**GLEADELL MARKET REPORT**

**WHEAT AND OILSEED RAPE**

**Immediate – 28 October 2016**

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

US wheat prices have been mixed over the past week. Weakness in corn and disappointing US export numbers drove the market down 20c/bushel to the pivotal $4/bushel. A soy/corn-based rally then dragged wheat off the low, albeit to a level that was still lower on the week.

Despite growing concerns over Canadian and Australian quality, and managed shorts being able to trim their exposure by almost 25%, this did little to stop the market moving lower. US export demand is all about quality wheat, and not soft red winter (SRW) wheat, which faces strong export competition and domestic pressure from a potential record corn crop and supply.

EU markets are trading about €1-2 higher on the week, but are ill-defined. The spread between MATIF and CME French wheat futures moved to over €10, which reflects a near non-existent export specification and a domestic feed specification supported by firmer corn prices.

French exports remain dire, with no vessels in, or due to load in, Rouen. German and Baltic quality is becoming harder to source (not great news given the recent Algeria/Saudi trades), while Black Sea wheat continues to firm on nothing being offered from the Ukraine. Export demand is seen driving up Russian interior prices.

UK futures continue to march upwards, but it is worth noting that this increase in values is not being reflected in other European markets. The UK is no longer competitive, with other origins now cheaper than the UK. The UK Nov16 futures are trading under a technical squeeze, which has narrowed the carry between Nov16 and May17 to just over £3, which doesn’t reflect the normal physical monthly carry.

It is clear that the UK market has not run out of wheat by the end of October, but a smaller crop means a smaller exportable surplus. Although exports have been brisk over the first quarter of the marketing season, we still have a decent amount to ship and we do need to remain competitive.

In our opinion the market has spiked rapidly and the rally may struggle to be maintained. As long holders, farmers should be looking to sell into this rally – perhaps ‘little and often’ is the right marketing strategy in the current market.

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

US soybean futures have continued to trade higher over the week. Funds have been buying and the market has traded up to the $10/bushel mark for the first time since August.

It’s interesting that beans have been able to tick higher during the harvest period with reports of good yields. Demand remains strong and there are also some whispers of less-than-ideal planting conditions in South America, with excessive rains.

MATIF rapeseed has continued to trade higher over the week, supported by firmer Canadian canola and soybeans – snow continues to delay harvest in that country. The futures contracts are now approaching an area of forming resistance, which suggests caution.

In the UK prices are roughly unchanged on the week. The euro/pound rate is weaker and physical prices have fallen relative to futures, as crushers are struggling for margins at current levels.

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**Notes to Editors**

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