

After a number of weeks and months over which we have watched agri markets decline steadily amid what seemed to be unstoppably bearish fundamentals, we have this week been faced with something of a "curved ball" on more than one front, which has disrupted downward momentum. The big question seems to be: "is the downtrend over?"

Corn prices took a bit of a jump on Monday as the USDA, somewhat unexpectedly, lowered its yield forecast. Tuesday saw prices resume their decline once again as doubts were widely expressed over the significance and accuracy of the report. Thursday's price action saw a jump of around 4% in prices as the USDA's Farm Service Agency (FSA) released statistics suggesting that plantings in the US, which were delayed in the wet conditions, were significantly lower than previously thought.

However, after a night to consider the data, market analysts largely dismissed the smaller USDA August corn yield with the implication that as the crop becomes more mature, it will become more measurable. The market went through the same process with regards to the FSA data, which is not considered to be near completion until October and will not be considered by NASS until then. This season, the farmer reporting that drives the FSA data is particularly late due to a 30-day postponement of the required reporting date which makes the new data even less complete than normal.

Markets also took heart from US export data released Thursday, which showed higher than anticipated export sales with corn double the level of some expectations at 770,000 mt. It is unlikely that this will be a lasting trend with China having approved supplies from Argentina and having already imported corn from Ukraine as we reported a couple of weeks ago.

Weather, which has been favourable for crop development recently with cool temperatures and continued precipitation, has recently seen a change in the forecast to dry and hot conditions through to the end of the month. Some reports of crop stress are starting to emerge and this has added to nervousness and some price protection. A further fillip for the bulls is the inexorable passage of time, which brings the risk of frost and crop damage into play. The relevant time scale for crop damaging frost is the second half of September, and with sowing delays as well as development slowed by cooler weather, there is a possibility of damage should weather turn cold.

We therefore face something of a crossroads in prices at the moment with the bulls grabbing at the fresh inputs this week and the bears pointing at the pitfalls in the information. Next week, and its price direction will be interesting to watch. So far, the news has not had much success dislodging the strong speculative net short position that has been present since the beginning of July.

In other news Russia's AgMin this week downgraded their 2013 grain harvest to 90 million mt from 90-94 million mt last reported on the back of "unfavourable weather conditions". The implication is that we will see a sub-50 million mt wheat crop as a consequence, and with their need to rebuild state reserves, which were released over the last season to curb record high domestic prices, we could well see overall export volume restricted well below the USDA's forecast of 17 million mt.

Stratégie Grains this week increased its outlook for EU 2013 soft wheat and barley output to 134.2 million mt and 58.3 million mt respectively. End stock figures were left unchanged amid upward revisions in feed usage and pressures from both barley and corn. Barley exports were increased slightly in their report, and there is evidence of UK activity in this sector beginning to reduce the large discount which barley has enjoyed to wheat in recent weeks.

Brussels granted wheat export licences totalling 706,609mt this week, which brings the season total to 2.811 million mt, 1.3 million mt ahead of last season (87.2%).

In conclusion, we hope to be in a better position next week to make a more informed judgement on the question posed in our opening paragraph, "is the downtrend over?"

