**GLEADELL MARKET REPORT**

**WHEAT AND OILSEED RAPE**

**Immediate – 16 September 2016**

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

Markets have consolidated over the past week and are trading in a narrow range.

The USDA report on Monday estimated US corn yields at 174.4 bushels/acre, below the August estimate but above analyst expectations. World wheat end-season stocks were trimmed slightly, but at 249 mln t there is no shortage.

The latest Algerian tender resulted in purchases of around 700,000mt. There is a variety of potential origins to supply this tonnage – the US, France, the Baltic countries, Germany and the UK to name a few. UK wheat looks relatively competitive, but the minimum requirement of 78 kg/hl (with allowance to 77kg/hl) may be an issue.

UK prices are supported in the short term by merchants who need to buy to cover September sales – not a pleasurable or profitable experience for the merchants concerned, but a self-inflicted one.

The prices they are having to pay are really November or December values, and therefore represent a decent selling opportunity for farmers who can spare the time to hop off the combine or drill, load some grain and put some money in the bank.

Looking ahead, with Southern Hemisphere crops looming on the horizon, and getting bigger, the weight of global supplies overhangs the market. However, the fund short position in Chicago remains an important factor. Some day they will have to buy back their record short position.

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

Monday’s USDA report increased the yield forecast for soybeans above trade expectation. The market reacted negatively, with prices down (at the time of writing) 20cents/bushel or £5.50/t.

The has had a similar knock-on effect on European rapeseed futures.

In the UK, the market continues to be dominated by short covering in the spot position as farmer retention continues to make it difficult for those with commitments to the crushers to find seed.

However, crushers seem pretty relaxed as UK prices have reached a point where Baltic imports have begun to calculate. One crusher will start taking delivery of imported rapeseed later this month.

With the problems that this season’s harvest has created for European rapeseed supplies, the price of seed relative to its products (oil and meal) has significantly eroded margins for the crushers. But, whilst production in the EU has suffered, we are expecting to see record canola crops in Canada and more than ample supplies in Australia.

Australian seed regularly trades into the EU, but this season it could even calculate into the UK for early in the New Year, something that hasn’t happened for a very long time.

So whilst the UK farmer is choosing not to sell, the UK crusher is finding adequate supplies from overseas. One of the key drivers for UK price direction continues to be currency and that remains a tricky call with on-going uncertainty created by the result of the EU referendum.

With the backdrop of relatively low grain prices and bumper crops of overseas, UK rapeseed prices well in excess of £300/t don’t look like a bad sell.

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**Notes to Editors**

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