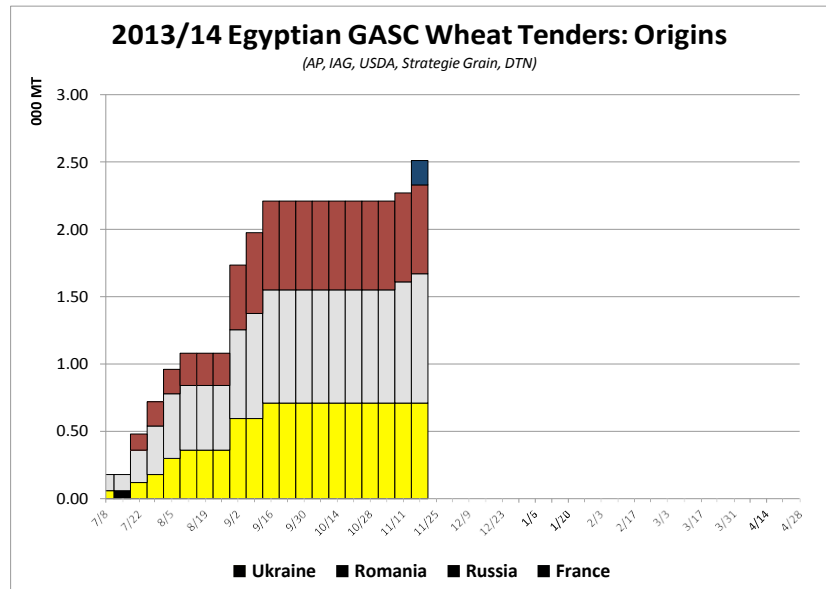


We reach the close of the week having digested what turned out to be a neutral to bearish USDA "Super WASDE" report. The further forward one looks at the markets, the less there is to see that could be interpreted as bullish. The nearby "squeeze" in supplies of corn and soybeans, which followed last season's drought reduced harvests, has created a short term bottleneck that will work through in time. The question asked by many is, "When?" Our view is that we will see the tipping point in December and this will probably be supported by the upcoming S American harvest.

We saw Egypt return to the market place again this week with a further 240,000 mt purchase of wheat for first half Dec '13 shipment. The tender was awarded to Romania (again) for 60,000 mt, and France (for the first time this season) managed to secure 180,000 mt. This latest foray into the market brings the Egyptian purchases by GASC to just over 2.5 million mt, which is around half of their projected total. Egypt as a whole is expected to purchase about 10 million mt, GASC account for half (or a touch over) of this amount. This week's tender marks the 12th since February and the 11th since President Mohamed Morsi was removed from office following national protest against his rule. Morsi's government projected higher domestic wheat harvests and a reduced requirement for imports, which it appears, was the wrong call, possibly by as much as 900,000 mt. The switch into French origin supplies in this tender, at a premium of some \$4 to \$5/mt above the Romanian award, would suggest that Black Sea volume is drying up and future supply direction points fairly strongly towards France.



We are aware of the imminent release of the result of India's first wheat export tender after the \$40 reduction in floor price to \$260/mt. Observers will watch with interest to see whether, or not, this will mark a new and serious exporter with substantial stocks to move prior to next harvest (Mar '14) - the market impact will no doubt follow swiftly.

Clearly in wheat, which we believe to have global fundamentals that are generally bearish, has seen some support since the WASDE report a week ago. Egyptian news could be viewed as supportive, India's news as bearish, but overall there is little that has changed fundamentally and we look for lower levels in coming weeks.

Key to markets moving forward is the outlook for S American corn and soybean crops. The USDA kept Brazil's soybean output unchanged from September, at 88 million mt, whilst Brazil's AgRural has forecast slightly more at 88.7 million mt. Regardless of which number is chosen, it is a significant step up from last year's 82 million mt output. The USDA at 53.5 million mt also left Argentina's soybean output unchanged from September, which is an increase from last year's 49.3 million mt. Argentina's BAGE (Buenos Aires Grain Exchange) this week forecast the crop at 49.9 million mt.

In recent days we have heard suggestions that Argentine farmers may switch corn acres into additional soybeans as a result of drought induced planting delays. Some 57% of normal rain fell in the August to October period before soaking rains finally arrived in November. As a result only 36% of planned corn acres were sown by November 7th in key producing states of Buenos Aires, Cordoba and Santa Fe, which compares with an historical average of 70%.

Closer to home, Brussels maintained the export pace with export certificates totalling 663,609 mt granted this week. The season total now stands at 10,538 million mt, which is 3,323 million mt (46.1%) ahead of last year. We are 20 weeks into the season, and a simple mathematical projection to 52 weeks would show an annual export total of 27.4 million mt if the pace so far were maintained. With the recent purchase by Egypt from France there now seems an additional level of credibility to such a large number.

In summary, we feel somewhat further comforted in our generally bearish leaning towards market direction following the USDA's WASDE report. There was little, if anything, published to change our view, and we continue to look lower.