

15/01/2021

## Wheat Flags

Influence on wheat prices

### Bullish USDA Corn Results



### Russian Export Tax Increase



### Sterling Strength



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Markets have been very strong all week with Tuesday's USDA report and rumours of Russian export tax hikes driving prices higher.

US wheat futures rallied on the results of the USDA report, although this was more to do bullish data for corn than wheat itself. US corn yield was a big shock at 172BPA versus estimates of 175.3BPA. This resulted in an 8Mmt drop in the US crop which together with anticipated changes in South America took world corn production nearly 10.5mmt down from the Dec report.

The big story for wheat, however, has been all about Russia and talk of an increase in export tax. Rumours vary but consensus seems to be for an increase to €50/mt for wheat from 1<sup>st</sup> March with €25 on corn and €10 on barley to 30<sup>th</sup> June. There is also a suggestion of a floating tax on new crop. The Russian Ag ministry have made a proposal which is due to be reviewed in a meeting today. Whether or not this has the desired effect of cooling domestic prices and the eventual impact on global markets remains to be seen.

In the UK, although we have seen some big price increases, gains have been tempered by Sterling strength and a lack of domestic consumer led buying up at these higher levels. Also, there has been good selling in Liffe futures as the trade is generally long of physical wheat and struggling to make cash sales at the right numbers. Any sudden correction lower could be dramatic when it comes, so it certainly feels like some traders are locking into profits in the last few sessions.

The strength we have seen in Sterling this week has the potential to continue with analysts expecting more positivity as the EU trade deal has given the UK economy more stability in the long term. At the heart of sterling strength though is the Covid-19 vaccination strategy and the hope that we remain ahead of other countries thus enabling restrictions to be loosened.

Expect markets to remain volatile whilst markets digest the Russian tax situation and South American weather plays out.

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