

February's report day, on the face of it, gave us bearish soybean and wheat data and something of a bullish tone to corn. However, it seems the market liked what it saw with all markets trading steady albeit with wheat lower but off its lows.

For the record, we saw the USDA cut soybean exports a further 60 million bu, which dropped directly into increased end stocks; and that was it for beans. Corn exports showed a sizeable 125 million bu, which was more than anticipated, with a corresponding reduction in end stocks. US stock to use now looks to be around 16%, similar to last year and has the potential to tighten further should Argentine weather not improve markedly in the coming two or three weeks. US wheat exports were trimmed 25 million bu and domestic consumption increased a mere 5 million leaving end stocks 20 million higher.

Global end stocks were cut across the board, soybeans marginally so with corn and wheat 3 and 2 million respectively. Argentine corn was unsurprisingly cut 3 million to 39 million mt, we would not be surprised if this was not cut again going forward, and Brazilian corn was left unchanged. There was a 2 million cut in Argentine soybean output, offset by a 2 million increase in Brazil's crop leaving S American output unchanged month on month. Overall, there was a certain amount of synergy to the report, moving export market share between N and S America.

Brazil's CONAB estimated their soybean crop at 111.5 million mt, a month on month increase of 1.1 million vs. USDA's 112 million. Their corn forecast was 88 million mt compared with January's estimate of 92.3 million (with their first look at second crop corn area plantings down 6% year on year) vs. USDA's unchanged 95 million (which now looks remarkably overstated as if it didn't before!). Friday morning's market prices are a touch lower but there has been no major move perhaps suggesting that there is more attention being focused upon La Niña driven drought conditions in US, Argentina and S Brazil. Our information is that, whilst this is not the strongest La Niña event, there are suggestions it has the potential to linger for longer than originally thought.

It is estimated that funds remain net short despite some pre-report position covering and risk mitigation, and we question how long they will maintain this stance given our belief that downside will be hard won whilst it will take little in the way of weather to see potentially sharp upside moves.

It would be remiss if we did not pass comment on the volatility seen in global equity markets this week. Sharp falls followed by less sharp corrections and then a further steep decline reflect concerns that markets are significantly overbought. Fears over rising interest rates, above expectations, have pushed some investors to leave equities in favour of potentially better returns elsewhere. Does this leave room for fresh money to enter the commodity space, and the agricultural space in particular, where history shows current

values to be low and upside potential relatively high? As ever, time will tell and this is something worth keeping an eye out for going forward.

We close with a repetition of our long held viewpoint that price downside is extremely limited and there exists potential from a number of directions (weather, funds, flight from equities to name a few) for markets to turn higher.