This week has broadly seen Chicago markets in corn and soybeans consolidate in a broad sideways pattern only broken by Thursday's soybean prices pushing sharply higher. Wheat in Chicago has continued lower with Thursday marking something of a recovery in prices. The EU wheat price pattern has been one of a continued downward drift amid limited news input.

One point should be noted, and that is the size of global wheat import demand, suggested to be at record high levels, and the recent price drop has merely encouraged further buying with EU and Black Sea sellers emerging as the "winner". We say "winner" but this is not necessarily the best outcome, particularly for the EU where additional exports will simply deplete then already tight supply pot, and may well reverse the term towards "loser" in the ultimate big picture. The market must reflect higher pricing to discourage additional export volumes if the EU is not going to be prematurely emptied of stocks and reliant upon end of season grain imports.

As the week draws to a close, we have seen quality (high protein) wheat markets pushing higher in KC and Minneapolis potentially triggered by hurricane force winds in the E Plains and W Midwest, which had the potential to cause significant wind damage. Quite how much damage has been done and the impact on crops is yet to be revealed but the market took heed. In addition, whilst still very early in the season, we are looking at extreme dryness/drought across the HRW belt with no significant precipitation in the forecast into year end, which could see severe drought establishing itself by early new year.

The recent global price decline has reversed the previously overbought position into an oversold position, which looks as if it could be in the process of correcting. Whether this becomes a resumption of the upward trend or merely a "bump" remains to be seen.

Chicago corn, as mentioned earlier, has traded in a broad sideways range with eyes on chart resistance which sits just below $6.00/bu The S American weather pattern has been less than helpful with S Brazil and Argentina forecast to receive only limited rainfall and N Brazil somewhat wetter with as much as 8" forecast. There are doubtless crop risks here, which are being monitored and signs that the funds are beginning to take an interest once again, which could well see chart resistance being tested. Are we about to see a switch of the demand led influence towards a more supply driven impact as we head into year end and early 2022? Time will tell.

Soybean markets made a move higher on the back of soybean oil gains. India's purchase of US soybean oil, whilst not unheard of, is not a frequent occurrence and the latest sales announcement sparked market interest. Usually India sources from S America, Argentina in particular, but their cash basis prices have been above US levels for some weeks, and have recently pushed sharply higher, leaving US supplies more competitive.

With markets approaching the Christmas and New Year holiday season we would not be surprised to see some "risk-off" mentality and volume reduction but there are sufficient potential triggers, which could just see excitement lasting to the end of the year. Our stance remains one of using price breaks to add to and extend cover, this could well prove beneficial once markets resume activity in early 2022, particularly if fund activity ramps up on a mixture of fundamentals and inflation hedging trades.

We will be taking a break over the holiday period, and our next update is scheduled for January 7. We wish all our readers a happy holiday season and prosperous New Year.