**GLEADELL MARKET REPORT**

**WHEAT AND OILSEED RAPE**

**Immediate – 12 August 2016**

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

US markets remain caught between good export demand, declining global wheat production and the likelihood that the UDSA will report large US corn and soybean crops in tomorrow’s report.

Although wheat export sales and inspections eased last week, current exports are running 30% ahead year-on-year. Declines in EU production have supported US values and, with Russian wheat prices also increasing on a lack of farm selling, US markets remain open to bouts of short covering from the funds’ record short position.

Despite all the furore regarding lower French wheat crop estimates, MATIF is actually lower on the week. General views now have the French crop at sub 30mln t, which represents a fall year-on-year of over 25%.

Prospects for German wheat remain in the balance as heavy rains are seen potentially lowering both quantity and quality, with yields being talked down 10-15%. Russia’s 2016 grain crop is now forecast at 116mln t, with wheat forecast at 70mln t, up from 61mln t last year.

UK prices have firmed £2 on the week, mainly supported by a weaker pound, but also on the potential that UK quality may end up better than expected. Although still early, results on quality have been promising whilst yields look like a mixed bag to date.

This is contrary to thoughts that the recent adverse weather may have affected quality in particular, which decimated French prospects. Currency still looks fragile given the current economic vibes and if the quality remains ‘above feed’, especially in the key exporting regions, then farm prices could remain underpinned by increased export potential.

In summary, it a bit of wait and see. If the USDA does confirm the big corn and soybeans numbers then the emphasis will switch from the supply to the demand side of the equation, and may trigger some fund-long liquidation.

For wheat, it appears that France, Germany and the UK are trading in their own little bubble with quality and quantity issues, while the likes of the US, Black Sea, Canada and Australia will keep export quotes aggressive, given all have large surpluses to sell.

US markets are within a few US$ of contract lows, big US crops are expected, but the funds are still short of Chicago wheat. One would not bet against another test of the lows, but will the shorts want to heavily extend their already large exposure?

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

As the market waits for tomorrow’s USDA report, the US soybean market continues to see the competing factors of strong demand with a potentially large US crop looming.

Palm oil has rallied over the week. Rapeseed futures have again ticked higher over the week on decent volumes. Poor yields across Europe have been the main driver. The UK physical market continues to rally relative to futures as merchants cover shorts and buy to fill stores with UK supply and demand tight.

The euro continues its uptrend against the pound, aiding UK prices.

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**Notes to Editors**

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