**GLEADELL MARKET REPORT**

**WHEAT AND OILSEED RAPE**

**Immediate – 10 June 2016**

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

Marketing decisions remain difficult but today’s prices are the highest we’ve seen for six months, which might provide food for thought for growers.

The firmer global trend continues, despite the latest crop ratings from the US, where harvest has started, supporting a higher yield projection. This, and the widening gap between US and EU wheat values, could suggest a recipe for lower prices stateside.

However, the market has continued to rise, confirming that fund shorts, attracted by weather issues, mainly across Europe, and firmer corn and soybean markets, are at present more powerful than long-term market fundamentals. This US rally may do little to entice overseas buyers, and domestic demand could shift back to corn as the price spread widens.

MATIF values have followed the firmer global trend, up €7 on the week despite the euro pushing towards 1.14 against the US dollar. Heavy rainfall across the middle of the EU mainland, especially in France, has increased concerns over quality, although yield potential still remains high.

On the milling side, the uncertainty over what spec the MATIF intake silos will adopt makes trading almost impossible. News that Egypt will keep its ergot-free stance will make its next tender of great interest, provided it receives any offers given the current weather outlook.

With the impending EU referendum vote fast approaching, the uncertainty of the outcome and its potential impact upon the future of the UK agriculture sector has the grain trade doing what is best when uncertainty arises, and that is nothing.

Sterling has been all over the place, with the recent sharp rally providing little incentive for the consumption trade to extend what limited coverage it already has on the books.

Potential quality issues in France could support UK prices if UK harvest quality is deemed better than feed, opening up markets usually originated from France.

This will depend on where sterling ends up after the EU referendum and on what quality is achieved either side of the Channel. The total amount of wheat looks like being sizeable.

USDA releases its latest US and global figures later today, but it is unlikely to portray any bullish fundamentals for wheat.

However, the market will focus on the corn and soybeans numbers, and their impact upon the US balance sheet. When combined with the likelihood of continued fund short-covering and current quality concerns, this could still provide the stimulus to sustain the current rally, albeit with markets open to potential profit-taking and of course wheat fundamentals are hardly bullish on their own.

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

US soybeans have continued to push higher with more managed money buying and trend continuation signals posted. Upward momentum is currently strong and market sentiment remains positive, with traders reluctant to sell into the bean rallies with the US growing season ahead.

The only note of caution is the market has had a huge move and a lot of the buying interest is coming from paper traders.

Rapeseed futures have also posted a new high, with market sentiment around soybeans/oilseeds being the main reason. Crush margins are not overly exciting but the futures continue to trend higher.

The euro/sterling rate is adding volatility to the market. We believe anyone offering advice on rapeseed marketing in the UK needs to have a handle of the currency market and with the referendum and the uncertainty surrounding Brexit that is very difficult.

It is worth noting gains in futures market can quickly be eroded by currency moves, which is food for thought with harvest prices at two-year highs.

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**Notes to Editors**

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