This week has seen more volatility in CBOT market prices as weather conditions have produced some needed rainfall as well as promising more heat. The resultant price action has seen prices oscillating without clear direction. Data released from the on-going Pro Farmer crop tour has also impacted prices; the updates have presented a better than expected corn crop and slightly higher soybean pod counts. However, for both crops it is becoming apparent that further rainfall will be required for full potential to be realised. The final outcome of the tour is scheduled to be released after close of play (UK time) Friday.

Regardless of the tour, and almost regardless of the US corn output, one factor is becoming clearer as the days go by. That is that US corn remains uncompetitive in the global market place with offerings from other origins, namely Brazil and Ukraine. Earlier in the week Ukraine corn was some $10-15 below Brazil, and $20-25 under US. Failure to compete, which currently means lower prices, will likely result in reduced US exports and higher end stocks. On the basis of such a scenario, it seems that higher corn prices in the US will be hard to sustain going forward. In conjunction with this, the US $ remains strong against most other currencies, in particular the Brazilian Real which makes the US even less competitive globally and should force CME values lower just to maintain the status quo.

StatsCan confirmed expectations of a bumper Canadian all wheat crop, set to be the best in 22 years as well as a record canola (rapeseed) crop. Unfortunately the latter, whilst still a record, was well below market expectation and left prices in both Canada and the corresponding Paris rapeseed market trading higher. Wheat was forecast at 30.56 million mt, which is close to 13% ahead of last year's crop and also ahead of trade expectation of 30.4 million mt and the ministry figure of 29.2 million mt. Gains in both acreage and yield were reported to have contributed to the harvest number.

The canola forecast at 14.74 million mt, was reported to be above ministry expectations and ahead of the previous record of 14.61 million mt set a couple of years ago. Whilst harvested acres are set to reduce, it is the jump in yield of some 22%, which is responsible for the gains. Despite the forecast, trade expectation was for a higher figure of 15.5 million mt and the latest USDA forecast of 15.3 million mt, hence the uplift in prices following release of the figures.

Global soybean trade is rumoured to have seen substantial buying by China from Brazil this week, at prices that are suggested to be way below US offered levels. If substantiated this mirrors the "overpriced corn" argument made above.

France's Agritel has increased its latest estimate for the nation's soft wheat output to just over 37 million mt, an increase from its last estimate of 35.23 million mt. This level, if eventually reached, will be the highest in nine years. As the harvest moved further north in the country estimates of yield improved, attributed to lighter soils which were better able to cope with the wetter conditions experienced this season. In addition, the hot conditions of late July and early August appear to have had little in the way of adverse impact upon the crop.

Brussels this week granted wheat export licences totalling 585,818 mt bringing the season total to 3.397 mt, which is slightly more than double last season's comparative figure of 1.653 million mt.

In the absence of any real fresh news the market looks set to continue trading the weather and, despite recent rains, it is the promise of warmer conditions that is driving the market as we draw towards the end of the week. We remain on the side of lower price levels at this time and the closer we get to the US harvest, leaving less time for heat or drought induced crop losses, the stronger our convictions will become.