The tail end of this week has seen markets decline from what seemed like something of a rally in more recent times. Soybeans fell of what was described as technical selling as prices bumped into moving average levels, which together with disappointing weekly export sales data enticed funds to join in. The sales data included cancellations of close to 700,000 mt from "unknown' destinations, which were widely expected to be China although this cannot be confirmed. Currently, US soybean export commitments are at seven year lows, which can largely be attributed to the ongoing trade war with China, which shows no signs of any let-up at all. As we have previously suggested, Chinese appetite for S America soybeans over US will likely alter trade flow patterns with S American price premiums driving traditional buyers of Argentine or Brazilian beans towards the US Gulf. However, at this time the US still needs to secure these new sales if significant and burdensome end stock levels are to be avoided.

Corn prices sustained their price "correction" as export sales data was similarly weak although the short-term, 20 day, moving average managed to act as some degree of support. Despite a poor export sales week, it should be noted that cumulative sales hold at some 40% over last year although the last few weeks have remained relatively poor in relation to volumes earlier in the season. It should be noted that corn prices are unusually competitive vs. wheat in the UK at this time. At the start of the week the average spot ex farm wheat price was just over £18/mt premium to spot imported corn (any origin). For comparison purposes, a year ago it was trading at a discount of almost £11/mt. The year on year chance is a staggering £29/mt and this has reflected in increased imports and usage in livestock feed, and latest data shows a 35% increase in August corn usage year on year. This competitiveness in corn will likely act as something of a drag on higher wheat prices, specifically in the UK at the very least.

Wheat prices also declined amid the bigger picture commodity selloff despite better than anticipated US export sales volumes. Perhaps a more significant issue is the changing relationship with Russian and Black Sea wheat prices, which have trended higher and are quoted a shade over US and German origins for early next year. Black Sea exporters remain nervous on the issue of potential government action to slow, curb or outright ban ongoing exports amid ever tightening domestic supplies. This points us to our ongoing favourable view towards feed grains, specifically wheat.

US trade relations with China have been front and centre of the news headlines for some while now, but an arena less reported is the US trade relationship with the EU, which is hitting the buffers to some extent. Following the US decision to protect their steel and aluminium industries, the EU placed tariff measures on US corn as a first line of defence/retaliation (depending upon perspective). Quite how impactful such measures are upon both parties is open to question given the GM position, and roughly a million mt of US corn coming into the EU. Soybeans were viewed as something of a middle ground and a conduit for reconciliation, and unsurprisingly EU importers have almost doubled soybean import volumes amid recent cheaper prices and drought tightened feed and forage supplies. However, EU tariffs on US agricultural products are now back on the cards as Washington officials hit out at slow progress on trade negotiations and called for "tangible progress". Given earlier beliefs that the US and EU had settled their differences this is clearly a point to keep a close eye on going forward.

Our conclusion this week remains unchanged from previous weeks, friendly towards feed grains, particularly wheat and standing on the side-lines on soybeans until we see some trade talk progress.