Chicago markets in corn and soybeans continue to leak lower on the back of widely anticipated bumper crops and generally supportive weather conditions this season. Wheat in Chicago continues to meander in a broad sideways pattern with European contracts in London and Paris dropping to sharp losses (front month contracts) yesterday (Thursday).

Weather prospects for the US looking forward appear to contain little in the way of concern, although we would always caveat such statements with reduced confidence in longer range forecasts. However, as El Niño patterns fade and ultimately disappear this would seem to support our current lack of concern hypothesis. The weather would also support the USDA's latest yield forecasts with corn at a record 183.1 bushels/acre, 2.1 bushels above trendline. Soybean yield is forecast at 53.2 bushels/acre, a gain of 1.2 bushels month on month. However, the surprise in the latest USDA report was 1.0 million additional acres of soybeans, at the expense of 900,000 less corn acres. Combined, this was seen to lean somewhat bearish of soybean prices and correspondingly supportive, if not outright bullish corn. Unsurprisingly, soybean prices have reacted in line with the report, but corn appears to have followed the beans rather that the data. Interestingly, corn has not reacted following crude oil prices as closely as has so often been the case. Last week saw crude jump as much as $7/barrel but has given back a couple of dollars as this week progressed. Middle East tensions continue to remain elevated, and a close eye will need to be kept on the region and its potential for escalation.

Soybean prospects for the US look bright, not only production but for export demand as well. Currently it would be fair to suggest prices are both undervalued and oversold technically. The current export programme started slowly, but has better prospects given the "sold out" status of the current Brazilian crop, which will likely pave the way forward for US exporters.

Global corn cash prices have recently displayed high premiums (over futures), Ukraine and Brazil being good examples. US old crop cash premiums appear to have peaked as stocks are brought to market in the face of bigger new season crops. It is just possible that once old crop marketing comes to a close, we could see markets better reflect non-US reductions in supply. Argentina's crop is all but harvested with total output estimated in the region of something over 46.5 million mt, well below the USDA's estimated 51 million.

The latest Russian attack on Odessa gave European wheat markets a boost but as it became clear that damage was less significant that was first thought and grain flows minimally impacted, prices fell back once again. Recent Egyptian interest in wheat purchases was being discussed in millions of tonnes, but currently nothing has been finalised at this time. Some are suggesting that the significantly extended payment terms have put off some sellers, or seen prices elevated to account for the risk, which has seen Egyptian interest slow – for now.

We are at that point in time where seasonal price trends should add support to prices, although currently prices are not reflecting this. We would expect this situation to change before too long but are aware we have said this on more than one occasion previously.