The broad price picture in corn, wheat, and soybeans this week has been higher amid what seems to be increased price volatility. MATIF wheat has traded up to fresh contract highs, taking out the recent 11 November high before retreating to close close to unchanged on the day. London's feed contract has similarly hit new contract highs as has the Chicago contract. It is interesting to watch this move higher amid a relatively low input of fresh news input be it bullish or bearish. To us, this illustrated the ongoing underlying bullish market scenario that is underpinning global wheat right now. Global trade volume stands at record levels and there still remains cover to be taken in winter months, which should underpin prices from any break of significance. As if this is not enough, we continue to see major exporter stock levels at ever tightening levels and Russian remains elusive from an export perspective. It seems that the Russian farmer remains keen to hold onto supplies, increasing domestic price levels, which in turn would pressure the penal export tax ever higher.

Egypt's GASC tendered for wheat once again and awarded a single 60,000 mt cargo to Romania at a reported price close to $372/mt, which is almost $12/mt above their last tender and a new marketing year high. The purchase was for first half January shipment, which perhaps illustrates our lack of cover point made earlier. To further add to the point, we saw Algeria's state agency (OAIC) secure 800,000 mt of optional origin wheat at prices reported to be in a range of $382.50 to $384/mt basis C&F with shipment mid-December. Trade anticipation is that Russia will be a major supplier given the tender document eased the insect damage limit to 1% from 0.5%, which would permit easier acceptance of Russian origin grain. Historically the 0.5% insect damage level has favoured French origin supplies and generally precluded Russia; this change could well be beneficial this season given the underlying change in trade flows and general EU tightness.

One final comment on wheat is that it seems the initial W Australian harvest quality is failing to hit required high protein levels, which is another blow to the global market. The S Hemisphere harvest was welcomed as a prospective relief to the tightness previously described but it feels very much as if it will be a sticking plaster over a gaping wound and that we will require at least two seasons of globally bountiful harvest as well as higher prices to temper demand levels to relieve our tight balance sheets.

We understand that recent price direction has been influenced strongly by money inflows into the commodity space. One explanation put forward has been the effect of inflation, which could well be driving fund managers to look for something to placate clients with as year-end approaches. It may well be that commodities fit the bill. To quite what extent this is true and how long it lasts could be another factor to watch in the next couple of weeks.

Our view, which should be quite obvious, is that we remain friendly towards wheat! Price action in the next few days will likely reflect the upcoming US Thanksgiving Holiday, which will effectively leave next week down to three days. We would like to wish all our US friends a safe and happy holiday.