The past week has been somewhat uneventful with soybeans marking time, wheat making some gains and corn drifting somewhat. It is an unusual combination and leaves future direction and price trends less than obvious.

Looking at wheat first, we have seen some more positive price action with Chicago futures trading higher across three consecutive sessions and breaking technical resistance, which may pave the way higher in coming weeks. Perhaps more significant is the latest foray into the tender market by Egypt's GASC who purchased 175,000 mt from (unsurprisingly) Russia, but more interestingly at a price of $212/mt some $10/mt above their last purchase in August, and just $8/mt shy of their most expensive purchase this season. This is reflective of firming global cash levels, despite the "monster" crop in Russia. Downside price in wheat will demand an improvement in global weather conditions as dry/freezing conditions continue to cap output potential in the Australian crop and wet weather leaves Argentine wheat output limited to some degree. New crop prospects in Russia and Eastern Ukraine warrant watching as planting is taking place in some extremely dry conditions. Rainfall in September in the Black Sea ranges from 20-70% of normal with some areas in Southern Russia and larger areas of Ukraine struggling with only 20-30% of normal September rain. The near term outlook for rain in the region is not looking promising, and germination and early development are crucial to yields in the region as the crop needs to be sufficiently advanced gong into winter dormancy if it is to survive the usually cold winter season. In the US, rainfall over the next week in the central and southern Plains should substantially improve winter wheat grounds for sowing. We do get the Small Grain Annual Summary from the USDA at the end of next week (as well as Sep 1 Grain Stocks) which could potentially add another cut the US spring wheat crop from the last harvest.

Corn prices have eased over the week so far; lack of fresh news is probably the key reason. The US harvest is under way, just, and early yield data is reportedly "highly variable" and too limited to draw an accurate national picture. However, we would refer back to our comments in last week's update, in which we placed a focus on this season's dryer than normal growing conditions and the correlation with yield reduction. It will not be too long before sufficient data is available to confirm, or otherwise, our thoughts on this point. A point to watch going forward is the weather in Brazil, where it is reported to be "abnormally dry", although it is probably too early to get overly anxious over their first corn crop. More important is likely to be their actual planted acreage given the profitability (or otherwise) of corn vs. soybeans. Regardless, the significance of Brazil as a global corn producer should not be overlooked and both weather and acreage should be watched for any major departure from normal. The end of the dry season is in sight and the pattern is expected to shift to a more conducive solution for Brazil in about ten days or so. This is a little later than normal but if this forecast verifies, it will not be enough to significantly affect planting.

Soybean markets have turned a touch firmer with meal leading the way as 50 and 100-day moving averages were breached. Support from meal has been offset by weaker oil share as prices closed at their lowest levels in a month. November '17 soybean Chicago futures have an open price gap at $9.97¾, which was left at the end of July, and this appears in our view as something of a draw to the bulls. US soybean export demand shows an improved picture in a strong global market place, summer demand statistics show a year on year uplift in the order of 10%, a not insignificant figure. As with corn, the Brazilian planting figures will be noteworthy, dryer conditions and the stronger Real will leave growers with lower prices. Soybean prices in US$ are 1% higher than a year ago whilst in Brazilian Reals they are around 2% lower. Will this encourage growers to expand planted acreage, as has been the case in the last decade or so, and the USDA have forecast a further 2% growth this coming season. Corn prices, as previously mentioned, may well leave growers with limited choice, as soybeans could well offer the better margin; time will tell.

Our view remains unchanged in that we believe markets have made their season lows, at least in soybeans, and whilst explosive price upside is an extremely remote likelihood, we see limited downside risk and a steady grind higher in wheat and soybeans with corn tagging along on the coattails of wheat.