

We have moved away from the USDA's data and watched soybean markets trading lower, indeed making fresh lows as the November '15 contract broke below the psychologically significant \$9.00/bu level. The grains, corn and wheat, have shown a touch more resilience; Dec '15 corn made contract lows on report day before making 25 cent gains as the week moved on. Dec '15 wheat also moved significantly lower on report day but just missed making a fresh contract low, and has, like corn, generally moved higher by close to 25 cents.

What has been driving markets since the release of the USDA's latest figures? There has been little change in fundamentals; US weather has seen welcome rains and cool temperatures, favourable for crop development. The Pro Farmer crop tour, which (like it or not) does have influence, has been reporting reasonably high soybean yield potential, and it could well be that we have not yet seen the season lows if their findings are correct. Their data for corn is not quite as friendly, and there is a suggestion that the NASS yield estimates are too high. The final Pro Farmer tour results will be released later on Friday and the market will doubtless receive their information with interest.

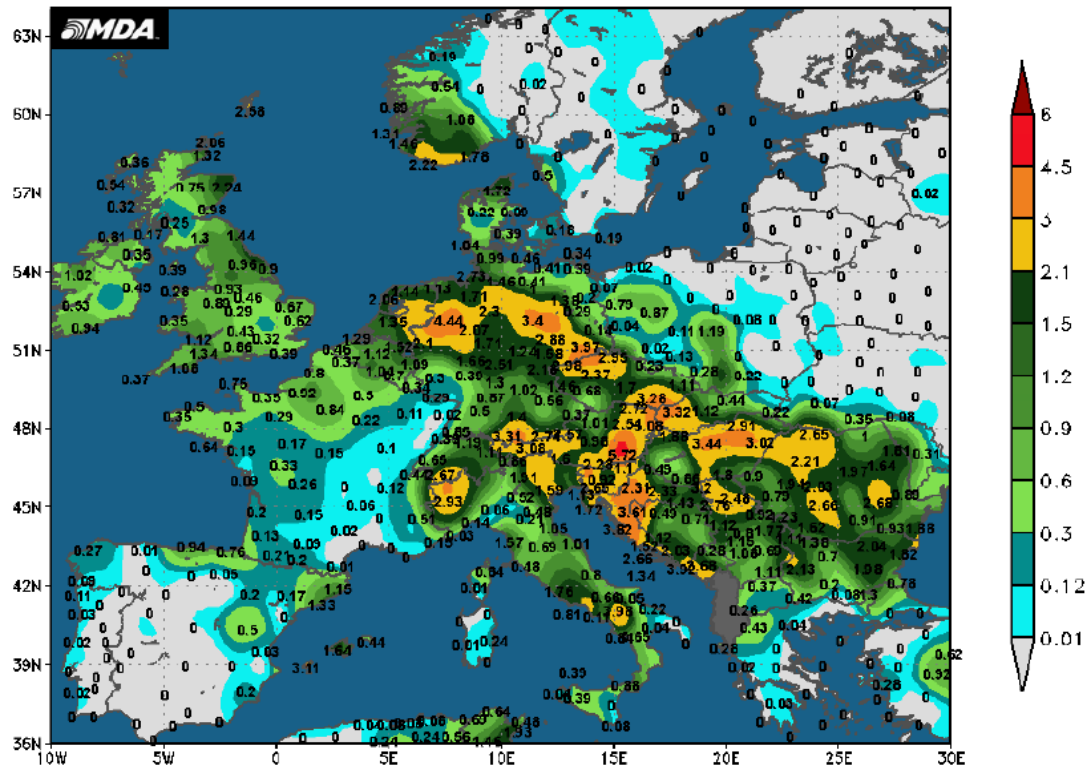
Aside from the fundamentals, perhaps the biggest issue right now is growing concern over what is, or more accurately is not, happening in China. We have become used to seeing the "engine of world growth" churning out 7% annual growth year after year, and this is no longer the case. The world's second largest economy is slowing, and as we reported last week their multiple currency devaluations appear to be creating a climate ripe for a "currency war". Nations with weaker currencies, and there are more of them than countries with strong currencies, are feeling pressured to follow the Chinese moves. The impact upon global trade, which is already slow and appears to be slowing, is to widen the already large disparity in relative export values and make the already competitive more competitive and the non-competitive become yet more so.

China, as the world's largest buyer of soybeans, is a key market for both the US and also S America and their reluctance, compared with previous years, to contract for US new crop supplies cannot be ignored. It was reported this week that some 6 million mt of S American beans have been sold to China for the Sep/Nov period, encroaching into the key US new crop shipment period. Replacing these "lost" sales will prove difficult for the US – if not impossible – and the impact upon end stocks should be borne in mind.

Brussels has issued weekly wheat export certificates amounting to 591,624 mt, which brings the season total to 3,079,879 mt. The season to date total is 388,932 mt (14.45%) ahead of last year.

The soft wheat harvest continues across northern Europe and whilst final figures are still some way off it looks like output will reach close to 144 million mt, some 5¼ million mt behind last season. France, the EU's largest

producer, will likely reach a record output of close to 38¾ million mt. In contrast, maize output for the EU looks set to be under 60 million mt this season, 6 million mt below last year's record output. This is in no small part on account of France's 5 plus million mt reduction in output due to heat and dryness in the mid to latter part of the growing season. There is a glimmer of hope from late rains, but there are not many who believe that it will make a significant improvement in overall output.



Other news is notable by its absence this week and we continue to focus on US corn and soybean weather and crop development as drivers of price direction in coming weeks. A market with large and potentially growing global stockpiles coupled with static (at best) demand patterns does not bode well for the bulls. Consequently we continue to favour a pattern of lower prices (specifically in soybeans and corn), and taking the opportunity to sell rallies, until such time as we see a market low being set closer to harvest.