

23/12/2020

Wheat Flags

Influence on wheat prices

Russian Export Tax/Quota



COVID-19 Lockdowns Threatening Economic Activity



Corn/Soyabean Strength Helping Support Wheat



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This week has been much less volatile than last with the dust settling on Russian export tax/quota news. Markets are now in Holiday mode with lower volumes being traded in global cash markets and a general slowdown until after the New year.

Underlying support remains in place for wheat, however, with a strong EU export pace and the impact of the Russian situation still to play out. Also, ongoing strength in corn and soybeans is helping to sustain prices.

Soybeans have rallied in the last few sessions on a mix of Argentinian port strikes, ongoing weather issues, possible harvest delays in Brazil and rumours of Chinese buying.

On the other side of the coin, market talk about demand slowdown is starting to gather pace again. The new strain of COVID in the UK is threatening to further slow economic activity with stricter lockdowns looking increasingly likely. Crude oil took a 4% hit on the news and in the US, it paints a gloomy picture for ethanol demand.

In the UK, Brexit trade talks and currency volatility remain a big market driver. Time is running out to settle a deal before the 31st December deadline and Boris Johnson is resisting calls for a further extension. Fishing access and fair competition rules remain the main sticking points.

The possibility of leaving the EU without a deal has seen domestic old crop wheat prices gather more upside as the small crop this year means that imports need to carry on which could face taxes and become more expensive. On the flip side, gains in new crop prices have been hindered by the prospect of a return to the UK being a net exporter and having to face EU import levies.

Expect markets to remain ill-defined and choppy as we head into the end of the year with Brexit and COVID uncertainty looming over us.

We would like to take this opportunity to thank you for your valued business and wish everyone a Merry Christmas and best wishes for 2021.

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