

Chicago corn and wheat markets have displayed stronger tendencies this week whilst soybeans traded lower until something of a reversal yesterday (Thursday). Dec '23 Chicago wheat has gained more than a \$1/bu in seven trading sessions leaving the chart littered with open "gaps", which we would expect to be filled at some point, although there is very limited time for this to occur in the December contract given it is in delivery and open interest is waning. Meanwhile, the March contract has put in eight consecutive higher sessions after setting contract lows on 11 November, rallying over 80 cents since. It was late August when we last saw Chicago wheat trading at these levels.

We have seen a funds closing out short positions, a risk that we saw and highlighted more than once some while ago, as total short position sizes were significant. Last week we commented on adverse weather in Russia and Black Sea regions, this has continued and proved to be challenging for exporters, and consequently added some support. At long last there has been a pickup in export demand, evidenced by Egypt purchase 420,000mt of wheat from Russia once again, this time for January shipment. Japan and S Korea have also joined in the buying spree, again adding some support. Egypt's purchase, for January shipment, suggests to us that they (and possibly others) have less coverage than might normally be the case. There are also reports of China purchasing US wheat this week. Finally, the planting season in France is all but over as weather has prevented the final acres being put into the ground.

A combination of factors such as outlined create a more bullish platform, which should at least underpin prices and potentially see higher levels if funds continue to exit short positions with more enthusiasm. It is interesting to note that Chicago's wheat gains have not been replicated in either Paris or London markets. Indeed, Paris Dec '23 made a contract low this week in a continuation of the long slide lower. The London May '24 contract remains within about £5/mt of recent lows in its long held £15/mt trading range that has been the case since late August. Will we see European markets take a lead from Chicago in coming weeks? A question we will leave unanswered – for now.

Chicago corn has had something of a revival in the last few trading sessions as an injection of weather-related concern created some buying momentum. Brazilian weather forecasts for N & C parts of the country continue to suggest further problems for growers with soils likely to feature additional moisture loss, certainly into mid-month. Thursday saw Brazil's CONAB cut more than ½ million mt from their latest corn crop estimate, putting it at 118.5 million. Safrinha production was unchanged, and it was the first crop that was cut. CONAB's estimate is 10 million mt under the USDA's, and they continue to keep their 2023 crop figure below the USDA estimate to the tune of 5 million mt. The combined total difference is 15 million mt, which is a significant volume in global balance sheet terms.

We once again have to point towards weather as the key driver of markets for the foreseeable future. Each and every weather report will be scrutinised and rain in Brazil will be rewarded with sales, whilst hot and dry weather will attract buyers. Further wheat export demand will similarly attract short covering and support for prices. We are continuing to hold to our friendly stance for the time being.