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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 **22nd November 2017**. This report is intended to be informative and does not guarantee price direction.*

European Union

Values of E.U., French, Baltic and German wheat have hovered in a \$4 USD range of the low \$190's with values of German wheat in particular narrowing and increasing competition to Black Sea originations. E.U. exports to the middle of November total 7.5mlnt, down 24% from last year at the same time and seriously lacking the USDA's unchanged 28mlnt (1.5mlnt of which is durum). The top E.U. destination remains Algeria taking 1.73mlnt of French wheat followed by 0.962mlnt of German/Baltic/Polish wheat to Saudi Arabia.

Despite the slower E.U. export pace, the domestic E.U. trade remains strong with French customs data from September in particular showing that intra-E.U. exports are a massive 66% higher than last year. In total the all intra-E.U. trade is forecasted at 29mlnt. New crop plantings across France and the U.K. are going into near ideal conditions. However, some areas of Germany, Poland and Baltic states have seen wetter conditions that did not sufficiently allow for full intentions to be planted. The Strategie Grains monthly forecast therefore reduced planting forecasts for winter wheat from 23.8mln hectares to 23.5mln vs. last year's 23.7mln hectares.



Black Sea

Egypt is reported to have once again re-installed zero Ergot tolerance as the internal battle between GASC and government quarantine inspectors continues, adding uncertainty and an unwelcome U-turn for the trade. Russian exports continue to dominate, which despite the lack of other competition and recent the specification change is trading levels that look aggressive given the circumstance. This near Russian dominance to Egypt over the past two years has forced the closure of the U.S. wheat associates marketing office in Cairo.

Latest harvest data from the Agriculture Ministry in the third week of November shows bunkered wheat crop of 88mlnt, which after cleaning and drying implies a total wheat crop of 83.5mlnt from 97% of harvested area. Yields of roughly 3.2mt/ha for 2017 have increased a massive 80% over the past five years accounting for the rapid acceleration in this year's crop volume. Good autumn conditions favouring winter plantings have seen successful winter plantings largely unchanged from last year, which suggest forward wheat crop estimates starting at 70mlnt.

Wheat exports for the 17/18 season are expected to total a massive 16.4mlnt to the end of November against 13.314mlnt last year, showing the early capacity to export this year's record harvest. Significant investment has been targeted by the Russian agricultural minister increasing export capacity by 50% from today's 5 mlnt / month to 7.5mlnt / month. Infrastructure activity will focus on projects in Taman and Russians east and northern regions.

This month the CME announced plans for Russian wheat and corn contracts based on Platts daily price assessments. Differing from its 2012 attempt to launch a Black Sea contract, the CME's new wheat and corn contract will be cash settled and will focus on just 12.5 pro Russian wheat and corn.