**GLEADELL MARKET REPORT**

**WHEAT AND OILSEED RAPE**

**Immediate – 6 January 2017**

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

After hitting new yearly contract lows in pre-Christmas trading the US markets have bounced, moving almost $10/t from the low to their recent highest trading level.

A combination of short-covering, mainly linked to declining US winter crop ratings, and reports of less favourable weather affecting South American soy and maize prospects have supported the recent bounce.

US exports remain on pace with the USDA projection, but still have to achieve 500,000t per week to reach the target. Key US planting and stock numbers are due to be released next week from USDA and these may carry greater significance, giving the apparent down-turn in US winter wheat crop condition.

EU prices have also firmed, following the US market, trading about €2/t higher since our last report.

Over the period between Christmas and the new year, Egypt covered additional February shipment tonnage split between Russia and the Ukraine. Of interest was the fact that no Argentine wheat was offered, whereas at the previous tender it was the cheapest to be sold.

This may be due to the fact that FOB levels have increased $10/t – the freight achieved in the previous tender looked very aggressive.

A truer picture of where the quality market lies will be via the Algeria tender. Although results are still to be published, both US and Argentina look out on price, leaving EU the likely origin.

The French seem a bit more confident that, after months of sieving and shipping the poorer quality, both spec and tonnage could be sourced. If so, this could well underpin MATIF, as Algerian spec wheat from Germany and the Baltic states is becoming harder to source.

Nothing in the UK really has changed, with short-covering continuing and very little offered both from the trade and growers. Although LIFFE has firmed £3/t since our last report, the split in physical prices between the north (where the demand is) and the south (where it isn’t) shows a marked differential. The UK is far from export competitive, leaving a domestically driven market.

In summary, the colder weather in the US and parts of Eastern Europe/Black Sea, seems to have woken the bulls, especially the Chicago fund shorts. The current lack of snow cover in both regions leaves the dormant crop vulnerable to stress and damage.

It is worth noting that all the major wheat rallies in the last 10 years (excluding poor UK drilling conditions in autumn 2012), have been caused by spring or summer drought or extreme heat and not by winter cold.

One must also remember that in 2017 EU production is set to rebound, and the scale of northern hemisphere carry-over stocks will provide a level of comfort for consumers against potential new crop weather issues.

(COPY ENDS 453 WORDS)

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

Talk of unseasonably wet weather in parts of Argentina and dryness in north eastern Brazil has been enough to spark a short covering rally in CBOT soybeans in the first week of trading, after what has been a quiet period over the festive break.

Some additional support is believed to have come from index fund re-balancing, who are generally “pro-ags”, and have been generally adding to long positions. The next real focus for the trade will be the monthly USDA report next Thursday.

In Europe, we are still dealing with the fall out of the poor rapeseed harvest, and we need to continue to attract imports. Canadian seed continues to arrive for the bio-diesel industry, and Australian seed is on its way, but the balance sheet still points towards a need to either ration demand or pull in more imports.

The UK is also getting involved in the third-country imports. We understand a significant volume of Australian seed will land in Liverpool in early 2017, and this will largely correct the UK’s tight balance sheet.

With this in mind, we are going to need continued support from outside markets if UK farm-gate prices are going to be able to rally. Currency continues to have the biggest effect on our domestic prices with elections in Spain, Germany and France, and the uncertain political landscape in Italy.

Given this, it seems unlikely that sterling will return to its 2016 lows and any strengthening in the pound will be detrimental to prices. For those growers who held on to rapeseed since harvest and enjoyed a £60-70/t uplift in values, it might now be the time to sell.

(COPY ENDS 274 WORDS)

**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**

Gleadell Agriculture Ltd is an independent major trader of grain, seed and fertiliser in the UK with offices in York, Hemswell (Lincolnshire), Swaffham (Norfolk), Stamford (Lincolnshire) and Warminster (Wiltshire). Gleadell is jointly owned by [ADM](http://www.adm.com/) and [InVivo](http://www.invivo-group.com/).

Any prices quoted in this release are indicative only at the time of going to press and subject to location and quality. Although Gleadell takes steps to ensure the validity of all information contained within this release, it makes no warranty as to the accuracy or completeness of such information. Gleadell will accept no liability or responsibility for the information, or any action or failure to act, based upon such information.