

This week's news had been largely headed by the latest Russia/Ukraine development. Russia has warned that it might not extend the Black Sea grain initiative next month unless certain demands are met, in a move that threatens to cut off exports from Ukraine under a secured route set up in July by the United Nations.

Gennady Gatilov, Russia's ambassador to the U.N. in Geneva, said in an interview with Reuters news agency on Thursday that Moscow had sent a letter to the U.N. with complaints about the deal not being implemented to facilitate Russia's own fertiliser and grain exports. "If we see nothing is happening on the Russian side of the deal, export of Russian grains and fertilizers, then excuse us, we will have to look at it in a different way," he said.

Sites of reported missile strikes across Ukraine



The threat comes after a fiery explosion that partly destroyed a strategic bridge connecting Russia to the occupied Crimean Peninsula. Russian forces are in retreat in the east and south, seven months into the war. And President Vladimir Putin is more isolated than ever after an overwhelming vote at the United Nations to condemn Moscow's unilateral annexation of Ukrainian territory.

Wheat prices spiked higher on Monday, reaching late June levels (Dec '22 Chicago) before declining until Thursday's news was received. Prices again climbed but failed to reach Monday's highs. Is the market banking on the deal continuing, being re-negotiated, or otherwise seeing grain flowing from the Black Sea? Turkey's involvement should not be ignored in all this, also whether vessel owners and insurance underwriters are willing to risk their vessel and crews will be of significance. It remains our belief that global grain stocks without Black Sea supplies will be sufficiently tight to warrant a significant move higher but without confirmation of the actual status, open or closed, it becomes an almost impossible task to take a position.

Elsewhere in the world we see Argentina's BAGE cut their wheat output estimate to 16.5 million mt, a million below the USDA's latest estimate. It feels as if the crop in Argentina is unlikely to change materially from here. Eastern Australia is struggling with too much rain and forecast conditions predict more in the coming week or so and soils are already waterlogged.

In corn, the Argentine crop is only 16% planted vs. an average of 29% at this time. Lost plantings will likely be switched to their second crop planting as drought conditions persist at this time. Corn prices received a Ukraine corridor boost as was the case with wheat but there was no immediate follow through.

Soybeans have had a firmer week, led by soybean oil. US bean oil tops the global vegoil price list, which will limit its attractiveness for exports, as if the strong US\$ was not sufficient of a dampener.

Of note is the Mississippi River water level, which is at very low levels necessitating dredging and restrictions on barge movements. Traffic is believed to be building up and barge costs escalating rapidly, pressuring interior cash prices somewhat. The additional freight cost to get grains and oilseeds to the Gulf export terminals is adding to the quoted fob prices potentially limiting export sales until the situation corrects.

All in all, we have seen an interesting week with the Russian position on the export corridor creating a hiccup, and not much more for now. The October crop report is done and dusted, and it remains for the US harvest to push ahead whilst all eyes are turning to the southern hemisphere and their weather conditions, which are not all favourable right now. Financial markets and global economic outlooks are a bearish cap on prices at this time in our view and we see a broad range-bound trade until such time as economic and geo-political stability is re-established.