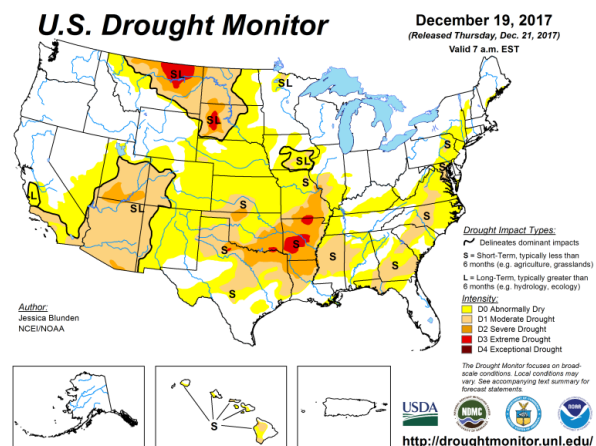


Welcome to our final update of 2017 and we wish all our readers a safe, happy and prosperous Christmas and New Year.

The week has seen weakness across the soy complex as fund liquidation of spread trades as well as fresh short positions have been taken. The move has opened up a weaker technical picture, which the spec community appears to be taking to heart and following with some enthusiasm. In something of a contrast, the grains, corn and wheat, have made some gains although we are somewhat shy of suggesting overt strength; however, our longer-term thoughts continue to lean towards limited downside in the grains.

The key to future price direction remains S American weather, and there remains a lack of complete agreement on upcoming conditions although latest observations suggest that coming days will see showers across central Argentina although forecasts thereafter suggest a return to dryness across both Argentina and Brazil. Records show that some large areas of Argentina and south Brazil have received less than 50% of normal precipitation in the last month, which is clearly far from ideal. Recent rains in Argentina have allowed a push forward in corn planting although current progress remains behind average for this time. La Niña conditions will make it important to monitor precipitation during the growing season given the underlying soil moisture deficit already in existence. Rain developments in S America and its impact upon further plantings, development and ultimately output will be crucial for price trends going forward.

The latest update from NOAA for the US shows a continued propensity for La Niña conditions, which will likely leave the southern Plains drought expanding throughout the winter period. The dry and cold Canadian air could well sink south across the Plains and Midwest with below average temperatures, and the level of insulating snow cover needs to be watched closely.



Away from the Americas, mild weather continues in the Russian and Black Sea regions permitting export pace to continue uninterrupted. The ongoing ability to export their record crop must be a relief to exporters but the potential threat to new crops must not be ignored should weather conditions turn cold. Should this be the case, and larger than average winterkill be experienced, we will be witnessing a true “mixed blessing” first hand.

The final watchword for 2017 continues to be “watch the weather”, it will be the main driver of price direction in coming weeks and months.