The current week, in the run-up to the January USDA report, has seen soybean futures dip, corn trade sideways and wheat a touch steadier. Rarely do we see such a divergence in direction, and this perhaps points towards the uncertainty felt by traders.

Soybean uncertainty is being seen in the form of whether the USDA stocks figure will be as expected, or not, when figures are released later today. March soybeans futures hit a four-month low and both oil and meal markets also failed to inspire and move higher. In Brazil, CONAB increased their crop estimate by 1.25 million mt to 110.4 million with other estimates agreeing upon improved estimates. Independent forecasters are also looking for numbers in the 110 top 114 million range and this compares with the USDA's December estimate of 108 million mt. Argentine estimates are not so optimistic with a reduced USDA number anticipated by many, although Brazilian gains appear to outstrip and Argentine losses. We should keep in mind that S American weather is not perfect by any means, and any lack of bearish news in the report could well see a move higher.

Corn markets appear stuck in a groove and unable to move out of it. USDA report focus will fall upon final yield figures as well as quarterly residual usage. Yield figures are, in our view, unlikely to change materially as there has been little to suggest there is anything wrong with current numbers. Stock numbers can change, particularly in then light of slower than anticipated export volumes. S American crop figures will not be known for some months, and will therefore have zero to limited impact upon today's report, which we anticipate will be fairly unexciting. The market will return to weather watching for direction.

Probably the biggest wheat issue within the report will be Russian production and export numbers, both of which we would expect to increase. Aside from this there seems little justification for any other major month on month changes to figures. Globally, weather in Russia looks set to change towards a colder pattern, at last, and we need to keep an eye on whether this will introduce any risk to yield and output. US conditions remain dry with drought in Texas and Oklahoma now described as severe, and Plains drought conditions looking set to grow. It looks as if US end stocks will decline year on year but there still remains a relatively healthy global supply.

Other news includes a further wheat tender by Egypt's GASC in which they eventually secured 115,000 mt of Russian supply at a price of $207.86/mt basis C&F, which is a few cents below their last purchase. Initial offers in the tender were extremely limited in volume, and Russia continues to dominate this particular business.

We are seeing a general increase in global raw material prices, presumably as a consequence of growth in world economic prospects. It is interesting to note that agri commodities stubbornly refuse to join in, and fund positions remain close to record short reflecting this situation. What is noteworthy is that one would usually anticipate food and food products to lead any price general hikes as growing wealth in emerging nations tends to reflect in enlarged spending on foodstuffs. Clearly, this is not currently the case but (as we have previously mentioned) this could all change, and rapidly, if funds have a change of heart.

We continue to view weather, particularly in S America, closely followed by spring conditions in the US, as key to future price direction. Again we see price downside as very limited, and if pushed into any position we would prefer to be cautiously long rather than nervously short.