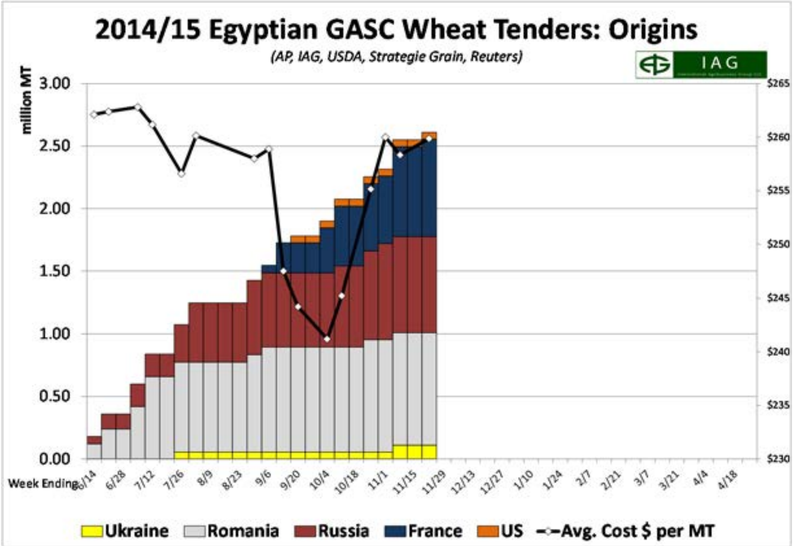
This week has seen something of a retracement in market prices punctuated by a couple of efforts by the bulls to regain the upper hand, albeit without lasting success so far. Monday saw the lower prices interrupted by the publication by NOPA (National Oilseed Processors Association) of the October soybean crush, expected to be large, which was above trade anticipation. The market picked up before the realisation that, in reality, additional crush was required to satisfy the nearby soybean meal demands that had recently driven prices so much higher. This is a classic example of a market playing “catch-up”. The soybean meal logistical issues that have been such a market feature in the past couple of weeks or so appear to be resolving themselves as was always going to be the case.

Reports of a further two US origin soybean cargoes being switched to S America have continued to underline the uncompetitive pricing which they hold in relation to Brazilian origin. This creates a potential issue for US end stocks, which would grow if exports fall below predicted volumes. This is hardly the message the market needs right now particularly in a year where output is high and currently forecast carry out is already high. Pricing, and specifically lower pricing, would seem the most effective tool to correct the situation. For those who question the seriousness of the issue, it is important to bear in mind the impact of today’s elevated prices and the impact they are likely to have on both S American and US plantings, and the eventual buildup of stocks.

In further support of the competitiveness, or otherwise, of various agri commodities, it was interesting to pick up on rumours of a 45,000 mt French wheat vessel scheduled to be loaded for the US later this month. Either US prices are too high, or the French is too cheap, but one thing is clear, and that is that prices both sides of the Atlantic will have to move closer in order to curtail such arbitrage opportunities.

The French/EU wheat competitiveness is further highlighted by the latest Egyptian tender this week, where one 60,000 mt cargo for late December shipment was awarded to France at a price reported to be $259.87/mt, a mere $0.75/mt above the last tender on 5 November. France is now the leading supplier to Egypt this season, ahead of last year’s front-runners Russia, Ukraine and Romania with 840,000 mt out of the total 2.25 million mt purchased so far this year.



The globally competitive position of the EU is further highlighted by yet another big week for wheat exports as Brussels granted export licences totaling 654,582 mt. This brings the season total to 12.2 million mt, which is 1.025 million mt (9.2%) ahead of the same time last year.

In summary, our view is that the recent soybean meal led price rally based upon tightness of supply is in retreat, and the market if focusing on the fundamentals of large crops, growing end stocks and a need to engage in effective pricing in order to optimize S&D's. One week ahead of the US Thanksgiving holiday, a traditional time for markets to take a breather and money off the table, it feels as if holiday mode is already under way. The market feels heavy and ripe for pressure to take it lower. In our opinion, any attempt to resuscitate a "dead cat bounce" will likely prove futile! Caveats, of course, have to be considered, and these are difficult to uncover right now. Any significant adverse weather event in S America disrupting crop development and output would doubtless impact our outlook. However, there is an El Niño pattern reported to be building and the correlation between such an event and trend or better S American output is strong, so the threat from such a perspective looks remote right now. We remain comfortable in our cautiously bearish stance for now.

Due to next week's holiday in the US we will be taking a break and wish our cousins across the pond a happy celebration.