**GLEADELL MARKET REPORT**

**WHEAT AND OILSEED RAPE**

**Immediate – 2 December 2016**

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

The US market has been under pressure over the past week, with Chicago trading down to new contract lows.

News of a potential record Australian crop threatening to win back export share into Asia is seen as negative to the overall global complex, as it would have to replace Black Sea wheat.

In addition, Argentine wheat is becoming a threat to US hard red winter (HRW) wheat prospects into Brazil, which is also expecting a larger domestic crop.

Rain is forecast for some US winter wheat states over the next five to seven days, boosting new crop prospects. US winter wheat crop ratings entered dormancy in a better shape than this year, although this year’s crop greatly improved during the spring and into harvest.

EU prices are trading €3 lower on the week, following the weaker global trend, but cash markets remain little changed with a general lack of import interest.

Egypt managed to cover its first new year slot, buying 240,000t for early January, at a stand-on price from its previous tender, surprising given the increase in freight costs.

Most offers were again from Russia, which has a larger crop and grain exports trailing last year’s pace. Russia is still sitting on over 20mln t, and with Turkey buying domestic stocks, the Egyptian private market out due to currency, and Australia threatening to carve up the Asian market, Russia’s export target of 30mln t looks increasingly unrealistic.

UK prices (May17) are trading £2 lower on the week but, like the EU, cash values remain firm. The rise in sterling to an 11-week high (over €1.19 and $1.26) keeps UK supplies well out of the export game.

Over the next four to six weeks the UK is all about logistics. However, the deferred positions are becoming increasingly pressured from firmer currency and the current lack of competitiveness of UK wheat.

Demand is limited to the nearby months and it may take well into the new year before we fully understand exactly what is left out there.

Two things are certain. Firstly, the global complex is showing signs of weakening, with sellers showing more willingness to discount the deferred positions. Secondly, the drop in price into the 2017/18 season does not justify the UK grower carrying supplies past the end of this season.

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

The unexpected change in the US bio-diesel mandate last week, combined with the jump in crude oil prices after OPEC’s agreement to reduce output, has given support to the vegetable oil market and underpinned rapeseed prices on the European futures exchange.

However, sterling’s sharp upward move against the euro has more than offset any momentum for UK farm gate prices.

Farmer selling in the UK market remains slow and the crushers have been looking to other origins to ensure they have supplies going into the new year.

We understand that at least one 60,000 cargo of Australian rapeseed is on its way and some French cargoes have also been bought for the new year.

UK rapeseed supply is tight and prices have firmed, but with UK prices now at a level that can attract significant volumes of imported rapeseed, the crushers are not going to chase UK supplies at these values.

Given sterling’s continuing appreciation in value, it may be time to cash in on any unsold stocks.

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**Notes to Editors**

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