

This will be our last update of 2016, and we would like to wish all readers every happiness and good fortune over the festive season and hope that 2017 brings success.

Markets have proved somewhat fickle once again as Chicago soybeans (January '17 contract) have retraced from their highs to close the open chart gap and hold moving average support at the sub \$10.00 level. This provided us with little surprise as we saw some improvement in S American weather, which was one of the triggers for prices to move higher, and overall market fundamentals suggested that price upside was always going to be limited. However, despite recent dryness relieving rainfall in Argentina taking away immediate short term concerns, it should be noted that NE and NC Brazil is turning dry. January through to mid February is a key yield determining period for soybeans in Brazil, and a careful eye should be kept on any escalation of dryness as this could potentially impact yield. As such we would be reluctant to follow prices lower until such time as we see any dry period eliminated.

The grains, particularly corn, saw pressure through the week as concerns grew over the avian influenza outbreak in SE Asia and funds turned sellers once again. In wheat there has been little N Hemisphere weather pressure from cold temperatures, limited snow insulation and winterkill, and this appears to remain the case into early 2017. Consequently price upside appears to remain limited for the time being.

In a market that is lacking major news input, we are starting to hear talk of wheat quality issues although it feels as if this is simply a "quiet news day" story. However, some parts of the Argentine wheat crop, which is approximately 75% harvested, are reported to be below average from a protein content perspective and unsuitable for milling quality. Though we should add that we do know how resourceful millers can be when they have to! In addition heavy rainfall is forecast in Victoria and S Australia in the coming week, and some suggest that as much as 2 million mt of their crop could potentially be downgraded on quality grounds as a result. Whilst neither of these points is significant in global terms, and wheat volume availability is not an issue, it could potentially point towards growing quality premiums in the fullness of time.

To conclude what has been a slow end to the year we remain of the opinion that markets will stay in a pretty tight range until such time as we see fresh market input and/or the funds decide to move the market one way or the other. As a quick reminder, the majority of the markets will be closed the next two Mondays in observance of holidays. We plan to return with our next update on 6 January, Happy New Year!