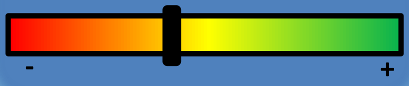
13/05/2021

Wheat Flags

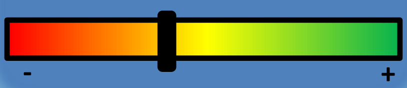
Influence on wheat prices

Fast Pace of US Planting



Ongoing Dry Weather Concerns for Brazil

Lack of Fresh News in Recent USDA Report



The beginning of this week brought a rare sharp drop in markets with across-the-board pre-USDA report profit taking and general fund liquidation on Monday.

Weakness in corn came despite a largely unchanged dry weather outlook for Brazil, good US weekly export inspections (1.7m tonnes) and a net 800,000t flash sale of new crop corn to China.

A contributing factor to the downside was heavier and more widespread rains than forecast in the US which will help to improve crop conditions. Also, in contrast to the last two years, the lightning planting pace has continued with corn 67% done (versus 52% average), beans 42% done (22% average) and spring wheat 70% planted (51% average). This fast-planting pace (along with price of course) continue to support the idea that corn and bean acres will expand significantly above the levels currently being used by the USDA.

However, markets never stay still for very long at the moment with any breaks typically being bought into. Tuesday, therefore, saw most markets regain a good portion of Monday's heavy losses. Unfortunately, new crop London futures failed to follow and only made back £1.10/mt of Monday's £6.50/mt fall.

Cash markets in the UK were quiet again with little trade in old crop but news of a Scottish grain merchant going into administration caused a fair amount of speculation as to how May 21 Liffe futures will trade in the lead up to next Friday's expiry. Whatever the status of any futures longs or shorts that the company may have been holding, whereas there could be more fireworks in the futures market, the impact on the cash market is likely to be minimal. Basically, this is because there is precious little time left for sellers to take advantage of higher futures prices as grain needs to be in a deliverable location by the early part of next week.

Yesterday's USDA report added to the volatility and caused markets to turn lower again in wheat and corn whilst soybeans were supported. The main focus was on ending stocks and although expected, a 140-million-bushel new crop US soybean carryout is tight and leaves little room for a yield problem. For wheat and corn, the report gave nothing fresh to the bulls and both markets were sold into and continues to be the case this morning.

Overall, though, there was nothing in the USDA data that should overtly change overall market sentiment. Markets are still all about weather with the main interest on Brazil and the US. Any moves in either direction will continue to be exaggerated by the involvement of Funds.