



MARKET SNAPSHOT

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15 SEPTEMBER 2017

THE TRADING WEEK

Market	Last Trade	7 Day Move
CBOT Wheat (\$USc/bu)	428.25	14.75 ▲
CBOT Corn (\$USc/bu)	341.75	0
CBOT Beans (\$USc/bu)	967.25	4 ▲
Winnipeg Canola (\$CAN/Mt)	488.60	3.4 ▼
Matif Canola (€/Mt)	368.25	3.25 ▲
AU\$ / US\$	0.8000	0.0046 ▼
AU\$ / EUR	0.6712	0.0021 ▲

WHEAT

Price rallies all-round

A lower US spring wheat production outlook triggered some rallies on the CBOT in recent months. WZ7 (CBOT Dec Wheat) made a high of 574c/bu in early July, then traded down to 422c/bu in late August. Wheat futures have seen a 150c/bu range over the last three months.

On the east coast of Australia, new crop wheat values have rallied sharply in recent weeks in response to a number of frost events and a dry outlook for spring. PKE APW1 port prices have jumped +AUD\$25 to about \$310/mt, while the BNE port zone is \$340/mt for APW1.

SA and WA pricing has risen by about \$5-8/mt since the start of the month, with 17/18 SA APW1 at \$248 and WA at \$268 for APW1.

Conditions have been somewhat mild for the start of spring in SA and WA compared with eastern Australia.

To date, the grower is not an active seller and is unlikely to be until harvest. In the current climate, the domestic consumer remains a hand-to-mouth buyer for old crop, while for new crop,

they have been price checking, but are not overly active buyers.

South East Asian (SEA) buyers have not been overly keen on current prices from Australia. Aussie origin wheat remains about +USD50 more expensive than Black Sea APW equivalent, while ASW ex-SA is about +USD30 on a CNF delivered basis to SEA.

In general, the trade has been quiet, with most just looking to cover near-term shipping and domestic commitments.



AT A GLANCE 17/18 ADM PORT PRICES

	APW1 FMG	F1	Non GM Canola	Sorghum (16/17)
Brisbane	330	320		292
Newcastle	305	268	545	287
Pt Kembla	295	255	545	
Geelong	260	234	535	
Pt Adelaide	247	217	532	
Kwinana (Port Inc)	277	248	547	

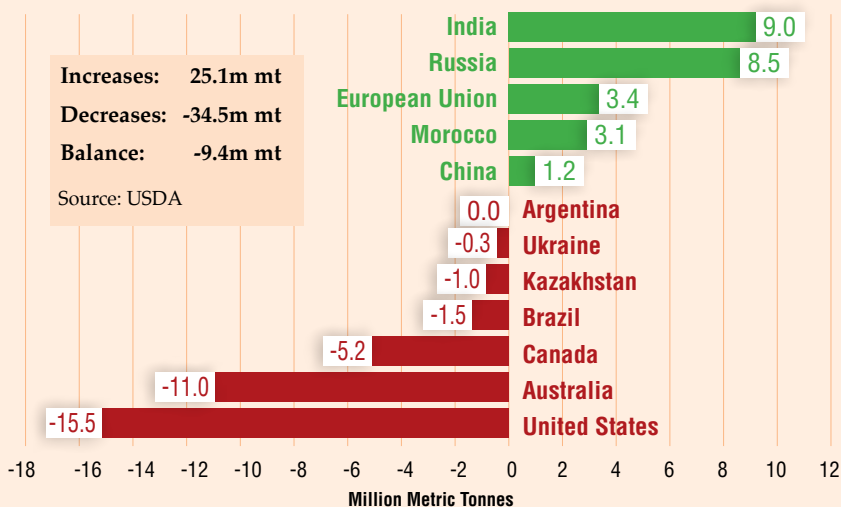
* Prices are indicative and subject to change.

USDA WASDE – wheat

US ending stocks have reduced 251m bu yoy (see chart over page). Despite this, US carryout is still the fourth highest since 1987.

US planted acres continue to decline and are at their lowest level on record (see chart over page), losing acres to corn and beans. It also highlights that in future, any production hiccup in the other major producing areas, like the Black Sea, could ensure

Wheat production change from 2016/17 to 2017/18



Cont. next page

WHEAT cont.

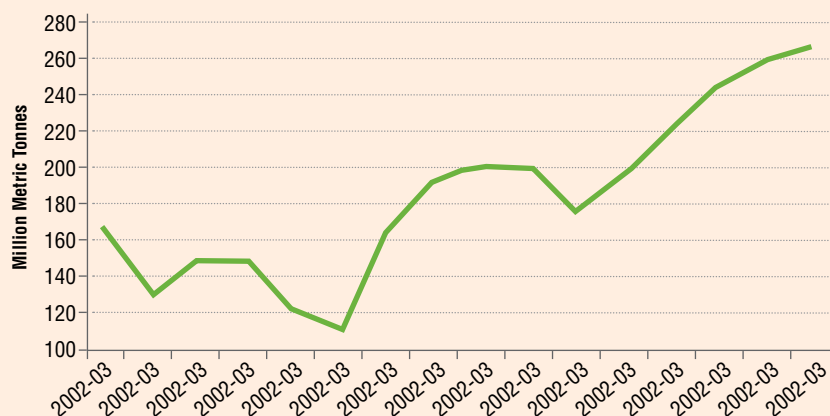
sharp declines in global stox to use and potentially cause volatile derivative price movements, as we witnessed in July, when one US class of wheat (spring wheat) was in trouble.

Global ending stocks are down 2m mt from the August report to 263m mt, however they are up 7m mt yoy (see chart right). An amazing 32% increase in the last six years.

Northern Hemisphere production is now known for the next six months, so the only major swingers are Australia and Argentina. Either way, this won't make an impact on global carryout, as it will remain at record highs.

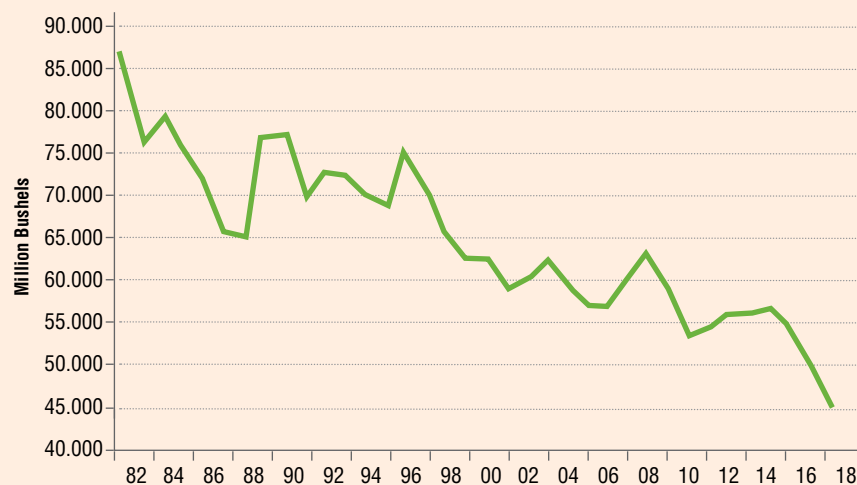
Big crops in the Black Sea will ensure competition increases into our Asian markets for 17/18. We anticipate, given the supply situation and current high values of Aussie wheat, that it may translate into a quieter Q1 2018 shipping program against previous seasons.

World Wheat Ending Stox



Source: USDA

US Planted Acres



Source: USDA

BARLEY

Feed markets push prices

The Australian barley market continues to be volatile, lead by strong east coast and northern domestic feed markets.

Poor rainfall forecasts and talk of frost in NSW have been the catalyst to push all east coast markets higher. This has, to some extent, flowed on to the rest of the Australian market, as lack of grower selling and low trade liquidity has meant these markets have also attracted support.

Chinese feed buying interest remains well below Australian replacement levels, as Chinese domestic corn auctions and US sorghum demand satisfy the feed sector in the near term.

From a malt point of view, markets remain very quiet, as the Australian quality profile remains unknown.

Areas of the EU have received very heavy rain at harvest. This has meant quality selection rates have been reduced, which means third party exports will remain thin out of the EU this year.

Chinese malting customers also remain quiet as they struggle to adjust to the new price environment following last year's record crop. Canadian malting barley remains relatively well priced compared with Australian barley at this stage.

All eyes will be on the Australian forecast, which will determine final production and quality.



CANOLA

Pressure on Aussie bids

The Australian canola crop has benefited from good August rainfall and cool conditions, which have continued into spring. There are pockets in central and north-western NSW that are stressed due to drier conditions and frosts in the last week.

South Australia picked up over the last couple of weeks and it looks like the Eyre Peninsula will get some sort of canola crop now (some growers had only planted canola on late July rains, while other plantings on Anzac Day didn't germinate until the July rains).

Western Australia is a mixed bag, with Albany and Esperance looking positive.

Harvest is progressing well in Canada and yields are coming in better than expected, particularly in the severe drought-affected areas of the northern Dakota and southern Saskatchewan regions.

North Dakota has pushed past the halfway mark, while Saskatchewan is sitting around 20% harvested and 50% swathed. A lot of southern yields are around 20bu/ac, compared



with 15bu/ac forecasted, which is exceptional considering these were the worse heat-affected areas. In Manitoba, yields are also coming in above average at more 40s and 50s than 30bu/ac.

In China, hedge margins have returned to a healthy level of around USD20, so expect some demand from there, especially if meal/oil sales pick up.

Over in Europe, there have been decent canola oil premiums, so crushers put some forward sales on and turned to buy futures given the EU farmer has not been a big seller.

This raised the benchmark for Aussie seed in the same period,

with the price rallying from the AUD\$520s to over \$540.

More recently, the European commission approved a deal to slash import duties imposed on Argentinian biodiesel. The trade lane previously had not calculated, since a move in 2013, to hike these "anti-dumping" duties on the fuel of around 25%. It is expected to reopen between 5-10% around September 28, which couldn't be better timing for Argentina, after just weeks ago the US imposed tariffs of up to 64%! Argentina previously exported 90% of its biodiesel to the US.

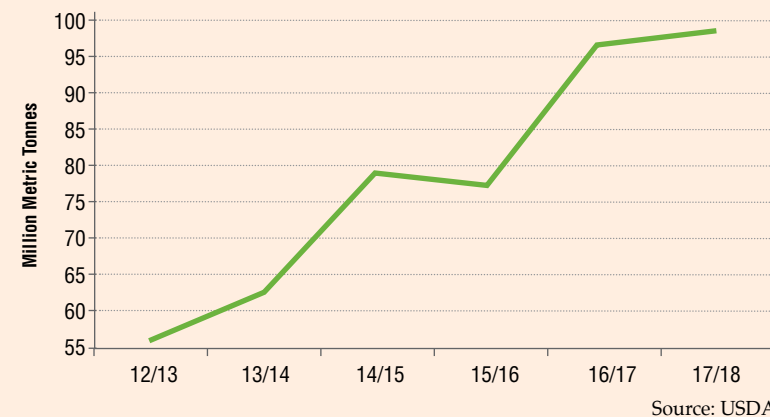
Given most of our canola goes into biofuels in Europe these days, expect pressure to stay on Aussie bids at least for the near term.

USDA WASDE – soybeans

US soybean carryout has increased 3.5m mt yoy, while global soybean carryout has increased 1.57m mt yoy (*see chart*).

It is interesting to note that world soybean production has increased by 80-88m mt since 10/11 (on average 10m mt per year). There were big production increases in SAM (Brazil, Argentina) and US. China absorbed the majority of these increases.

World Soybean Ending Stox



PULSES

All quiet on the Sub-continent

Pulses demand in the Sub-continent market has been subdued and almost non-existent for new crop. Even festive demand has not ignited the market like previously.

Pakistan, Bangladesh and Middle East markets have been quiet for months. India is the only market banked-on to induce demand for pulses, but with very little strength in cash demand.

The government in India has restricted import of pigeon peas, Black Matpe (Urad) (used in similar applications to lentils – southern Indian curries etc) as the local prices for these products dropped below MSP prices.

Local port stocks for chickpeas is estimated at 50,000mt, in addition to two bulk vessels and a container shipment during

Aug-Sep. About 80,000-90,000mt will suffice nearby demand, as the local chickpea crop is still being fed in from growers.

NCDEX futures exchange (www.ncdex.com) commenced chickpea futures trading in July 2017. This will provide some transparent relativity for Aussie values.

Lentils stock at Indian ports is in excess of 150,000mt, which has resulted in a sharp price decline and almost nil buying interest. In addition, the Canadian lentils crop of about 2.4 mln mt is being harvested and quality is better this year.

There is increased talk that the government in India may open lentils exports, due to high stocks and continued imports from various origins.

Aussie lentils are currently trading only at a small premium (USD\$10-15) over Canadian lentils, unlike the previous year.

The Indian monsoon has been good this year (96% of normal) and will invite more chickpea plantings, as it was the only crop that paid better and it may take acreage from the cereal crop during winter plantings.



SORGHUM

Market strengthens on winter crop concerns

Along with all other domestic markets, the sorghum market has strengthened considerably over the past month. A lack of rain on the forecast to finish winter crops, as well as several frost events, has the market concerned that winter crop production numbers are going backwards. Whilst there is still plenty of time for a sorghum plant, these winter crop concerns are also flowing through to sorghum. There is more pressure to produce a sizable sorghum crop as the winter crop production potential falls.

Pricewise, sorghum new crop values are about USD\$60 over alternate origins into China or shipment in Q2 2018. As such, all sorghum production is pricing into domestic homes, which, as long as the crop is more than 1m mt, will help meet this demand.

The drawing up of grain into southern Queensland domestic homes is getting wider by the day, with crops in western Port Kembla zone now pricing in by road. Bear in mind there is still plenty of carryout and new production between Port Kembla and Queensland.

Old crop markets are very lightly traded, although they have shown similar strength on the back of a widening spread to winter crop values. Consumers are still looking to cover some of their nearby needs and sorghum is starting to look more and more attractive. However, with only a small volume of available stocks, sorghum can't afford to attract too much attention domestically.

As for old crop exports, there has been a small amount of business in containers to China recently, although, given the values, this seems to be niche, small volume alcohol business.



USDA WASDE – corn

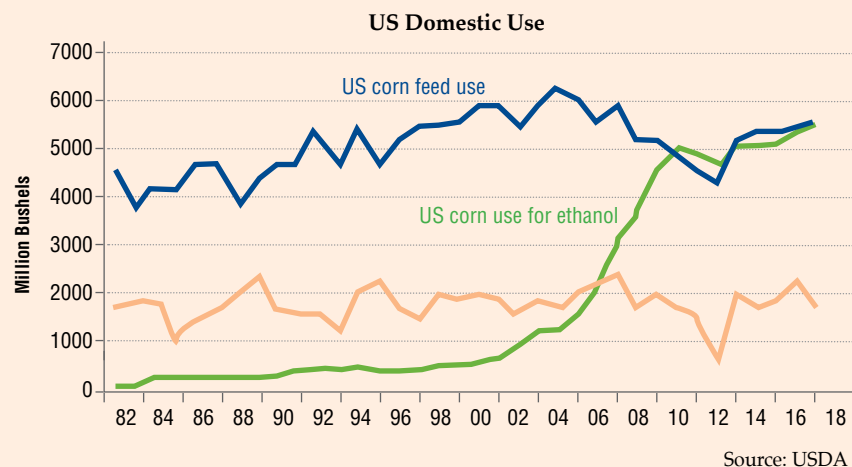
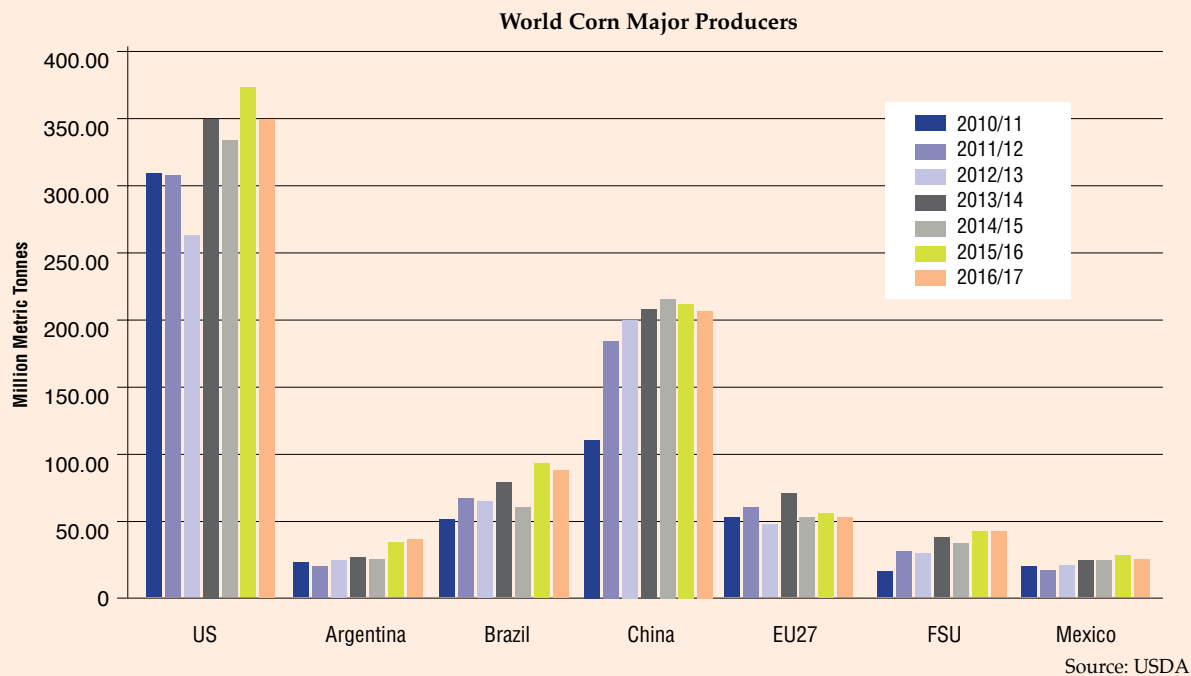
The US corn yield has increased slightly to 169.9bu/ac from 169.5bu/acre, which maintains the trend line yield. It's amazing how efficiencies in production continue, however, at some point if demand keeps growing, where does the next element come from that can increase yield given GMO is already in play?

US corn carryout has increased 62m bu from the August report, with stox to use nearly unchanged yoy.

There are interesting long-term trends to note: US exports have been flat for 30 years, US feed use is also static and ethanol use has plateaued after massive increases

from changes in mandates between 2005-2010 (see chart). As a result of trend yields being maintained, US stox to use has steadily increased since 2010.

Global corn carryout is down 25m mt yoy. This is the lowest carryout since 13/14. Whilst not significant, it does show that when production is down and demand unchanged, we can eat into stocks quickly. These figures also assume we know China production is +200m mt? It highlights that any hiccup on production from one of the major producers (US or China) can change the balance sheet very quickly (see major world producers chart).



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1300 123 ADM
(1300 123 236)

CENTRAL QUEENSLAND & SOUTHERN NEW SOUTH WALES
Michael Vaughan | 0427 308 317
Michael.Vaughan@adm.com

SOUTHERN QUEENSLAND & NORTHERN NEW SOUTH WALES
Peter Dorney | 0428 214 986
Peter.Dorney@adm.com

VICTORIA
Peter Sidley | 0427 517 417
Peter.Sidley@adm.com

SOUTH AUSTRALIA
Ben Noll | 0407 180 526
Ben.Noll@adm.com

WESTERN AUSTRALIA
Tom Mayfield | 0459 152 840
Tom.Mayfield@adm.com

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