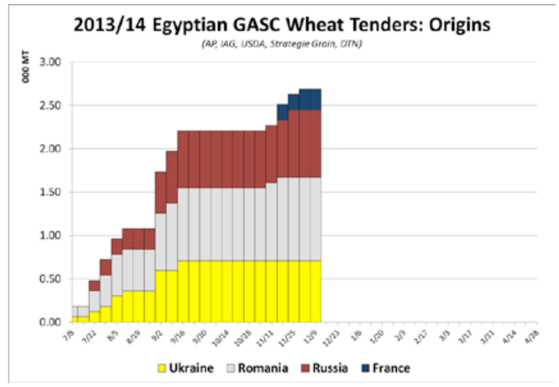
We return to work following the Thanksgiving holiday celebrations and land into a busy week with plenty to keep us interested, and somewhat entertained!



The entertainment value came from Egypt's GASC latest foray into the wheat tender arena where on Tuesday, they secured a further 60,000 mt for late Dec '13 shipment. The tender went Romanian once again but it was rumoured that contract execution could well be something of an issue. As sure as the Good Lord makes little green apples, on Thursday GASC cancelled the deal due to "problems with the seller's documents". Apparently GASC declined to comment upon the situation. The lifespan of this particular deal must surely rate as one of the shortest on record!

News of non-approved, GM corn originating from the US being found in material shipped to China has resulted in rejection of 121,000 mt of material according to Reuters. This volume amounts to the largest recorded rejection, is in addition to last month's 60,000 mt rejection, and could well point towards a sharp decline in new business. There have been suggestions that the Chinese government may well wish to slow import pace in the face of stronger than anticipated supplies. The news must have shippers, who have close to 2 million mt of material on the way to China, somewhat nervous and shipments will no doubt be subjected to stringent sampling and testing prior to being accepted at destination. The GM event, MIR 162 or Agrisure Viptera which is an insect resistant gene, has been in the US supply chain since 2011 and is approved in Japan, S Korea, Russia and even the EU who are slow in issuing approval of GM events. We consider the news to have longer-term bearish implications for corn pricing, particularly if there are further rejections in coming weeks.

StatsCan this week announcing their latest crop estimates which included a record breaking 2013 all wheat output at 37.53 million mt, which is way above estimates of 33.8 million mt, a 37.9% increase from 2012's 27.21 million mt. Canola (rapeseed) at 17.96 million mt would also be a record and is an increase of 29.6% from 13.87 million mt in 2012. Year on year gains of 10.32 million mt and 4.09 million mt for all wheat and canola (rapeseed) respectively are clearly significant and the only negative note that is being placed upon them is a question mark over the ability of Canada's export infrastructure to cope. We believe the data, which we presume to be correct, can only be construed as bearish from a price perspective. The prospect of a global record large canola (rapeseed) crop in addition to large US and S American soybean output should not allow for significantly higher prices than we are seeing at present.

Australia's ABARES this week unexpectedly increased their forecast for 2013/14 wheat to the third largest on record at 26.2 million mt, a 7% increase on September's estimate. The gains appear to be the result of better rainfall in the southwest of the country. Western Australia, the largest wheat producing state, saw a 31% leap in forecast output which more than offset reduced output in eastern states. In contrast, the Commonwealth Bank of Australia have only predicted the crop to come in at 23.6 million mt blaming Eastern Australian drought and claiming that despite improved conditions in Western Australia, they were insufficient to compensate for losses in New South Wales.

Continuing the theme of big crops, Brazil's AgroConsult reported their latest estimate for the 2013/14 soybean crop at 90.7 million mt, which is an increase from their last estimate of 86 million mt. To put this into perspective, the average US trade estimate for next week's USDA production report stands at 88.736 million mt. AgroConsult's corn estimate was also increased to 76.1 million mt, up from 75.7 million mt previously and compares with average trade guesses of 70.392 million mt. Clearly AgroConsult are seeing output benefitting significantly from the favourable growing conditions which have graced the region in recent weeks. By way of comparison, Informa Economics raised their Brazilian soybean forecast by 1.23 million mt to 88 million mt whilst ABIOVE (the Brazilian crush association) increased their estimate 600,000 mt to 86.6 million mt.

Remaining in S America, rumours continue to circulate that Argentina's government will reduce export taxes on soybeans and products in Q1 2014. However, getting the farmer to part with his estimated 13 million mt stockpile of soybeans in an effort to generate export sales revenue is proving difficult as fears of Peso devaluation and continued high inflation persist in having just the opposite effect.

A much less frequently discussed export destination, Iran, has purchased a reported 300,000 mt of EU origin wheat in the last three weeks for Q1 2014 delivery, and the origin is suggested to be Germany and Poland. They are also rumoured to have purchased as much as 500,000 mt from Mexico recently and to be in talks with Australia for a similar tonnage.

To wrap up this week, we would ask a couple of questions, "What would be the impact upon markets if China started to test US DDG's for MIR 162?" At the point, there is no more substance behind this than market rumour so we will not attempt to fully answer, but just the initial response could be drastically market changing. Our second question relates to Iran's recent strong market presence; "Are their purchases new demand or is it simply extensive and better reporting of existing demand." Again we will not answer, but suggest that if it is new demand there is a lot more bread being eaten in the country than in previous years!

Our market view remains longer term bearish amid news of improving global crops and favourable growing conditions.