

Market activity this week has been dominated by Thursday's downward price movements led, primarily, by a limit down move (4.5 cents/lb) in Jan '23 soybean oil. Friday will see an expanded limit of 7 cents/lb which at the time of writing is not yet being fully tested. Expanded limits also apply to soybeans and meal, and in the face of the fast-approaching year-end and weekend we should anticipate further market volatility. US soybean oil export volumes have been not only disappointing this year but are record low if our records are correct, maybe offset to a degree by growth in bio-diesel demand.

The strong move lower on Thursday in soybeans and soybean oil was initially attributed to the announcement of mandated biofuel usage from the US Environmental Protection Agency (EPA). There were some market expectations that the biodiesel mandate would be pushed higher in the upcoming years but when the EPA came out with what we would consider 'normal' targets, the market took it as bearish. We would remind that these proposed minimums are a floor for biodiesel usage in the US and not a ceiling as this year's usage is already on pace to surpass the mandate.

Corn prices were at the lower end of the last three week's trading range as once again US export demand was seen to be weak. Market support was also reduced as weather forecasts for Argentina contained much needed rainfall, particularly in central regions next week. The Argentine corn crop is only around 25% planted with the key second crop planting window opening up any time now. The weather forecasts have to materialise if anything like a "normal" crop is to be anticipated. As important as next week's rain is, January and February rains are equally, if not more, important if the crop is to achieve its potential in ground that is already depleted of subsoil moisture.

In wheat, early week gains were eroded by Thursday's retreat in prices. There is little in the way of fresh news input, so markets are driven by factors already known. The key one being Russian aggression in prices illustrated by their offers in the latest Algerian tender. The likelihood of northern hemisphere exporters competing with such Russian pricing in coming months looks more and more unlikely as traders suggest the lack of wisdom in "standing in front of a fast-moving express train"!

The recent Rouble weakness has had the impact of reducing US\$ replacement prices in Russia some \$8-10/mt below last week's levels. Russian objectives seem clear, selling their supplies whatever the cost.

Other news remains lacking, Chinese Covid policy and lockdowns remain in place but for how long who knows. Any wholesale lifting of restrictions could provide a demand stimulus as well as easing some of the supply chain blocks that have been a negative influence on global growth. Any such policy change would likely provide a degree of stimulus to markets in not only commodities but also equities and ease some of the negativity that exits today.

Our view is that whilst market downside does exist we see it as somewhat more limited than the potential for upside should any geo-political, weather or extension of hostilities materialise.