

The largest market mover this week has undoubtedly been the much-anticipated news that Presidents Trump and Xi have spoken on the 'phone and agreed to meet at the end of the month. In itself, there is not any real market changing news, but in a soybean market dominated by stifled US export trade with China on the back of trade disputes and tariffs, the impact of the call was substantial. Front month Chicago soybean futures soared almost 40 cents/bu on the news. The real impact will only be seen as and when the meeting takes place, and more importantly, upon the actual outcome of discussions as well as timing of any changes in stance by either party. Initial euphoria was tempered somewhat by the close although Nov '18 soybeans closed 30 cents up on the day. Early Friday trade has proved similarly strong with a further 14 cent gain at the time of writing. If, and that is a "big if", a favourable deal is struck, there are some who suggest as much as 15% or \$1.30/bu could be added to current soybean prices. Clearly there is limited data to support this but we would certainly look for substantial price gains.

Some credibility must be given to the reported conversation as both parties, Trump and Xi, have released positive statements. Trump's included a comment that, "We talked about many subjects, with a heavy emphasis on trade," whilst Xi said, "both sides should push for a trade solution that is mutually acceptable." All we can do from the sidelines is hope that the G-20 meeting is a conducive platform for positive discussions on what has proved to be a four-month dispute in which it has been tough to see where any party could hope to gain in the short or long-term. Our view on soybean prices, whilst remaining cautious because of the political bias, has changed somewhat; whilst we would be reluctant to call ourselves bullish, we see limited downside between now and any meaningful discussion between the two Presidents.

Soybean news aside there has been limited input in corn or wheat. Corn has clearly seen some support from the soybean news and made some slight gains although remains somewhat rangebound as far as prices are concerned. US final yield and output will not be known for a while and S America's early harvest is similarly some way off. Consequently, price direction is less clear than traders would like. Argentina currently remains the cheapest feedgrain around and global demand has been relatively strong, particularly norther hemisphere, and we would expect Black Sea prices to be seasonally bottoming around now. Fresh news input is required to establish a strong trend.

Wheat markets in Chicago have largely shrugged off soybean news and prices continue to meander sideways, at the lower end of their range. Black Sea prices have moved higher and competitive levels for international trade are now seen elsewhere, including EU and US as evidenced by this week's US export volumes, which were reported at a five-week high. One point in favour of US origin wheat is its availability when compared to potential logistic issues that might be problematic with sourcing in Russia's interior as winter weather sets in and rumours continue to circulate on Russian loading limitations.

The Food and Agriculture Organization of the United Nations (FAO) have revised their global wheat production and stocks estimates for 2018/19 upwards by 9.2 million mt and

8.9 million mt respectively from last month's estimates. Improvements in Chinese and Canadian output were more than sufficient to offset Australian and European losses. However, despite increased numbers, stocks of 264.4 million mt are still some 12.4 million below 2017's levels (stocks excluding China are likely more than 20 million mt down), and the message that there is a tightening in global stocks remains a message that appears to be overlooked by some.

Animal feed consumption of wheat and corn in the UK remains elevated, with wheat consumption at a record for September (456,800 mt) according to AHDB (The Agriculture and Horticulture Development Board) statistics. Corn consumption at 39,400 mt is around 24% up year on year with its price discount to wheat being the undoubted driver. Interestingly, barley consumption was over 11% down year on year at 94,800 mt as prices reflect global tightness and discounts to feed quality wheat remain minimal. Strong overall livestock feed demand in the UK has been the product of summer drought, which has reduced forage availability and quality.

Our conclusion has, in part, been stated above; soybean prices have (in our view) limited downside until such time as US/Chinese discussions take place and the tariff situation becomes clearer. This news may or may not eclipse results from the US midterm elections and the WASDE report due out next Thursday. Feedgrains remain beset by tightness in global availability, particularly if Chinese stocks are removed from the picture, and we see price downside limited. One caveat has to be stated, and that is should the US/China trade dispute not be resolved, or worse – escalate, the outlook for US soybean prices becomes pretty bleak, therefore keeping a close eye on any progress, or otherwise, in discussions could well pay healthy dividends.