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Wheat Flags

Influence on wheat prices

Improved Weather Conditions in South America



Better US Crop Ratings



Russian Wheat Crop Production Increased



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Fresh fundamental news has been lacking with markets under pressure and recording losses across the majority of last week. Alongside the lack of news, more favourable weather in major growing areas, a lack of demand and fund selling has kept a lid on prices. Based on current market conditions, there is a general feeling of relatively small upside from present high prices in contrast to a much larger potential downside.

Having said that, we are still seeing a high degree of volatility and markets did stage a bit of a recovery yesterday but finished well of the days high's and have turned slightly negative this morning. Reasons for the bounce in grains was not entirely clear other than technical buying. Soybeans did lend support, however, with strength in bean oil and tight supplies.

Regarding weather, conditions for Argentina and Brazil are more favourable with wetter southern Argentina and drier central Brazil. In more extended forecasts a drier run for both counties will benefit harvesting. Whilst Safrinha corn planting has gone a long way to catching up, the harvesting of Brazils first crop still lags and hasn't really made any progress in making up lost pace so far.

In the US, recent rains have led to improved crop condition ratings for wheat. Kansas good/excellent was up 7% on the week whilst Oklahoma was up 5%, Texas up 2% and Colorado up 8%.

Pound Sterling has benefited in recent weeks from the country's impressive rollout of the COVID-19 vaccination; however, it is now feeling some pressure as the EU and UK clash over supply issues with the Pound slipping back from recent highs of just over 1.17 GBPEUR to 1.158 today.

Whilst there is still uncertainty over the condition of Russian winter crops, confidence is slowly building. This was shown by SovEcon who raised their 21/22 Russian wheat production by 3.1Mmt to 79.3Mmt due to improved weather conditions in the South.

Moving forward, markets will be looking ahead to the next USDA report on the 31st of March for fresh direction.

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ukmarketing@cofcointernational.com