



MARKET SNAPSHOT

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23 FEBRUARY 2018

THE TRADING WEEK

Market	Last Trade	7 Day Move
CBOT Wheat (\$USc/bu)	450.75	▼ 10.5
CBOT Corn (\$USc/bu)	366.75	▼ 1.5
CBOT Beans (\$USc/bu)	1031.5	▲ 7.5
Winnipeg Canola (\$CAN/Mt)	510.70	▲ 9.5
Matif Canola (€/Mt)	353.5	▲ 4
AU\$ / US\$	0.7841	▼ 0.0064
AU\$ / EUR	0.636	▼ 0.0012

WHEAT

Increased volatility for wheat prices

Wheat prices have shown a surge in volatility since the start of the year, partly due to increased volatility in global stock, bond and currency markets that have followed corrective patterns. The AUD/USD has seen a 3.5 cent range, trading from a low .7781 to a high of .8135 over the first 50 days of the year.

The US market remains under the influence of the Fund open positions and weather. Drought conditions in the US Southern Plains (HRW) have remained largely unchanged, while

south-eastern US (SRW) reported some precipitation, partially alleviating drought conditions. Speculative Fund positions continue to decrease their short position in CBOT Wheat, which currently stands at -16,435 contracts (was close to -100,000 at the start of the year), while Kansas City (KC) wheat sees the net fund long position at +35,380 contracts. CBOT wheat futures have traded from a low of 413c/bu mid Jan 18, making a recent high of 467c/bu last week.

Black Sea feed wheat grades still remain competitive into South East Asia, which has caused some displacement of lower Australian grades. However, difficult Russian inland logistics and big line-ups have started to underpin

near-term local pricing in that origin, with old crop now trading at a premium to new crop.

Locally, grower liquidity remains light, with the balance of tonnes held by those that are cash flow positive. Selling ideas are that of scale up pricing, otherwise they are happy sitting on the sidelines.

Domestic trade remains that of covering recent sales and/or swapping out of grades/Port zones that aren't required, with the primary aim of covering

shipping slot commitments.

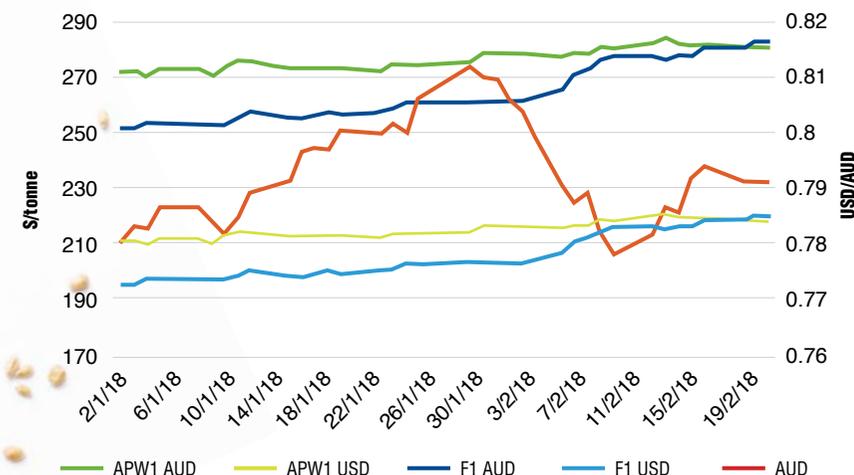
South East Asian consumers remain just-in-time buyers, with bid ideas USD5-7 below trade replacement levels. The local domestic consumer also remains a just-in-time buyer, with east coast feed homes in Southern Queensland continuing to underpin local, flat price levels. The current southern drawing arc to the Darling Downs is pencilled just below Parkes in the Pt Kembla port zone.

AT A GLANCE 17/18 ADM PORT PRICES

	APW1 FMG	F1	Non GM Canola	Sorghum
Brisbane	320			310
Newcastle	300	280	540	310
Pt Kembla	290	270	525	
Geelong	265	260	498	
Pt Adelaide	245	255	480	
Kwinana (Port Inc)	270	280	530	



Kwinana Port Values – AUD vs USD



* Prices are indicative and subject to change.

F1/APW1 AUD prices sourced from www.profarmergrain.com.au



BARLEY

Mixed bag for barley

Barley has been on an interesting journey post-harvest and the recent Saudi feed barley tender result will add to the intrigue.

From a malt feed production ratio, 17/18 harvest results were mixed and subsequently had direct impact on local market moves. WA received about 35% malt and SA, Victoria/Southern NSW sub 20%. As a result, malt spreads for mainstream varieties were elevated on the back of domestic demand primarily, as export

customers were reluctant to digest the malt premium.

Early February saw local feed barley prices firm, as China looked to switch out of US sorghum. While feed rallied, malt prices remained steadfast, narrowing the spread.

Coupled with a constant grower sales program, the Australian barley SnD from WA to the east coast remains extremely tight, hence it is difficult to see the market softening a great deal in the short term. It's equally unlikely for a new wave of

export selling from Australia to commence.

At the time of writing, Saudi Arabia had just announced results of their 960,000mt tender. While it appears to have traded some USD\$20/mt under local export prices, again it places a floor under the market and tightens the global SnD a notch more. This is highlighted by the page 1 chart, showing the spread between F1 and APW1 values has narrowed on both an AUD and USD basis over the past six weeks.



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CANOLA

Up, down trend for canola

Canola futures (Winnipeg and Matif) continue to be pushed and pulled by their corresponding by-products in oil and meal. In the US, the price of soy oil continues to decline, down around 7% since the beginning of 2018, while soy meal has appreciated 17% in a rally starting early January.

Over in Europe, the old/new crop inverse has softened, however remains prevalent until the back end of 2018, when it reverts to a carry market.

Global canola production for the year was again quite high, as Canada produced a record harvest of 21.3 mln mt, Europe 22.1 mln mt, Ukraine 2.2 mln mt (also record high) and Australia at 3.7 mln mt. Given the large productions of each country and relatively consistent/stable demand, we expect a substantial carryout of more than 2 mln mt each in EU and Canada, and around 700,000 mt in Australia. If this carryout remains high, ie, we do not find new demand, then look for the carry to widen out to the end of 2018 and into 2019.

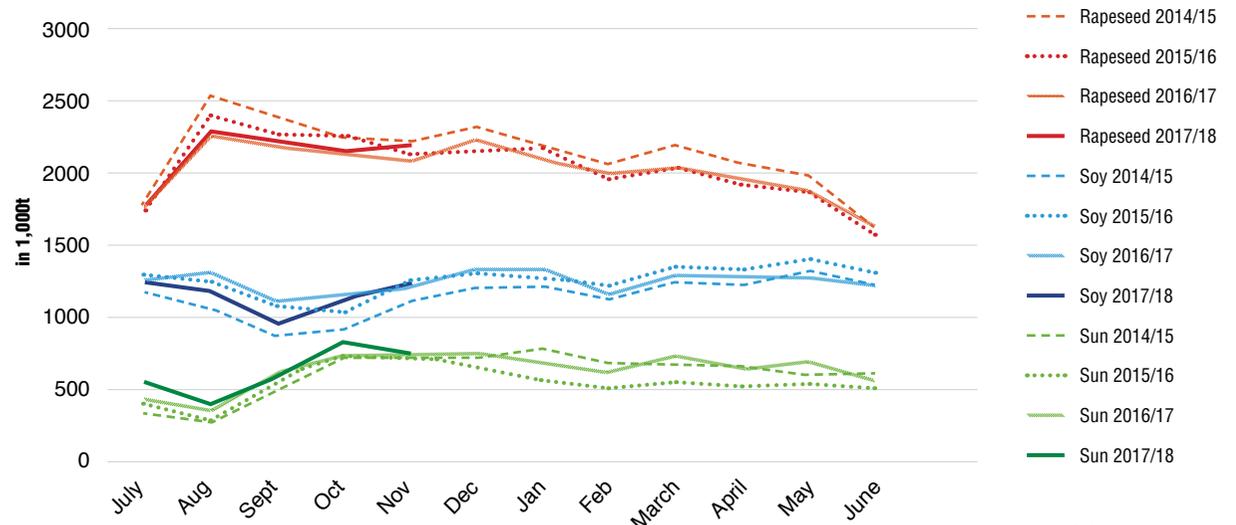
The glut of canola worldwide will naturally have some effect on prices, particularly in Australia, as we produce more than is required domestically. We have seen prices fall some A\$40 per mt over the last two months, before stabilising and then recovering around a quarter of this more recently. This recent price recovery can be credited to the exporters need to cover upcoming vessels.

As a guide to the biggest demand point for canola seed (Europe will crush 24 mln mt annually), the below chart represents the crushing pace in Europe of rapeseed (canola), soy and sunflower seed over the past four years as published by Oil World.

We can see after a slower than usual start in canola/rapeseed, crush began to pick up toward the end of 2017, owing to favourable margins. One to watch going forward will be the importation of cheap Argentinean SME (soy methyl ester) to Europe, as this is likely to slow crush down or cause crush plants to switch products.



Oil World EU Crush Estimate



Source: Oil World Weekly.



SORGHUM

Strong rally for sorghum

The current market has rallied significantly since early January, when Sorghum Delivered into the Darling Downs was worth only \$A260/mt. The January stretch of long and hot dry weather, which resulted in traders pulling back production estimates, saw prices onto the Downs rally into the 280s. Combined with recent speculation

on Chinese anti-dumping retaliation on US sorghum (our main competitor), the market has touched A\$300/mt onto the Darling Downs. The US is still to execute on many contracts; therefore, while exports are expected to be higher than last year, the degree will largely be reflective of China's ability to ration stocks.



Sorghum between Gunnedah and Spring Ridge. Estimated at 5mt/ha.

PULSES

India cloud over pulses

The pulse complex continues to be dominated by the negative influence of Indian import duties.

All major exports have felt the wrath, as global supplies of all major pulses have increased in 2016-17, as well as Indian port stocks in 2017. Sub-continent production (to be harvested in

March/ April 2018) appears adequate for demand.

Aussie lentils and chickpeas continue to be supported by Pakistan and Bangladesh, however, most of the demand is focused on pre-Ramadan supplies due to fall in May 2018 (earlier this year than previous years). Once the Ramadan demand is filled, expect for export demand to be very thin.



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