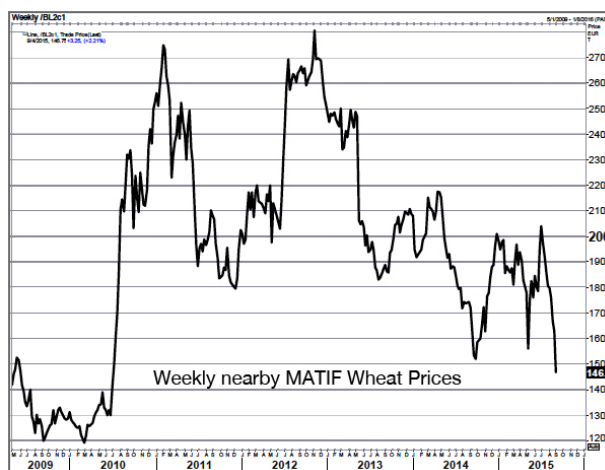


In the UK we have had a holiday shortened week and the US is moving towards their Labor Day holiday next week as well as heading into the latest iteration of USDA data scheduled for release next Friday. This has likely reduced risk appetite and Chicago markets have been somewhat subdued as a consequence. This week has seen grains in Chicago take a move lower whilst soybeans have traded sideways for most of the week. European wheat futures in both London and Paris have seen more pronounced losses with the Nov '15 London and Dec '15 Paris contracts both pushing to fresh contract lows.

The latest Egyptian wheat tender this week, for mid-October shipment once again saw million mt plus offers with the bulk of the volume coming from France and Russia, albeit some of the French offers were for 13.5% moisture, which was above the tender criteria. Russia secured the entire



170,000 mt tender at a, once again, reduced price level reported to be \$188.02 basis C&F, about \$3.00/mt below last week's business. Interestingly France was the cheapest offeror on an FOB basis but freight costs ultimately pushed the business back to Russia. Both Romania and Ukraine made offers but were overpriced on the day, and the US was absent from the offer lineup.

We have once again seen strong volume showings from those keen to secure new crop sales into a market reluctant to make purchases, as global prices appear unwilling to stabilise. It seems that we have something of a standoff as global output remains strong and demand remains uninspiring, which leaves us in the hands of simple economic theory and points prices ever lower. At some stage we will probably see farmer selling dry up and something of a starved market. Indeed there is already some evidence of this in the UK as nearby supply is something of a hit and miss affair and spot prices display an extremely wide range, even on a day-to-day basis.

Brussels has issued weekly wheat export certificates amounting to 272,705 mt, the lowest weekly figure this year. This brings the season total to 3,617,994 mt, which is 318,084 mt (nearly 8%) behind last year. The pressure upon exporters to secure fresh sales amid a scenario of this year's good harvest and full export silos is building!

Amid what seems to be an exclusively bearish grain outlook we have to be aware of what may change, and potentially when. We have previously reported on growing concern over dry conditions during the winter wheat seeding period in Russia and also Ukraine. This week SovEcon have passed

comment on conditions, which they described as dry over the past few weeks with soil moisture levels below average for the time of year. The already short winter wheat planting window may be delayed and place pressure on spring crops although we believe it to be a little early for this to be seen as a done deal right now. As we know from history, spring weather and emergence from winter dormancy is probably more influential on overall yield than a winter planting delay. Despite raising concerns over delays, SovEcon added that 3.2 million ha of winter grains were already sown, which is ahead of last year's pace. Regardless of the current position it looks clear that rainfall is required in the region in the next few weeks.

Figures released by StatsCan showed Canadian end of July wheat stock to be 32% down from last year's 20 year high at 7.11 million mt, although the figure was above expectations of 6.5 million mt. Canola (rapeseed) stocks were also above expectations at 2.32 million mt but below last year's four year high of just over 3 million mt.

Regardless of the Russian/Ukrainian and Canadian news, markets appeared to shrug off the potentially supportive figures, which maybe points towards a more deep-rooted pessimism existing in the minds of traders.

Ahead of the USDA's latest data release we have seen a number of private forecasters' estimates this week, and these are summarised below:

	Soybeans		Corn	
	Output	Yield	Output	Yield
	(billion bu)	(bu/acre)	(billion bu)	(bu/acre)
Int'l FC Stone	3.791	45.4	13.457	165.9
Informa Economics	3.924	47.0	13.688	168.8
USDA August	3.916	46.9	13.686	168.8

It should be noted that Stone's figures are an estimate of final yield and output and not a reflection of the USDA's September figures.

It would seem wrong to not mention China, which has been closed for business in the last couple of days to commemorate the 70th anniversary of the end of World War 2. However, despite closure, the IMF warned that the impact of lower growth in China on the rest of the world would likely be worse than previously thought. They said, "China's transition to lower growth, while broadly in line with forecasts, appears to have larger than previously envisaged cross-border repercussions, reflected in weakening commodity prices and stock prices. Near-term downside risks for emerging economies have increased."

In summary we continue to find it difficult to become bullish but are very aware that markets are offering historically good value, although that is not necessarily relevant, and are oversold to some degree. However, we would continue to look at extending consumer cover across the winter period as and when sellers are offering competitive prices. It is not unknown for the

USDA to throw a “curved ball” although it does not feel that this will be the case next week (setting ourselves up for a trip!).

We are taking a weeklong break and our next update will be in two weeks time.