October's much anticipated WASDE report was released this week and contained one key point of focus, which created some fireworks. Soybean yield was reduced a meagre 0.4 bushels/acre, but this was enough to trigger significant buying interest in Chicago futures, which pushed prices higher. Interestingly prices peaked at $9.97¾, which has exactly filled the open chart gap dating back to late July (which we referred to some weeks ago), and left a bullish outside day chart pattern. Whether the market has done enough, or has legs left to push higher, remains to be seen. However, it just goes to show that despite recent lacklustre market action, it takes little to light a fire under the market.

Almost as significant was the USDA's bump higher to US corn yield of 1.9 bushels/acre. However, adjustments to feed and residual usage and a reduction in opening stocks has left end stocks with a mere 5 million bu change but confirms plentiful supplies. Fund short positioning in corn combined with an apparent reluctance of growers to part with their crop at current low prices leaves us continuing to hold our view on the limited potential for downside in corn prices going forward. The global corn position was all but unchanged month on month leaving the way open for both bulls and bears to carry on looking for the upper hand with which to drive prices. The next input, which will help or hinder their cause, will be S American crop size, and it is too early to suggest which way this will go.

Wheat figures in the report showed growth in US end stocks as output increased and feed disappearance reduced leaving end stocks some 27 million bu higher. Russian output was, unsurprisingly, increased although offset by a reduction in the Australian crop (also unsurprising) and we would suggest that the latter will see further downward revisions in future releases. More interesting was perhaps the 2 million mt jump in both EU and Indian crops, which contributed to an overall record global ending stock figure of 268 million mt, a year on year increase of 12 million. Availability of such stocks is somewhat tighter than the headline might suggest although without doubt ample, and as such the report figures are received as slightly bearish.

Going forward we have to look out for issues that could change or influence market direction. In no particular order, we should watch for further changes in US national soybean yield, particularly as harvest data in northern areas becomes available. Australian wheat crop yields are, in our opinion, likely to be reduced further in coming months, and their traditional export markets could well look to alternate sources of supply, which will change some global trade flows. In such a discussion it would be wrong to ignore China and some current thinking that their corn stockpiles are significantly larger than the USDA's latest figures. If this proves to be the case, (will we ever truly know this?) it could materially influence their non-oilseed import profile, again a potential market-moving factor.

Southern hemisphere weather conditions and their influence upon potential plantings, crop establishment and early development will all require close scrutiny. There is already a suggestion that the Brazilian first crop corn area could see a material change, and that soybeans show the grower a better return. Concerns over dry weather in central and northern growing areas are beginning to mount. Similarly Argentine weather conditions, as we have previously mentioned, are shaping up to influence wheat output as well as corn and soybean crops.

As ever, we are facing some uncertainty not only on the current season crop output but also on the new season southern hemisphere outlook. There is nothing unusual in this, but the requirement for global output to match pace in demand patterns remains firmly in place. Consequently, any supply interruption or disruption could well leave us with marked changes to the recent longer-term price trend.