

Welcome to 2022! We hope that our markets display a degree more stability than was the case in 2021 although as we are fond of saying, “Hope is not a strategy”.

In brief, the soybean complex has displayed a broadly firm pattern with Mar '22 beans gaining \$1.76/bu (14.4%) in the December 1 to January 5 period in an almost straight line. Mar '22 meal has, over a similar period, gained close to \$78/ton (23%), whilst Mar '22 oil has gained 8.58 cents/lb (16.8%) over a shorter period from mid-December to January 5. Mar '22 corn has similarly moved higher although over a longer time frame, the September 10 low \$5.06 to the December 27 high \$6.15 represents a \$1.09/bu gain (21.5%). In marked contrast, Mar '22 Chicago wheat has reversed direction from the long-standing early September to late November upward trend to post a \$1.32/bu loss (15.2%) from the November 24 high to January 6 low.

For completeness, May '22 London wheat's peak on November 24 was just under £245/mt and has shed a touch over £28/mt (11.6%) to a January 6 low of £216.6/mt. The Paris May contract has dropped almost €39/mt (12.6%) over the same time frame.

Aside from a statistical recap on the numbers we continue to see weather issues in S America as a dominant feature. Hot and dry conditions in Argentina and S Brazil contrast with ongoing wet conditions in N Brazil, neither situation is assisting crop development (south) or harvest (North). Argentina and S Brazil are reported to have one of the hottest and driest two-week weather forecast periods in the last ten years, which is trimming yield. Quite how much output is being lost is the subject of much debate and it will be interesting to see if the USDA reflect any substantial losses in their report next week. Early Brazilian soybean yields in Mato Grosso and Goias are reported to be “disappointing” with levels below last year and trend level by as much as 15%. Whether this level of yield continues at national level remains to be seen, but it was originally hoped that these states would help to offset potential losses in the south of the country.

Corn markets also reflect Argentine weather woes as extreme heat is forecast before any potential respite comes. Recent prices have reflected the input of weather premium, some of which was withdrawn as we closed 2021. The latest weather forecasts (in our opinion) warrant further weather premium input before too long.

Wheat remains an outlier with price declines, potentially a reflection of the crop's status as a natural short hedge against corn/soybean long positions. Also, globally we are looking at a potential uplift of 5 or 6 million mt in combined Argentine/Australian production, which if realised will see record combined output in the two countries. Global trade volumes have slowed from their earlier rapid pace, which combined with southern hemisphere production uplift has created a change in sentiment. However, the volume of recent tenders will reflect in late Q1 2022 shipments, which may well see this change as unwarranted; time will tell.

Next week's USDA release should be watched closely for S American crop losses and any substantial changes in grain balance sheets. We would see any post-report weakness as a buying opportunity and continue to believe that the major fundamental picture is broadly bullish in corn and soybeans, and more neutral in wheat - for now.