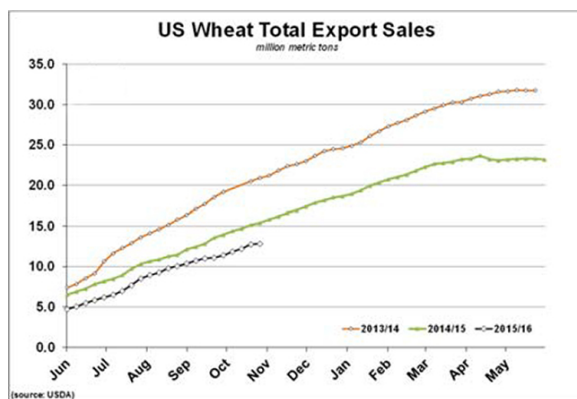
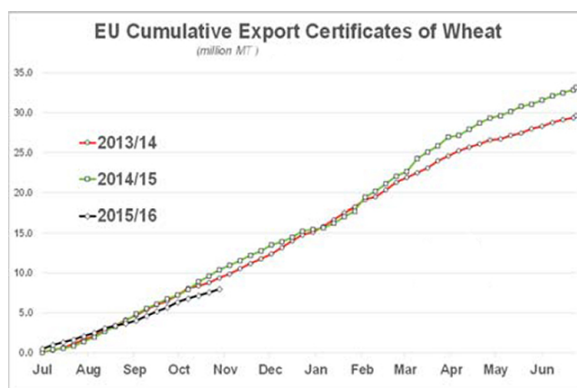




We end another week with both the US and Europe back in sync as far as time is concerned. What does not appear to be quite in sync though is the direction of wheat prices with Chicago front month futures close to \$0.50/bu above recent lows whilst London is a mere £3.00/mt off the lows having traded a narrow, sideways range.



There is a growing premium in Chicago futures over hard wheat contracts, which continues to keep the lid firmly on US wheat export volumes as evidenced by data released yesterday. Wheat export sales of 105,600 mt were announced and this compared with trade estimates of 300,000-500,000 mt, which is a significant

shortfall.

The relative competitiveness of US wheat compared with EU or Black Sea origins has been reported frequently in our updates, suffice to say that French and Russian grain is offered at discounts of up to \$26 or \$27/mt below US Gulf offers as far forward as Q1 2016. US wheat sales commitments are running at around 17% below last year's pace and given Russia and Europe's pricing, it leaves a shorter window for US sales to play catch up. We should not lose sight of the fact that there is (at present) no block to Russian exports as has been the case previously with complex export tariffs.

Having said all that, the wheat export position in Europe is not having it all its own way! Brussels issued yet another slow volume week of wheat export certificates with just under 390,000 mt. The season total to date stands at 7,96 million mt, which is 2,44 mt (24.46%) behind last year. Arguably European pace, despite a better competitive position, is worse than the US!

US soybean weekly exports at 656,500 mt also fell way short of trade estimates of 1.4 – 1.8 million mt, which saw the markets retreat sharply on the news with soybean meal and oil following. December soybean meal breached the \$300/ton level and now looks extremely vulnerable from a technical perspective having hit prices not seen since 16 June. The \$286/ton low seen on 1 June offers support.

Next week sees the latest iteration of USDA reporting and given some of the issues above it will be interesting to see what, if any, changes are made to the main numbers. We will of course comment on these in next week's update.

Our take on the situation right now is perhaps somewhat more cautious than in previous weeks and months. Whilst we find it difficult to support a bullish outlook given more than adequate global stocks in all three major commodities (corn, wheat and soybeans) together with what seems a good start to the new season crop establishment pattern, it is becoming hard to maintain an outright bearish stance. The fundamentals are "not bullish" but at what are now low prices from an historic perspective, many are finding it difficult to stay away from ever-growing volumes of cover and this is providing support to prices, which may just struggle to fall much further.