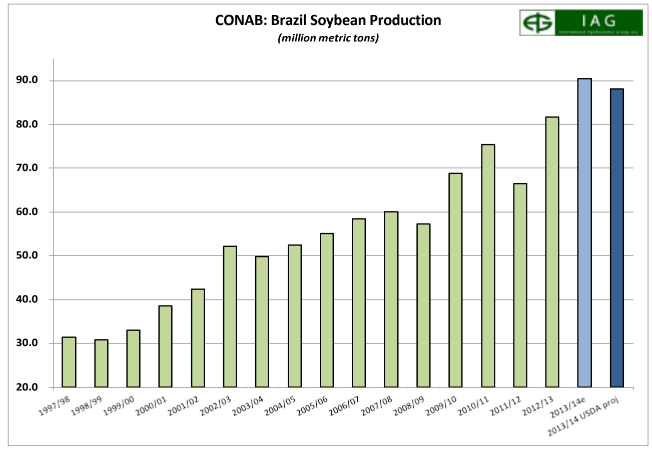
This is a crucial week in terms of data and its potential impact upon future market direction. We have had Brazil's CONAB forecasts, released Thursday, for 2013/14 corn and soybean output. Unsurprisingly, given favourable weather conditions, they have raised their estimates with corn rising to 78.97 million mt from December's figure of 78.78 million mt. For comparison purposes, the USDA's latest figure stands at 70 million mt and it will be interesting to see their update later today. For soybeans the CONAB forecast is 90.33 million mt, up from 90.03 last month; the USDA's last estimate stands at 88 million mt. Possibly more telling is the widely quoted comment that the soybean crop could "easily" exceed 95 million mt with yields exceeding official estimates according to Agriculture Minister Antonio Andrade.




Figures released by the United Nations' Food & Agriculture Organisation show an increase in their forecast for global wheat output to 710.8 million mt, an increase from their November forecast of 708.5 million mt. Overall world cereal output was forecast at 2.5 billion tonnes, a 2 million mt increase from November's estimate. Global cereal end stocks at the end of the 2014 season were forecast to rise by 13.4% year on year to 572 million mt.

Today, Friday, sees the publication of the USDA's January crop report and 1st Dec stocks report. It appears that the majority of market players are expecting US soybean and corn crops to be revised upwards, and it is probably fair to say that these expectations are already factored into markets, and no more so than in corn in recent weeks whilst soybeans have also seen lower prices since late December. If the USDA actually confirms the trade's expectation, it may not translate into substantial bearish price action. However, If we see an unexpected reduction in the soybean crop, the bullish upside could well surprise, although we would expect it to be of limited duration.

The average trade estimate for the US 2013 corn yield is 161.2 bu/acre , above the last USDA figure of 160.4 bu/acre. Assuming acreage is unchanged we are looking at an output in excess of 14.066 billion bu. For soybeans, the average trade estimate stands at 43.3 bu/acre giving a 3.279 billion bu crop, the USDA's November yield was 43 bu/acre. Dec 1 stock numbers are equally estimated at relatively high levels; corn at 10.79 billion bu and soybeans at 2.161 billion bu. If correct, the corn number will show growth, year on year, of almost 2.75 billion bu.

In other news, following a prolonged absence from the headlines, there is a reported fatality attributed to H5N1 bird flu. The victim was travelling to Canada, from Beijing in China when symptoms appeared. Chinese authorities are looking into the case, although first comments suggest that there is no other evidence of the virus in Beijing. As of mid-December there were 648 confirmed human cases of the disease of which 384 had been fatal. Whist it is reported to be difficult for humans to catch the disease, there are fears of mutation and pandemic.

The ongoing corn and corn product rejection issues in China seem to be taking a slight change of direction. It has been suggested that China is accepting some cargoes of corn and DDGs despite positive test results for the non-approved GM trait, MIR 162. The slide in US DDG prices, which reached as much as $30/ton, has seen some evidence of a reversal with prices clawing back some $10/ton. One of China's "official" news agencies has reported that over 600,000 mt of corn and products have been rejected by the nation so far.

Late last week we saw the results of the most recent Egyptian tender, which raised some eyebrows in view of the size of the business transacted. A total of 535,000 mt saw 355,000 mt awarded to Russia, Ukraine and Romania (55,000 mt, 120,000 mt and 180,000 mt respectively) with the remaining 180,000 mt going to France. Unsurprisingly we saw a degree of support in wheat markets following the tender although it remains unclear as to whether or not Egypt is now done for the season. Total Egyptian purchases (by GASC) this season have reach over 3.5 million mt, which compares with just under 3.5 million mt last year and over 5 million mt in 2011/12. It has been suggested previously that former President Morsi left office with wheat stock levels lower than desirable although we are unlikely to get formal confirmation of this. If that was to be the case, we could well see further tonnages being sought by Egypt in coming weeks. As always, time will tell. Reports from Egypt following the tender stated that stocks were sufficient to last until late April, and previously a six month wheat stockpile was stated to be the objective.

In a "catch up" following the Christmas and New Year holidays, Brussels updated wheat export certificate data with the last two weeks of 2013 totalling 1.072 million mt and the first week of 2014 hitting 734,260 mt. The season total now stands at 15.8 million mt, which is 4.75 million mt (42.9%) ahead of last year. These numbers point ever more strongly to a season total in the 28 million mt ballpark. Higher consumption of both barley and maize (corn) in feed rations, displacing wheat and making it available to be exported, supports the large export volume theory.

In summary, we are pleased to see our long held belief in lower prices displaying a degree of confirmation. That said we continue to look lower as S American weather continues favourable and global stock rebuilds remain on the cards.