As markets resume more normal working hours and routines following the US Labor Day holiday, we have seen CBOT prices break down and contract lows being formed across soybeans, wheat and corn. We thought that it would be interesting to look at some of the drivers that have triggered resumption in the downtrend:

- A return to traditional working hours in the US and UK after two holiday shortened working weeks. Two-day weekend breaks are less risk for traders than three-day breaks and "risk-on" post-holiday appears to be the order of the day.
- US crop conditions showed an improvement in both corn and soybeans week on week with the former at 74% good/excellent (vs. 73% last week) and the latter 72% good/excellent (vs. 70% last week). On the other hand, spring wheat rated good/excellent fell 3% to 63% and harvest is disappointingly slow at 38% complete compared with 61% last year and the ten year average of 73%.
- A raft of upbeat US crop forecasts for corn and soybean yield and output suggesting the latest USDA figures are in need of upward revision.

Corn	Yield bu/acre	Output billion bu
USDA August	167.4	14.032
Allendale	171.9	14.409
Int'l F C Stone	174.1	14.595
Soy beans		
USDA August	45.4	3.816
Allendale	46.4	3.884
Int'l F C Stone	47.6	4.0

- Early harvest yield reports from the Delta and southern states, reported to be "massive", are increasing confidence in large national yields.
- The International Grain Council's latest 2014/15 global wheat output forecast has risen by 11 million mt to 713 million mt largely as a result of increased crops in Russia, EU and China.
- In China, it is reported that Sinograin (China Grain Reserves Corporation), the state owned enterprise that largely controls food security policies, has stockpiled three times as much grain this year as it did last year. This will doubtless reduce import requirements and latest estimates suggest that only 3 million mt, or 57% of last year's import volume, will be required.
- The latest Egyptian wheat tender, which resulted in 120,000 mt being awarded in equal proportions to France and Romania, actually resulted in offers totaling 775,000 mt. Clearly the market has woken up to the fact that sales will be hard won and prices have to reflect this.
- Reports of a ceasefire, potentially taking effect at the end of the week, in the long running Ukraine/Russia conflict has had the effect of removing some risk premium from the table and restoring a degree of confidence in future Black Sea supplies.
- Technical chart support across all three key products has been broken paving the way for lower prices. In addition, it appears that funds are rebuilding shorts fuelling the decline.
- End users of soybean meal are reported to be attempting to switch origins from US to S America, specifically Argentina as their FOB prices are reducing in an attempt to capture new crop sales. Clearly closing out US contracts could prove expensive, but the real message is one of slowing US sales pace as competitiveness is eroded by more aggressive competition.
- Russian wheat price carries appear to be eroding, which could be a trigger for a further leg down in prices, unless we see the Government step in with their intervention programme. Given the lead that Russia plays in setting global prices, particularly in the first half of the crop year, this does not present a supportive viewpoint at this time.

In summary, unless we see either a weather driven disaster or a geopolitical catastrophe, which would provide support to this ailing market, it feels very much as if we are staring at lower prices going forward. History shows that as far as soybeans and corn are concerned in high yielding years, and this looks a likely candidate, market lows are scored in October/November rather than the more usual September. On the back of this, it appears we have some while yet before the season's low prices are reached.