Welcome to 2019 and we hope everyone survived the holiday season and are raring to go this New Year.

Soybeans finished 2018 and have started 2019 in a more positive manner with front month, (March '19) futures making 33 plus cent gains to reach the psychologically significant $9.00/bu level. The 200-day moving average sits a further 15 cents higher and, if reached, will be a significant level and marker for prices going forward. S American weather conditions have had something of an influence on the move higher as dry conditions prevail in Brazil. The last time we saw weather at this time in the growing season push the market higher was in the 2007/8 season when, for the record, ultimate yield was all but at trend level. To ensure the 2018/19 season replicates this, it is essential that rainfall materialises from second half January. As such, it will be important to keep a very close watch on S American weather, specifically in Brazil. Elsewhere in S America, namely Argentina, we see BAGE's estimate of soybean planting progress, as of January 2, hitting 90% complete, which is close to the five-year average of 93%. Some 41% of the crop was reported to be good/excellent compared with 51% a year ago. Unlike Brazil, Argentina has endured wetter conditions, which has lowered overall ratings.

Given the slowdown or perhaps more accurately, complete halt, in USDA data releases due to a partial governmental shutdown, which has lasted almost two weeks, the trade has less data upon which to rely, and is therefore somewhat more sensitive, and therefore reactive, to other sources of news or information such as S American weather.

March corn futures have bottomed out around the $3.75/bu level five times since September last year, with $3.90/bu seeming to cap prices with one exception in the same time frame. We are currently watching prices climb towards the upper end of the range once again as historically seasonal price trends kick in. Globally, cash basis prices are firm in line with general feed grains and specifically prices within the EU are at four-month highs around €180/mt as the bloc looks to imports to top up supplies. In S America, the previously mentioned dry conditions in Brazil tend to correlate well with their first crop corn yield, and unless we see a change in the weather pattern it seems we are looking towards an ongoing tight feed grain supply scenario, which will likely support prices.

Wheat futures in Chicago and Europe remain lacklustre whilst global cash prices remain firm and, in our view, look likely to firm even further. S American concerns add to the global cash wheat price pressures as world trade relies upon Brazilian corn supplies to maintain equilibrium in the feed grain sector. The good news, for the US at least, is that Gulf wheat is increasingly competitive in export markets whilst Russian exports look to be slowing as interior prices firm, as does their domestic flour price. Interestingly, lesser followed markets such as Indian wheat are also reflecting the trend with their cash premium to Chicago sitting at $130/mt, which is $15 above last year's levels.

We continue to admit to being somewhat baffled by the ongoing US position on trade with China, which will come as no surprise to regular readers, but added to this we find the government “shutdown” even more baffling. The debacle over funding for the border wall between the US and Mexico appears the stumbling block with President Trump in a standoff with the House of Representatives. Once again it seems that markets will continue to have more drive from the political scene than from the more usual market fundamentals. Our view on wheat, and feed grains, remains more positive with downside seen as limited.

Welcome to 2019!