

**Market Report**  
**Thursday, 18 July 2013**

**Grains** – New crop corn continues to trade lower on the back of weakening futures and a strengthening euro which has pushed back up to over 1.31 versus the USD. Dec corn futures have traded back below the \$5/bu benchmark which is very interesting given the weaker dollar, the mixed weather outlook and a very tight old crop. If you can recall your biology classes, Geotropism is the ability of plants to know which way is up and which way is down. So even if a seed is placed upside down the roots will rotate down and the shoots will orientate up. Right now the markets are displaying a lack of geotropism and appear to have forgotten which way is up and which way is down with Matif remaining a close friend of €200/tonne and CBOT corn remaining a close companion of \$5/bu. There is a great deal of uncertainty in the market that centres mostly on the US weather outlook. In rough numbers, about 1/3 of the corn area there is too wet, 1/3 is too dry and about 1/3 is perfect. This still leaves the door open for a 150bu/acre type yield which based on projected demand levels creates a sub \$5/bu trading environment. In Europe, the harvest both sides of the Black sea is coming in thick and fast and while the production outlook has been increasing as we approached harvest and the latest EU statistics project a rebound in grain production across the board with the biggest increases seen in maize and barley, up 19.6% and 7.6% respectively compared to last year. Given the low protein levels being realised in the wheat crop so far (12.5% protein wheat short in supply) a surplus of feed grains is of a high probability which is probably the bulk of the pressure on Matif which is a low grade milling/high grade feed contract in reality. So on balance, the isolated dryness in the US is troublesome and should prevent Dec corn futures deviating too much below \$5/bu near term but at the same time I think that European feed grains have little upside potential given the development of the harvest in terms of yields and protein levels.

| EU EVOL CEREALS USABLE PRODUCTIONS |              |              |              |              |            |
|------------------------------------|--------------|--------------|--------------|--------------|------------|
|                                    | 2011/12      | 2012/2013    | 2013/2014    | 2013/2014    | %change    |
| Mio t                              |              |              | May fcst     | June fcst    | 2012/2013  |
| <b>TOTAL</b>                       | <b>286,0</b> | <b>276,4</b> | <b>291,3</b> | <b>298,1</b> | <b>7,9</b> |
| Soft wheat                         | 128,5        | 123,8        | 127,9        | 128,9        | 4,1        |
| Durum wheat                        | 8,4          | 8,4          | 8,9          | 8,7          | 3,6        |
| Barley                             | 51,3         | 54,2         | 56,6         | 58,3         | 7,6        |
| Maize                              | 68,6         | 58,3         | 66,2         | 69,7         | 19,6       |
| Rye                                | 6,7          | 8,5          | 8,7          | 8,7          | 2,0        |
| Oats                               | 7,7          | 7,8          | 8,1          | 8,0          | 1,5        |

**Proteins** – Protein markets starting to show signs of fatigue with a quiet enough day yesterday, the market only moved in a \$7 trading range! The charting people may even conclude a near term top in the market has been achieved based on some of the technical indicators. The US remains on course for one of the tightest carryout's in its history (sub 150bbu) and is actively importing protein as beans and meal from South America to try and alleviate this tightness. The import levels appear to be relatively modest so far however and the market looks like it still has more rationing to do which will require higher prices and/or deeper inverses longer term. The new crop is starting to get some strength on its own fundamentals (rather than following the front months) with some patchy dryness starting to see analysts there reduce their soybean yield ideas. The later wheat harvest and dry weather in the South of the US will shed some doubt upon the double cropping potential so for now it is a reiteration of the same story, the US old crop is VERY tight and by extension so is the rest of the global protein market while the new crop outlook is still relatively optimistic but not quite as optimistic as it was a week or two ago.

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**Currencies and equities** – Currency market see the euro trading 1.31 versus the USD and 0.864p sterling. WTI is trading at \$108. Equities are generally firmer.

|                     |         |         |         |        |           |  |  |                       |        |        |        |        |                  |        |
|---------------------|---------|---------|---------|--------|-----------|--|--|-----------------------|--------|--------|--------|--------|------------------|--------|
| <b>Soybean Meal</b> | High    | Low     | Close   | Change | Overnight |  |  | <b>MATIF Rapeseed</b> | High   | Low    | Close  | Change | Overnight        |        |
| Aug '13             | 471.40  | 463.60  | 469.10  | 2.30   | -3.80     |  |  | Aug '13               | 388.25 | 384.75 | 386.75 | 0.00   | 0.00             |        |
| Sep '13             | 427.10  | 420.80  | 423.50  | -1.50  | -5.20     |  |  | Nov '13               | 388.75 | 385.00 | 387.75 | 0.50   | 0.00             |        |
| Oct '13             | 393.20  | 387.40  | 389.40  | -2.00  | -5.70     |  |  | Feb '13               | 390.25 | 387.00 | 389.00 | 0.00   | 0.00             |        |
| <b>Soybeans</b>     | High    | Low     | Close   | Change | Overnight |  |  | <b>CBOT Corn</b>      | High   | Low    | Close  | Change | Overnight        |        |
| Aug '13             | 1482.00 | 1464.25 | 1477.50 | 2.25   | -7.25     |  |  | Sep '13               | 549.00 | 537.75 | 538.50 | -6.75  | -1.00            |        |
| Sep '13             | 1340.00 | 1323.25 | 1329.25 | -6.25  | -9.00     |  |  | Dec '13               | 515.00 | 501.50 | 502.00 | -8.75  | -1.25            |        |
| Nov '13             | 1293.00 | 1275.25 | 1283.50 | -2.75  | -9.00     |  |  | Mar '13               | 527.00 | 513.75 | 514.25 | -8.75  | -4.00            |        |
| <b>Soybean Oil</b>  | High    | Low     | Close   | Change | Overnight |  |  | <b>MATIF Corn</b>     | High   | Low    | Close  | Change | Overnight        |        |
| Aug '13             | 46.11   | 45.51   | 45.79   | 0.08   | 0.32      |  |  | Aug '13               | 222.25 | 220.75 | 222.00 | 0.50   | 0.00             |        |
| Sep '13             | 46.09   | 45.49   | 45.77   | 0.09   | 0.02      |  |  | Nov '13               | 178.75 | 177.00 | 177.25 | -0.75  | 0.00             |        |
| Oct '13             | 45.67   | 45.29   | 45.58   | 0.18   | 0.11      |  |  |                       |        |        |        |        |                  |        |
| <b>CBOT Wheat</b>   | High    | Low     | Close   | Change | Overnight |  |  | <b>Asia Contracts</b> | Last   | % +/-  |        |        | <b>Crude Oil</b> | last   |
| Sep '13             | 674.00  | 664.00  | 665.00  | -4.50  | -1.00     |  |  | BMD Palm Oil          | 709.25 | 0.60%  |        |        | NYMEX            | 106.36 |
| Dec '13             | 686.50  | 677.00  | 677.75  | -4.75  | -1.25     |  |  | Dalian SBO            | 7160   | 0.00%  |        |        | ICE              | 108.4  |
| <b>MATIF Wheat</b>  | High    | Low     | Close   | Change | Overnight |  |  |                       |        |        |        |        | <b>Equities</b>  | +/-    |
| Nov '13             | 195.25  | 193.75  | 194.50  | 0.50   | 0.00      |  |  | <b>FOREX</b>          | Spot   | 1W ago |        |        | FTSE             | 12.78  |
| Jan '14             | 195.25  | 193.75  | 194.50  | 0.50   | 0.00      |  |  | \$/€                  | 1.3103 | 1.3094 |        |        | ISEQ             | 3.78   |
| <b>LIFFE Wheat</b>  | High    | Low     | Close   | Change | Overnight |  |  | €/£                   | 1.1571 | 1.1591 |        |        | DJI              | 18.67  |
| Nov '12             | 168.55  | 167.55  | 168.40  | -0.10  | 0.00      |  |  | \$/£                  | 1.5163 | 1.5183 |        |        | H SENG           | -35.77 |
| Jan '13             | #N/A    | #N/A    | 169.60  | -0.10  | 0.00      |  |  | £/€                   | 0.8642 | 0.8620 |        |        |                  |        |

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