

ACHICAGO corn (Dec '24) has moved broadly sideways this week whilst soybeans (Nov '24) have eased lower and Chicago wheat (Dec '24) has inched higher. European wheat markets in both London and Paris have mirrored the Chicago contract with slight gains.

Corn has traded within a narrow range for just over a week with each weather forecast being scrutinised by traders who are anticipating a record US crop this year. The current USDA yield estimate stands at 181 bushels/acre whilst many private estimates are above this. It is possibly fair to suggest that the anticipated bumper yield will be offset to some extent by a reduced acreage. That said, the large hike in cash premiums in Ukraine and as well as Brazil is likely to see increased US export business, which will result in a corresponding reduction in end stocks rather than what might have been anticipated as potentially burdensome stock levels and the resultant price pressures that would likely follow. The US exporter will benefit from the reduced crop sizes in both Ukraine and S America.

Soybean markets have little fresh news assuming the size of the US crop has been fully digested. A record large crop is in the making and with prices in heavily oversold territory, it seems China has woken up and is actively sourcing/seeking US supplies, which is encouraging to exporters, and should add a modicum of support.

Wheat prices continue to struggle with the ongoing Russian price "freeze", which is limiting upside. There is further evidence of the world importer market stirring with recent sizeable purchases made by Egypt and Algeria. The crop reductions in Europe were confirmed by Strategie Grains who this week estimated the EU soft wheat crop at 116.5 million mt, a reduction from their previous estimate of 122.3 million, and an 8.4% year on year reduction. Strategie Grains continued with a reduction in their (EU) export estimate, which now stands at 26.9 million mt, down from their earlier estimate of 31 million and a 20% year on year reduction. The French Farm Ministry have put their latest French soft wheat output estimate at 26.3 million mt, down more than 3 million month on month and now 25% lower than last year. Wet weather and fields since last autumn delayed plantings, adversely impacted crop development and added to disease pressures, leading to the inevitable downgrade in output estimates. In addition, quality has (unsurprisingly) been affected with much of the newly harvested crop failing to make milling grades. It seems this year is going to see milling premiums over feed grade rise.

As a consequence of the above, pressure will soon switch to the southern hemisphere where current Australian conditions are favourable whilst Argentine dryness and cold conditions persist into another season and their wheat crop condition stands at just 32% good/excellent.

All things considered; it is difficult (for us) to suggest anything other than current cereal values represent good value. Soybeans, as a crop of August, have the potential to excel and this could well continue to see prices pressured despite the already oversold position.

Looking forward, we have the August USDA crop report on Monday, and this will be closely watched for fresh input. At the same time, we should note the escalation on middle east tensions with some suggesting a widening of the conflict to embrace a broader geography, which could impact key crude oil supplies, Brent Crude has gained \$3/barrel in the last three trading sessions. This should be watched going forward.