**GLEADELL MARKET REPORT**

**WHEAT AND OILSEED RAPE**

**Immediate – 27 May 2016**

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

Despite firmer corn and soy markets, US wheat has fallen $5/t over the past week. A combination of weak US export sales/inspections, strong crop ratings for US winter wheat and initially for spring wheat as well as an improved weather-related production outlook for most of the northern hemisphere is keeping wheat prices in check.

EU MATIF prices are unchanged on the week, mildly supported by a weaker euro. The recent strong export pace has seen the cumulative year-on-year deficit narrow to just 5%, and the continued vessel line-up is keeping cash values underpinned.

New crop French ratings have slipped in recent weeks, but are still above average, although conditions continue to slow maize drilling. Improved weather has seen recent crop estimates soar in the Black Sea region, with one consultant placing the Russian grain crop at 107mln t, up from 105mln t last season.

UK LIFFE prices are down £1.50 on the week, as sterling strengthens on a less likely Brexit vote. DEFRA’s recent S&D estimate puts exports at 2.75mln t, pushed higher by the recent surge in UK shipments. That would leave ending stocks at 2.5mln t.

It remains tough to get bullish to wheat on its own merits. Black Sea crops will probably exceed last year, as might EU output. With current prospects pointing to a near-record US yield, final production numbers could negate the reduced acreage.

As we head into the traditional weak harvest period the world is carrying record levels of stocks. If we don’t see a significant crop problem prior to harvest, we expect to see physical markets continue to weaken.

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

US markets remain volatile. Meal has surged to new highs and beans are testing the upper boundaries of the recent range, just below $11 a bushel. We continue to see managed money buying in the oilseeds space, as well as conflicting fundamental arguments surrounding crush margins and crop damage. One thing is clear, the trend at present remains upwards.

EU rapeseed August futures were able to push to their highest level this year, thanks to positive sentiment from soybeans. Interestingly, crushers remain fairly relaxed with margins not particularly attractive.

UK prices have eased back on the week despite the rising MATIF. This is due to the strength of sterling against the euro. The longer term exchange rate bear market could well be resuming, with the three-month rise (Dec-Mar) being a counter trend move. Currency has huge implications for UK farmers and it needs to be considered in marketing plans.

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**Notes to Editors**

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