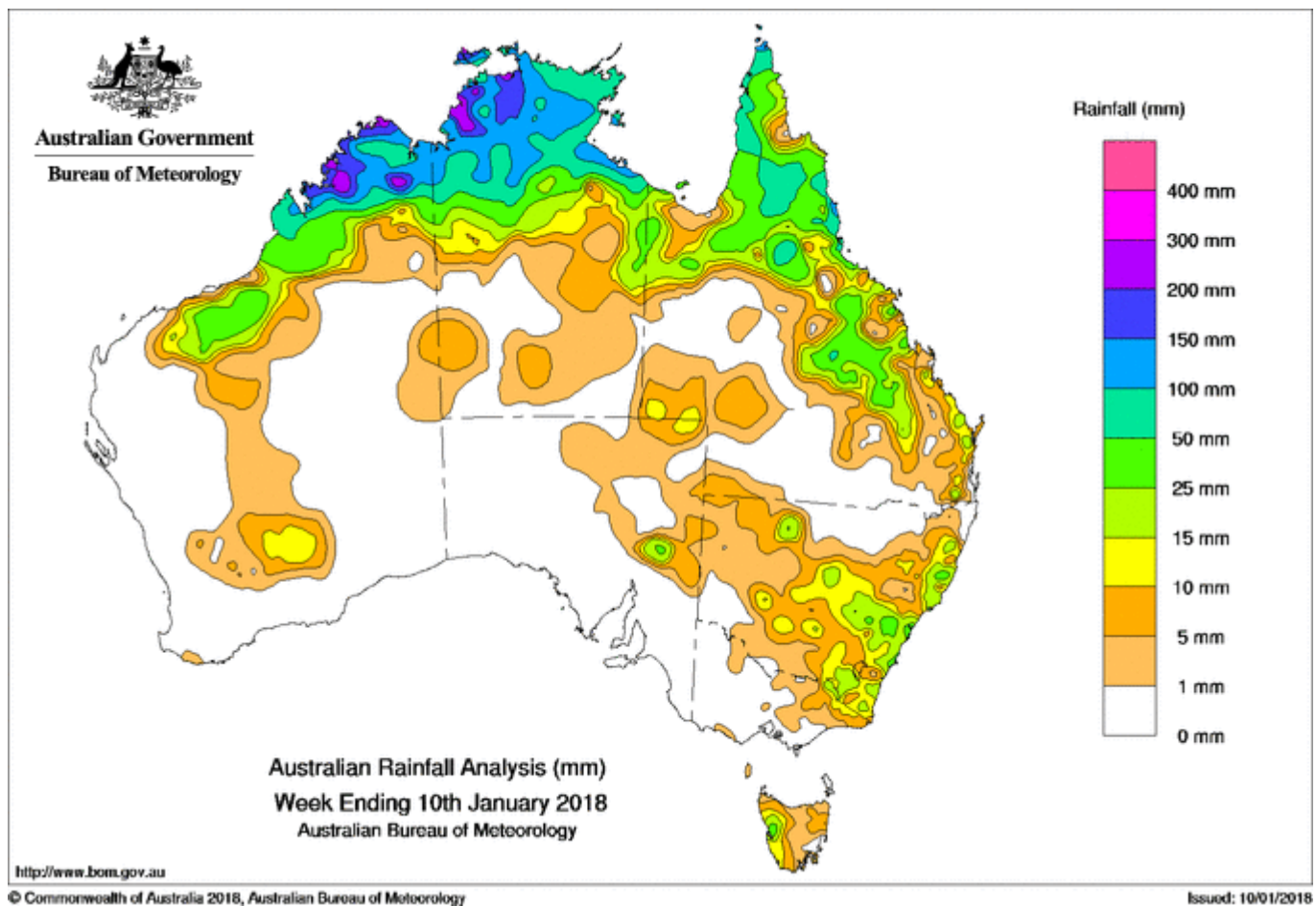


	This Report	Last Report	Change
AUD/USD (Spot)	\$0.7880	\$0.7836	\$0.0044
CBOT Wht USC/Bu (Mar18)	433	434.25	-1.25
CBOT Corn USC/Bu (Mar 18)	349	353	-4.00
ASX Wht AUD/MT (Jan 18)	\$263.00	\$255.00	\$8.00
ASX Bar AUD/MT (Jan 18)	\$239.00	\$230.00	\$9.00



## Weather & Crop Conditions

No significant rainfall was received in the summer cropping regions of Queensland and Northern New South Wales this week. Temperatures in these regions over the past 5 days have been very hot and with more warm temps on the forecast, rain will be needed in the coming weeks to maintain current summer crop estimates. Harvest is approaching for the smaller spring planted sorghum crop with the first receivals expected in the coming weeks. Parts of central New South Wales saw showers and isolated storm activity but it was dry in the cropping belt across other parts of the country.

## **Wheat – Global**

Wheat futures failed to follow through on the strength towards the end of last week, dipping into the weekend and early this week before bouncing to finish with values slightly down on the last market report. Russia continued its domination of GASC market share taking out another 115kmt in this week's tender at similar values to the previous purchase. December stem reports combined with customs data shows Russia exported at least 20mmt from July to December this season and with January weather favourable for shipping due to minimal snow, trade ideas for potential full year exports are increasing towards at least 35mmt. Argentina is also off to a very strong start to their 17/18 trade year with 1.7mmt of bulk wheat shipped in December, an 11% increase on last year. Meanwhile, the increase to US futures saw US all wheat sales come in at a disappointing 131kmt last week. Friday is a busy report day from the USDA with the release of the January WASDE, December 1 Stocks and 18/19 planted area estimates. The market appears to be looking towards these reports and could potentially take direction from them. Expectations are for another significant decrease to winter wheat planted area so any deviation from this would be surprising. The 18/19 HRW balance sheet continues to look tight, especially with conditions today suggesting below trend yields are a possibility. The latest CFTC data showed the funds had reduced their short futures position to a more manageable 83k contracts as of last Tuesday. Funds are likely even more square today given subsequent price action which could be prepositioning prior to the reports, reducing the likelihood of a fund led run higher

## **Wheat - Australia**

ABS released a surprising update to 2016/17 production overnight pegging the wheat crop at 30.6mmt vs ABARES December estimate of 35mmt. If this is the case, the lower carry in stocks would equate to an even tighter balance sheet for 17/18 and lower exportable surplus for this year. Particularly as wheat continues to find additional demand into the domestic feed market at current spreads to wheat and sorghum. The strength in the AUD has worked against export competitiveness over the last few weeks but the level of inquiry suggests there is still unfilled demand for Q1 this year. Bulk shipping pace is far more subdued than last year but remains on the level required to reach current estimates for 17/18.

## **Barley**

Harvest is largely complete in Australia with only small amounts still trickling into bulk handling systems. 17/18 crop USD FOB feed values have again firmed through the week on the back of strong demand from China and a strong Australian dollar. Interior feed markets are a touch firmer however buying activity has been subdued as consumers continue to purchase hand to mouth. Dry weather for the first half of this week has bought some much needed relief to saturated soils throughout France and Germany. Waterlogging has caused damage to winter barley crops however the extent of this damage won't be known for some time. Both European and Black Sea markets remain thin with no fresh fundamental news and little activity on the tender front. Bolsa De Cereals has reported Argentinian harvest at 90% complete production at 3.1mmt.

## **Canola**

A quiet start to 2018 in the Australian canola market with growers still holding out for a market rally to enable them to engage at levels seen in November. At this stage the increasing global soybean crop and already established large canola crop are working against them with prices only slightly higher than where we finished 2017. New crop pricing relativities again cereals suggests we will see another good plant of canola this coming season (if current spreads hold).

## **Pulses**

Pulse market in subcontinent is under pressure and prices are declining despite Indian government continuous efforts to control declining price as two bumper crop years and excess import volume are playing with market sentiments. This year India is also experiencing a significant increase pulse area which has resulted in weaker demand from India, affecting Australian pulse prices.

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