Chicago soybeans and corn have worked lower in recent days whilst Chicago wheat has traded in a more sideways direction following recent declines. Wheat in London has not displayed meaningful declines, and this has also been replicated in the Paris milling contract. Have we been watching a correction in price or a change in trend? This is all but impossible to answer at this time with market participants divided in opinion.

We have seen a major supply chain disruption in US Gulf export terminals following Hurricane Ida, which devastated SE USA. Power outages, which are far from quick to fix, as well as physical damage to structures have left export terminals in an inoperable situation, which could take from a week to many weeks to fix. This has left markets pondering the impact, which we see as a "time shift" rather than a fundamental and material change, although the market seemed to initially perceive it as a bearish input. As well as infrastructure damage there is also a need for some clean-up of the Mississippi River where reports of grounded barges and the like are limiting traffic movement. This is (in our view) a lesser issue than the actual export terminal damage, which actually halt export activity until repairs are complete or power restored.

In the longer term, we do not see material change to annual export volumes as a consequence of Hurricane Ida, alternate load ports or an increase in pace in coming weeks will likely compensate.

In physical markets we have seen Algeria come to the market and book a reported 460,000 mt of wheat, mostly of EU origin although Russian grain is said to be allowable. Turkey has also joined in the tender queue and Iran is expected to join in as prices become more attractive than has been the case in the recent past. It is reported that the Russian Government could further slow their export activity by a further increase in export tax levels, we hear a further $5/mt/week being discussed, as if record high interior cash prices for both wheat and flour were not enough.

On the good news front, Central US crops look as if they will avoid any imminent frost/freeze risk in the coming couple of weeks and the key southern Midwest harvest should get underway before too long, easing tight physical cash markets and likely seeing a reduction in basis prices.

We continue to believe that the tightness in Brazilian corn availability and likely reduction in overall exports, yet to be confirmed but strongly suggested looking at current commitment levels, will impact either/both US and Ukraine export demand as importers look for alternatives to Brazilian origin. Given ongoing strong (record?) global feed demand we cannot help but believe that this will do nothing other than place strong support under the 2021/22 market.

We would remind of the upcoming WASDE report from the USDA, which may have more influence on the market than normal. Earlier this week, NASS, the statistical arm of the USDA, announced that acreage could be adjusted on the September report. This is typically not done until October, and we feel it is unlikely for them to make this announcement and not change acres. Most analysts are talking about at least 1 million acres added to corn production and half as much to soybeans. Results of crop tours continue to come in and general trade expectations are for a higher yield in both corn and soybeans. Supply side aside, we finished the old crop year as of 31 Aug and there are expectations of minor cuts to old crop usage in both balance sheets. Over the course of the next 60-90 days the northern hemisphere supply situation will be generally known, and talk will turn to demand and S America and Australia supply.

Our recommendation has been to utilise price breaks to add to or extend forward cover, and we view current price action as an ideal opportunity to do this. Our long-held belief in limited price downside remains intact for now.