As if we needed a reminder of this season's escalating wheat prices, the latest Egyptian tender by GASC saw 235,000 mt awarded with 175,000 mt going to Russia and, interestingly for the first time in almost five years, the remaining 60,000 mt awarded to Poland. The significant point of this tender is the price, $249.35/mt basis C&F, which is another $8.85 above the previous tender on 4 September. The season low price, set in July, was $218, which illustrates the $30 plus jump in prices so far this year. Of this season's 3.17 million mt purchases, Russia has sold close to 80%, which is not unusual, and the season total is 37% higher than the same time a year ago.

At a time when the world displays more than adequate stock, why then should we be looking at such a price move, and GASC tenders could be seen as a good global price benchmark, avoiding currency distorted prices such as those seen in the UK at present. At this time, we are eyeing dry conditions in Black Sea regions where autumn plantings are being delayed particularly in Southern Russia and Ukraine. This has traders adding premium (justified or not) onto prices to cover the risk of reduced plantings or delayed plantings, which could lead to poor crop condition going into the winter season. It is still early days, and global buyers continue to add to cover as illustrated by the latest Egyptian tender with additional North African buying anticipated in the coming week.

Dry regions are forecast to receive rainfall in the next couple of weeks, whether it is sufficient and materialises remains to be seen. The arrival of beneficial rains will likely trigger some further exporter selling pressure, which will in turn ease prices. The old adage to, "not stand in front of a moving train", would appear sage advice at this time. We are struggling to hold a bearish viewpoint given the current situation, but we continue to wrestle with the global stock level, which in itself should not be pressuring prices in such a significant manner. We look for coming rainfall in the Black Sea region to form a "top" in prices, and for risk premium to erode. Hopefully we will be correct in our outlook.

Wheat aside, there was of course the small matter of the USDA's latest report issued last week. This is now old news and consigned to the filing cabinet, but for the record, the release was considered to be neutral to slightly bearish. US end stocks in corn and soybeans were decreased as anticipated with wheat stocks unchanged. Global corn stocks rose whilst soybean and wheat stock levels were cut back. We come back to our earlier point, and that is that the world is unlikely to struggle for supplies without a serious supply issue somewhere in the world in the coming year. Wheat stocks are at, or close to, record levels and with Australia, Canada and Russia all have the potential to post larger crops, we do not seem to be staring at a supply issue anytime soon. Similarly, with the S American planting season upon us, we would expect (as do many others) a significant acreage to be sown as prices point farmers towards record profit levels.

On the flip side, Chinese buying remains the (only?) driver of the market's engine room right now. Chinese corn buying has surprised many with as estimated 15 to 20 million mt anticipated. This compares with 7 million mt last season and should rightly be considered new demand, a rare thing! Is it sufficient to create a lasting bullish pattern? We think not, but will be judged accordingly in time. Chinese soybean purchases are also forecast higher, albeit by a million mt, but it seems the US is getting the upper hand over S America at present. Comparison with last year is somewhat awkward given the trade war distorted figures, but last year's 17 million mt could well be seen to grow to as much as 30 million, a not insignificant number.

Where does this leave us? Abundant supplies, abundant potential new crops albeit with a requirement for weather to play ball and buoyant Chinese demand. This is quite a heady mix but for us the supply scene appears at this time to hold the upper hand and we are trending (once again) towards current pricing being towards the upper end of value.