Happy New Year! We all hope that 2023 takes a marked turn for the better when compared with 2021 and 2022.

The New Year has started with markets in corn, wheat, and soybeans all in a sharp downturn from end of year levels. The New Year hangover appears driven by a number of factors, none of which are new, including the lifting of Chinese Covid restrictions and the consequent explosion of cases, which has resulted in some international travel restrictions. The hoped-for pickup in demand has not materialised and would not seem to be on the short-term horizon at this time.

Other drivers include the ongoing global recessionary and inflationary pressures, which seem to ebb and flow but remain as market pressures. This has the double whammy of adding uncertainty, which as we all know is hated by markets, and reducing investor risk appetite, which reduces market volume.

Ongoing dry conditions in Argentina and southern Brazil are set to limit yields although the better part of Brazil looks to be in line for a bountiful, potentially record, harvest that will offset Argentine woes.

The war in Ukraine is more than ten months old and shows no sign of ending. Latest claims from Putin suggesting Ukraine must accept losses of territory before peace talks can resume have been resolutely rejected as NATO members continue to supply additional military aid. A further suggestion by Putin to allow a 36-hour truce for the Russian Orthodox Christmas has also been rejected by Ukraine who viewed it as an attempt to slow Ukrainian gains in the east. Interestingly, the grain export corridor has its bottleneck at point of inspection rather than point of loading, which was our initial concern. At some point there will be a limit to exportable supplies whether as a result of logistics or availability of supplies. Our real concern lies further forward where the impact of reduced autumn 2022 plantings will impact 2023 harvest volumes. This is where the rest of the world's supply availability has to fill in and pick up the pieces to prevent adverse market reaction.

Finally, the upcoming USDA report next week has traders wary of adding new positions in advance of new data. There is likely to be a resumption of more normal trade patterns post report when the usual S American weather and potential crop sizes will once again be the focus of market participants.

Our early New Year thoughts are that we are seeing wheat markets forming a low point, Russian offers continue to be aggressive with little competition from other major exporters, although latest offers suggest Russian price aggression might just be slowing down. If wheat is forming a low, we would expect this to provide support to corn prices as well. Our thoughts seem to have some support from a technical perspective and next week's USDA report will be pivotal in establishing whether or not we are correct in our outlook. S American harvest of soybeans is close, and this should limit price upside for now.

2023 has started in an obnoxious fashion, and we see little to suggest this will change in the immediate future. Hold on for something of a roller-coaster ride would be our advice.