This week has been the run up to the USDA's latest report scheduled for release at 5.00pm (UK time) on Monday, and consequently we have seen the usual disinterest in fresh risk as well as seeing limitations on existing positions. Last weekend's update on fund positions illustrated the point as reported positions in soybeans and wheat showed a reduction in the fund net short whilst the net long position in corn grew. Over the last two weeks we have seen funds increase their positions by over 90,000 lots in the three key commodities of soybeans, corn and wheat. Further analysis of the data shows that the funds have in fact reduced the short position rather than added to the long position, perhaps an indication of their mindset!

In the physical market we have see Egypt's GASC make a couple of visits to the wheat tender market, the first on Saturday when they picked up a single 60,000 mt cargo of French, and their latest tender saw 235,000 mt secured with 55,000 mt from Ukraine, who have been absent from the market recently, the balancing 180,000 mt was from France once again. The weekend purchase was at a reported $260.00/mt basis C&F, with the business on 5 November about $1.50/mt cheaper. The spectrum of prices on offer makes for interesting viewing with the cheapest Romanian and Russian offers some $8.00 to $10.00 higher and nothing offered from the US, presumably because it was known to be too expensive to bother. The way forward is likely to be a thought provoking with potentially limited offers (although the market was impressed with the depth of French offers on the last tender), and the possibility that French quality may not meet GASC standards. Could this pave the way for Russia to move back to be the lead supplier in the latter half of the season rather than occupying its usual front-runner position? Will the devaluation of the Rouble (down 41% since Jan 1) be an ongoing deterrent to Russian exports? As always, time will tell.

Remaining on the subject of Russia it has been noticeable that Central Bank intervention in their currency has been somewhat limited and this has led to a dramatic reduction in the Rouble vs. US$, which has moved from a rate of around RUB40:US$1.00 in early October to a close of almost RUB48:US$1.00 to end the week. The sums are pretty simple, this is a 20% move in the space of a month, and could well have an impact upon markets with the potential that the Russian farmer may slow sales in order to preserve crop value and minimise his cash value erosion in a manner that we have seen in Argentina in recent times.

In the run up to Monday's crop report we have seen brokerage firm Intl FC Stone reduce their US corn and soybean crop estimates. Corn output was forecast at 14.783 billion bu with yield at 178.0 bu/acre, which was down from 14.958 and 178.4 whilst soybean output was forecast at 4.033 billion bu, a shade below their previous estimate of 4.066 with yield unchanged at 48.4 bu/acre. Estimates from Informa Economics showed corn output at 14.493 billion bu with yield at 174.4 bu/acre compared with 14.395 and 176.4 month on month. Their soybean estimates placed output at 3.991 billion bu from 47.9 bu/acre compared with 4.017 and 48.5. Clearly there is some lack

of agreement but generally the suggestion is that there is a less optimistic expectation than has previously been the case.

Weekly US soybean export sales have continued at an extremely strong pace with this week's data showing commitments at a record 35.6 million mt, which is around 77% of the USDA's annual total. In contrast, soybean meal exports were a negative due to cancellations, which were expected in the light of the recent hike in cash prices due to the logistical problem that have been experienced in recent weeks. With higher soybean meal prices pulling beans upwards there is an anticipation that we will see fresh export sales favouring S American origins from a purely price perspective, particularly in early 2015. Whether this will impact projected US end stocks in any significant way will depend upon both timing and extent of any switching.

In Brussels the pace of wheat exports continued strong with weekly export licences amounting to 559,186 mt. This brings the season total to 10.959 million mt which is 1.08 million mt (10.98%) ahead of last year's same time total. Whilst the pace remains ahead some are starting to ask whether there is sufficient wheat of exportable quality for it to be maintained and meet the USDA's latest annual estimate of 28 million mt.

To summarise, from what we have written above it seems logical to stand by our previous conclusion that we could well have seen the season's low price to have already been set in wheat. That is not to suggest that we won't see a retracement from the latest and recent moves higher and it seems more likely that there is still some give in prices yet. Corn prices seem to be at a pivotal stage in advance of Monday's report; many see value in corn at its low levels of around $3.20/bu and from that perspective it is also possible we could have seen season lows. On the other hand, if we see a significant increase in yield/output from the USDA on Monday the market could test the October lows. Informa and FC Stone's estimated figures (above) would suggest that this is unlikely. In soybeans it still feels as if we are seeing elevated prices that are unsustainable in the longer term, and as such we see more downside potential than in the grains. Specifically we do not think we have see the season lows – yet.