



# MARKET SNAPSHOT

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30 JUNE 2017

## THE TRADING WEEK

Market	Last Trade	7 Day Move
CBOT Wheat (\$USc/bu)	481	21 ▲
CBOT Corn (\$USc/bu)	359.5	0.5 ▲
CBOT Beans (\$USc/bu)	915.25	9.75 ▲
Winnipeg Canola (\$CAN/Mt)	530.00	20.4 ▲
Matif Canola (€/Mt)	360	3.25 ▲
AU\$ / US\$	0.7680	0.0136 ▲
AU\$ / EUR	0.6711	0.0054 ▼

## WHEAT

### Some market gains

Minneapolis Spring Wheat has rallied from 544c/bu on May 18 to 672c/bu on the July contract and is trading at two year plus highs. This has supported both Kansas and Chicago wheat, although gains have nowhere near been to the same extent (425c/bu to 458c/bu) for Chicago.

This is a result of the USDA report indicating a second consecutive year of lower Hard Red Winter (HRW) protein and extended dry conditions in spring wheat areas downgrading estimates.

We have seen the domestic cash market rally, both for new and old

crop in the past month, especially in South Australia. Most APW1 markets are trading at a full carry to new crop, although lower grades have also lifted somewhat. We expect this to continue to a degree if new crop cash pricing keeps at a full carry to new crop and the cash prices rise.

For the Newcastle and Brisbane markets, wheat is more or less wheat for H2 and below, with the perceived pending drought in northern NSW and QLD pulling up cash bids into the feed markets of the Darling Downs. Port Kembla is the meat in the sandwich, being too expensive to export, yet too far away to draw

to the northern feed markets at current spreads.

Grower engagement is next to nil at the moment, with most areas experiencing and/or expecting less than average rainfall.

Growers appear to be holding onto old-crop supplies as a drought hedge and marketers continue to bid the market with old-crop shorts.

From all reports, logistics has improved with the rail strike in Victoria no longer an acute issue, with trucks easier to find for domestic movements.

With current domestic and destination prices in mind, the

market expects shipping capacity to start dropping off the stem in certain parts of the country. Marketers will soon start losing the ability to roll capacity to later in the year, with the hope of "buying" time to purchase grain.

Despite the expected large wheat carryout, domestic buyers are trying to cover further out the curve, as hand-to-mouth purchases from the grower and trade remain exactly that.

Fingers crossed on the early July forecasted rain coming to fruition. Whether decent moisture, a new financial year and heat on the market can drive sales is anyone's guess.

## AT A GLANCE

### 17/18 ADM PORT PRICES

	APW1 FMG	F1	Non GM Canola	Sorghum (16/17)
Brisbane	295			270
Newcastle	285		528	267
Pt Kembla	285		528	
Geelong	275		528	
Pt Adelaide	275		528	
Kwinana (Port Inc)	298		558	

\* Prices are indicative and subject to change.



## BARLEY

### Values remain firm

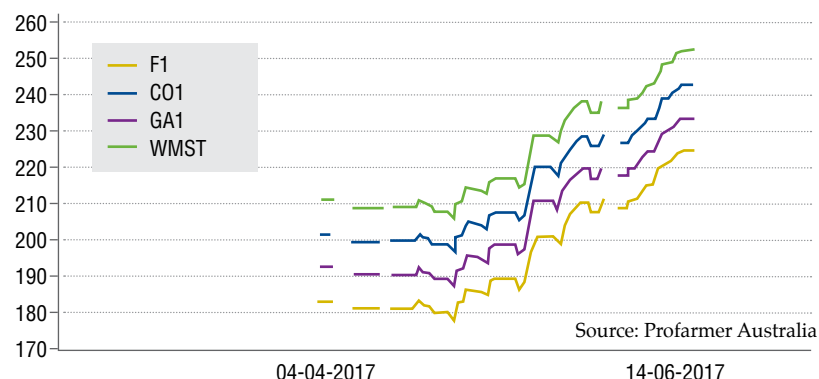
Local feed barley values from Brisbane to Kwinana have tracked a similar trajectory since the start of 2017. The reasons are varied, but it's fair to say F1 has increased in a range around \$65/mt from the harvest lows, depending on your home port zone.

Low farm gate values post harvest, shipping commitments, end user demand (both local and abroad), dry start to the planting program, satisfactory cashflow, deferring income and lack of sellers have all contributed to the price appreciation of what was Australia's record barley crop. Carryout into 2017-18 is expected to be significant, however current market values would suggest otherwise.

In the first half of the year, barley has commanded its fair share of export capacity, with China capturing the bulk of the trade.

Unfortunately the uplift in prices over the past six weeks has not pushed through to the Chinese consumer, hence it's likely that little new business will come from Australia, as northern hemisphere production comes online in Q3 and Q4.

Barley prices Port Adelaide zone



New crop values have followed a similar path to old crop, with base feed values firming. New crop malt spreads range from +\$20 to +\$30 over F1 for preferred varieties.

The Russian harvest has started, albeit it later than expected, and Ukraine yields are coming in a touch lower than expected. The Romanian barley harvest is well over half way. The French barley harvest is about a third of the way through, with quality coming in as expected. Feed Fob values to China are quoted below Australian equivalent for August delivery, however there has been little buyer interest at this stage.



## A SHOUT OUT FOR THE NEEDY



You may have come across advertisements, new updates and social media posts featuring our Foodbank Grain Donation Program.

In essence, the grain Foodbank receives lands as food on a needy plate via donations in the form of grain, storage, transport, processing, packaging and distribution via the entire supply chain.

ADM is supporting Foodbank again in 2017 and we're asking for your help. From the 15/16 harvest, Foodbank received more than 1000 generously donated tonnes

from farmers around Australia.

Following the 16/17 harvest, Foodbank would like to crack 2000mt nationally.

CBH, Viterro, Graincorp, Grainflow and Emerald are all on board and can facilitate grower or trade donations to Foodbank's NGR: 13319395.

One tonne of wheat priced at \$300/mt or (as we've seen it) at \$180/mt still produces about 1800 loaves of bread. In other terms, that's over 19,000 rounds of ham sandwiches. So, as the saying goes, every tonne does count.

[CLICK HERE TO FIND OUT HOW YOU CAN HELP](#)

**FOODBANK ARE STILL SHORT OF THEIR TARGET SO ANY SUPPORT IS GREATLY APPRECIATED.**



## CANOLA

### Big European crop weighs on market

After having an almost ideal growing season, the European rapeseed harvest kicked off over the last week, with the Black Sea region (Romania/Ukraine) showing promising yields. Production forecasts are for a crop above 2mln mt (300,000 mt above 5-year average) for the Ukraine alone.

Add this to the 22mln mt forecast for the EU-28 member states and it points to total EU/Black Sea production just above 24mln mt.

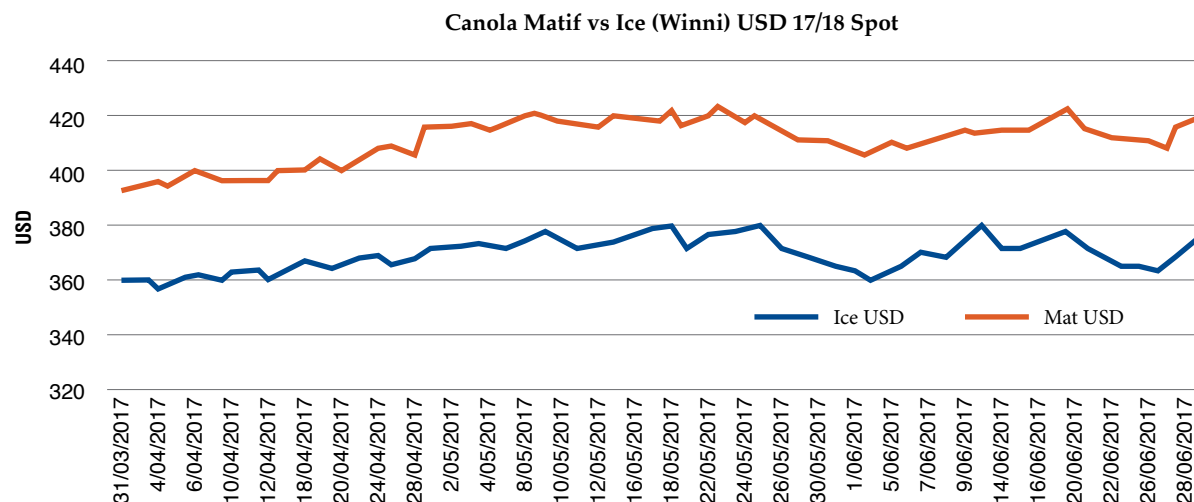
Listed below are some of the production figures in key countries:

- Romania 1.9mln
- Poland 3.2mln
- France 4.6mln
- Germany 4.9mln

There are reports of a recent hot spell in parts of Europe, however, if we drill down further, we find that the areas of concern (south and central France, south-east Europe, northern Germany and the UK) should not be such a big impact on rapeseed given its advanced stage at this time. The heat wave will likely cause problems for the sunseed crop and potentially flow into cereals.

The EU board market (Matif) fell from 374.50 Euros in early May to a low of 351 Euros at the beginning of June, however it recovered somewhat in the first week of June to 368 Euros on concerns of a delayed Black Sea harvest and the abovementioned hot weather concerns.

The delayed black Sea harvest put pressure on the nearby requirements of the crushers, however, now that fears have been allayed, the benchmark August contract is trading at 358 Euros.



Moving to Canada, where difficult circumstances were met at planting, we see varying crop conditions resulting from the drawn-out seeding program.

In general, western Canada is in good shape and the dry areas have received some rain. There are pockets in southern Saskatchewan that are dry. North Dakota (USA) is still dry, especially in the south, and crop conditions are reflective of this.

Canadian canola seedings amounted to a largest-ever 22.2 mln acres, according to Statscan survey's average estimate, allowing for a crop of around

20mln mt. The planted area could have actually been larger, however some farmers ran out of time before seeding deadlines to qualify for crop insurance.

Winnipeg futures market has been similar to that in Matif, coming off heavily in May, rebounding from the beginning of June and eventually settling lower in the past few days around C\$478/mt off from the May high of C\$510/mt. This is basis November 17 contract and equates to roughly 505 and 480 AUD respectively.

In Australia, the crop is looking for rain. Some crops that went in dry have not seen a drop and

are yet to emerge. The problem areas are largely confined to the Eyre Peninsula of South Australia and Geraldton Port Zone in Western Australia, however there are other isolated pockets that are also reasonably patchy for this time of year.

We have seen the grower bids firm A\$20-\$30 in the past few weeks given the lack of grower selling in all port zones. These values are well over export parity now and will battle to attract any fresh buying from overseas consumers.

## PULSES

### Subdued outlook in sub-continent

Recent weeks has seen subdued pulse demand in sub-continent markets, with Pakistan, Bangladesh and Middle East markets quiet over Ramadan.

Turkey, which is an important lentil importer, is currently buying local produce, as the domestic crop is more competitive than imports.

The Indian market is depressed not only for chickpeas, but the entire pulse complex. Major contributing reasons include:

- India will be under GST regime from July 1, 2017 onwards. There will be no GST on bulk pulses trade, however, packed/branded pulses will be taxed at 5% GST.

- The pulse mills/traders are working on low inventory, as they are not sure if the new tax regime will provide a rebate for the local taxes paid for inventory prior to GST implementation.
- Governments need to raise the Market Support Price (MSP) paid to farmers for major crops, including pulses, to quell potential unrest.
- A percentage of farmers started defaulting on loan payments in anticipation the government will waive the loans. A number of state governments took remedial steps and waived loans for small/medium sized farmers that meet certain conditions.

Local crop arrivals have now reduced in the market yards, as farmers look for the Kharif (summer/monsoon crop) sowing season. A 98% average normal monsoon forecast has been



announced by the meteorological department this year in India.

The monsoon has been on schedule, covering up to central Indian states this week, with the whole country likely to be covered by the first week of July.

The market anticipates about 60% of the Indian chickpea crop (about 4 mln mt) has been sold in the market and farmers are holding the balance (40%). This is likely to hold until prices firm up.

India will have a series of festive demand, starting August through to October, with demand expected to revive and better volumes to be traded post GST implementation.

Australian weather conditions have been well documented. Recent ADM crop tours suggest the chickpea crop is travelling okay, however, potential rain during July could make or break the final outcome.

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## SORGHUM

### Markets take a breather

After a month of almost incessant strength, the northern markets finally took a breather the past week as rain appeared on the forecast for the east coast. The Darling Downs is trading like a drought market, however, despite conditions in southern Queensland and north-west New South Wales not looking great, with areas that won't be planted, good conditions elsewhere on the east coast and ample old crop stocks seem to have put a lid on values for the short-term anyway.

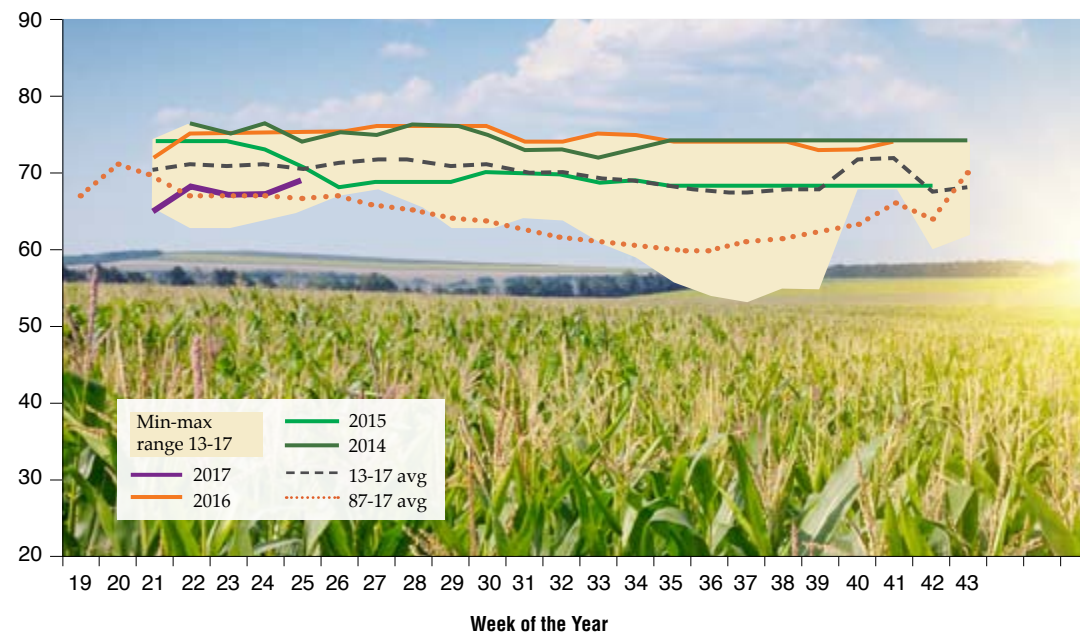
Old crop sorghum markets are very quiet, although there was a bit of activity on the sell side towards the end of last week given the rain forecasted. There is still old crop stock around, however this is being tightly held in light of the dry conditions in the north.

Sorghum new crop values are currently at a AUD 35 discount to wheat values into Downs homes.

Historically, this will be enough to re-engage the poultry consumers in southern Queensland to increase the portion of sorghum in their ration. At the current juncture, this probably makes sense, as there are forecasts for increased fallow hectares in southern Queensland ready for a sorghum plant if spring rain allows. We are in June however, so there is plenty of time to go for this to change.

US corn markets have fell off their highs, trading down almost 25c on the week on improved cornbelt weather. There are a few major USDA reports to be released in the next month, as well as continued weather watching, which is all likely to keep these markets fairly volatile. Spring wheat remains the main bull story, with that crop falling away with every day that passes.

US Corn Crop Rating (G+E)



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