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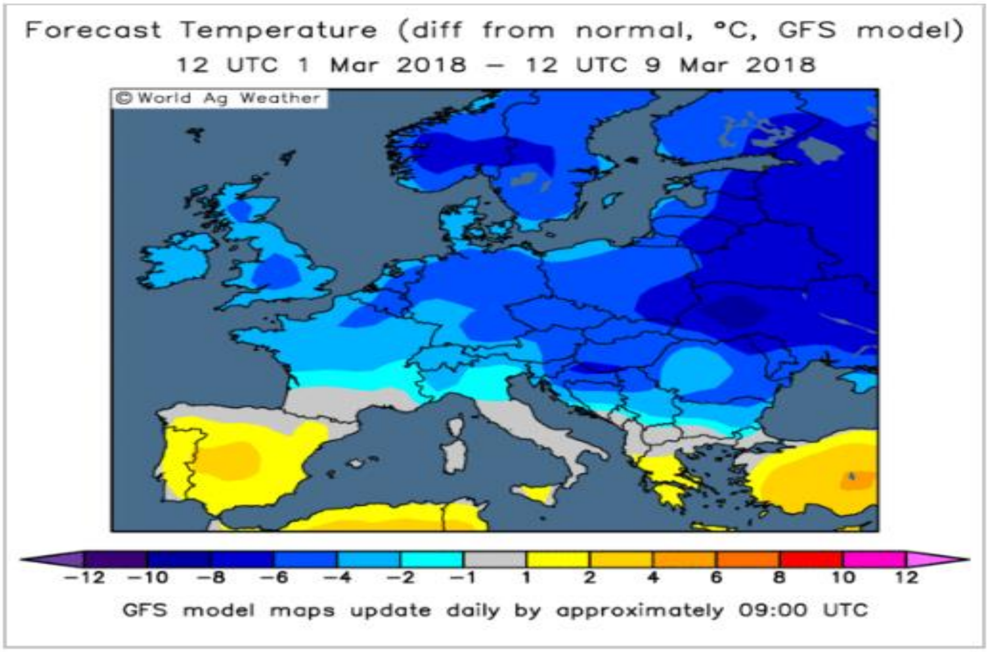
# MARKET OUTLOOK FOR EUROPE, THE UK, RUSSIA AND INDIA

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

E.U. markets sit in anticipation ahead of a sudden change to the forecast, bringing severe cold and sub-zero temperatures for the second half of February and into early March. Up until now, unseasonably warm conditions have prevailed since November across Europe, witnessing daily mean temperatures between 2 and 7 degrees Celsius above normal. As a result, frost tolerance remains weak with winter crops across southern and western Europe unhardened, while crops across central Ukraine, western Poland and the Czech Republic only partially hardened. A high pressure ridge heading south from Siberia is expected to bring temperatures of minus 10 to minus 25 degrees Celsius across Europe and is anticipated to prevail until middle of March.




Crops in Germany, Poland and Baltic states are thought to be most at risk particularly in areas that saw difficult sowing conditions in the autumn. France is also expected to see some issues where rainfall has been excessive resulting in some ponding and oxygen starvation. Southern parts of Ukraine have notably less snow cover than in previous years and an area too that will be monitored closely, where as Russia generally is thought to be sufficient.

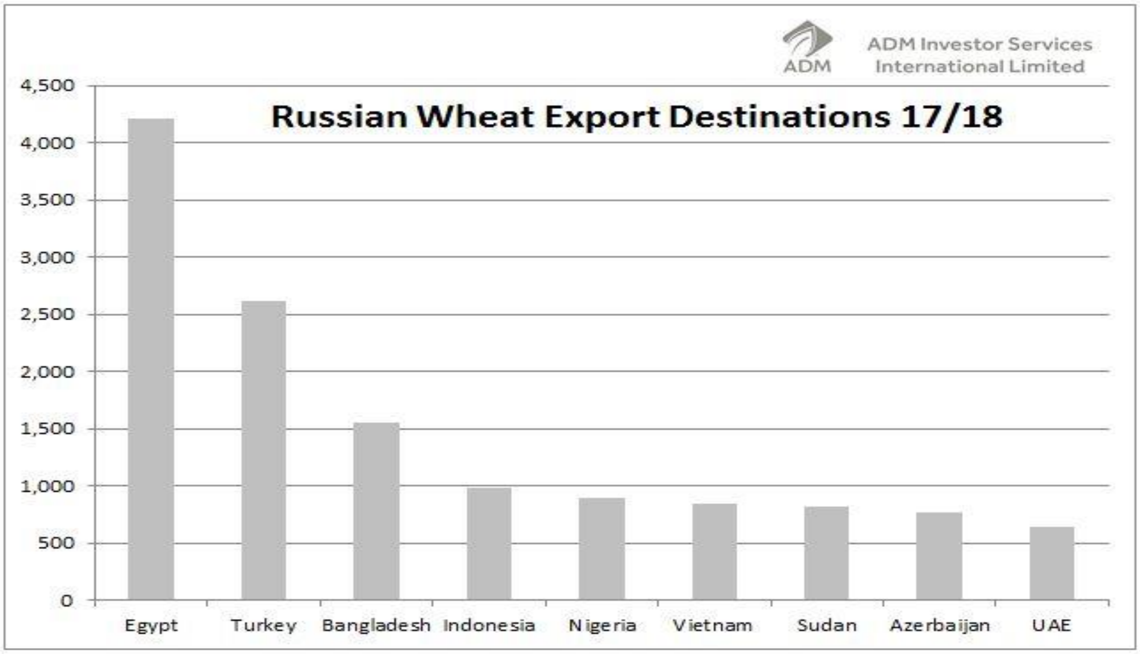
Values in Europe have followed global markets by firming $5-8 USD since the middle of January thanks to the developing U.S. plains drought and persistent La Nina that is drying out Australian soils ahead of planting in April. Spreads to Russian values in particular have narrowed though, seeing Romanian wheat compete once again into Egypt and for the first time in 6 months.

E.U. exports continue to lag last year's export pace by 19%, leading to a fourth monthly cut in export forecasts from Strategie Grains. To week 33 (14/02/18) shipments of 12.838mlnt compare to 15.857mlnt last year with the notable declines in shipments from Germany (due to quality) and Romania (due to increased intra-EU demand and dominance of Russian exports). Strategie grains now sees E.U. wheat exports at 21.4mlnt vs. first initial forecasts for the season at 26.461mlnt made ahead of harvest last year. This leaves 19 weeks to ship the remaining 5.543mlnt (290k per week), which following recent tender business to Saudi, Algeria and Egypt looks achievable. Carry out expectations sit around 12 to 14mlnt, which with growing French wheat carry out stocks of 3.251mlnt (2.879mlnt previous) from FranceAgriMer have helped to push the May vs. Sep spread on Matif out to 6 EUR.

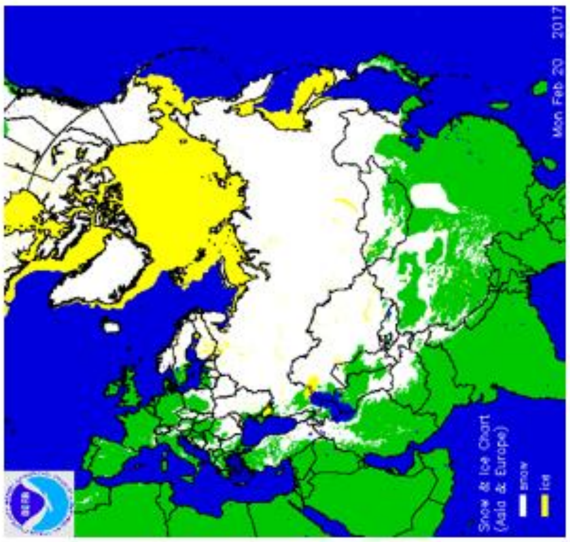
**Russia**

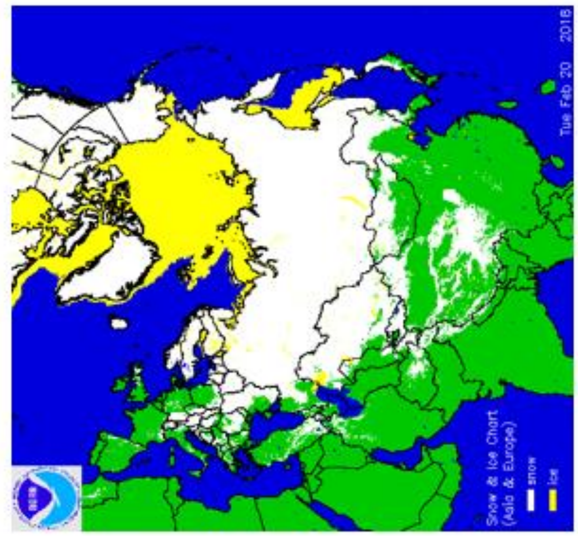
Global originations have been losing out to Russian wheat exports, with Australia in particular suffering from the erosion of market share in South East Asia after January exports dropped 50% vs. last year's shipments. The Australian Export Grains Innovation Centre has estimated that on-farm costs of production for Russian wheat is $95 USD per metric tonne vs. costs of $105 in Ukraine, $160 in Europe and $170 in Australia, showing the competitive advantage of the region.

Continued export demand and unseasonable weather have enabled the shipment pace to continue last month with January export forecasts of 3.2mlnt of wheat adding to July to December customs data of 21.324mlnt giving a total of 24.524mlnt. Despite values increasing $10 USD to $203 for 12.5 pro FOB, Russian wheat remains the world's benchmark fueling expectations that total season exports could reach 37.5mlnt according to IKAR. Current USDA forecasts updated this month forecast exports of 36mlnt and carry out stocks of 15.33mlnt, which regardless of next year's crop size, will ensure dominance of exports on global markets continues.




Helping the supply and movement of grains this season has been the government's tax crackdown on VAT receipts of farm grain. Exporters and international trade houses have been able to originate directly from growers, improving margins and cutting out the complex web of string trades that existed. Previous exploitations involved buying a selling grain via a complex chain of transactions which left the tax obligation with a small trading company that ceased to exist.




**Snow cover Feb 2017** **Snow cover Feb 2018**

Snow cover and conditions across southern Russian and Ukraine suggest some thawing over the past week which could open the chances of winter kill. Sub-zero temperatures of up to minus 25 are expected which will need to be monitored as we get into spring.