**Gleadell Market Report**

**Immediate – 05 February 2016**

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

US markets are unchanged on the week, as short covering and technical buying supports the markets. Exports, running 12% behind last season’s pace, have reached 60% of the USDA export projection. While US futures remain static, other competing wheat values have fallen, widening the differential between US and global supplies. With import demand showing signs of declining (economic/financial concerns) it is unlikely the differential will narrow sufficiently to increase US exports substantially, leaving US stocks likely to increase further.

With EU futures hitting contract lows, the main stories have been around Russia and Egypt. The Russian agriculture ministry has proposed a reduction, or even removal, of the current export duty on wheat, due to volatility in its currency caused by the fluctuating oil price. This is making pricing export wheat (and the tax) almost impossible. Egypt, after playing a will it/won’t it rejection policy on ergot contamination actually rejected three cargoes, stating a zero tolerance. However, at its next tender no wheat was offered, and given the history of civil unrest over food shortages in the country, the agriculture ministry quickly announced that an ergot allowance would be accepted.

Although UK delivery premiums have firmed over the past week, mainly due to increased spot demand (export), actual farm-gate prices remain under pressure, with the fall in LIFFE to new contract lows negating the rise in premium. As previously reported, it was envisaged to a certain extent that the increased spot demand would partially support cash prices. However, the rise in sterling over the past weeks will not only ensure that LIFFE remains under pressure, but also that cash prices in the deferred positions will need to fall to keep UK supplies competitive.

It remains tough to see where support for wheat will come from. Managed funds have reduced their short positions, but still too much old crop supply is seen chasing too little demand. Weather is not deemed as a current concern, as US winter crop ratings are seen much improved on last year, and recent rains have eased concerns in North Africa. Only India remains as a potential production blackspot!

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

US soybeans remain range bound, unable to break in either direction. We see some fund short-covering as downward momentum wanes, but with harvest under way in Brazil the market is struggling for a reason to rally.

MATIF rapeseed futures have fallen on the week. We see poor crusher margins and a lack of product demand with competing commodities being offered cheaper. A firmer euro/dollar rate also added to MATIF weakness.

In the UK we have seen high levels of ex-farm old-crop selling and prices remain relatively stable as a firmer euro/pound exchange rate offsets the falling MATIF.

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**Notes to Editors**

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