This week started slow with the October USDA Report awaited, and is probably fair to say that the data was slightly bearish for both soybeans and corn, both slipping lower post publication. Support held at $12.00 basis November soybeans with December corn finding buyers at $5.20/bu although that price appears to have been breached. US wheat data was seen as supportive with prices responding accordingly.

The data released showed the US 2021 corn yield up 0.2 bushels/acre to 176.5, close to the 2018 record of 176.6 bushels/acre giving an output of 15,019 million bu. Our bet is that we will see these figures eased back as we move forward. The US soybean yield was increased to 51.5 bushels/acre putting output at 4,448 million bu, a 74 million bu month on month increase. Added to this the 81 million bu "found" in the September Report increases end stocks to 320 million bu, better that was expected by the trade.

Global figures were broadly in line with trade expectations although there remains evidence of additional tightness in key global exporter balance sheets. US and Canadian wheat production cuts should not be overlooked, and overall exporter stocks/use ratios at record low levels continue to suggest price weakness is unlikely in any material way. Russian wheat export prospects remain unchanged at 35 million mt according to the USDA, which we would believe to be somewhat optimistic given what we see but time may prove us wrong on that. Wheat has a supply issue, which we only see being resolved by next season having a bumper yield and crop and it is way too early to suggest that is possible right now. We are and remain bullish on wheat at this time.

Back to the present, and the US corn crop was reported to be 41% harvested vs. 31% average, and soybeans were 49% vs. 40% average: good progress. Yield reports on the remaining acres are key to validating the USDA's figures.

Interestingly, we saw Egypt's GASC cancel its latest wheat tender, presumably on the back of rising global cash price levels. Whether this was a good decision by Egypt, or not, remains to be seen. We do not see a significant reason for any major downturn in global wheat prices and given what we believe to be poor cover by major users, there is limited potential for price breaks to gather momentum. Russia's ongoing export tax position would add to our theory as a $60/mt export tax in late October would seem to make their current price structures even more uncompetitive placing pressure upon EU and other sources of supply.

When all said and done, we cannot move away from the current position where funds have decided to sell off positions in significant volumes leading to lower levels. This is something to be watched in the near term. Also, news that China has picked up as many as six cargoes of French wheat should not be ignored; are conventional trader flows changing, and if so is this a longer term pattern? We cannot answer this with any confidence at this time but continue to watch with interest. Pressure on EU wheat supplies and balance sheets will doubtless grow as a consequence,

One final note is that the Ukraine corn harvest is struggling for momentum as wet conditions plague progress. Wet fields are one thing, but we hear of seed failing to dry to the extent that with escalating drying costs it might be that some of the crop is just left in the field without being harvested. Current export programmes are under pressure due to tightness of supply, and it is possible that the situation could become worse as time passes.

Nothing, it seems, is set in stone and we are seeing an interesting set of circumstances develop. Quite how markets pan out in the next four to six weeks will make a very interesting picture; we continue to favour limited downside in prices and look for buying opportunities on price dips.