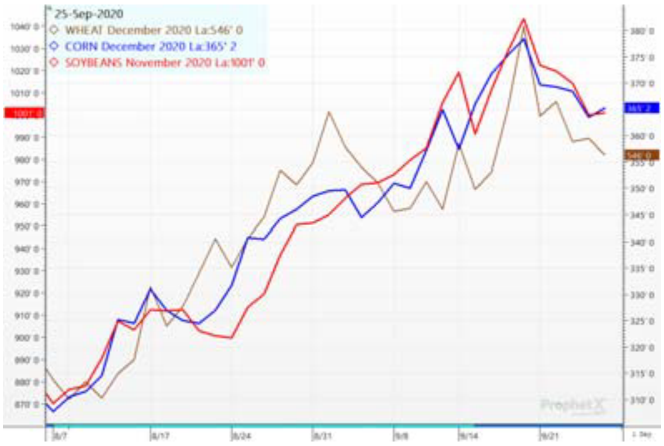
Have markets capitulated and turned the corner after making a seasonal "top"? This is a question that has been asked a few times this week, and doubtless a number of consumers have been anxiously waiting for such a sign. The main thing is, whether we are looking at a correction, which is a possibility, or whether we have actually seen a (the) "top" in prices for now.

For the record, over the period from the most recent high prices on 18 September to closing prices yesterday (24 September), Dec corn has lost 15.5 cents (4.1%), Nov soybeans have lost 46.75 cents (4.4%), and Dec wheat has lost 28.25 cents (4.9%). All three markets in Chicago have acted almost in parallel over the same time frame, which in itself is not unusual, but the timings and patterns have strong similarities.



In soybeans, fund selling, aka taking profit, in addition to growing harvest pressure has triggered the change in direction. We have mentioned on many occasions the potential for price changes arising from significant fund length (long or short) and the reduction in fund longs has been true to form as prices have corrected lower. A further pressure has come from suggestions that Chinese Government purchasing is now complete, or all but complete, and that particular demand led driver is now history. Of course, non-government buying will still be in evidence but likely not at the same scale as has been the case in recent weeks. $9.80 support looks as if it could well be tested in coming days.

Corn's price easing has followed drivers similar to those in soybeans, reduced Chinese Government buying interest and imminent harvest pressure with suggestions of a potentially better crop that suggested in the latest USDA forecast. $3.60 appears to be a significant price point, below which we could see additional fund selling and all that goes with it.

Interestingly, whilst Chicago wheat's closing price Thursday was in line lower with soybeans and corn, it was off the session lows with seemingly limited news. Cash markets in Europe and Black Sea regions eased slightly despite the dryness in southern Russia, but needed rainfall was received in Ukraine. Slow planting progress and poor germination rates have been noted in the region, and clearly this has been supporting prices both locally and globally. Time is now a pressure that needs to be watched if planting is to be completed to allow plants sufficient time to germinate and harden off sufficiently before dormancy and avoid frosty conditions and winterkill. On a more positive note, much of Europe has seen an improvement in rain forecasts as well as actual precipitation, which is welcomed by growers.

Mid-week saw Egypt's GASC step into the wheat tender market once again, and secure a further 405,000 mt, all from Russia. The average reported price paid was $256.44/mt basis C&F, which is another $7.09/mt above their last purchase.

Returning to the original question posed, "has the market made a top", it is probably premature to make a decisive call on that today. However, we would look back to our commentary of last week and suggest that the supply side drivers that we saw in the ascendancy are taking more control of price direction and if this continues the answer could well be "Yes". US soybean and corn harvests have to deliver, rains in Black Sea and Russia have to materialise and S American crops have to see the anticipated acreage growth as well as trend yields. We are cautiously siding with a positive answer to the question at this time.