Recent moves higher in Chicago corn, wheat and soybeans appear to be taking a breather as prices have rolled over and turned down this week. Both London and Paris wheat markets have followed a similar pattern. Moves higher were to a large degree triggered by a mixture of fund short covering and weather concerns; the latter remains in play whilst the former has subsided after initial activity. The overbought market status was always due for a correction, and we are witnessing just this at present. The main question is going to be, "will prices resume their upward trajectory?" This is extremely difficult to answer with certainty, which is always the answer no-one wants to hear!

As far as wheat is concerned, the Russian Ag Ministry this week announced 1% or 830,000 ha of their wheat crop area has been lost to frost and will be resown, probably with alternative crops. In addition, weather concerns across Black Sea regions remain high as crop health has deteriorated and looks set to continue to decline. S Russian weather forecasts do contain better chances of rain into the last week of the month, but longer-term outlooks do not currently suggest any imminent longer term weather pattern change. Latest forecasts for the Russian wheat crop are as low as 80 million mt, and EU production is almost certain to be at least 5 or 6 million mt below last year.

In marked contrast, the Kansas farm wheat tour is in progress and is showing some optimism with better than the USDA's latest forecast. However, elsewhere in the US dry, warm, and windy weather is not favourable for wheat crops adding to crop stress. It was interesting to note the latest USDA release which showed the lowest major wheat exporter end stock level to be the lowest in five years, at a time when global production is close to, or at, record levels with corresponding growth in consumption. Stock to use levels are forecast to be their lowest in eight years, at a time when EU and Russian output is far from guaranteed. Concern is probably the right word to use at this time.

In the southern hemisphere, specifically Brazil, we see weather remaining a headline topic. Heavy rains and flooding in many areas is impacting crops. Additional rains are also forecast later in the month. CONAB, earlier this week, forecast their wheat crop to be just over 9 million mt, a month on month drop of around 700,000 mt but close to a million up on last year. Despite flooding the soybean crop was forecast a million higher at 147.7 million mt month on month but around 8 million below last year. The corn crop was put at 111.6 million mt, some 700,000 mt higher month on month, but more than 20 million below last year. This year's safrinha crop area was hiked by 200,000 ha. The difference between the USDA and CONAB figures remains wide, and we would expect this difference to erode as we approach real harvest data. The likely scenario is some USDA reduction and some CONAB increase.

Weather and all its ramifications is likely to see ongoing choppy markets with short term ups and downs with volatility heightened. That said, bearing in mind that trends fall within high and low boundaries of price, we would anticipate the grains remaining with more upward momentum than down, soybean prices have more pressure and sideways to lower would be our current view. Maintaining substantial rallies or declines will likely struggle but momentum will emerge.