**GLEADELL MARKET REPORT**

**WHEAT AND OILSEED RAPE**

**Immediate – 1 July 2016**

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

In the latest USDA report US 2015/16 wheat end-stocks are higher than expected, the 2016/17 wheat acreage is forecast higher than expected and US wheat crop ratings are above last season.

Add in better than expected yields from a winter wheat harvest that is over 50% complete as of this weekend (although there are some quality concerns), and new contracts lows, and it’s hard to get bullish about US wheat.

The increased area would project 2016/17 end-season wheat stocks towards 1.1bln bushels. With USDA also projecting bearish corn stocks and acreage data, support from an increasingly negative corn market may be waning.

MATIF hits new contract lows following the release of the USDA report, which simply added to the perceived growing supplies in the EU and Black Sea. Quality remains the key factor, supporting higher German and Baltic premiums.

With the final full week of the 2015/16 marketing season complete, EU exports were reported at 33.25mln t, just shy of last season’s record 33.44mln t. Ongoing volume continues to trade into Asia, although it now appears that even on better quality spec wheats, these are being offered, and trading at, below replacement.

A week is a long time in politics! Never has that been more true than during the past week. Out of Europe, the resignation of the PM, potential career ending of Boris and complete meltdown of the Labour party.

The ramifications have started – lower currency, a gloomy economic outlook by the Bank of England and the EU pressing the UK to invoke Article 50 and get the exit process moving. Weeks of uncertainty will now become months, if not years, of negotiations with EU ministers looking to give the UK as little as possible.

In summary, world wheat supply will clearly outpace demand and may receive little support from corn if US weather behaves itself. EU/Black Sea crops are increasing, but so are the quality concerns. The turmoil on financial and currency markets has supported higher UK values (futures) but export quotations, if you can find them, are still uncompetitive against other EU and Black Sea values. Even though we are at contract lows (US/EU) the perceived oversupply and aggressive selling gives the impression that we still haven’t seen the lows of this season.

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

US soybeans posted a strong close last night (up 40 cents) following the USDA stocks and acreage report. The market was looking for a larger increase in acreage than was reported. This provided some upward momentum.

MATIF rapeseed futures have had a choppy week but they found some buying interest in support of US soybeans last night. Crush margins have been poor recently and, although the market has had some bullish sentiment with firmer crude and soybeans, the lack of strong margins has meant crushers are absent from the market.

The euro gained against the pound yesterday following comments from Bank of England governor Mark Carney that an interest rate cut and quantitative easing are available options post Brexit. This added £4-£5/t to ex-farm UK prices yesterday.

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**Notes to Editors**

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