



# MARKET SNAPSHOT

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15 MAY 2017

## THE TRADING WEEK

Market	Last Trade	7 Day Move
CBOT Wheat (\$USc/bu)	426	1.5 ▼
CBOT Corn (\$USc/bu)	360.5	1.25 ▼
CBOT Beans (\$USc/bu)	956	7 ▼
Winnipeg Canola (\$CAN/Mt)	519.50	6.5 ▼
Matif Canola (€/Mt)	369.75	0.5 ▼
AU\$ / US\$	0.7400	0.001 ▼
AU\$ / EUR	0.6800	0.0057 ▲

## WHEAT

### US weather, shorts, currency impacts wheat

US weather has been the dominant headline for global wheat. In late April, snow storms, together with strong winds, lashed parts of the US winter wheat cropping regions, namely the Central Plains HRWW areas, causing some crop damage.

Combine the weather event with record speculative short positions held in CBOT wheat futures and the result was a short covering rally of some magnitude. Prior to this, wheat derivatives had been somewhat lethargic, with

CBOT July wheat futures (WN7) making new lows in April, closing below 420c/bu on the back of burdensome global supplies. The ensuing rally had WN7 test the 460c/bu level within a few trading sessions, however, the higher values could not be held with the extent of crop damage being questioned and that continues to be talked about – time will tell.

The US futures rally and subsequent fall had little impact on local old crop pricing ideas, with the domestic trade focused on covering near term shipping shorts. It could be suggested that the currency markets have probably had a greater impact

on pricing, with the AUD/USD testing the .7750 level mid-April, while trading down to about .7350 level of late.

Logistics remain a challenge, with exports running at a cracking pace and very little spare shipping capacity left for the balance of the exporting year. Tight shipping capacity is noted in SA, where, ironically, pricing ideas remain weak when compared to other Australian port zones.

The domestic consumer continues to cover hand-to-mouth, while the inelastic South East Asian demand continues to book business, albeit of lower grade types, namely ASW. As a result, lower grade pricing levels have tightened in dollar spread terms, approaching that of APW values in some port zones.

Grower engagement at current pricing levels has been quiet, with much of their focus turning to winter seeding activity.

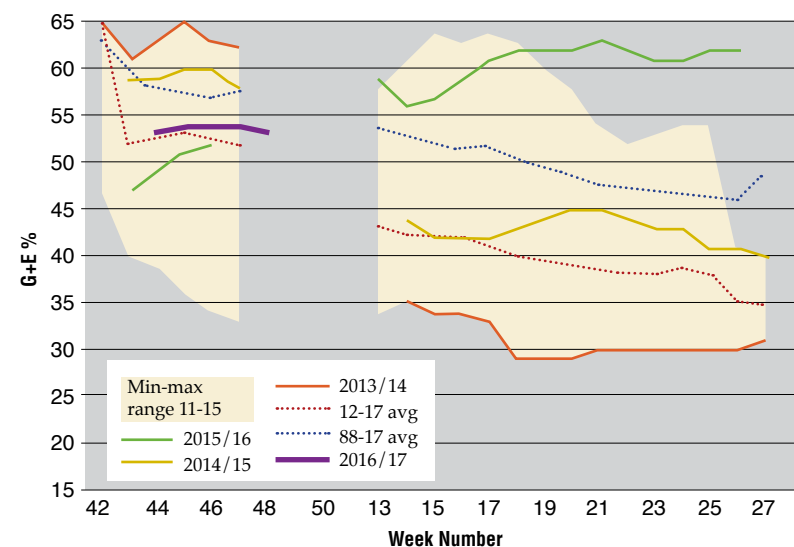
## AT A GLANCE 17/18 ADM PORT PRICES

	APW1 FMG	F1	Non GM Canola	Sorghum (16/17)
Brisbane	233			252
Newcastle	233		525	248
Pt Kembla	233		525	
Geelong	233		525	
Pt Adelaide	229		520	
Kwinana (Port Inc)	246		545	

\* Prices are indicative and subject to change.



Winter Wheat Crop Ratings (G+E)



## WHEAT cont.

### USDA Wheat Update Summary 10th May

**Old Crop world carryout** is up ~3mln mt to ~255mln mt

- ▶ Beginning stocks up 700k mt, mostly in the European Union
- ▶ Production +1.7mln mt, EU +1mln mt to 145.5mln mt, Middle East +700k mt to 20mln mt
- ▶ Usage down 500k mt in EU

**New crop world carryout** is expected to rise ~3mln mt to 258mln mt

- ▶ Production off 16mln mt to 738mln mt, with the majority of the forecast downgraded in the US.
- ▶ Major exporters production down 7mln mt, with Australia down 10mln mt to 25mln mt (which is a fair average forecast at this time of year) and Canada down 3mln mt to 28mln mt. EU +6mln mt and Argentina +1mln mt.
- ▶ India production is expected to recover recent lost ground, with +10mln mt production to 97mln mt. FSU new crop production is expected to drift lower.
- ▶ New crop global wheat demand is also expected to fall slightly.

## BARLEY

### China, Saudi drive exports

Australian barley exports continue to post impressive figures on the back of strong demand from China for both feed and malting grades. Saudi has also provided demand for Aussie barley, as strong EU old crop markets ensure any available capacity from Australia has been utilised to cover shorts into the region.

This combination of demand continues to provide the Australian market with some support following the historically large crop that Australia produced in the 16/17 season.

Elevation capacity remains tight in most regions in the country, as large volumes of all commodities look to increased exports to reduce anticipated higher than average carry out levels.

There is currently an inverse in Black Sea markets between old crop and new crop markets. It is anticipated that Black Sea tonnes will come available from July forward, which should provide a cap on prices China will pay for feed, as there are reports of Black Sea cargoes already trading to China for July forward positions.

It is anticipated that local Chinese corn reserve auction will increase

availability of corn, limiting prices importers can pay for barley and sorghum.

It is estimated there will be a reduction in hectares planted in many parts of the world, as flat prices for barley makes growing other commodities more attractive.

Dryness and cold conditions in parts of Europe and a lack of grower selling interest is providing support for EU new crop malting markets.

There has been a reasonable start in most areas of Victoria and southern NSW, with SA and WA looking for further rain to complete seeding.

All eyes will be on the weather forecast in the coming weeks.

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## CANOLA

### Offshore rally sends values to highest levels

As the old crop (2016 plant) canola export program winds up, new crop 2017 winter crop planting has begun. Nationally, 30-40% of the canola crop has been planted, slowing over the last week in WA and parts of SA due to lack of rainfall.

Total exports from Australia are 2.86mln mt, with Europe taking 2.48mln, while traditional markets such as China, Japan, Dubai and the Indian sub-continent are procuring the bulk of their demand from the large Canadian crop.

Price wise, rallying offshore markets have assisted new crop

Australian values to their highest levels. In the last week, levels have been above A\$530 track in NSW and Victoria, mid \$520s in SA and close to A\$560 porti in WA.

Canadian Canola (Winnipeg futures) are up +C\$33/mt in the November contract since the beginning of April, or around +6.9%, while on the other side of the globe, Matif futures have been trading sideways for the same period in a relatively tight range of €365 and €375/mt, currently at the upper end of the range for the November contract.

EU forecast for 2017 crop has been revised down slightly to 21.7mln mt, however this remains a 1.2mln increase year-on-year and spot on the 5-year average of 21.73mln. The Black Sea and Balkan regions are reverting to an average crop just above 4mln mt, an 800k increase year-on-year. Predominantly, the Black Sea crop flows into Europe.

The Canadian and Australian crops are expected to be similar year-on-year at 20mln and 4mln respectively, however it is early days and we need to see some favourable conditions to increase planting percentage.

## PULSES

### All quiet on most fronts

The sub-continent pulses market is very quiet, owing to huge supplies of chickpeas and lentils from Australia and various pulses from other origin markets during the first quarter 2017.

The Pakistan and Bangladesh markets are well covered and expected to remain quiet during Ramadan, which starts end of May.

The Indian market is lip-locked on old crop demand because of oversupply and local crop catering to major trading market zones.

Local crop arrivals into central and northern Indian markets have

restricted demand for imported cargo that supplied these markets during the first quarter of 2017.

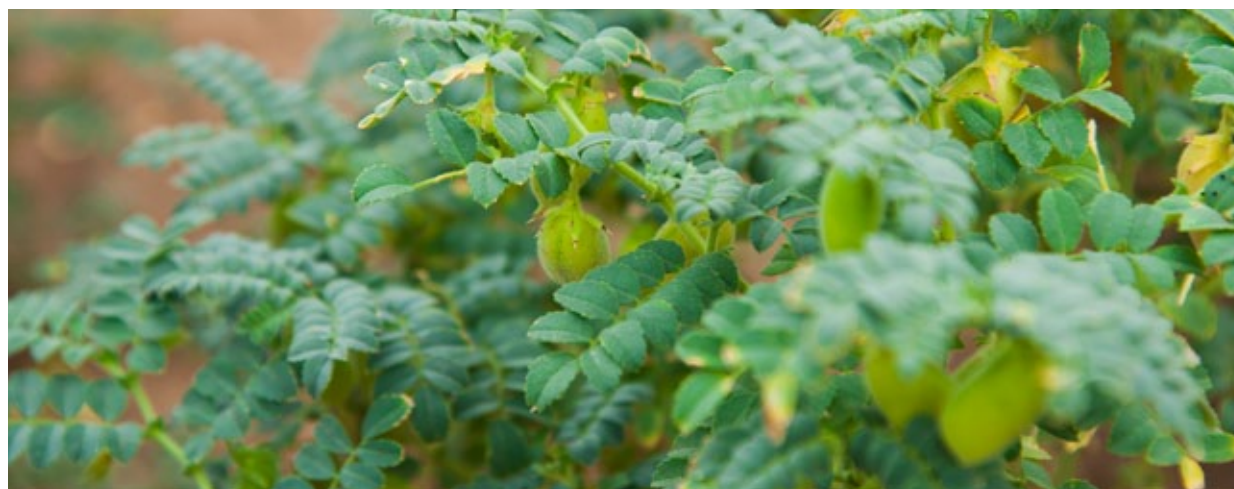
Central India has jumped 30% in its production figure, as per the government estimate of 4.3mln mt and against 3.3mln in 2016. However, trade estimates have over-rated the government figures.

After a delayed harvest due to extended winter rain, Rajasthan (north west India), another major producer state of chickpeas, has seen increased supply to the Delhi market, which used to rely on import supply up to March 2017.

All eyes are now on how long farmers continue to feed the market with local produce, as they will start concentrating on the Kharif (monsoon crop) planting from mid-June.

Currently, there is a huge disparity of over USD80/mt between local stocks at port based markets and imported chickpea prices.

There is a bearish tone in the market at present and a sudden disruption in supply or weather hiccup could see trading activities for new crop pulses gain momentum.





# MARKET SNAPSHOT

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## SORGHUM

In the offshore markets, producers would have noticed a heightened volatility as the funds trade went from weather report to weather report.

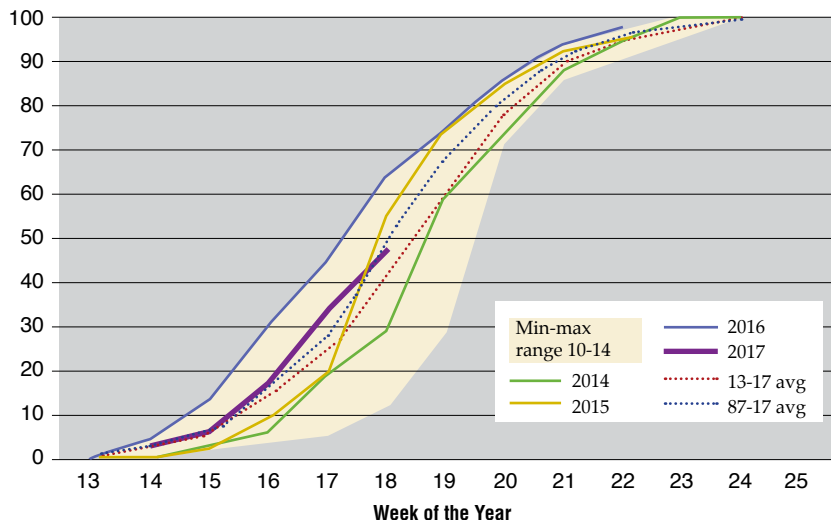
Snow and wet weather in the US pushed wheat and corn respectively higher over the past month, however, ample global supplies continue to outweigh any nearby concern.

In the local market, Liverpool Plains Harvest is coming to a rapid finish and Australia appears to have once again filled the June/July

export void from the US, as the US waits for their new crop to fill the "Milo" pipelines.



Corn Planting Progress as of the 7th of May



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

Grain prices, as the market knows, are at the low end of expectations. However, 1 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](#)



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