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Wheat Flags

Influence on wheat prices

Vivergo Reopening Early 2022



Disappointing US Export Sales



Freezing Nighttime Temperatures in Russia



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International markets remain volatile and very reactive to any news. This was evidenced last week when grains took a turn lower into the end of the month after having been previously well supported. Then yesterday, after 3 straight down days in CBOT, futures reversed with a sharp move higher.

The catalyst for last week's drop was the weekly US export sales which were significantly lower than had been anticipated and also brought news of some Chinese cancellations.

Chinese buying is important for maintaining support in corn and so with a lack of flash sales to China and now signs of business being cancelled the longs became nervous. Essentially the fear is that China could decide to cash settle their nearby purchases and buy new crop at less money (as they have done in the past). If part of the exiting purchases are to be used for rebuilding stocks rather than immediate use, there is no rush to take the goods. Also, persistent reports of a new wave of African Swine Flu in China (and its potentially destructive impact on demand) continue to circulate.

A return to warmer weather in the US also weighed on prices as the threat from winterkill temperatures receded. Yesterday, however, markets recovered with CBOT wheat being the initial leader higher and then fund buying soon got everything back into the green. Strength in wheat was sparked by deteriorating crop condition ratings for Kansas, Texas and Oklahoma. Further strength then came later on from rumours that China were enquiring after US wheat. Today, the positivity has subsided again with markets trading lower.

In the UK, news broke that E10 fuel will become available at the pump by September 2021. E10 is a blend of up 10% ethanol in petrol and is part of the Government's plan to meet net zero emissions. As a result, UK biofuel production will pick back up with Vivergo announcing that they will reopen in early 2022 after having been shut since 2018. This has helped to support new crop prices and saw UK values going against the grain of other markets at the end of last week.

Weather forecasts in Europe are turning more seasonal with no real issues. In Ukraine and Russia, however, snow cover is quickly disappearing, but night-time temperatures are still well below freezing for some areas which is turning any leftover water to ice and could have a negative impact on crops.

Markets will continue to focus on US and South America weather as well as Chinese buying. Russian exports will remain a key factor too as traders look for clarity in wheat.

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