**GLEADELL MARKET REPORT**

**WHEAT AND OILSEED RAPE**

**Immediate – 22 July 2016**

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

Chicago corn and wheat futures hit new contract lows this week as talk of higher yield projections in corn and soyabeans, solid crop ratings and favourable weather forecasts enticed long liquidation selling.

The likelihood of increased corn and soy production should shift the emphasis away from the supply side of the equation, which initially drove markets higher, to the demand side, which at present is far from robust.

The US will need to buy demand for wheat and latterly for corn, either from export or domestic markets, which may prove far from easy with supplies of global feed-grains apparently growing by the day.

EU and UK cash premiums are little changed, with MATIF apparently supported by the decline in French yields and quality.

Harvest is now pushing further north, with no signs of either yields or test weights improving. Quality of wheat harvested so far is poor; the rest remains a big unknown.

Germany, which should start its own harvest within the next week, is predicted to receive heavy rain at the end of this week and through the week-end, which could hurt potential quality and yield.

Egypt re-entered the market recently for two international tenders (under their new 0.05% ergot quality clause) and unsurprisingly received few EU offers, securing almost 500,000t from mainly Russia, Romania and Ukraine.

UK prices are slightly weaker on the week with business lacklustre to say the least.

In summary, global crops are increasing everywhere except the EU. Australia will need to discount heavily to undercut Black Sea wheat into its main Asian market. Estimates of the Canadian crop are now pushing above 30mln t.

In general producers have sold little and, given the over-supply of feed grains, it remains difficult to find a reason why grain markets should rally significantly, or why deferred carries will not be eroded.

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

The US soybean market has weakened over the week as benign weather forecasts and good crop ratings weigh on prices, triggering long liquidation. The market remains volatile but at present price action (charts) look bearish.

The MATIF rapeseed contract has ticked higher over the week, supported by early poor yield data across Europe and particularly in France.

Although the UK and northern Europe are yet to really get into harvest, market sentiment has been effected by initial yield reports, with some traders looking to remove some risk.

The euro/pound rate continues to be fairly volatile, but sterling has regained some ground.

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**Notes to Editors**

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