Thursday saw the release of the latest USDA WASDE report, which have recently provided us with bearish data in the form of US corn and soybean yields. October's update gave us something of a surprise in the form of somewhat more positive estimates. The soybean numbers showed a drop in harvested acreage (600,000 to quantify) added to which was an uplift in yield from 52.8 bushels/acre to 53.1. Corn harvested acres were unchanged, but yield was reduced month on month from 181.3 bushels/acre to 180.7 Doubtless, in the real world, the current weather conditions being experienced, which are hampering harvest progress in corn and soybeans, there will be revisions to these yield numbers, and our view is that in all probability we will see reduced final yield outcome rather than any uplift.

US corn export prospects were increased 75 million to a new record 2,475 million bu as Russian output was cut one million mt, which will see a reduction in their export volumes, and Gulf prices remain competitive. The balance between increased US supply and increased total consumption is fascinating and will need to be watched closely in order to determine ultimate carry out.

Global soybean output was increased but only marginally, with the Brazilian and Argentine crop estimates unchanged month on month. Interestingly, CONAB estimated their soybean crop at 117-119 million mt vs. USDA's 120.5 million, and there is a history of the USDA following CONAB (eventually). The Argentine crop estimate at 57 million mt, if it materialises, will be a significant recovery from last year's drought stricken 37.8 million. Chinese imports, always a significant factor in global balance sheets, trade and price trends, were left at 94 million mt, although the trade flows as we have previously mentioned, are likely to differ from prior years until such time as the tariff debacle is resolved. On that topic, US President Trump is due to meet with Chinese President Xi at the G20 summit meeting in Argentina in November. Whether this will provide a platform for any mediation or resolution to be made remains to be seen; we are no longer wanting to get into the business of predicting political outcomes, but still happy to pass comment on their varying states of ridiculousness!

US wheat yield saw a slight increase month on month to 47.6 bushels/acre (from 47.4) from the Small Grains Annual Summary a few weeks ago, which together with a small increase in imports and reduction in domestic usage saw the forecast end stocks figure rise 21 million bu. It should be noted that currently we are looking at US wheat as being the world's cheapest, which in itself should be sufficient to suggest that a short position carries dangers. The Russian export situation, with "so called" phytosanitary restrictions (aka an imposed slowdown) potentially reducing exports and high EU fob prices suggests to us that the US is in prime position to pick up further export business as the season progresses. Our point being that we would anticipate the forecast rise in US end stocks has the potential to be short lived.

Globally, wheat output was reduced 2 million mt month on month with Russia a million lower and Australia a million and a half down. Our view is that the Australian number has yet further to go before we see a final figure. There is also, in our opinion, a question mark over the unchanged Canadian output of 31.5 million mt in light of the current snow cover and that their spring wheat crop remains just 65% harvested. Our conclusion remains similar to previous weeks in that stocks held by major exporters remain tight, potentially tightening still more, and it will be up to price and the market to reflect this position. The way forward to rectify this situation is for a significant expansion in acres across the northern hemisphere in the coming year.

The October WASDE report pours cold water on the old adage that “big crops get bigger”, and adds to our confidence that the grains, corn and wheat, have greater potential to move higher in price and downsides remain limited. Many expressed surprise at some of the report’s numbers when released, we will be awaiting the release of forthcoming reports with interest to see whether our suggested data changes actually materialise – or not.