Markets in Chicago corn, wheat and soybeans as well as London and Paris wheat have continued to hover close to recent highs. Paris (Dec ‘24) wheat has (just) moved above the highs set last June and July whilst the London Nov ’24 contract has formed a “double top” at £225.00/mt although slipping below that in latest trade. The Dec ’24 Chicago wheat contract is close to recent highs although some way below last summer’s “double top’ levels. Chicago Dec ’24 corn remains on its upward trajectory, which commenced at the end of February, but remains a good way below last summer’s peak pricing. Soybeans for Nov ’24 hold a similar picture to corn.

Wheat pricing, on the face of it, looks somewhat easy to analyse (we will doubtless live to regret this statement!). Whilst the rally in cash prices within the EU and Black Sea markets has currently paused, we continue to see a fundamentally supportive marketplace as dry conditions (drought) deepens across Ukraine and Russia. Current weather forecasts suggest warming conditions, which will add to already stressed wheat crops. It is without doubt that the crops need rain in the immediate short-term and yield are currently dropping day by day.

This week we saw German Co-ops estimating their wheat crop at 20.31 million mt, marginally up month-on-month but 5.6% lower than last year. By way of note they also saw the German rapeseed crop 8.4% down year on year. France’s Agrimer report current French wheat condition down a single percentage point week on week at 63% but way below last year’s 93%. At this time the USDA have estimated the EU wheat crop at 132 million mt, but we would place a lower estimate on the final crop at around 125 million. The latest estimates by private firm IKAR suggest a Russian wheat crop in the order of 83.5 million mt (with a downward trend in place) after ongoing dryness and for the winter acreage and excessive rains for spring crops. Similar conclusions can also be drawn for the current Ukraine crop.

As at today, our view is that current wheat prices probably reflect the situation quite accurately and that price reductions will be well supported by opportunistic buyers. The market has been in a somewhat overbought situation, and that is correcting slowly. We see sideways to upward price movement in a volatile trading pattern until such time as yields can be more accurately assessed.

US plantings are progressing well, and early crop ratings are expected to be favourable on the back of the most recent rains. Prices would look to be limited on the upside for now as traders see weather conditions as non-threatening and beneficial, and also current US export volumes remain slow.

We would therefore take a neutral stance on soybeans and corn, and use any corrections lower in wheat prices to add to or extend forward coverage.