

# Domestic grain outlook

## Wheat – OUT OF STEAM AS GOOD WEATHER TAKES ITS TOLL

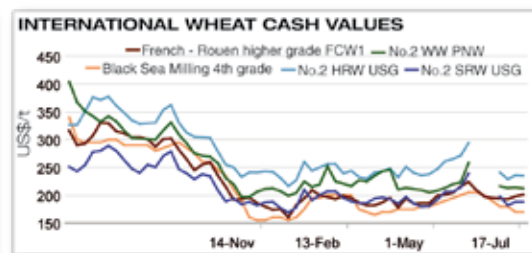
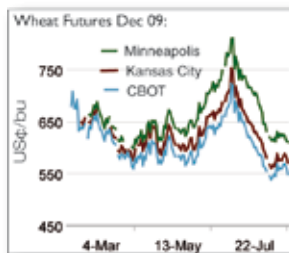
Wheat markets ran out of steam in late July as US on row crops.

In addition, we saw Egypt's GASC surprisingly buy Russian wheat this week at US\$178/t FOB and pass on US SRW which was offered at a US\$5-10/t FOB premium. Last week when Egypt purchased US and French wheat the premiums over Russia were actually greater than this week, and given the Egyptians have been recently talking down their ability to use Russian wheat, it caught the market a little off guard. Maybe they are just looking to pick up the odd Russian cargo to keep their blend going, help with logistics or simply just keep the US and French wheat markets on their toes.

US winter wheat is now 72% harvested (up 6% for the week compared to a 77% average) – the slower pace will help to reduce harvest selling pressure. Spring wheat conditions improved slightly this week and picked up in development pace a lot with 84% now headed vs 57% last week and a 93% average.

The European harvest is finding some delays due to wet weather, but no damage has been caused as yet. The focus for international futures will remain on a combination of demand and outside market direction from the row crops and also the financial and broader commodity sectors.

Local markets remain sluggish with the higher \$A and choppy global prices keeping us on the back foot. Weather remains pretty good across the country, but in order to maintain yield potentials we will be looking for good rain in August as temperatures start to heat up.



## Oilseeds – HAVE A HARD TASK TO FIND DIRECTION

Beans continue to struggle to move higher. New crop bean futures sit at around US\$9/bu and are finding it hard to set off on the next course of direction.

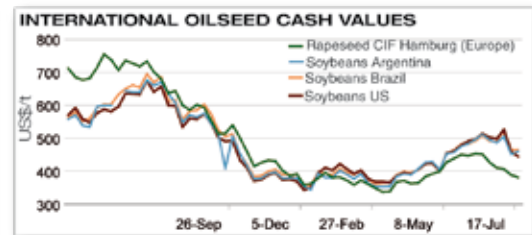
From a demand side, Chinese rumours continue to work overtime and with a seemingly depressed and highly stocked local market the China reserve was looking to auction off some of their stocks on Thursday – which failed to attract any bids. Yet new reports of additional business being done ex-US continue.

In the US, crop conditions are amazing, with those crops classed good/excellent at 67% – up 1% on the week and 6pts higher than last year. But on the bullish side of the equation, the crop is seriously late and cool temperatures are keeping it from catching up. At only 44% bloomed vs 24% last week, 43% last year and the 62% average, not one of the top 18 US bean states are ahead of average and the biggest bean state, Illinois, is only 24% bloomed vs a 69% average.

Canadian supply remains a concern; early July rain was extremely beneficial and mitigated a disaster but by the end of next week rain will again be the focus. If none is received, analysts will start talking sub 10 mmt crops again.

Europe's harvest is being delayed due to rain, but quality and quantity is not being compromised at the moment.

Locally, trade remains largely non-existent. Prices remain unexciting from an absolute price level and also from a basis level vs Canada. Prices vs Europe look quite strong but this is more so due to European prices being unusually soft in relation to the other origins.



## Barley – NO HOPE OF RALLY

The focus for barley remains on the Northern Hemisphere, where weather in Canada is still posing a concern – sitting two weeks behind schedule, and increasing the risk of frost in September. Alberta conditions are rated at 18% good, West-Central Saskatchewan at 26% good and Saskatchewan a more manageable 60% good. Recent weather in Canada has no doubt got some western crops out of jail recently and the current warmer conditions will help crops play catch up. However, with the warmer conditions also comes renewed dryness, so they will need some fresh rain in early August.

Across the Atlantic to Europe, and the crops there are battling through recent rain and thunderstorms, which are causing delays to the harvest. At this stage there doesn't appear to be a significant amount of damage, but we will need to watch it closely for lodging and pre-germination.

Locally, we continue to see a very illiquid market try and discount prices below A\$200/t for new season, to push us closer to the export level. The stronger \$A and soft global feed grain sector continue to stymie any hope of a rally at the moment.

From a marketing point of view it's a matter of watching the skies and doing your marketing homework ready for action time.

