

This week has seen Chicago corn and wheat move higher whilst soybeans traded in more of a sideways direction. London's wheat contract moved similarly higher with the Paris Matif contract easing back after making yet another contract high.

One of the key points this week has been the lack of show by Chinese soybean buyers, which has left soybean bulls wanting from a demand perspective. This could leave the next USDA report in November with an opportunity to reduce total exports and add to end stocks if nothing else changes. In addition, there is an anticipation of increased soybean yield in the next report, which is further adding to price pressure. As if reduced exports is not enough, we see Brazilian soybean plantings progressing at a rapid pace, which could well see relatively early export availability, which will in turn potentially reduce the US's export window. The US soybean picture has taken a turn closer to a bearish tone; that said, our comments from last week are not to be ignored and we await new developments, particularly Chinese purchasing in coming days.

This week's reported US corn export volumes were somewhat lacklustre and below those of last week yet remain at a level sufficient to meet the USDA's latest full year projections. Our commentary last week relating to corn consumption in relation to ethanol/gasoline demand remains front and centre and keeps the emphasis squarely on what we see as a strong demand driven market at this time.

Global wheat values remain steady despite suggestions that key importers may be struggling to finance their commitments. A few countries have been named, Iraq, Nigeria and Iran amongst them, and this week's purchase by Egypt's GASC also indicates (to us at least) that cover levels are behind the more usually accepted position. The latest tender saw Romania awarded 60,000 mt, Ukraine 120,000 mt and Russia 180,000 mt. The reported average price was \$360.12/mt basis C&F, more than \$8.50/mt above the previous tender and another marketing year high. Demand is clearly intact, and it is maybe merely price that is creating the reluctance of purchasers to step forward. Given this position, it would seem likely that price breaks in global cash wheat will stimulate importer demand, thereby underpinning prices and thereby limiting downside.

It was reported by the Russian Ag Ministry this week that their total grain harvest estimate would be cut by 4.4 million mt to 123.0 million although there was no breakdown within these numbers. It is widely expected that the Russian wheat crop will be in a 72-74 million mt range. How this will translate into exportable volumes remains a guessing game that few wish to play given the difficulties in guessing the politics of export taxes and domestic market protection that have plagued the last few months.

Away from the US, the latest weather forecasts in S America, particularly Argentina, are more encouraging with needed rains scheduled whilst the key soybean growing regions of Brazil look likely to receive improved precipitation and added soil moisture reserves.

As the end of week and end of month approaches, and the November USDA report looms large, we would expect to see some 'risk-off', profit taking and price correction to be taking place. Our view remains friendly, specifically towards the grains, wheat in particular.