Wheat prices in Europe have taken something of a downturn from previous levels with London's LIFFE market leading the way lower. In a significant change from recent times we see the Paris MATIF contract returning to its more natural quality premium over London. Thursday's close, with currency adjusted, shows the Paris milling grade contract holding a £7/mt premium over its London feed counterpart. Only last week we were looking at both contracts trading roughly at parity on a currency adjusted basis.

Whether this change in the state of play has anything to do with the perceived and much debated tightening in Russian and Black Sea markets remains to be seen. However, this week's Algerian wheat tender, which has no official published results, saw OAIC, the state grain buyer, pick up around half a million mt of milling grade wheat at a reputed $257/mt, some $11 to $16/mt lower than their last tender. Despite lack of official confirmation, it is widely expected that France was the most likely origin for the cargoes. Russian origin supplies were suggested to be unlikely to feature due to quality specifications ruling them out due to higher levels of insect damage.

Algeria aside, the Russian government is playing down suggestions of dwindling exportable supplies and any suggestion that export restrictions are in the offing. However, ongoing phytosanitary inspections at point of export suggest otherwise, unless of course the Russian government has raised its level of concern over ongoing customer wellbeing.

US export sales data once again disappointed and pessimism continues as far as US/Chinese relations and trade disputes are concerned. Corn export sales at 14 million bu were below last week's similarly disappointing figure. Wheat sales at 16 million bu were similarly uninspiring whilst soybean sales of a mere 8 million bu were more than disappointing and a low point in the marketing year to date. Clearly China figures highly in the explanation, current sale commitments rest at just over a million mt compared with 8.7 million just one year ago.

Outside influences could well be deemed a drag on agricultural commodity prices; crude oil has challenged, and breached, early September lows with December WTI Crude futures falling from $76.70/barrel to $65.70/barrel earlier in the week. Equity markets, which have been the bulls favourite for a long time now, are displaying some signs of nervousness and something of a potential for longer term trend reversal. The US$ reaching a ten-week high has also added to a less supportive ag commodity feeling.

Other major news input is somewhat lacking, fundamental supply and demand pictures from a global perspective remain unchanged week on week. To that end we have to stand behind our previous, well documented, stance; we find it hard to see any substantial downside in the grains corn and wheat, and very specifically wheat. Dips should be viewed as opportunities to top up or extend cover forward although it remains tough to define what or when any major upside price breakout will be triggered. A change of heart from the Russian government as far as permitting unrestricted exports may well be one such trigger, but this is not on the cards today. Soybeans remain the preserve of the politicians, and as such we see current prices in the US as historically cheap but prevailing politics continue to push Chinese buyers towards S America. Whether there will be any significant change in this in the near to mid-term remains for others to second guess.