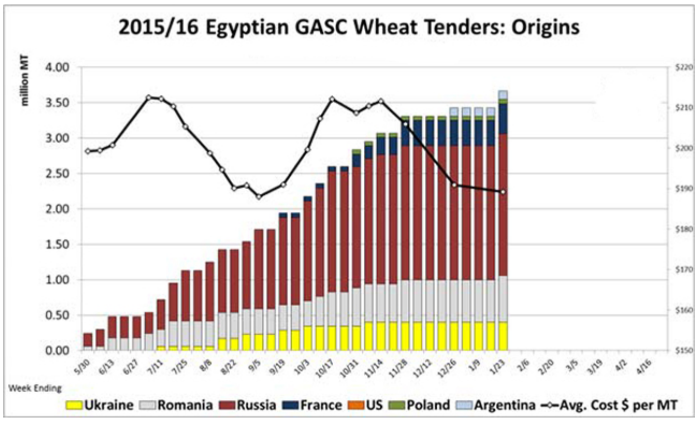
This holiday shortened week has been dominated more by non-agri matters than our more usual weather, acres, yield or export related commentary. Tuesday’s trigger was news that the Chinese GDP rate was reported at 6.9%, which was the lowest in some 20 years. Many question the validity of the reported rate believing that a more realistic number would be closer to 5%! However, markets took the news positively with agri and equity markets both rallying on hopes of cuts in lending rates or further economic stimulus that would bolster growth. Funds short covering some of their extreme net short positions added to support as did prices moving through key moving averages, which triggered further buy stops. All in all, the markets had a strong and positive start to the week.

Crude oil price’s ongoing weakness, reaching its lowest levels since 2003 on Wednesday, left markets uncertain to say the least. Global equities plunged amid concern over not only weak oil prices but also less optimism over prospects for world economic recovery.

Thursday saw something of a price recovery in both crude oil and equities in continued volatility as the extreme oversold position was corrected to some degree. Clearly we have seen a whirlwind three days as far as energies and equities are concerned, although this has not fully translated into soybeans, wheat and corn. Early trade as we write this on Friday is pretty much unchanged although that does not suggest that our recent volatile trading period is done and dusted.

The impact upon agri commodities has been somewhat subdued in comparison with the likes of equities and crude oil. Chicago has seen prices stabilise with the grains, wheat and corn, both higher over the week so far. Soybeans however have seen more of a sideways pattern, as has soybean meal although soybean oil has made some gains. Interestingly MATIF wheat has seen continued declines reaching life of contract lows in the middle of the week. The ongoing issue of EU wheat export rate and predicted end stocks continues to pressure prices and this was no more clearly illustrated than by Egypt’s return to the market with a tender for late February shipment. France picked up a single 60,000 mt cargo as did Romania with Russia securing the 115,000 mt balance. The 235,000 mt tender was reportedly concluded at an average price of $189.17/mt basis C&F, which is almost $2.00/mt below their last tender on 23 December, which was all awarded to Argentina. Prices are down nearly $17.00/mt from the last time GASC purchased wheat from Russia/Romania/France, which was back in



late November. Despite some concerns over Egypt's ability to pay as well as reduced ergot contamination levels, both of which limited offers, there is no doubt over the competitiveness of pricing, which highlights the need for exporters to secure sales.

Continuing with the EU wheat export volume theme, we question the ambitious looking USDA season total at 32.5 million mt. This week's weekly export volume reached 556,019 bringing the season total to 15.319 million mt. However, to reach the USDA's total the remaining 23 weeks of the export season need to hit close to ¾ million mt, which (as we have stated previously) appears to be a tall order in view of both competition and sluggish demand. The impact of reduced EU exports will be a corresponding growth in end stocks and the potential for price pressure to remain in place for yet another season – draw your own conclusion!

Of note in S America, the drier weather in S Brazil and the hot/dry conditions in Argentina have developed as expected. S Brazil is expected to see relief next week as well as parts of Argentina. However, there may be areas of Argentina that see some extended stressed conditions. The feeling is that the S American crop is not getting bigger this week although if the forecast develops as advertised, then that sentiment will likely change next week.

Our overall take on what has been an interesting week is that we have seen some price recovery yet despite there having been some potential "triggers" for a sharp spike higher we have seen restraint and something of a subdued uplift. This actually fits in with our long held view that we do not (yet) have a significantly bullish scenario from which we can say with any confidence that the long-term price trend has shifted.