This week has seen the latest iteration of both USDA and CONAB estimates, and without going into the detail at this point it feels very much like a non-event. Material changes were noticeably absent and the market continues pretty much as previously.

For the record, we saw expected increases in US corn ethanol (25 million bu) and US wheat exports (50 million bu) whilst US soybean stock levels were left unchanged at 420 million bu. Key going forward will be the usual suspects, S America weather, Chinese demand and potential wheat crop losses in Black Sea or EU as we exit the winter period.

Perhaps worthy of a mention is the biggest change, possibly a surprise, and that was the changes made to both US and global wheat balance sheets. We referred earlier to the increase in US exports but the 4.6 million mt cut in global end stock levels was almost exclusively a consequence of the cut in Indian output from 90 to 87 million mt. This (marginal) constriction in global supply did push spot Chicago futures very close to the mid-October price resistance level $4.45¾ although not quite hitting it or (more significantly) breaking through. Despite this, it remains tough to uncover a bullish wheat story at this time and until such time as we see a material wheat crop damaging weather issue, we remain content to sell such pushes higher. It should not be forgotten that the N African harvest begins in about six weeks or so, and export opportunities for those holding stock (Russia, Black Sea, EU) will close out very swiftly and potentially pressure prices once again.

World Wheat Supply and Demand

(million metric tons) February Report	12/13	13/14	14/15	15/16	2016/17 USDA Projections January	2016/17 USDA Projections February
Beginning Stocks	198.45	177.82	194.92	217.51	240.49	240.77
Production	658.63	715.05	728.28	735.59	752.69	748.24
Imports	145.34	158.53	159.08	170.07	172.96	174.51
Total Supply	999.43	999.43	1082.29	1123.16	1166.14	1163.51
Feed	138.24	126.62	131.75	138.53	147.58	148.98
Total Domestic	687.08	690.49	700.37	709.61	734.81	735.91
Exports	137.53	165.99	164.42	172.79	178.05	178.99
Total Demand	824.61	856.47	864.78	882.40	907.77	910.42
Ending Stocks	177.82	194.92	217.51	240.77	253.29	248.61
Ending Stocks less China	*123.86*	*129.65*	*141.40*	*143.72*	*141.69*	*137.52*
Stocks to Usage	20.66%	20.66%	25.77%	27.59%	28.46%	27.80%

USDA Estimates

India Wheat Supply and Demand

(million metric tons) February Report	11/12	12/13	13/14	14/15	15/16	2016/17 USDA Projections January	2016/17 USDA Projections February
Beginning Stocks	15.36	19.95	24.20	17.83	17.22	14.54	14.54
Production	86.87	94.88	93.51	95.85	86.53	90.00	87.00
Imports	0.02	0.02	0.03	0.05	0.47	3.70	3.70
Total Supply	102.25	114.85	117.73	113.73	104.22	108.24	105.24
Feed	3.10	3.40	4.80	4.50	4.20	4.50	4.50
Total Domestic	81.41	83.82	93.85	93.10	88.55	96.84	96.84
Exports	0.89	6.82	6.05	3.41	1.13	0.40	0.40
Total Demand	82.30	90.65	99.90	96.51	89.68	97.24	97.24
Ending Stocks	19.95	24.20	17.83	17.22	14.54	11.00	8.00
Stocks to Usage	24.24%	26.70%	17.85%	17.84%	16.21%	11.31%	8.23%

USDA Estimates

Away from the USDA's report we saw Brazil's CONAB February data, which saw their soybean yield estimate grow by around 2% from January with output at a record large 105.6 million mt, which is close to a 10 million mt year on year increase. This compares with the USDA's 104 million mt estimate, which was unchanged from their January figure.

It appears that we are destined to see continued market action that features sideways trends, choppy and almost directionless activity until such time as we see a definitive fresh news input. Our guess is that this (if it materialises) will likely hinge on either a S American weather related issue, although time is running out for this, or a N Hemisphere weather related issue with focus on cold related winterkill of overwintering crops or a planting issue in the US.

Meanwhile we are happy to sell rallies and buy dips that fit recent trading ranges.