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Wheat Flags

Influence on wheat prices

Trade Expecting Further Chinese Buying



Bearish USDA Report



Russian Farmers Starting To Accept Lower Prices



The clear driver of markets now is corn with the trade still anticipating further Chinese buying.

Wheat is struggling for direction with little in the way of fresh news. The Russian tax situation is much clearer now with no rumours of further changes and farmers reportedly starting to accept lower prices with sales being made.

After the January global rally, the wheat market feels like it is taking a breather. Funds have relatively small positions in wheat whilst they maintain their length in soybeans and corn. Now that the Russian tax situation has settled down, there is less of a story in wheat and futures have erased the market peak of Jan and are back towards values seen at the beginning of the calendar year.

As already mentioned though, it is all about corn at the moment with last week's record US weekly export sales of 7.5Mmt thanks to Chinese buying. Although this helped to support wheat, any attempt to move higher soon got sold into.

There was, however, surprising news for the bulls in last night's USDA report. Given the relentless Chinese buying, the trade had been anticipating a drop in US and world corn stocks. What it got though was a shock increase in global stocks of 2.7Mmt from last month with only a minor reduction in the US stocks and a net drop in global usage. The USDA did increase Chinese imports, but they put the majority of this into stock building instead of usage.

For South America, the USDA left corn and soybean production unchanged. In the trade, there has generally been a trend for bigger production estimates in Brazilian corn. Weather is currently a mix of good and bad for soybeans with rains aiding development in some areas whilst hampering harvesting in others.

Although wheat seems to be struggling, it should remain relatively underpinned. EU wheat is competitively priced and robust exports so far this season mean that ending stocks will be tight. The EU does not really need to see a lot more demand as a result of reduced Russian exports. There is also a long way to go before harvest so there is still time for weather stories to develop.

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