**GLEADELL MARKET REPORT**

**WHEAT AND OILSEED RAPE**

**Immediate – 22 April 2016**

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

All agricultural product markets have posted significant gains as bullish technical charts, some South America weather issues and perceived crop losses sparked a major bout of fund short-covering.

Dryness in Brazil is seen reducing the corn crop to a level where it has become a necessity to remove the 10% import duty on non-Mercosur imports for six months. In addition, talk of losses in the Argentine soy crop plus higher Chinese imports could, if both correct, wipe out the US bean surplus.

Although US winter wheat crop ratings improved on the week and corn plantings were ahead of the five-year average, these bearish fundamentals together with a favourable weather outlook were swept away on the tide of bullish technical sentiment.

EU prices, already disconnected from the futures markets, have partially followed the global market higher, up €2/t after setting new contracts lows earlier this week.

Russian prices continue to rally on a firmer ruble, supported by a move to a five-month high in crude oil prices. Export values are now about $20 above French prices, which is easily the cheapest source of spec wheat, leaving little reason why it should fall from current levels.

UK LIFFE has also firmed despite a stronger pound. Although good spot demand continues, both from shippers and merchant shorts, delivery premiums have started to decline as LIFFE moved higher.

In summary, the weekly rise of $20, $15 and $10 for US soy, wheat and corn respectively, is all about South America and its potential impact upon the US. Traders see the likelihood of increased demand coming to the US thus reducing stocks, especially in soy and corn. For wheat, bouts of short covering are providing the stimulus for higher levels, along with spill-over support from the other markets. Fundamentals for wheat still point to a bearish outlook and, as we have seen in previous rallies, prices levels usually retrace, leaving the current rally a selling opportunity.

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

The oilseeds complex is dominated by heavy fund buying on soybeans and soybean meal. The market has been ticking higher since early March but over the past two weeks the market has exploded higher due to wet weather in Argentina, which is delaying harvest and damaging crops.

Fear has gripped the markets as traders scramble to cover short positions. The move up has been impressive, but we would offer caution at these levels as a increase has already occurred.

Rapeseed has followed beans higher. We see the crushers looking for old crop business and some short covering.

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**Notes to Editors**

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