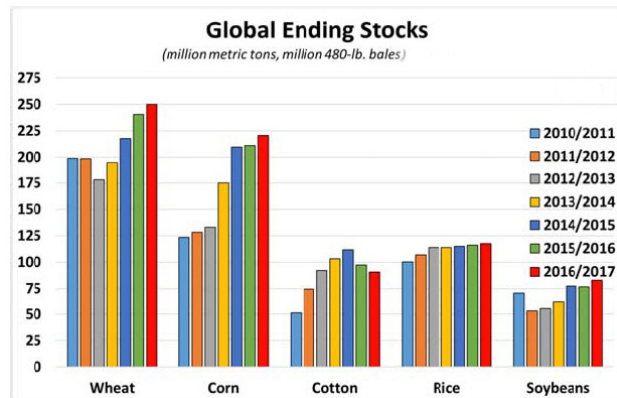


We have seen little in the way of market moving fresh news input in a market place that continues to display lack of strength if not outright weakness. All three key commodities, soybeans, corn and wheat are back at price levels not seen for some while. Soybeans (May '17) saw levels last recorded in November last year, and are trading below all three major moving averages, and are testing, although not yet breaking, historic support. May '17 corn futures are similarly below the 100 day moving average and at mid-January price levels whilst wheat is also below its 100 day moving average and at price levels not seen since early February.

Perhaps our opening should have highlighted weakness first and foremost but these markets do not have that feel, despite ongoing slow paced declines. Clearly, as we have highlighted on more than one occasion, the market fundamentals display a strong supply position across global production and end stocks in soybeans, corn and



wheat with the latest USDA figures showing 2016/17 growth patterns. Some are questioning the wisdom and accuracy of the expansion but we would hesitate to challenge the numbers at this time. Regardless of absolute yields and outputs in the fullness of time, we continue to face supplies and stocks that exceed current demand, and until such time as this changes we will struggle to see and maintain higher price levels.

There will be, in coming weeks and months, many potential triggers for changes to the big picture; some will be more significant than others. S American harvest, which is well under way and showing good progress in yield, but still has the potential for full year output to see a hiccup if the Brazilian safrinha corn crop does not meet expectations (which are quite stretching in the latest USDA forecast). US plantings, as always, are the subject of debate and still not set in stone, and could yet provide a curved ball to upset the apple cart. Similarly, US planting weather and conditions during early establishment and crop development could, if not favourable, compromise yields and overall output. EU, Russian and Black Sea grain output, at this time, looks to be on course for harvests that do not disappoint.

With that said, where does this leave markets looking forward? Unless there is a fresh news input that is yield or output limiting in some shape it seems as if we are destined for continued lack of market strength. It is probably fair to suggest that we know the good news; it is evident in many guises, yet markets are reluctant to decline in a significant manner. Historic pricing, costs of production, reasonable consumer cover and the lack of buyers chasing the market are all contributing to the slow price decline.

We continue to favour our preferred non-bullish stance although remain fully aware that prices will spike higher on relatively minor bullish input although the lasting impact is likely to be short lived until such time as we see a fundamental switch in the battle between the bulls and the bears.