million mt month on month increase and a 14 million mt year on year increase. Brazil's crop grew to 137 million mt and Chinese imports rose ½ million mt to 18.5 million. Notably 2023/24 global corn consumption figures stand at a mere 14 million mt below output, which leaves the world reliant upon carryover stocks – a point to keep in the back of the mind.

Soybean yield was reduced 0.8 bushels/acre to 50.1 with a small increase (100,000) in harvested acres at 82.8 million. Overall output dropped 59 million bu to 4.146 million and old crop stocks were cut 10 million to 250 million bu. US pipeline stock levels are estimated at just 220 million. The message here is that old crop supply is tight to say the least and new crop stocks will be eagerly awaited. 2023/24 global stocks were forecast slightly lower at 119.2 million mt. Importantly, Chinese 2022/23 imports were forecast at a record 102 million mt with 2023/24 at 100 million, which we would express surprise at given the almost continuous year on year growth that we have seen.

The second half of the week has seen another Ukraine attack on Sevastopol on the Crimean Peninsula, which has been an operating base for Russian drone and missile attacks on Ukraine. Damage reports vary considerably depending upon which side of the news is read. However, one thing appears true, and that is that the attacks appear to have impacted Russian grain exports, and once again insurance quotes for Black Sea voyages are all but impossible to obtain. As mentioned above, global wheat stocks away from the Black Sea are tight and international trade could well be compromised should wheat supplies from the Black Sea regions be compromised in any significant volumes. The “tit-for-tat” back and forth between the two warring nations shows little sign of end and this latest escalation saw a jump in wheat prices, the December '23 Paris contract adding €12/mt from recent lows to recent highs.

We continue to repeat our much-repeated closing statements that we see downside as being more limited than price upside. Indeed, we are now stronger in our beliefs that wheat markets, particularly in Europe, have seen a tradeable low. Hopefully we will not live to regret this statement!