**Gleadell Market Report**

**Immediate – 8 January 2016**

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

* The threat of cheap Argentine wheat entering the market has now become a reality. The removal of Argentina’s export tax and its currency devaluation will not only release close to 4-5mln t of wheat onto the export market, but also make the trade more transparent, encouraging growers to expand sowings.

US exports continue to run 12% down year-on-year and, with the likelihood of increased export competition from Argentina and Russia, the USDA projection looks overstated. Recent winter storms have significantly increased snow cover in the US plains and the Black Sea region. This has reduced earlier concerns of the effect of forecasted much colder temperatures on new crop prospects.

* EU prices remained pressured as the slow pace of exports, signs of increasing export competition and improving Black Sea new crop grain prospects push MATIF down to contract lows. News that Egypt’s state buyer GASC has amended its trading specification (zero tolerance on ergot) will do little to help the French trade boost exports in a season when current EU exports are running 15% down year-on-year.

With the threat of Argentine and Russian wheat trading into North Africa and the Middle East, the French may be forced to chase markets closer to home, such as The Netherlands, Spain and Portugal, to prevent ending stocks rising further than the 5.2mln t already projected.

* UK markets have also weakened, hitting contract lows this week. Global weakness is starting to weigh heavily on all cash markets, although some comfort may be gained by sterling’s current weakness. Domestic demand remains sluggish, with the normal festive bonanza of spot premiums absent. UK exports remain overpriced despite the weaker pound. This and increased competition that might impact upon traditional UK destinations suggest the outlook for exports, and therefore farm-gate prices, looks far from buoyant.
* In summary, exporters have become more aggressive and will continue to be so The EU, US, Argentina and Russia have more wheat to sell, while record low freight rates, economic concerns in China, currency issues in Argentina and Russia as well as lower oil prices in part explain the lack of demand.

The US releases winter planting details next week, which along with the record fund short in US wheat may allow US markets to pause for breath. However, this is not going to change the direction of the cash markets, which are increasingly ignoring US futures.

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

* US soybeans futures have traded down due to improving weather in Brazil and a continued negative global commodity environment. Funds continue to add to short positions.
* MATIF futures have traded lower in line with global commodities and have also been hindered by a firmer euro. In Europe the smaller rapeseed crop is common knowledge but a lack of demand is weighing on market sentiment. The UK market has seen some volatility, primarily due to moves in the euro/sterling rate. The stronger euro appeared to be capping the market early in the week, but selling pressure subsided and the market broke aggressively higher following some positive Eurozone economic data. It has since returned to the long-term downtrend, testing key resistance.

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**Notes to Editors**

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