



## CHICAGO

ADM Investor Services  
141 W. Jackson Blvd.  
Suite 2100A  
Chicago IL 60604  
www.admis.com

## LONDON

ADM Investor Services  
International  
4th Floor  
Millennium Bridge House  
2 Lamberth Hill  
London EC4 V3TT  
www.admisi.com

## HONG KONG

ADMIS Hong Kong  
Suite 908-10  
9/F Lincoln House  
Taikoo Place  
979 Kings Road  
Hong Kong  
www.admis.com.hk

## MARKET OUTLOOK FOR EUROPE, THE UK, RUSSIA AND INDIA

### Grain Outlook by George Eddell, Grain and Oilseeds Derivatives Broker for ADM Investor Services International Ltd.

*The following is an overview of the European, Russian and Indian economic, political and crop situations as of **22nd June 2018**. This report is intended to be informative and does not guarantee price direction.*

#### European Union

E.U. markets have been unable to escape the political trade fears surrounding President Donald Trump and China despite this largely being an oilseed and protein story. In retaliation to President Trump's U.S. steel taxes the E.U. commission's confirmed 25% levies on goods, including U.S. corn imports, which is rumored to have impacted two cargos that were already on water.

Other developments this month have seen a number of downward revisions to new crop forecasts with Coceral in particular dropping their total E.U. soft wheat forecast by 1.745mlnt to 138.782mlnt vs. 145.641mlnt last year. Higher revisions in France, where crop conditions have remained very good, despite the recent wet weather, fear jumped to 37.395mlnt. Private estimates however, call for higher production of 38 plus mlnt helping generally to offset production cuts to Denmark, Baltics and Germany.

Forecasts for Spain call for a 2.6mln increase in production to 6.365mlnt vs. last year's drought stricken crop, which will undoubtedly free up internal E.U. trade and allow for greater non-E.U. exports in 18/19. Already for the new crop season, global trade to Egypt has seen Romanian values compete with Russia making for a stronger start to the export campaign.



## Black Sea

With just a few weeks left of the old crop season, Russian wheat exports to 20<sup>th</sup> June have reached a record 39.4mlnt, which is up 49% from last year with Egypt the stand out buyer. This dominance however, has already been challenged for the new season with GASC's second tender for August shipment an all Romanian affair. Concern and apprehension ahead of harvest is currently restricting market activity with some changes announced in Novorossiysk port favouring to locals rather than global merchants, which is another area of change and uncertainty.

Doubt continues regarding last year's record 85mlnt wheat crop. Private estimates view last year's Russian crop number closer to 83mlnt with equally some big variances on domestic consumption of between 40 to 43mlnt depending on how you want to skin the cat. Net results though, is that the trade consensus sees carry out stocks of between 10 and 11 mlnt.

Recent crop tours including ADMISI's have reported a better than anticipated forecast for Russian wheat prospects this coming season. After 10 extensive days on the road our crop tour number calls for a Russian wheat crop in 18/19 of 73.6mlnt. Results in southern Russia were much better than anticipated with forecasted yields calling for a return to average yields despite precipitation of only 20% norm and soil moisture way down on this time last year.

Not all recent forecasts share the same consensus though, with the current range between 67.4mlnt to 74.5mlnt. Whilst generally most people agree that yields aren't an issue, it's the planted area that is providing the spread with forecasts as low as 25mln ha from the USDA vs. last year's 27.6mln ha and overall planting intentions from the Russian Ag Ministry of circa 27mln ha. The questions and debate therefore are all about spring wheat area. Cool and wintry conditions throughout Volga, Ural and Siberia have caused significant delays resulting in over 50% of the crop getting planted after the optimum planting window.

In Ukraine, new crop conditions are also holding up well with ADMISI crop forecasts calling for wheat production of 24.945mlnt basis average yield of 3.98mt/ha. The E.U. commission by comparison forecast an average yield of 4.06mt/ha, which assuming a planted area of 4.624mln ha, produces a wheat crop of 25.431mlnt. In their monthly note they described southern Ukraine as vulnerable to current dry and hot conditions and in particular made note of the risk to spring crops. Overall, when describing the Black Sea, it's clear then that there isn't a story regarding the winter crops, but instead spring crops, such as corn, are vulnerable and sunflowers are also vulnerable. ADMISI recent crop tour forecasts Ukraine corn production at 25.875mlnt vs. current the USDA of 30mlnt and last year's 24.7mlnt.