This week saw markets, corn and wheat in particular, drop sharply on a combination of reduced trade tensions and improved weather prospects, both of which resulted in some fund liquidation. Soybeans were also impacted but to a lesser degree than the grains. The EU released a pretty broad list of US goods on which it is considering tariff retaliation in response to the Trump Administration's steel and aluminium tariff, which are due to take effect this week. The list includes corn and rice although the EU only accounts for a touch over 1% of US corn exports. In addition, President Trump is considering significant trade tariffs against China, which will likely trigger "tit for tat" retaliation, and probably include agricultural commodities. The first response to Trump's latest has China increasing tariffs on US pork, wine, and some metals with no mention of soybeans. In a further diplomatic spat, the UK is being joined by many in its condemnation of Russian involvement in the recent poisonings of Sergei Skripal, his daughter and a British police officer. The world is becoming a tougher place to do business and the playing field appears to be becoming less level than has been the case for many years.

Weather issues remain in place with the S American forecast continuing unchanged into early April according to the latest updates. Mild and dry conditions are scheduled to prevail until the end of the growing season in Argentina. In marked contrast, Brazil's weather is forecast to see normal rainfall with an early end to the wet season unlikely, consequently safrinha corn crops and yields appearing safe at this time.

In the US, both the EU and GFS weather models show better agreement trending drier over the W Plains in the coming week to ten days. Meaningful rains and some heavy rain is scheduled for the eastern US in the same time frame. The latest drought monitor gave little respite to the HRW belt despite weekend rains in KS. Expansion of "exceptional drought" looks likely in TX and OK into April.

2018/19 will see a tighter global outlook according to the International Grains Council (IGC) in their latest update. They forecast a 46 million mt year on year decline in stocks to 560 million (the lowest level in four years) leaving stocks to use ratios similarly lower. Stock levels in major exporting countries is also forecast to reduce some 29 million mt from last year to 145 million mt. Global wheat output in 2017/18 was forecast to drop 17 million mt year on year to 741 million whilst corn consumption was seen to grow 20 million mt to 1,094 million leaving corn stock levels 43 million mt lower at 265 million, the lowest figure in four years.

Informa Econonics' monthly update this week featured a slight reduction in new crop US corn seeding, and a boost to soybean acres. Corn acres this season were estimated at 88.9 million, vs. 89.2 in February and compares with the USDA Outlook's 90 million. US soybean acres were pegged at a record 91.5 million, vs. 91.2 a month ago and the USDA's 90 million. A slight switch from corn to soybeans currently makes a good financial argument.

Assuming trend yields, soybean stocks stay elevated in 2018/19, but new crop US corn end stocks decline to 1.7-1.8 billion bu, vs. old crop stocks of 2.1-2.2. New crop wheat acres are pegged at 46.1 million, vs. USDA Outlook Conference's 46.5, which suggests a much smaller than expected expansion in spring acres.

Amid what seems like an increase in global political tensions and trade disputes as well as ongoing less than beneficial weather patterns, we remain friendly and believe market price downside remains limited. Doubtless there will be dips; we would not be comfortable chasing these lower at this time.

With the Easter weekend looming next week we will be taking a beak, our next update is scheduled for release on 6 April.