

Market Volatility the flavour of the month.

The grain markets have had a couple of major reports released by the USDA recently that have had varying effects on the markets, but has added to the overall market volatility especially when factoring in the extra spice of the Russian-Ukraine situation and an erratic Aussie dollar.

The recent monthly USDA WASDE report had a mixed effect on the market with wheat bearish, due to higher global ending stocks with anticipated reduced Chinese demand, and soybeans unsurprisingly bullish, due to the equal lowest US carryout on record.

Contrastingly, the recent new season's 1st weekly US Crop Progress report was far more dramatic with a not unexpected effect on the grain market, due to the severity of the anticipated outcome of the extremely cold & persistent winter that the US winter wheat crop has experienced with concerns around the extent of the winterkill abounding for a while now.

This became evident with the 1st of the weekly crop progress reports indicating that the US wheat crop had come out of dormancy with the largest ever overall reduction of 27% in the Good-Excellent rating of the US crop dropping from 62% in November, prior to dormancy, to 35%. This has dropped by further 1% point to 34% with the 2nd crop progress report updating the winter wheat conditions across the 18 US states selected for the reports.

Of those 18 states, Kansas, the top HRW (Hard Red Winter) wheat producing state has had the Good-Excellent rating fall from 29% with the 1st crop progress report to 26% with the 2nd report a few days ago.

Also Oklahoma, another HRW producing state has shown the greatest deterioration over winter with the crop's Good-Excellent rating dropping 62 points to 15% with the 1st crop progress report and then a further 1% with the 2nd weekly crop progress report rating dropping to 14%.

Ohio, which is seen as the biggest SRW (Soft Red Winter) wheat producing state also dropped significantly by 40 points to 45% on the 1st weekly crop progress report and then improved slightly to 47% on the 2nd report.

Other varieties of wheat have also been affected though adversely by heavy rains in the western areas, like in the state of Washington, where White Winter wheat crops deteriorated over winter by 38 points to 39% on the 1st crop progress report, and further again to 35% by the 2nd report.

Similarly in Australia, ABARES recently indicated in their March quarter Commodity Outlook they are forecasting a decline in Australian wheat production by 8% in 14/15 to 25 Mt due to an expectation of a drop in yield from 13/14 levels.

At the moment here in WA, whilst our farming cousins over East have had some rain of late, we are yet to be blessed with some sorely needed grain-growing rainfall, though hopefully the Easter bunny can help organise some in lieu of less Easter eggs.

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