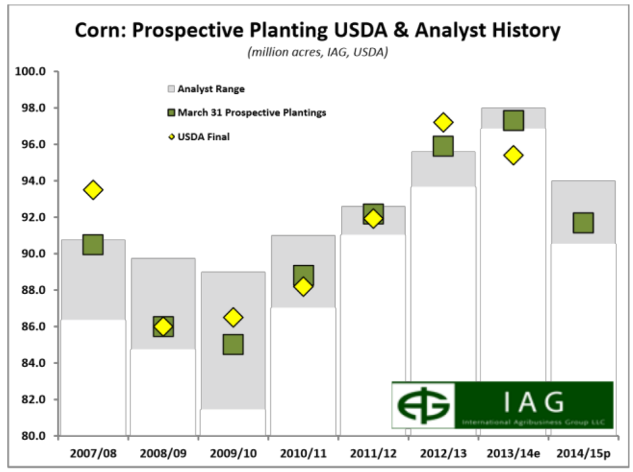
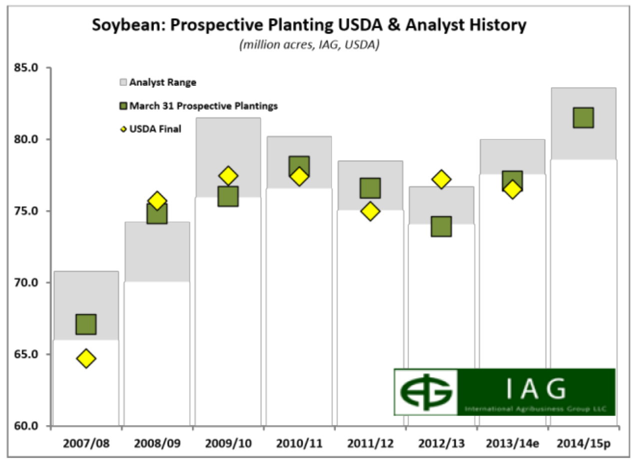
This week started with the release of the much-anticipated USDA figures. The general view was that the report was in the realms of neutral to friendly for corn and neutral to bearish for soybeans. However, now that this report is out of the way, the key driver of prices going forward will likely be weather related.

For the record, stocks of corn were reported at less than average trade estimates, 7.006 vs. 7.099 billion bu, however it must be borne in mind that this will be the 4th largest on record! March 2010's stocks were reported at 7.694 billion bu, this year's figure is (only) 688 million bu lower. Seedings for the 2014 season were estimated at 91.691 million acres, below average trade estimates of 92.748, well below last year's figure. Such a level will be the lowest acreage since 2010's 88.2 million acres.



Soybean stocks, at 992 million bu were below last year (only just) but higher than average trade estimates. 2014 seedings are estimated at 81.493 million acres, which if achieved, will be a record, an increase on last year and above average trade estimates. An average yield of 45 bu/acre, based upon the estimated acreage, would provide a record large output of 3.612 billion bu leaving end stocks to nearly 400 million bu. This is a bearish number!



Wheat stocks at 1.056 billion bu were above average trade estimates of 1.042 and all wheat seedings at 55.815 million acres were mid-range but below the average of trade estimates.

All said and done, the report data is now consigned to the annals of history and with its influence, we have seen ongoing price volatility through the week with soybean and corn prices both hitting season highs early and settling by the end of the week.

As mentioned above, the key now, and into the next few months will be weather in the central US and world. Potential does exist for delays in seeding, as we have previously discussed, but it appears there is a fast building El Niño weather pattern, which leaves little chance of a summer drought and, equally importantly, cooler than average summer temperatures. Should this pattern fully materialise, the prognosis for soybean and corn yield is favourable, and as a minimum, trend-line levels should be achieved.

Fund activity is, as we continually point out, a key to price direction. The first quarter of 2014 has seen a big influx of speculator money into the agri sector. Fund net positions have grown significantly over the period, corn plus 350,000 contracts, wheat plus 100,000 contracts and soybeans more modestly by 35,000 contracts as examples (net of options). Close to $20 billion has been spent in adding these positions. The "alternative" equity and bond markets lost their attractiveness to funds who search for value, and agriculture became their focus, hence the growth illustrated. This in turn has fuelled prices in an upward direction.

Given the longer-term picture, which shows global stock rebuilding and more comfortable stock to use ratios, it is somewhat frustrating to see the old crop tightness dominating prices to the exclusion of pretty much everything else. From a technical perspective, as far as soybeans and corn are concerned, there is room for additional limited price upside, but there is a strong suggestion that we are close to an "exhaustion top" and markets are tired. For further increases in price there has to be a ready pool of buyers, and given the already large net long spec positions, we may well be getting to a point where buyers are scarce. Should this be the case, the upward trend could be at a point where we see a reversal and reflection of the longer-term fundamentals.

In other news this week we have seen a further rejection by China of US corn for MIR 162 contamination (again). Additionally, a container of DDG's was rejected for the same reason, and we hear that long awaited acceptance of the GM variety is looking less likely to be completed this season. Under the circumstances, it is looking less likely that the remaining, unshipped, 1.16 million mt of committed corn sales will actually be shipped.

Finally, we have seen another 600,000 mt plus week of EU wheat export licences. The weekly total actually reached 616,172, which makes the season total 25.583 million mt. This is 7.38 million mt (42.9%) ahead of last year. The calculation to hit the USDA's 29.5 million mt season requires a mere 378,264 mt/week for the remaining 13 weeks of the season. Corn imports into the EU, on the other hand, were close to 400,000 mt again this week. This brings the season to 10.5 million mt, 250,000 mt short of last year's full season total with three months still to go!