In the week that marks the first anniversary of Russia's annexation of Crimea we have seen mixed market fortunes in what seems to be nervous trade ahead of the USDA's latest missive on stocks and plantings scheduled for release on 31st March. CBOT corn and soybeans have generally moved lower over the week, only to regain a big part of their losses on Friday whilst wheat edged higher.

Key market drivers remain similar to last week with concern levels growing over dry conditions across the central US Plains as well as parts of the EU and Russia. Whilst it is still early in the development of the crop and dormancy is not fully broken, it is becoming clear that soil moisture levels are below optimum and April and May rainfall will be required if the crop is to reach its full potential. In addition the fund position in wheat is close to a record net short, and we are sure no one needs a reminder of what can happen should a change of heart by said funds occur.

Other news in wheat from Russia was contradictory, as is so often the case! Initially a pall of gloom was cast across the crop with conditions described as too warm and dry for winter-sown crops to grow or spring crops to germinate. This was closely followed by the AgMin raising the all grain crop estimates to 100 million mt and even more closely followed by hopes being dashed once again by a private forecaster suggesting a range of 70 to 85 million mt was more likely. Maybe it would be simpler to toss a coin and make a call in the air rather than take the time and trouble to read, digest and analyse the data!

The early part of the week saw soybean prices (May '15 contract) break below the January lows, by some way, and also confirm the move by closing lower. This potentially points towards a test of the Sep/Oct '14 lows ($9.28¾) in the fullness of time. At the same time we saw May '15 soybean meal confirm its bearish "head and shoulders" chart formation, which points towards a price target of $295. These technical indicators agree with our longer term fundamental view, and as such increase our confidence in the trend lower that we have stuck to for some while.

In corn it has been noted that open interest has risen sharply and at least one commentator has suggested funds are building a large short position ahead of the upcoming USDA report. Whether this remains the case through to the report's release remains to be seen.

In other news this week, it was reported by Reuters that a 30,000 mt cargo of Brazilian ethanol has been shipped to the US as the weak Real takes effect, as has the impact of growing supplies in Brazil. Whether this becomes a regular event or not will be closely watched as any significant growth in US ethanol imports will both pressure margins and threaten US exports. There is an excess of bioethanol in the US as well as uncertainty over government renewable fuels policy and major change to either would doubtless impact corn consumption, an unpalatable proposition for many.

Brussels issued another big week of wheat export certificates totalling 800,818 mt, which brings the season total to 25,055,209 mt. This is 1.989 million mt (8.62%) ahead of last year's record pace. The pace of exports has picked up week on week and it remains to be seen whether the USDA's 31.5 million mt forecast will be achieved.

Clearly the influence of the funds, the USDA report, international currency rates, Brazilian trucker disputes and the potential for a weather driven market are all significant, perhaps more so than in recent seasons, and warrant close scrutiny if success is to be had in the market. Despite the caveats, we have not materially changed our long-term fundamental view that markets (specifically the soybean complex and corn) will be pressured by large, and growing, global supplies. Our concern is that the path lower may well be choppy and volatile and for those of a nervous disposition may be a difficult one to follow.