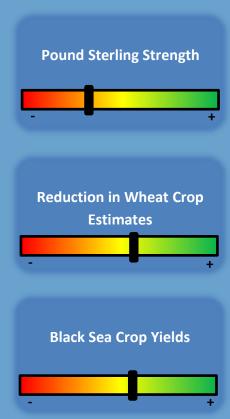
## 14/07/2020

## Wheat Flags Influence on wheat prices





Markets were firmer throughout last week which was mostly on fund short covering due to poor early yields in the Black Sea and crop reductions for France and Argentina. Forecasts of hot/dry weather for the US corn belt also added support.

The French Agmin reduced their wheat crop estimate to 31.3 Mmt compared to most other trade estimates of 32.4 Mmt. Also, after seeing increases a few weeks ago towards 80Mmt, the Russian wheat crop is now being pared back towards previous estimates with IKAR now putting the crop at 76.5Mmt (versus 73.5Mmt last year).

Friday's USDA report brought no real surprises to the market but was slightly supportive for wheat with a reduction in U.S. SRW and HRW production estimates. However, the lack of anything fresh from the report to feed the bulls in corn, together with a change in the weather forecast, was enough to trigger a sharp selloff in corn.

Gains in Liffe wheat have been tempered by recent Sterling strength against the Euro. This is in part on the back of some relatively upbeat media reports on the potential of Brexit progress. To maintain recent gains, Brexit trade talks in Brussels this week must offer more positive developments. The easing of the COVID-19 crisis in the UK and a fresh set of stimulus measures from the treasury have also contributed in assisting the Sterling strength.

Here in the UK, barley harvest has started, and early reports are suggesting that quality is ok, however, it is far too early to paint a clear picture. Hopefully, the better weather forecast for this week will enable pace to pick up.

Whether last week's rally in wheat is warranted remains to be seen but from an S&D perspective, the long-term picture still looks heavy with demand issues outweighing any current supply concerns.

Markets will keep assessing harvest pace/quality/yields in the BS & EU. Corn weather in the US will continue to be watched with actual rainfall amounts being very important.

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