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Wheat Flags

Influence on wheat prices

Russian Export Disruption Fears



Uneventful USDA Report



Weaker Sterling Supporting UK Prices



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Plenty of volatility with markets rallying sharply at the end of last week recovering all the previous week's losses and more. Yesterday, however, futures were down with a big chunk of Friday's gains being eroded.

The initial move higher started on Thursday ahead of the USDA report with rumours of Chinese demand for US wheat and reports that President Putin had instructed the government to put measures in place to curb Russian domestic price rises.

The USDA report itself was relatively uneventful with no major surprises, but the comments from Putin caused concern that Russian exports would be disrupted by taxes and a revision to quotas. It was only a couple of weeks ago that Russian quotas were actually increased and was part of the reason for the market losses at the time.

This morning, it has been confirmed that a €25 per tonne tax on wheat with a grain export quota of 17.5 million tonnes will be introduced from 15th Feb to 30th June.

The question is how this will impact markets. We have seen before that in the short term, global prices can be pressured as shippers rush to export the maximum possible before the tax date. Also, the 17.5million tonne quota is big enough to provide plenty of supply. On the other hand, it may stop farmers from selling given the time of year, the condition of next year's crop and the erosion of the old crop/ new crop inverse by the tax. Also, logistics might be unsettled by delays in phyto certificates being issued and shipments pushed back. There is still a lot to play out with this situation before the impact is fully realised.

In the UK, we have the added volatility to contend with from the possibility of a no deal Brexit outcome. Sterling weakness has helped to support prices for the time being but gains in new crop have been tempered by the prospect of EU tariffs.

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