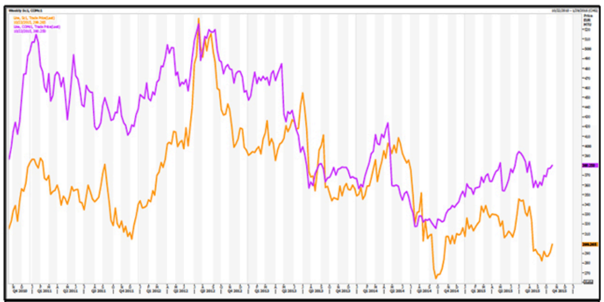
We are once again going to spend some time looking at the EU, this time with more focus on rapeseed (canola). Rapeseed is the main oilseed grown within the community and utilized for its bountiful supply of oil and protein rich meal, used in livestock feeds.

Output for 2015/16 is forecast at a shade over 21 million mt, which is some 3.3 million mt below 2014/15 levels. This reduction in production is a consequence of both a less planted area and reduced yield. The latter point is hotly debated and questioned in the light of the ban (which was introduced in December 2013) on use of Neonicotinoid pesticides, which were introduced in 1999 and rapidly gained favour. The (then) new class of pesticide was reported to be less harmful to mammals but has more recently been considered a threat to bee populations and their work as pollinators, hence the ban. Controversially, the UK agreed to lift the ban for 120 days on two of the pesticides, allowing use on around 5% of the UK crop. Now, the overall ban is due for review at the end of the year.

As a consequence of reduced production EUY rapeseed meal production in 2015/16 is forecast at 13.5 million mt, down nearly a million mt year on year. Rapeseed oil output is pegged at 9.75 million mt, which is over 600,000 mt below 2014/15.

Consumption of rapeseed meal from the livestock perspective is also forecast to fall in 2015/16 by around ¾ million mt, doubtless from an availability perspective. However, the relative value of rapeseed meal in relation to its "big brother" soybean meal should also be borne in mind. Currently Paris Nov '15 rapeseed are €380.75/mt and Nov '15 Chicago soybean $8.95/bu. On a €/mt basis, the two commodities compare with rapeseed at €380/mt and soybeans nearly €300. Given a generic 40% protein and 20% oil content in soybeans compared to rapeseed with 20% protein and 44% oil, the relative values can be more usefully considered. From a purely simplistic perspective soybean protein value is greater than rapeseed. However, this year we are looking at the value of rapeseed meal at higher levels in relation to soybean meal than have been seen for some time. Will this change over time? Clearly there is no right or wrong answer but with growing global soybean output and end stocks without a corresponding pattern for rapeseed, it is difficult to suggest seeing comparable levels soon. Doubtless rapeseed is an extremely valuable crop from a farmer's crop rotation perspective and given the limited ability to grow soybeans within the EU, it will likely remain a favourite.



US Soybeans in Euro/MT – Orange : Paris Rapeseed in Euro/MT - Purple

In other news, the ECB (European Central Bank) has once again left interest rates unchanged with the door remaining firmly open for further ongoing asset purchases (QE) going forward. In the US, rumours continue around the possibility of an increased rate in December, which will doubtless cause further US$ strength adding pressure commodity prices once again.

This weekend's Argentine presidential election could pave the way for their export trade to become more competitive if the export tax position is eased as many are suggesting. From a time frame perspective it is unlikely that much would happen before Q1 20126, but it will pay to watch what happens.

This week has seen a rapid US harvest pace and as soybean and corn crops pour into storage it seems that reluctant farmer selling at relatively cheap prices is slowing, which has forced cash basis levels higher. Whether this situation will continue remains to be seen, but the power of "starving a market" is clear. Once in store it will likely take a move higher in price to encourage further selling. From this perspective, we are certainly less bearish particularly in the shorter term despite global fundamentals suggesting otherwise.