

This week has been interesting insofar as we have seen markets diverge, albeit in limited manner and volumes. Chicago corn has traded sideways, soybeans have seen a modest uptick and wheat has continued lower. It is not often that we see such contrast across the three major agricultural crops.

Almost exactly a week ago we saw the release of the latest USDA report, which was generally seen as mixed but broadly neutral to supportive. Of note would be 2023/24 global corn output reduced by 11 million mt with US and China the key volumes that were cut. Brazil's old crop was increased a further 2 million to a huge 135 million mt but despite that we still see demand outstripping supply by 9 million mt in 2022/23. We would question the cuts in feed usage, which make the balance sheets somewhat less of a dramatic headline than would otherwise be the case, but who are we to question the USDA? We are about to arrive at the point of comfort where abundant new crop supplies reach markets and any old crop tightness slips into distant memory, we just hope that we are not going to be lulled into a false sense of security. In our opinion, there remains a supply pressure and the points that we have raised in recent updates remain, rising Chinese and Indian prices reflect their particular market conditions, El Niño and its potential impact on Australia and an already parched Argentina and the need for S American production to perform to maintain the momentum into 2024.

Latest weather forecasts appear broadly agreed that the US will see another week of almost complete dryness with extreme temperatures across the Central Plains. The latest NOAA update for September shows dryness across the Great Lakes area and heat through Texas and the Delta. This would seem unlikely to materially impact the mature corn crop but could be a concern for soybeans that are in the process of finishing. Weather would appear to continue to be a significant factor and worthy of watching.

There has been a big improvement in Central US drought, which has been reflected in the improvement in crop ratings, but the full impact will not be known until harvest is in full swing and yield data available. However, the influential Pro Farmer tour is getting under way next week and their findings, which should be available late next week, should provide the market with a more informed judgement on the facts of the matter.

We have been more surprised at the continuation lower in wheat markets, pushed by fund selling. The markets appear to be ignoring potential Indian imports, which look more and more likely, additionally the S Hemisphere weather threats do not appear to be troubling traders. Argentine wheat ratings have declined once again with the proportion of the crop rated good/excellent now standing at 20%, a week on week decline of 1% and just above last year's 19% rating. Looking at the charts we would see the Paris MATIF market attempting (again) to find a bottom as support holds at recent lows. Unquestionably markets are oversold and ripe for a change in direction, but as we have said many times before, "the market is always right".

We remain of the belief that wheat prices represent good long-term value right now and that we will see (significant?) uplift in prices before too long.