

Chicago markets have moved into the end of the week on something of a firmer tone. It is too early to get overexcited and consider this a major turning point – BUT, we have been looking for a seasonal low for some time and this could just be what we have been awaiting. A number of factors have come into play including Russia's latest report that their 2023 wheat crop is smaller than anticipated at 90 million mt, down 15 million from last year. The latest figure is however above the USDA's 85 million mt forecast. Rosstat, the Russian Federal State Statistics Service, estimated September 1 on farm stocks at 28.8 million mt, down some 9% year on year. Our conclusion from Russia's update is that their dominance in export sales is coming to an end if it hasn't already ended. This will, in turn, push buyers elsewhere and potentially see prices moving higher from now.

Reports are continuing to circulate that a Ukrainian cargo ship has struck a mine in the Black Sea raising concern levels another notch as fears grow that Russia has mined the new shipping lanes in another effort to close down Ukraine's exports and further pressure its economy. Any softening of insurance underwriters into accepting new shipping risk is likely to be reversed, quickly, on this latest news. This action is in addition to further Russian drone and missile attacks on the southern Ukrainian ports of Odessa and Mykolaiv. If anyone was anticipating Russia agreeing to re-join or allow the reopening of the grain export corridor, they would now appear to be sorely disappointed.

Some better news has come from the materialisation of overdue and much needed rainfall in SE Australia, which has provided some relief to parched wheat crops. However, before getting to carried away with this rain event longer range weather forecasts point to a return to drought conditions as we move towards the end of the year. Not only Australia but also Malaysia and Indonesia, SE Asia in general, will see dry conditions as El Niño makes its presence felt. There are suggestions that El Niño's impact will weaken into 2024 but it is too early to make any serious decisions upon such distant forecasts.

Argentine drought as it moves into a third year looks set to persist and add further pressure to already hard-pressed farmers. Hope that El Niño would provide some relief has not materialised. In marked contrast, heavy rainfall, as much as 9 inches in places, has fallen across parts of SE Brazil leaving flooded fields and slowing wheat harvest operations as well as delaying first crop corn planting progress.

As initially mentioned above, we are more heartened by latest market developments, which in our opinion, point towards a turning point in price direction. Another week or two should leave us better placed to raise our confidence in this viewpoint – or not!