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Wheat Flags

Influence on wheat prices

Increased Australian Crop Production



Less Threatening Weather



Increase in Russian Export Quotas



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It's been a difficult week for markets with CBOT, Matif and Liffe all dropping sharply. In the UK, we are now circa £6/mt off the recent contract highs in both old and new crop futures.

Bull markets need feeding and the stories that had been adding support have been fully priced in over recent weeks. Rains in South America, talk of the Australian wheat crop being as high as 35Mmt and an increase in Russian export quotas all added pressure and were the catalyst for heavy fund selling.

The issues have not gone away, however. In Russia, 22% of the winter wheat crop is rated "poor", which will be the worst rating for 7 years and could potentially prove to be a risk to production. In saying that, the crop is still forecast at about 80Mmt which would be the third largest in recent times. Any sharp drop in temperatures with inadequate snow cover will be closely monitored through the winter.

For the moment though, it seems that the focus is more on the lack of Russian export restrictions and improvements in global weather. Also, Chinese buying that had been fuelling markets has, so far at least, failed to resurface in any style.

In the UK, Brexit trade talks are causing a significant amount of currency volatility. Sentiment keeps swinging from the expectation of an 11th hour deal to one of no deal at all.

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