Once again we have worked our way through a week typified by a lack of inspirational news. The start of a new month bringing new money into markets has not had much of an impact and that left us to focus on the USDA's latest stocks and small grains summary, which was released on Tuesday. Whilst many dismissed the report, even prior to its publication, it is still worth a mention if only to place trade estimates into perspective and establish a potential future market direction.

Quarterly stocks were reported as follows:

| | Trade Estimate | USDA Sep 1 | Year Ago | |
|---|---|---|---|---|
| • Wheat | 1,880 | 1,914 | 1,870 | (million bu) |
| • Corn | 1,185 | 1,236 | 821 | (million bu) |
| • Soybeans | 126 | 92 | 141 | (million bu) |

2013 soybean crop data was reported as follows:

| | USDA Sep report | Previous | |
|---|---|---|---|
| • Area | 76.3 | 75.9 | (million acres) |
| • Yield | 44.0 | 43.3 | (bu/acre) |
| • Output | 3.538 | 3.289 | (million bu) |

The report was received in mixed mood and appeared, as anticipated, as something of a non-event. However, the market declined post publication. It could be that 2103's soybean crop data was engineered in order to offset a previously negative residual stock situation, although the ultimate Sep 1 soybean stocks were still below trade expectation and did provide some (short-term) market support. Grains stocks were pretty much on the button and the market barely paused for breath once the news had gone cold.

Mid-week saw Egypt's GASC securing 120,000 mt of "cut price" French wheat for early November shipment. The price, reported to be $241.20 C&F, was clearly engineered by sellers to be competitive in the wake of the previous tender, which was won by US origin wheat. This time around there was no US offer in sight, and other offers were $7 to $14 over, which clearly demonstrates the desire by France to clear its stocks. Reports (by Reuters) that Russia had "exited the wheat export market" are possibly misleading and probably factually incorrect. With an exportable wheat surplus of up to 26 million mt it is most likely that there is plenty to go at yet, and the power of competition will have to draw their prices lower.

Remaining with Russia, news of their wheat intervention purchase programme was forthcoming this week. From a price point it seems their pricing equates (if our calculations are correct) to about $215 on an FOB basis. This is around $20 below current price levels, but puts something of a solid floor into the market place, provided the goalpost is not moved in the meantime.

Having a “peg in the market” to hang a low price on for wheat may make many feel more comfortable but we do not have that luxury for corn and soybeans – right now. Harvests in these crops, as of Monday night’s data, showed corn to be 12% harvested vs. the ten-year average of 21%, and soybeans were 10% gathered vs. the ten-year average of 18%. The market is likely to want at least harvest to reach a minimum of 25% before gauging the eventual national average yield, and will doubtless only be convinced when the USDA’s November report is issued. Meanwhile, in the face of what continue to be described as monster crops there still feels to be further downside in the market.

The trend of large weekly wheat export licences being issued by Brussels continued again this week. A total of 488,342 mt was given, bringing the total so far this season to 7.228 million mt, which is almost exactly the same as last year’s record pace.

To conclude in what has been a relatively quiet week, markets appear to be taking a breather, wheat in particular, and that is how we read the situation for now. We still believe there is further downside, probably more so in soybeans and corn, the latter doubtless will impact upon wheat and drag it along for the ride.