**Gleadell Market Report**

**Immediate – 29 January 2016**

**David Sheppard, Gleadell’s managing director, comments on the wheat market**

* The US market is up around $2 on the week, mostly as a consequence of fund short-covering and rumours of Russian export taxes. Early in the week the talk was that Russian taxes were to be imposed on grain exports due to internal inflationary issues, which, as expected, rallied the market. However, it was announced later that any imposed tax would be attributed to maize and barley exports. The government had proposed the reduction, or even removal of the current duty on wheat exports, which in turn lowered the market.
* EU markets also initially rallied, but fell back on news of no Russian export restriction, trading up €2 on the week. Although export licences granted from Brussels have increased over the past weeks, the cumulative total is still running 13% down year-on-year. With signs that import demand is start to wane, mainly due to global economic concerns linked to the slump in oil prices, the likelihood is that EU exports will slow. Adding to this, tougher wheat specifications being imposed by Egypt are not seen as favouring French supplies.
* UK LIFFE has bucked the trend, down £3 on the week and hitting new contract lows. Continued weakness in global cash markets plus a slight recovery in sterling is seen as negative. Although current export demand has to a certain extent underpinned farm gate prices, the expected rise in the seasonal export projection is still insufficient to prevent the UK carry-out stock increasing year-on-year. Exports need to continue at the current pace, and with the likelihood of increased competition, UK prices may have to fall further.
* In summary, it was a week of ‘buy the rumour and sell the fact’ as it was all about Russia. Chicago is trading off a different agenda (fund short) and to a degree MATIF got caught in the Russian export hype. In short, the UK, EU, Black Sea and Argentina have much more wheat to sell this year than last and, with a declining export picture, aggressive offers should be two-a-penny. Weather is becoming less of an issue and winter crops are expected to re-emerge from dormancy in good shape.

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**Jonathan Lane, Gleadell’s trading director, comments on the OSR market**

* MATIF rapeseed futures have traded higher on the week, retracing some of the recent downtrend. In the UK physical market we have seen crusher demand in spot positions and also some export business booked.
* The euro/pound rate continues to add volatility to the UK market. The strength of the euro has largely insulated UK farmers from the fall in the MATIF futures market since the beginning of December.
* Crude, palm and soybean oil have traded higher on the week.

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**For market information contact** Jonathan Lane, trading director, on 01427 421221 or [jonathan.lane@gleadell.co.uk](mailto:jonathan.lane@gleadell.co.uk)

**Press queries or for further Gleadell contacts call** Robert Harris Communications on 07768 402850 or [robert@roberthcomms.co.uk](mailto:robert@roberthcomms.co.uk)

**Notes to Editors**

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mln t = million tonnes, t = metric tonnes, kg/hl = kilogram per hectolitre.