The dying embers of last week saw the US EPA (Environmental Protection Agency) announce that the bio-fuel mandate proposal is to change. The change encompasses a reduced mandate for all bio-fuels to 15 to 15.2 billion gallons, around 16% less than the 2007 US energy legislation agreed volume of 18.15 billion gallons. Probably the biggest single item was the reduction from the agreed 3.75 billion gallon advanced bio-fuel blend in 2014 to a much reduced 2.0-2.5 billion gallon blend volume. Whilst not formally agreed, it appears that springtime will mark enactment, and the US bio-fuel industry has reached maturity. Outside of the advanced bio-fuel mandated range, the balance, which is traditional corn based ethanol, will range from 12.7 to 13.2 billion gallons, compares with previous targets of 14.4 billion gallons – an 8.3 to 11.8% reduction! The outlook for corn prices in 2014 and planting prospects will become extremely interesting to say the least.

Category	Proposed Volume [a]	Range
Cellulosic biofuel	17 mill gal	8-30 million gallons
Biomass-based diesel	1.28 bill gal	1.28 billion gallons
Advanced biofuel	2.20 bill gal	2.0-2.51 billion gallons
Renewable fuel	15.21 bill gal	15.00-15.52 billion gallons
[a]*All volumes are ethanol-equivalent, except for biomass-based diesel which is actual*		

If that news wasn't enough, there were reports on Reuters news that China had rejected a cargo of corn because of unapproved GMO contamination, which did little to support prices. Further suggestions that the seemingly incessant demand for both corn and soybeans from China may have peaked has also spooked the market.

Having said all that, despite front month corn contracts making fresh lows at the start of the week they have clawed their way higher as the week has progressed ahead of Dec option expiration on Friday.

This week saw a further wheat tender by Egypt's GASC with Russia, once again, successful. Whilst this was Russia's first sale to Egypt since September, many are suggesting it may be their last in the face of reducing availability of GASC specification grains. Interestingly there were no offers from either Romania or Ukraine and offers from France were some $6 to $10 higher than the previous week.

On the back of this and a slowdown in selling by French farmers as they anticipate the imminent receipt of their aid payments and believe they are the only remaining long holders of note in the world, MATIF wheat pushed higher to levels not seen for almost six months. Whether this will remain the case for much longer in the face of growing global stocks will be interesting to watch.

In marked contrast, we saw tenders submitted for delivery of 1,229 Nov '13 London wheat futures contracts, which is the highest seen in many years. Most of these are in the East and South West of the UK and one can only conclude that this is the best market at present. Logically, it would seem that any further uplift in London wheat price will struggle. Today (Friday 22 November) marks the end of the contract and its tender period.

Brussels continued the rapid pace of wheat exports with licences totalling 683,353 mt in the week. The season total now stands at 11.176 million mt, 3.553 million mt (46.6%) ahead of last year's comparative figure.

India's recent wheat sale appears to have made better than anticipated prices with some 340,000 mt sold, and prices averaging $284/mt, which is well above their recently reduced $260/mt floor price. A further tender for 490,000 mt for Jan '14 shipment is scheduled for 12 December.

Turning to S America, it appears that the weather conditions can only be described as favourable for residual planting and crop development. In Brazil, rainfall is close to normal and temperatures near to below normal and conditions for corn pollination and soybean development are about as good as it gets. Argentina's soil moisture levels are described as adequate to surplus and we feel comfortable with the potential for crops at present. It will take a serious turn for the worse in conditions or some other catastrophe to upset what is looking like a potentially bumper season for the region.

To conclude, we continue our dogged view that price rallies will be short lived, and provide selling opportunities. The cost of nearby supplies remains at a premium, but we believe that supply pressure will ultimately prevail and the premiums erode; it is time to be patient!

Next week sees the US celebrate Thanksgiving and we will be taking a (well earned) break with our next update being issued on 6 December.