

Markets have displayed a somewhat lacklustre appearance this week as we approach the US Labor Day holiday weekend and US harvests lie directly ahead. Unsurprisingly, traders are reluctant to add risk ahead of an extended weekend and ongoing weather threats. Corn has continued to meander sideways; Chicago wheat has not stopped sliding and soybeans have given back a small proportion of recent gains.

Corn markets are poised for real harvest data, despite recent field surveys (more on that later) and we fear that actual harvest results may well be highly variable dependant upon how much and how often the crop was watered this growing season. One thing appears to be agreed, and that is the current hot and dry weather is taking the “top” off yields and the only question is, “by how much?” Little wonder then that traders want to side-line until more is known.

Soybean prices eased as this week progressed, first notice day for the September contract saw some liquidation pressure and additional sales to China suggested to many that additional sales will be made as US harvest progresses. Despite that, we note that new crop soybean sales volumes are at a multi-year low level, likely as a result of Brazil’s volume availability and price competitiveness. Support, if it materialises, looks likely from the soybean oil sector as demand for biodiesel continues to grow. The downside, if one exists, is that exportable supply volumes will become restricted leaving buyers searching for alternate sources going forward. We see this as a structural market change, which does not appear to be disappearing anytime soon.

Wheat markets saw the Chicago Dec ’23 contract once again lower but finished well off session lows and (maybe significantly – we will see in time) reverse direction. We see US markets as followers rather than leaders of price direction. This view is based upon geography, the US being an expensive freight cost away from key importers. That said, EU markets (Paris and London) are some way above season lows although currently they show weakness. One would expect a normal seasonal trend to display exactly this, and if any normality exists, we should be looking for a market “bottom” and upward price movement any time soon.

In the southern hemisphere we continue to see the Argentine crop continuing to deteriorate with the proportion of the crop rated good/excellent continuing to slide. This week’s crop rating stands at 19% good/excellent, which compares with 23% last week and 17% a year ago. Weather forecasts have little in the way of relief with no sign of regular precipitation any time soon. Australian weather is not favourable either with key wheat growing regions anticipating dryness at a time when the crop should be well watered if yields are to be optimised.

The Ukraine grain export corridor remains closed with no sign of reopening, which is not particularly driving markets either way. Russia has said it will allow the corridor to operate if the West “fulfils its commitments” regarding agricultural products and fertiliser. The EU Agricultural Commissioner has said he would support an extension of the ban on Ukrainian grain to the five EU neighbouring countries. However, transit would still be allowed and subsidies for transit should be proposed.

However, there is ongoing talk of Russia supplying a million tons of grain to Turkey at a discounted price, with financial support from Qatar, to be processed in Turkey and sent to countries most in need, the Foreign Ministry said. Whilst this is merely being discussed at present, we do not see this as market moving news today.

Finally, for wheat, Egypt's GASC secured 240,000 mt of wheat from France and Romania, 120,000 mt each. This is the first time that EU wheat has been competitive in Egyptian tenders for some time, maybe a sign that the long awaited "bottom" is close. Interestingly, Russia was not its usual aggressive self and was not awarded any volume, again maybe this is a sign of changes in the making.

We are at pivotal point in the northern hemisphere season with harvest ahead and some certainty anticipated in coming weeks. Quite which way the pendulum swings remains to be seen and markets may just get some input from which they can gain some certainty and direction.

Our US colleagues, IAG finished their crop tour yesterday and are busy crunching numbers to publish findings later today. A few initial impressions from them: the soybean crop was further along than anticipated with a significant number of fields beginning to turn and pod fill was better than expected, corn handled the drier weather fairly well although there are pockets of the US Corn Belt that are 'cooked' (mainly in east-central Iowa from what we saw), and our samples from Illinois and Indiana were generally impressive. Sometimes it is more about what we didn't see as well which was a minimal number of grain trucks on the roads, no tar spot in the corn or widespread SDS in the beans, and we had some difficulty finding 4 bean pods on plants as most were 2-3 bean pods. We will see how our findings compare to the September USDA reports on 12 Sep which will be the first production report that includes findings from their own scouts.