One week clearly does not make a new trend line as far as Chicago futures are concerned! Last week saw front month soybean futures close (just) above $10.00/bu for the first time since July, and this week has seen some 20 cents taken away as prices eased. US harvest is progressing with yields showing no major discrepancy from current expectations and S American weather has shown something of an improvement and less of a concern than was the case a couple of weeks ago. However, it should not be forgotten that weather conditions can, and frequently do, change and if this is the case in the next few weeks we could see another reversal of S American crop potential. It feels very much as if any lasting soybean rally will only succeed on the back of a S American weather problem, hence the need to watch this closely.

Some soybean price support is evident from the record pace that China is processing beans and the likelihood of another year of record large imports. Supplies from both S America and the US will be required to feed this demand, and we would anticipate that China continues to feature strongly as a buyer on a weekly basis well into 2018.

The picture in corn could well be described as “not pretty”. US yields continue to surprise and hold better than originally anticipated, although we are not yet at the halfway point just yet. US corn exports appear to be struggling against cheaper S American supplies, which will leave something of a larger end stockpile if the trend persists. To counter this scenario we would point to stronger US domestic demand from the ethanol sector. However, the market does point to a bearish outlook although prices seem to be “sticky” in a downward direction with the current very large fund short position. We would be reluctant to take on short positions at this time given the potential for a reversal of trend if the funds decide to exit what could well become a stale and non-profitable trade.

In wheat, Egypt’s GASC secured 170,000 mt from Russia (again) at a price only marginally below their last purchase. Suggestions that Russia may be struggling with export capacity are clearly overstated! The Australian harvest is just starting, and whilst rains in eastern areas may have broken the drought, they are probably too late to rescue the crop from earlier damage done. Expectation is for a 20 million mt crop, which is some 1.5 million below the USDA’s latest forecast, and we have already suggested that we expect their figure to drop in coming updates.

Elsewhere fresh news continues to remain absent, and we anticipate further lacklustre market activity and sideways price action until such time as there is something of an injection of relevant market related input.