

22/07/2020



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Wheat Flags

Influence on wheat prices

Northern Hemisphere Harvest Picking Up



EU/BS Yields Mixed



Improving US Corn Weather Forecast



Markets have been reasonably volatile with prices initially moving lower at the start of last week led by improving weather forecasts for US corn which added precipitation and took some heat out. At the end of the week, however, CBOT wheat rallied sharply on news of Chinese buying US SRW wheat. This turned out to be for just two cargoes and the rumour has yet to be confirmed.

Since then, we have seen those gains eroded with harvest activity increasing in the northern hemisphere and markets becoming less illiquid as farmer selling gradually steps up.

The situation remains a rather mixed picture, however, with good quality and yields in the Ukraine which is encouraging farmer selling whilst in France yields have been below expectations and farmers are more reluctant to sell. In North East Europe, crop estimates have increased but wet weather is beginning to affect quality.

Yesterday, news of a deal between EU leaders who agreed a 1.3 Trillion Euro spending deal, which includes a 750bn Euro fund to help ease the pressures of COVID-19. This deal will support the Euro in the long term; however, Sterling has gained a short-term benefit through rising investor sentiment.

In the UK, wheat harvest has started early with initial results looking more promising than originally expected. However, there is still a long way to go and hopefully this trend continues throughout.

As a generalisation for EU/BS markets, slow farmer selling had contributed to a squeeze in the spot position and a spike in the market on short covering. There are signs that this is beginning to relax with better liquidity due to increasing farmer selling and more fob offers. With the poor global demand and southern hemisphere crops a few months away we could see more pressure on prices.

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