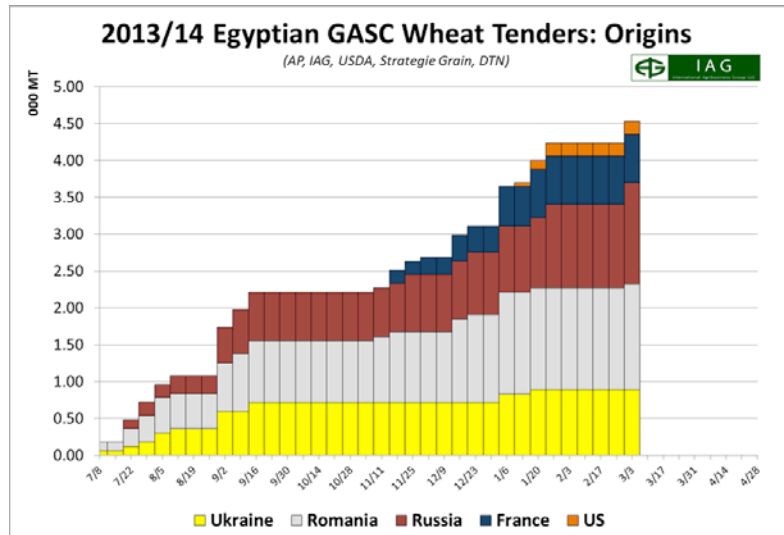


We close the week with a specular display of fireworks as CBOT soybeans rocketed over 3% (basis front month Mar '14) on short covering ahead of first notice day, only to lose all the gains and eventually close lower on a day which saw a trading range of over \$0.60/bu. Friday, the firework continued with the markets sharply higher. Month ends frequently bring with them a degree of volatility as positions are squared and cash withdrawn from markets, but this week's price action has displayed an exceptionally high degree of volatility. The nature of Thursday's move has been sufficient for us to question whether we may be seeing an "exhaustion top" from which the market reverses or sets up a new trading range.

Brussels have released details of the latest weekly wheat export certificates, and running true to form they have maintained the substantial pace with a weekly total of 968,818 mt, which is the largest weekly total this season. It brings the year to date figure up to a massive 21.286 million mt, which is 6.935 million mt (48.3%) ahead of last year's same time total.

Despite the large EU wheat export figure for this week, the EU was not a successful tenderer in the latest foray into the market by Egypt's GASC. On Thursday they secured a total of 295,000 mt for second half March shipment in what looks as if it could possibly be their last tender before their harvest which should commence in April. Russia gained 235,000 mt with Romania securing the remaining 60,000 mt. French offers looked to be between \$9 and \$15 (basis C&F) too high, and the US soft red offer around \$19 (again basis C&F) over the dearest of today's actual purchases. Interestingly, the US FOB offer was competitive; it was the freight cost that killed it.

There has been a degree of confusion in markets earlier this week with some of the data released by the USDA being seriously questioned (and in some quarters it was considered to be diametrically opposed to the "facts") by the market. The reported sale of 568,000 mt of US old crop soybeans to an "unknown" destination was believed by some to be either old news or would not ultimately be shipped. Others believed the report to be incorrect, and indeed possibly a cancellation rather than a fresh sale. Later, the sale was suggested to be to China, which raised the degree of confusion up a further notch.



The key reasons for the "raised eyebrow" at the news includes the fact that China appears to be well stocked with soybeans in its ports, they have a massive volume of beans already on the water and in transit (as much as 8 million mt), some evidence that China is looking to either cancel, roll forward or switch soybean contracts to potentially cheaper Brazilian supplies, avian influenza and falling pork production margins capping feed demand and finally (possibly most crucially) that crush margins in China have declined substantially with many suggesting that they are now negative. That said, there are no confirmed reports of cancellations at this time, although many believe it is only a matter of time, and they are essential if the US is not to exceed its forecast exports and "run out".

The Brazilian soybean harvest is progressing well with 40% estimated to be completed by this weekend. Yield data continues to support a crop in the region of 89-91 million mt. Supplies are reaching ports although there is evidence that internal transport costs are rising amid some logistical snarl-ups on the roads and approaches to export points. Vessel line-ups are growing but it would appear that supplies are moving and sufficient to service nearby requirements.

Selling of old crop soybeans by farmers in Argentina appears to be continuing, as the spot premium for cash beans remains high. In addition, the "threat" of government demands for data on stocks and movements is seen as paving the way for a switch to farm gate taxes rather than taxation at point of export. All in all, farming in Argentina continues to be a problem with both fiscal and political issues adding to the traditional day-to-day farming issues.

Finally, and nearer to home, both EU and Black Sea regions have seen little in the way of weather damage to overwintering crops, although it will be springtime before a complete assessment can be made. Ukraine appears to be reopening for business and the risk premium associated with the recent uprising has eroded fast although is reported that Moscow is "angry" over the recent events! The east/west political split within Ukraine will bear watching in coming weeks in case it escalates once again and raises the spectre of supply disruption once again.

In conclusion, it has been a fascination week in both the political arena around the globe as well as our everyday markets. We could well find ourselves poised at a pivotal point as far as soybean pricing is concerned, which many will welcome as a massive relief if it proves to be the case and this week's highs do actually become the "top" we have been looking for. Grain markets have been somewhat better behaved displaying a lesser appetite for explosive upside, perhaps because of the better stock position as well as less dramatic demand when compared with soybeans.