**GLEADELL MARKET REPORT**

**WHEAT AND OILSEED RAPE**

**Immediate – 3 June 2016**

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

The US market is $3/t higher on the week as commodities got another boost from weather concerns and start-of-the-month money flow.

Excessive rain in the US plains has increased concerns over potential quality issues, although a drier forecast should support wheat development and harvest progress, which has commenced in the southern plains. Early reports have yields better than expected, but with protein level a possible issue.

MATIF values are up €1.50 on the week. Yesterday’s sharp US rally, which followed a bigger down day the previous day, now places French wheat $15/t below US soft red winter wheat.

As in the US, current weather in parts of Europe is not favourable, with wet conditions across much of France and Germany moving east into the Balkans and southern Russia. This, together with forecasted warmer temperatures, could increase disease potential in crops.

France’s export line-up remains strong with shipments to Asia, where feed wheat is currently undercutting maize prices.

UK LIFFE values are up £2 on the week, mainly supported by a weaker currency. After the surge last week, sterling has since slipped 2% due to recent opinion polls showing a rise in those favouring a leave vote in the upcoming EU referendum.

New crop values have firmed as a result, leaving end-users unwilling to extend what little cover they have on the books. Old crop values remain static, oblivious to currency, weather and anything else you throw at them, as end-users and merchant shorts stand stubbornly behind their bids.

In summary, wheat fundamentals remain bearish – support is being driven from firmer soy, corn, money flow and potential quality issues. It is still too early to define whether current weather will have a major impact on quality or yield, but the potential of more ‘feed’ in an already over-supplied feed grain scenario will do little to support cash values – futures are another thing.

However, as we have witnessed for most of this season, cash markets become disconnected from the futures markets and you can’t argue against the same happening next season.

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

Soybeans ticked to new highs, continuing the uptrend. Renewed rains in Argentina have delayed harvest and logistics, underpinning this pattern.

MATIF rapeseed has also made its highest price in 2016, mainly gaining support this year from crop losses in soybeans and palm oil. The EU physical market is fairly slow with a lack of farmer selling across Europe, unattractive margin structures and a positive market sentiment due to the soybean market.

Crude oil all continues to trade around $50/barrel. Although significantly off the lows, this price remains below the cost of production in many areas.

The euro has gained against sterling over the week as continued Brexit talk adds volatility to the markets. Technically (charts) the pound looks weak, but at present it’s all about the referendum.

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**Notes to Editors**

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