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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 ***18th April 2018.*** *This report is intended to be informative and does not guarantee price direction.*

European Union

Spring has finally arrived after what feels like a very long and drawn out winter across Europe that saw unseasonably cold conditions, excessive rainfall and even snow late into March and beginning of April. Minimum temperatures as low as - 8°C in Eastern France and Germany and excessive rainfall have delayed the start of spring sowing, which whilst not resulting in lasting damage, it certainly hasn't added to yield potential either.

Despite the political interventions and U.S. trade wars, resulting in eruptions to Chicago, E.U. markets by comparison have been rather more routine and focused on old crop execution. Internal logistics have been hampered by rail strikes in France and high water levels on the Danube and Rhine also not helping thanks to unrelenting rain.

Markets remain domestically driven within the E.U. as exports to third countries remain slow at 15.620mlnt to week 42 vs 20.478mlnt last year (down 23.72%). It follows therefore that Strategie Grains monthly update lowered E.U. exports for a 6th straight month to 20.3mlnt (down 0.9mlnt on March forecast). French wheat exports were cut by 0.5mlnt to a new non-E.U. forecast of 8mlnt in line with updated French Ministry forecasts of

8.3mlnt. Increased domestic feed demand from higher barley and corn prices and increased animal feed consumption due to the weather helped to drive E.U. demand and therefore intra-E.U. wheat forecasts from France 0.2mlnt higher to 8.9mlnt and on par with French Ministry forecasts.

Demand into Spain which was decimated by drought this past summer remains strong and is in principle driving increased Ukrainian feed wheat imports into the E.U. of 1.65mlnt, which is over and above the 1mln tariff free quota. Total E.U. soft wheat imports are therefore forecast at 3.7mlnt leaving carry out stocks at circa 15 to 16mlnt.

Turning to new crop the E.U. commission's crop reporting service MARS is forecasting average E.U. yields 4.4% above the five year average at 6.23 mt/ha for 18/19. This is despite the slow start to spring and the troubled hot spots of Denmark, Baltics and north eastern Germany where autumn conditions prevent acreage and led to poor establishment of winter wheat. Based on the commissions initial forecasted acreage number of 23mln ha, this suggests a total E.U. soft wheat crop of 143mlnt vs Strategie Grains at 141mlnt (141.7mlnt LY). Production increases for France will help to offset losses in the Baltics and Denmark with early calls for 18/19 exports at 24.1mlnt. This with current export estimates for the black sea of 37mlnt for Russia and 17.2mlnt for Ukraine should see combined export availability from the three regions some 3 to 5mlnt higher than this year.

From a new crop point of view, the E.U. crop isn't therefore a concern right now to global markets and suggests that E.U. producers will have to compete with Black Sea origins further next year. Instead weather in North America will remain influential with growing concern in Australia after a very dry autumn and warmest April on record so far.

Black Sea

Weakness in the Russian rouble following U.S. sanctions against oligarchs and their businesses with close ties to President Putin resulted in 7% devaluation to the rouble. This in turn drove values of Russian wheat $7 USD higher to new highs of $215 with the same questions as mentioned last month, being asked regarding ending stocks and old crop availability. The CME's Black Sea wheat contract has served to improve price discovery in the region with successful expiry of the first March contract at $208 USD vs cash values also at $208.

Russian wheat exports to 11th April total 31.8mlnt prompt yet another revised full season export forecast of 39.5mlnt from IKAR. Egypt remains the largest buyer, taking 6mlnt to the end of February, followed by Turkey at 3.5mlnt.

With winter dormancy behind us, first initial condition reports for 18/19 season are said to score winter wheat conditions as 93% satisfactory or above compared to ratings for 77% percent last year. Crop potential is however made and lost in May and June meaning therefore that for now crop estimates hover around the 74 to 77mlnt mark, which with 40mlnt domestic production and 15 plus mlnt of carry out stocks, still leaves 35mlnt export capacity. One caveat to this however is the ability of growers to get spring wheat acres in the ground, which given the extended winter, is currently proving difficult and behind pace. For now though, winter wheat plants are said to have finished the winter in excellent shape with good potential for a high yielding crop providing crops don't burn up ahead of harvest.