Without doubt this week has been all about the USDA report and what movement, if any, in yield would be included in the data release. Given the USDA's predilection for springing surprises, we were not disappointed. Increased yields in both corn and soybeans were widely anticipated; corn came in at 171.7 bu/acre with soybeans at 46.6 bu/acre. Whilst these were the headline numbers, the report included much more. US corn output was increased, as was that of soybeans, to 14.395 billion bu and 3.913 billion bu respectively as a direct result of the increased yield. US end stocks for both crops also rose but an increase in exports caused us to raise an eyebrow, global availability and competition is also increased and it will take price reduction of some magnitude to ensure the USDA can deliver on its prediction.

From a global perspective, corn and soybeans also saw increases in output from last month's data. Corn grew by over 2 million mt to 987.5 million mt despite declines in Argentina, China and FSU, although a 1 million mt increase in Brazil's crop surprised us in the light of everything we have heard about acres switching from corn to soybeans. Global soybean output saw an increase of 6.4 million mt to 311 million mt with the US and Brazil headlining the growth. Global end stocks for both crops rose, corn by over 2 million mt and soybeans by over 4.5 million mt. Perhaps more significant is the year on year change in world end stocks; corn is forecast to grow by 16.83 million mt and soybeans by a staggering 23.26 million mt.

The old and possibly overused adage of "big crops getting bigger" could well be true again this year. There have already been suggestions that some of yesterday's data was "manipulated" to ensure the corn end stock figure was not too far above 2 billion bu and soybeans remain below 500 million bu. The truth of the matter is likely to come as actual yields from harvest hit home and the numbers speak for themselves. Already many are talking the next report numbers for both corn and soybeans even higher than the current record levels as forecast yesterday.

Wheat, which we have not mentioned so far, saw global output rise to a shade under 720 million mt (record large), an increase of close to 4 million mt month on month and almost 6 million mt from the previous year. The reported growth came from the EU and FSU, although the latter was from Ukraine and not Russia, which is a surprise. Global wheat feeding was increased, just over 3 million mt, but so was corn, by 2 million mt, prices may be lower but are they low enough to increase total grain feed consumption by a combined 5 million mt? Increased export volumes (EU, Canada and Ukraine – not Russia!) due to increased supplies also begs a question! Global end stocks also rose, by 3.4 million mt to 196.38 million mt, almost 4 million mt ahead of last year.

To try and summarise, we appear to have a pretty strong confirmation of record global output for wheat, corn and soybeans as well as record US corn and soybean output. Demand is not keeping pace with output, which has been the beneficiary of an "inverse perfect storm" in pretty much the whole world. Too much crop chasing too little usage is the outcome and we did not see prices decline earlier because of the tight US old crop position. Now that we are seeing early harvest availability, which will speed up rapidly as it moves north, we can expect to see prices move to a lower plateau.

Right now it feels as if the bulls are swamped by the overwhelmingly bearish news, and therein lays our one cautionary note. When everyone is bearish, the markets can spring a nasty surprise, however we are remaining firmly on the side of the bears for now as there still appears to be plenty of downside price opportunity.

In other news, Brussels granted weekly wheat export certificates amounting to 710,847 mt, which brings the season total to 5.565 million mt, almost 3% (155,773 mt) ahead of last year. Corn imports for the week were 98,000 mt with the season total standing at 2.095 million mt.

One material issue arose mid-week with the French operator, Senalia, announcing that intake at their Rouen silo was to halt. Seemingly they are "full" with an export programme amounting to zero! As a Matif futures delivery point this is somewhat concerning to say the very least and the potential for complications and quality issues in the November contract look to be looming large, with a potential for a firework extravaganza!

In conclusion, the USDA report has provided ammunition and confirmation of our long held belief that global stock rebuilding is well under way. This could be the situation for some years to come, given the likely end stock position, and there is little to contradict this at present. Of course we could see a significant global weather issue arise at some time in the next growing season, and at that point we would have to re-evaluate. Meanwhile, we look for lower prices in both grains and oilseeds.