**GLEADELL MARKET REPORT**

**WHEAT AND OILSEED RAPE**

**Immediate – 25 November 2016**

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

US prices remain pressured by a firmer US dollar and slow export pace. Although US exports are running almost 30% ahead year on year, the level of exports over the past few weeks has been behind that required to achieve the current USDA projection.

Talk of beneficial rain coming into the US winter wheat areas is also seen as a bearish factor. Funds extended their short position in Chicago wheat on this more favourable outlook.

The release yesterday of the updated Environmental Protection Agency fuel targets were more to do with soy oil, which resulted in a sharp bounce, pulling soybeans higher and limiting losses in corn and wheat. The target for corn was as expected, providing no directional influence.

EU prices are up about €5 on the week to levels not witnessed since March 2015, although slightly off the recent highs. They were mainly supported by a sharp fall in the euro against the US dollar.

Reports of another ‘up’ week in Russian wheat prices, along with Ukrainian demand seen outstripping current supply, all add to the apparent tightness of supplies across much of the EU, especially for higher quality wheat grades.

The pace of EU wheat shipments has eased over the past few weeks, but is still running 10% ahead year-on-year, mainly due to increased shipments from Romania and Poland.

UK prices are up £1 on the week, but fundamentally little has changed. Demand is all around the nearby months, keeping delivered premiums firm, despite another week of a rising currency.

Although the UK balance sheet remains the tightest for several seasons, the combination of higher ex-farm prices and a firmer currency may have an impact upon demand in the second half of the season.

The UK remains uncompetitive on price, so exports should slow or stop. Feed demand is likely to decline due to cheaper alternatives, and a planned shut-down of one of the UK’s ethanol plants for several weeks will slightly reduce overall human and industrial use.

This all might combine to release a bit more wheat into the equation, and as long as growers can take advantage of these spot premiums, selling a little regularly remains a worthwhile strategy.

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

US soybean futures have pushed through the top of a near four-month trading range, due to the US EPA fuel target being higher than expected.

We have seen a lot of fund buying in beans over the last few weeks with no fundamentally bullish story, but at present there seems little appetite to force bean prices lower.

Soy oil futures traded limit up yesterday following an increase in US biodiesel quotas. Traders bought buying bean oil versus selling meal; this gave global vegetable oils a lift.

Matif rapeseed futures were pulled higher yesterday by the soy oil move. The February contract was able to push through upside resistance.

The pound continues to make ground against the euro, having a negative effect on UK prices and partially offsetting the Matif move.

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**For market information contact** Jonathan Lane, trading director, on 01427 421221 or jonathan.lane@gleadell.co.uk

**Press queries or for further Gleadell contacts call** Robert Harris Communications on 07768 402850 or robert@roberthcomms.co.uk

**Notes to Editors**

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