

The main feature of this week has to have been the release of the latest WASDE report and, as expected, there was little in the way of shock or surprise and our summary follows. The 2014/15 data was left unchanged with the exception of a minor tweak higher in global corn production, relatively small increases in soybean and wheat end stocks and a slight decrease in corn stocks. All in all, the 2014/15 numbers warrant no further comment.

2015/16 soybean data was uninteresting with US supply/demand unchanged from January, an increase in Argentine output of 1.5 million mt, and world end stocks growing (again) by 1.14 million mt. US corn supply/demand data showed some changes in imports, ethanol grind, total domestic use and exports, all of which saw a close to 1 million mt growth in end stocks. From a global perspective, output was forecast higher by just over 2 million mt although this was offset by reduced carry in and a small increase in overall consumption, which left global end stocks a touch lower. US wheat supply/demand saw exports reduced marginally, which dropped directly into end stocks. Globally, Argentine output was forecast 500,000 mt higher leaving global production similarly increased. Global end stocks rose by another 6.83 million mt due to a combination of increased carry in and reduced usage.

Overall the market reacted in a manner that can be best described as “uninterested” and has probably focused more on macro issues, which has largely been the trend over the last few weeks.

If we look at these “macros” the train of events can probably be summarised as follows:

- Fears over lack of growth in the Chinese economy.
 - a) Losses in Chinese equity markets.
 - b) Falling crude oil prices.
- Global equity markets follow lower.
- Commodity prices fail to rally.

Clearly this is a simplification but there appears to be nothing of a positive macro market stimulus at present and “risk-off” attitudes are prevailing.

As we have reported previously the fundamental market drivers remain bearish, or maybe better described as “not bullish”, take your pick! S American weather has improved and there is less of a risk from dryness particularly to Argentine crops and the transition from El Niño to La Niña appears to be less and less likely with the associated crop growing risks diminish in proportion. Technical market triggers, which include significant moving averages, have failed to galvanise traders into action and price resistance levels have held – for now!

We are now at the time of year when the S American harvest is ramping up and the switch of global trade also moves away from the US towards the S

Hemisphere, and this will likely focus traders upon the ongoing US export numbers, which have struggled with competitiveness due to the strength of the US\$. Will this continue throughout 2016? As always, this is a tough question to answer with any certainty but our view is that the US\$ is the prettiest in a bunch of ugly babies!

In summary we continue to view price rallies as unlikely to be sustained purely on the back of burdensome stocks and the prospect for N Hemisphere crops remaining unthreatened. A lasting price rally will require a significant weather or geo-political intervention of some description, and this does not appear to be on the horizon at present. We therefore remain of the opinion that the buyer has the upper hand for now.