

10/03/2021

Wheat Flags

Influence on wheat prices

Ongoing South American Weather Issues



No Fresh Drivers from USDA Report



Cold Temps in Russia with Limited Snow Cover



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Markets struggled for direction last week with values moving lower in choppy trade. Friday, however, brought a soybean and corn led rally with South American weather once again grabbing attention.

Ongoing heat and dryness in Argentina gave the catalyst with nearby weather maps showing a lack of much needed rainfall and no change to the forecast until later in the month. Conversely, unwanted wet weather in Brazil over the next fortnight, hampers any chance for corn planting to pick up on lost ground.

Last night's USDA report had the potential for fireworks but turned out to be a snooze with little in the way of any fresh bullish data and very few changes from last month. Traders had been poised for a potential surprise with the main focus being on what the USDA would do to South American crop estimates.

Whilst the USDA did make some changes, they weren't particularly drastic. They lowered Argentine soybean production by -0.5 mmt to 47.5 mmt but offset that by an increase in Brazil by +1 mmt to 134 mmt. World wheat stocks were lower by -3 mmt due to increased Chinese feed demand but the Non-China wheat stocks were actually up +1 mmt. Aussie wheat production was increased by +3 mmt to 33 mmt.

In the UK, cash trade has been rather thin with old crop under pressure due to limited buying interest (at the moment) whilst farmer selling in new crop is slow. Pound Sterling has made further gains over the past week touching 1.17 against the Euro at levels not seen since Feb last year. The Pound has been gaining support since the completion of the EU trade deal and now the successful vaccine programme. Any significant setback in Sterling seems more likely to come from broader global sentiment rather than anything UK specific.

The global wheat picture remains unclear with old crop trade still to play out and uncertainty over Russian exports the main conundrum. For new crop, evidence of how crops have fared through winter is still a few weeks off. In the meantime, US weather is turning more favourable with rains falling across parts of the Midwest and plains to aid winter crops whilst Russia and Ukraine remain dry with very cold temperatures and little or no snow cover.

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