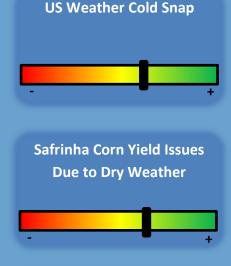
21/04/2021

Wheat Flags Influence on wheat prices



Futures Becoming

Overbought



The past week has seen sustained support for markets with fund buying and predominantly US / South American weather taking prices to fresh contract highs in new crop.

Additional news, however, has been relatively absent and the rise has been based on a continuation of what we already know.

The cold snap in the US has been causing concern for developing winter wheat in the Southern Plains and for corn planting in the Midwest. The freezing temps though have not been as low as some models suggested and the damage for HRW does not seem likely to be particularly significant.

Generally speaking, there is enough weather concern in various countries to keep markets underpinned for the time being. Dry conditions persist in the Dakotas and into Canada for spring wheat whilst tight soybean stocks and declining production estimates for Brazilian Safrinha corn are just too much to ignore with money flowing in from managed funds.

Brazil has seen very dry conditions for Safrinha Corn, and this looks likely to continue in May. Corn was at a greater risk from the start as delayed soyabean harvesting caused late corn plantings and concern for eventual yield.

China have been a consistent buyer over the past year and still loom large, not necessarily with new purchases but in terms of potential to continue their recent buying spree into new crop. Only time will tell as to what extent this happens.

There are, however, a couple of elephants in the room. Firstly, the pace of US corn shipments remains too slow to achieve the needed export number. Secondly, at some point in the future, it is odds-on that the USDA will "find back" some, all, or perhaps even more of the acres that were "missing" from the planting intentions report. However, that is still some way up the track.

There have also been some strange trade flows recently with a shipment of Romanian wheat to France which is set to be tendered against Matif futures whilst there are rumours of Argentine wheat going to the US and a 60k tonne shipment of rapeseed from the Ukraine to Canada.

Ultimately, weather is the big market driver at the moment and will continue to be so over the next couple of months. Markets do need feeding however, and from a technical standpoint, futures are becoming overbought. Fresh news will be required to maintain higher prices.

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