

This week has seen another upset on the world stage as the Palestinian terrorist group, Hamas, wreaked havoc by attacking an Israeli music festival killing many people and kidnapping others as well as committing numerous atrocities. Israel have retaliated with an almost unbelievable intensity reducing major areas to piles of rubble. Quite how this will pan out or end is difficult to imagine, and our sympathies are extended to the huge number of innocent civilians caught up in such a devastating conflict.

Our point in opening with this well aired news is the concern that others (Iran) may join in the conflict and add to instability in a region that is so crucial to global crude oil supplies. Initial market moves saw the introduction of a war premium although that has fizzled out to a large degree as stock levels remain adequate and the apparent determination to contain the flare-up of violence in the Middle East.

The USDA's latest report saw expected cuts to US soybean and corn yields, soybeans were cut 0.5 bushels/acre to 49.6 with corn at 173.0 bushels/acre, a 0.8 bushel drop. The global soybean balance sheet saw production reduced by 1.8 million mt month on month to 401.3 million, which would see a year on year increase of 29 million mt. The soybean data was seen as bullish by the market with a sharp uplift in Chicago prices post-release. S American weather is now more critical with US 2023/24 stocks looking to be at or very close to pipeline levels. There is minimal room for S American yield losses.

Corn data was similarly supportive as yield, output and stocks were slightly behind trade estimates. It seems that stocks of corn are plentiful and unlikely to place upward price pressure at this time. Many are suggesting the final corn yield will be closer to 171 bushels/acre, which will tighten the US balance sheet if realised. As with soybeans it is now S American weather that will become the key point of focus. Argentina remains stuck in its drought conditions although hope remains that El Niño will offer some relief. Central Brazil however could see delays in planting soybeans and safrinha corn crops that will need to be watched.

US wheat end stocks were increased slightly but other fresh input was lacking. The situation in Argentina and Australia remains strained as dry conditions prevail. Global exporter balance sheets tightened once again with many expecting this to be repeated in both November and December. Pricing however remains a function of Russian pricing, which remains aggressive and cheap. Quite how much stock remains to be sold is unknown but is keeping a lid on prices for now.

We will have to wait to see how the markets digest this latest data set and whether our belief in seasonal lows having been set becomes a reality.