



MI Prospects



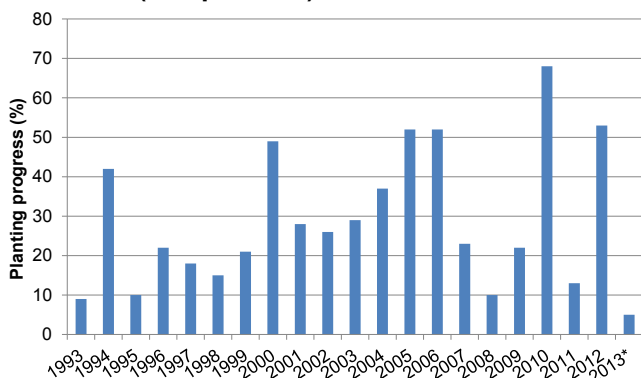
Divisive markets

Crop markets have now entered their most sensitive period of the year with winter crops moving into various stages of reproductive growth and planting of spring crops. The slow emergence of the Northern Hemisphere spring has created much uncertainty and divided market sentiment towards new crop supplies. The upshot is that further volatility over the coming months should be expected, so businesses need to be prepared.

The big issue of late is the slow US maize planting progress, due to wet field conditions. As the graph depicts, current progress is slow and akin to that of 1993 – the year of the great Mississippi flood. However, the grain market is at odds to what this means. Early planting progress in theory means that the crop has the opportunity to pass through key development stages, before the main threat of extreme summer heat arrives. However, 2012 proved that early planting progress does not guarantee a safe crop.

Likewise, 2008 and 2009 demonstrated that delayed progress does not mean a disastrous crop. As a result, it is wise not to get too drawn in either direction at this stage. However, if the US maize crop sees planting delays well into May the market is likely to become more nervous.

US National Maize Planting Progress by Week #17 (28 April 2013)



*based on the 18 states that accounted for 92% of the 2012 area Source: USDA (NASS)

The role of biotechnology in global crop production continues to increase, despite divisive opinions towards the technology. However, the world has yet to see a completely weather proof crop so some market drivers remain traditional.

On 10 May USDA will release their first full estimates of global supply and demand for the 2013/14 season. As the season progresses, these estimates are of course expected to change especially as more is known about the weather and its crop impact. Much of these initial forecasts are based on preliminary information, such as the Canadian planting intentions – so these estimates will continue to evolve. None the less, markets will treat this as a baseline, but will be cautious to respond fully until the respective crops approach and progress through harvest.

From a UK perspective, the April Crop report from ADAS suggests that wheat crop development remains well behind normal with 85% of the UK spring barley crop now planted. To view the April Crop Report, please [click here](#).

Jack Watts

HGCA and nabim are once again on the lookout for the country's best milling wheat grower as part of the [2013 Milling Wheat Challenge](#).

To enter the UK-wide competition click [here](#).

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Canadian Planting Intentions

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2012/13 Price Review and New Crop Pricing Prospects

The influence of new crop prospects on futures prices is gradually increasing, as more information becomes available.

Vegetable Oil and Crush Margins Update

Vegetable oil prices experienced an increasing trend in March, linked to the slow arrival of South American new crop into the international market. However, vegetable oil prices have recently been pressured by weak crude oil prices. This, combined with firm soyabean prices, have depressed oilseed crush margins.

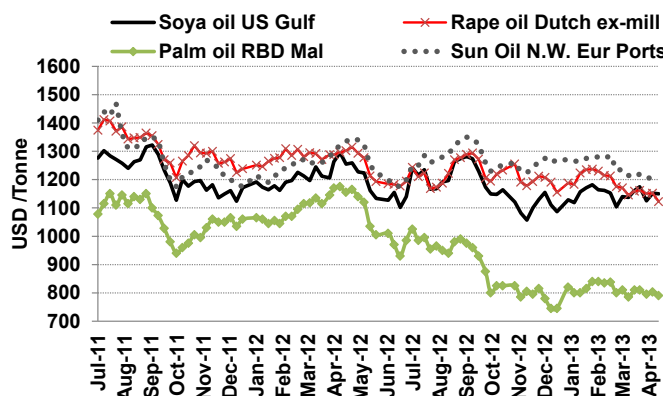
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Oilseeds are crushed to produce protein meal (used in animal feed) and vegetable oil (used in foods and biodiesel). The gross crush margin and how it changes overtime is a useful indicator of how near-term demand might evolve. The crush margin is derived by deducting the cost of the oilseed from the values of the meal and oil. As all three commodities (seed, meal and oil) are volatile, they all influence the crush margin.

Vegetable oil update

Prices of the **main vegetable oils** declined continuously from the beginning of February this year, as markets at the time, expected a record South American supply to bring some relief to the tight global oilseed market. The start of March saw a reverse to the declining trend as it became evident that export logistics issues, especially in Brazil were going to delay the arrival of soyabeans into the world market.

Figure 1 Vegetable Oil Export Prices (Fob)



Source: Oilworld; www.oilworld.de

A notable trend in Figure 1 is the narrowed discount between the European rape oil and US soya oil prices and the most recent soya oil premium over rape oil, mirroring the tight supply of US soyabeans this season. This has also led to a widening of the price discount between palm oil and soya oil.

Competitive **palm oil prices** have resulted in increased use of the tropical oil, thus reducing stocks in the main exporting countries. However, prices have been pressured by the start of the seasonal production increase and the weak crude oil price. A cheaper crude oil price relative to palm oil (traditionally the cheapest of the four main vegetable oils) means it

may be more competitive to use the fossil fuel rather than biodiesel in fuel blends.

The vegetable oil complex has recently been pressurised by the latest **weakness in the energy sector**. Crude oil prices have fallen in recent weeks, with the **Brent crude oil price** closing at **\$97.37/barrel** on 17 April, the lowest closing price since July 2012.

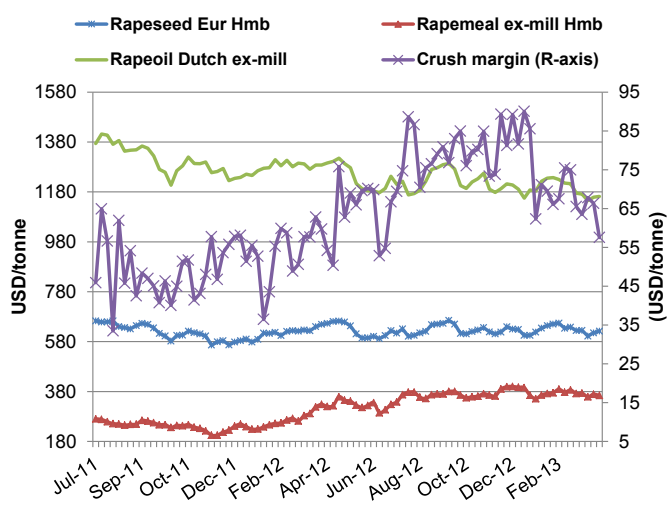
In line with increased harvest expectations, **South American soya oil** supplies are expected to increase. The prospect of this is applying downward pressure to the soya oil market, which is further amplified by the poor export demand for Argentine biodiesel. Soyabean crushing in **Argentina** is expected to recover in April and May after an estimated 2Mt was crushed in March compared to 2.4Mt in March 2012 (www.oilworld.de).

Crush margins update

Rapeseed

EU rapeseed crush margins declined in the first three months of 2013 (Figure 2). Margins reached \$90.05/t by end-Dec but declined to \$62.29/t by the beginning of January. Increases in the rape oil price were more than offset by higher seed and weaker meal values.

Figure 2 Oilseed rape complex (FOB) vs Crush margin



Source: Oilworld; www.oilworld.de

More recently, the decline in margins has been driven by the increase in rapeseed prices and a drop in rape oil prices despite rape meal prices staying firm, in line with the global shortage of protein meal.

Old crop rape meal prices have not been available since end-March, indicating that rapeseed crushers have mostly sold out of the old crop positions (Oil World).

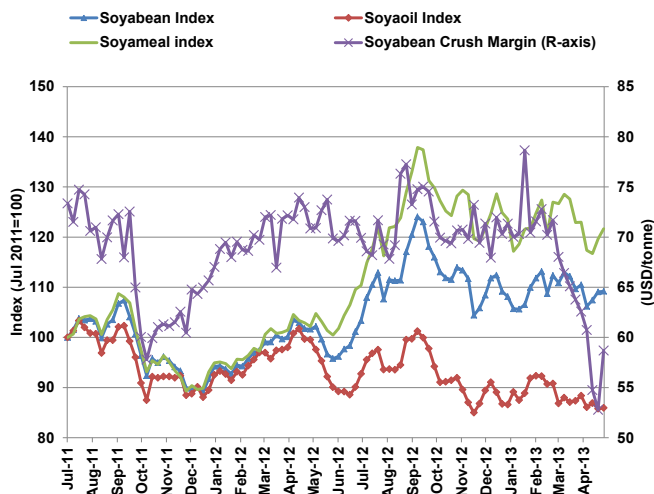
Soyabean (CBOT-May13) Crush margin

Soyabean crush margins based on the Chicago May-13 futures prices have continued to decline since March, as soyabean prices remained firm (Figure 3). This season, soya meal prices have had to increase in line with soyabeans, to maintain crush margins. Soya oil has

Vegetable Oil and Crush Margins Update

been unable to rally as it was already expensive against palm oil and so any further price increases could have caused less demand due to substitution.

Figure 3 CBOT May-13 Soya complex vs Crush margin



Source: AHDB/HGCA

Low import levels of soya meal in the EU has made demand rationing necessary and led to a depletion of EU soya meal stocks. This trend has been attributed to the fact that the US soya meal bought by the EU compound feed sector only partly offset the impact of the delayed arrivals of South American soya meal at European ports (Oil World).

Total soya meal exports from the four major exporting countries (US, Argentina, Brazil and India) reached 3.16Mt in March, down 20% on a year ago as supplies from the US could only partly offset decreases from the other three origins.

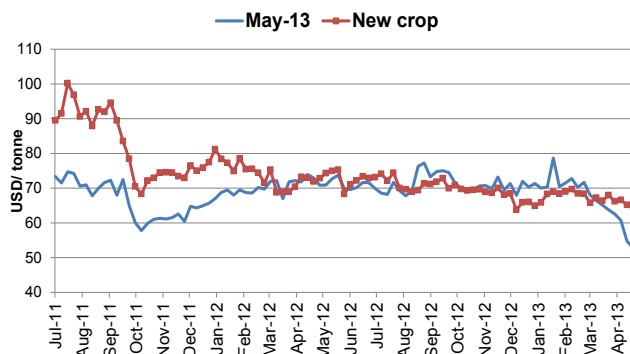
The National Oilseed Processors Association (NOPA) reported US soyabean crush in March at 3.73Mt, compared to 3.82Mt in March 2012, reflecting the higher crush margins in March 2012, compared to March 2013.

As the South American bottle necks ease off into the season, it is expected that there would be some relief for the tight soya meal market as crushing levels increase in the region thus, an increase in soya meal exports.

Future Prospects - New crop crush margins

Crush margins based on new crop prices for the soyabean complex are currently seen to be slightly better than the May-13 basis. This is in line with the expectation of a larger US soyabean crop for the 2013/14 season.

Figure 4 CBOT Soyabean (May-13) vs New crop Crush margin



Source: AHDB/HGCA

Closing comments

Rapeseed crush margins have declined recently, due to higher rapeseed prices and lower rape oil prices, despite firmer rape meal prices. The recent reduction in soyabean crush margins has been attributed to the slow arrival of South American soyabean into the international market, thus resulting in higher raw material prices for crushers. The tight soya meal market is expected to see some relief in coming months as the export bottle necks in South America ease and crushing levels in the region increase.

Looking ahead, a possible impact of the slow South American export pace is that the region might still be active in the export market at a time when the US soyabean crop dominates the market. For the new crop, soyabean crushing is seen to be more profitable than the May-13 crush margin; hence attention will now be on the US planting progress. With US maize planting currently delayed, there has been speculation that farmers could substitute some intended maize area for soyabeans, which are planted slightly later. However, analysis shows that there is a weak correlation between maize planting progress towards the end of April and final area or yield. [Click here](#) for more. US soyabean national planting progress is yet to be published but some states have reported planting progress to be behind last year.

Key Points

- Lower crude oil prices pressurise the vegetable oil complex
- Higher seed and lower rape oil prices pressure EU rapeseed crush margins
- Global protein meal market tight on slow arrival of South American supplies
- Oils less impacted as substitution occurs between the main vegetable oils

GM Crop Update

The global area of GM crops has increased for the last 17 years from 1.7Mha in 1996 to 170Mha in 2012. However, the EU authorisation process and consumer acceptance lags behind other regions.

Sarah Nightingale, External Contributor

Introduction

Uptake of genetically modified (GM) crops worldwide continues to increase as highlighted in the recent report “**Global Status of Commercial Biotech/GM Crops: 2012**” published by the International Service for the Acquisition of Agri-Biotech Applications (ISAAA). However, there is a widening gap in the rate of authorisations each year between countries, which creates trade issues for many of the major crop products.

The report shows that the global area of GM crops has increased every year over the last 17 years from 1.7Mha in 1996 to 170Mha in 2012. Furthermore, it states that GM crops have made a significant contribution to food security, sustainability and efforts to mitigate the effects of climate change. However, this viewpoint is not shared by all, notably in the EU where acceptance of crops developed by biotechnology lags behind much of the rest of the world. The EU therefore has a relatively small area

sown to GM crops, and some issues to address with regard to bulk commodity imports.

GM crop production by country

Figure 1 shows the area sown to GM crops in the **28 countries** that planted GM crops in 2012. The **USA** remains the country with the largest area sown to GM crops, accounting for about **41%** of the global area sown last year.

Brazil saw the biggest increase in GM area in 2012 compared to all other countries and planted 21% of the global area. Sudan and Cuba planted GM crops for the first time in 2012 and planted Bt (insect resistant) cotton & Bt maize respectively. Cuba sowed Bt maize for the first time in a “regulated commercialisation” initiative which is part of an ecologically sustainable programme run by its government. Three countries (Germany, Sweden and Poland) ceased production of GM crops in 2012 mainly due to the complicated regulatory framework for GM crop production within the EU.

Regulatory approval of GM crops

In addition to the 28 countries that planted commercialised GM crops in 2012, a further 31 countries have granted regulatory approvals for import, food & feed use and for release into the environment since 1996.

Figure 1 Area sown to GM crops by country in 2012

Country	Area (Mha)	% of Total Area	GM crops
USA	69.5	40.8	Maize, soyabean, cotton, canola, sugarbeet, alfalfa, papaya, squash
Brazil	36.3	21.3	Soyabean, maize, cotton
Argentina	23.9	14.0	Soyabean, maize, cotton
Canada	11.6	6.8	Canola, maize, soybean, sugarbeet
India	10.8	6.3	Cotton
China	4	2.3	Cotton, papaya, poplar, tomato, sweet pepper
Paraguay	3.4	2.0	Soybean, maize, cotton
South Africa	2.9	1.7	Maize, soyabean, cotton
Pakistan	2.8	1.6	Cotton
Uruguay	1.4	0.8	Soyabean, maize, cotton
Bolivia	1	0.6	Soyabean, maize, cotton
Philippines	0.8	0.5	Maize, soyabean, cotton
Australia	0.7	0.4	Cotton, canola
Burkina Faso	0.3	0.2	Cotton
Myanmar	0.3	0.2	Cotton
Mexico	0.2	0.1	Cotton, soyabean
Spain	0.1	0.1	Maize, soyabean, cotton
Chile	<0.1	<0	Maize, soyabean, canola
Colombia	<0.1	<0	Cotton
Honduras	<0.1	<0	Maize
Sudan	<0.1	<0	Cotton
Portugal	<0.1	<0	Maize
Czech Republic	<0.1	<0	Maize
Cuba	<0.1	<0	Maize
Egypt	<0.1	<0	Maize
Costa Rica	<0.1	<0	Cotton, soyabean
Romania	<0.1	<0	Maize
Slovakia	<0.1	<0	Maize
Total	170.3		

Source: ISAAA “Global Status of Commercialised Biotech/GM Crops: 2012”

GM Crop Update

These approvals cover 25 crops of which:

- Maize (121 events in 23 countries), the largest number of approved events
- Cotton (48 events in 19 countries)
- Potato (31 events in 10 countries)
- Canola (30 events in 12 countries)
- Soyabean (22 events in 24 countries).

The event that has received the highest number of regulatory approvals is the **glyphosate tolerant maize event** NK603 (50 approvals in 22 countries + EU-27), followed by the glyphosate tolerant soybean event GTS-40-3-2 (48 approvals in 24 countries + EU-27).

The regulatory approval systems differ significantly between countries, and many developing countries are still in the process of establishing legislation to cover the cultivation, use and trans-boundary movement of GM crops. The **EU approval process** is significantly slower than in many other countries and has caused problems for importers of the main crop products into the EU. **Brazil**, on the other hand, has a more efficient approval process and considerable cooperation between public and private institutions. This has allowed the development of GM crops adapted to suit specific growing regions within the country.

The approach to **"stacked trait"** crops (two or more genes of interest combined into a single plant) is also very different. In the USA and Canada, regulatory procedures for stacks consisting of already approved GM events are relatively light, while the EU and Japan consider stacked traits as new events which must pass their own separate regulatory approval process. A risk assessment is involved in this which focuses on the identification of risks that could arise from the combined genes. "Stacked trait" GM crops accounted for 25% of the global GM acreage in 2012 and are becoming increasingly popular in USA and Brazil. Stacked maize events accounted for 52% of US GM maize area in 2012 (ISAAA).

Environmental benefits reported for GM crops

ISAAA reports that GM crops have made a significant contribution to food security, sustainability and climate change. Lower production costs and higher yields compared to conventional crops are reported to have globally generated savings of about \$98.2 billion at farm level, between 1996 and 2011. Farmers in developing countries such as China, India, Pakistan and Burkina Faso are reported to have benefitted from the development of GM cotton. Fuel savings, pesticide usage and decreased CO₂ emissions are also reported to be key advantageous environmental effects of GM crop cultivation.

EU remains sceptical of benefits

Last year, BASF stated that *"There is still a lack of acceptance for this technology in many parts of Europe from the majority of consumers, farmers and politicians"*. Due to the EU's views on GM crops, the company moved its plant-science headquarters from Germany to USA. [Click here](#) for more.

Only two maize events (one herbicide tolerant variety and one insect resistant variety) have been approved for cultivation within the EU. Although the area of Bt maize is increasing in **Spain**, it is not grown in all EU countries. **Poland** discontinued its cultivation in 2012 due to inconsistencies between the Polish and the EU authorities on the interpretation of EU law on planting approval. Several member states continue to operate a ban on GM crop cultivation, but an attempt by the Commission in 2010 to allow more sovereignty over GMO authorisations for member states faced major legal obstacles and was considered inconsistent with trade rules.

For **importers of key feed ingredients**, notably maize and soybeans, there have been problems over the years with shipments testing positive for GM material not yet approved for import into the EU. This has led to significant costs for the animal feed industry, and these issues are likely to continue to rise with the growing discrepancy in the number of authorisations in the main exporting countries compared to the EU. In 2011, the EU agreed a "low level presence" (LLP) solution to the problems of minute traces of unauthorised events being found in EU shipments of feed materials. This LLP solution (setting a maximum limit of 0.1%) applies only to GM events that have been approved in a third country and have been subject to an application for EU authorisation for a minimum of 3 months. There is also significant international cooperation within the grain trade on the development of workable LLP policies around the world.

Future for GM crops

GM crop production looks set to continue to increase across the Americas, Asia and Africa, while the future for EU GM crop production is less clear. The most important next generation of GM crops are likely to be drought tolerant crops, including a drought tolerant maize that is due to be launched in the USA this year and a drought tolerant sugarcane in Indonesia. There is also great hope for "golden rice" which produces a precursor of vitamin A and could help reduce numerous deaths from vitamin A deficiency in developing countries. International cooperation is increasingly important to address the issue of asynchronous authorisations of GM crops and to aid trade flows.

Key Points

- GM crops were planted on a record 170.3Mha worldwide in 2012
- Global GM area has increased every year since 1996
- GM crops are becoming increasingly important in developing countries
- The EU authorisation process and consumer acceptance lags behind other regions
- International cooperation on LLP policies is important to address the inconsistencies between countries on GM authorisation

Canadian Planting Intentions

Canadian farmers intend to increase wheat sowings by 12.3% in 2013, according to Statistics Canada. However, prolonged snow cover and a late spring could result in farmers modifying their plans away from intentions shown in the survey results.

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Canadian farmers intend to increase the area planted to wheat, maize, oats, soyabeans and linseed at the expense of canola (rapeseed), barley and fallow – according to the Statistics Canada Planting Intentions survey. The report released on 24 April indicates that **spring wheat** area in 2013 may rise for a second consecutive year to 7.84Mha which is 14.4% (0.99Mha) higher than 2012 plantings. **Durum and winter wheat** see increases of 9.1% and 2.4% respectively taking **total wheat area** to 10.77Mha. This represents a 12.3% increase on 2012 and, if realised, will be the largest wheat area since 2001 as farmers respond to attractive prices relative to other crops.

The end of the Canadian Wheat Board (CWB) in August 2012 means that farmers in Western Canada are now operating in a more open trading environment than previously. This could also have had some influence on planting decisions.

For **barley**, the survey results show a 2.2% decline for 2013 to 2.93Mha, following a large increase in 2012. However, difficult planting conditions may mean that farmers turn to barley if spring wheat plantings are delayed. The area of **grain maize** in Canada is forecast to increase to record levels for a second consecutive year with 1.54Mha (1.43Mha 2012) expected to be planted this year.

Canadian farmers also intend to plant more **oats** in 2013, rebounding from a low 1.15Mha in 2012 to a four year high of 1.37Mha.

Canola (oilseed rape) area in Canada has grown rapidly since 2006 from 5.28Mha to 8.71Mha in 2012. In 2013, the survey shows that farmers intend to cut back canola plantings to 7.74Mha. Attractive prices for other combinable crops and rotational constraints are thought to be driving the decline, but as with barley, canola may benefit if farmers are unable to drill spring wheat. Despite the high area in 2012, Canadian canola production was disappointing as rain damaged yield development. If more normal conditions prevail in 2013, analysts expect the canola production to exceed 2012 levels despite lower plantings.

The area sown to **soyabeans** is forecast to increase to 1.74Mha from 1.68Mha in 2012. After hitting historically low levels in 2011, the Canadian **linseed** area sees further recovery in 2013 to a forecast 0.5Mha, up 26.5%. This is still below the 0.68Mha planted in 2009 but a sign that Canada is regaining some competitiveness on global markets.

The total Canadian cropped area is expected to increase marginally in 2013, as spring/summer fallow levels decline to a record low of 1.43Mha, down 21.5% from 2012.

Figure1 Canadian Spring 2013 Planting Intentions (M ha)

	2011 actual	2012 actual	2013 intentions	% change
Total Wheat	8.69	9.59	10.77	12.3%
Spring Wheat	6.37	6.85	7.84	14.4%
Durum Wheat	1.62	1.89	2.07	9.1%
Winter Wheat	0.70	0.84	0.87	2.4%
Barley	2.67	3.00	2.93	-2.2%
Oats	1.31	1.15	1.37	18.4%
Maize	1.29	1.43	1.54	7.6%
Canola	7.68	8.71	7.74	-11.1%
Soyabeans	1.45	1.68	1.74	3.4%
Linseed	0.30	0.40	0.50	26.5%
Fallow	4.76	1.81	1.43	-21.5%
Total Cropped Area*	25.42	28.34	28.82	1.7%

*includes peas & lentils

Source: Statistics Canada

Current conditions

Canadian farmers are showing a rational reaction to low stocks and attractive prices which provide them with an incentive to plant more wheat. Winnipeg milling wheat futures have held above CAN\$290/t since last July having traded between CAN\$250-\$270/t for the first half of 2012. However, unfavourable weather is obstructing progress with colder than normal temperatures, and persistent snow, estimated to have delayed plantings by two to four weeks.

The majority of the growth in wheat area is forecast for the spring wheat crop. The International Grains Council anticipates that some of the spring wheat area might not be planted and will be substituted with other crops, particularly barley and canola.

Closing comments

The weather conditions being experienced mean there is a level of uncertainty surrounding the planting intentions survey. Farmers intend to plant 12.3% more wheat, but some of this may be substituted for alternative crops if cold conditions delay progress further. However, as the UK is likely to be an importer of Canadian milling wheat in 2013/14, strong planting intentions are encouraging for potential availability.

2012/13 Price Review and New Crop Pricing Prospects

The influence of new crop prospects on futures prices is gradually increasing, as more relevant information becomes available. Historically high pre-harvest prices could see downward pressure if current production forecasts are realised, but this is highly dependent on weather in the coming weeks and months.

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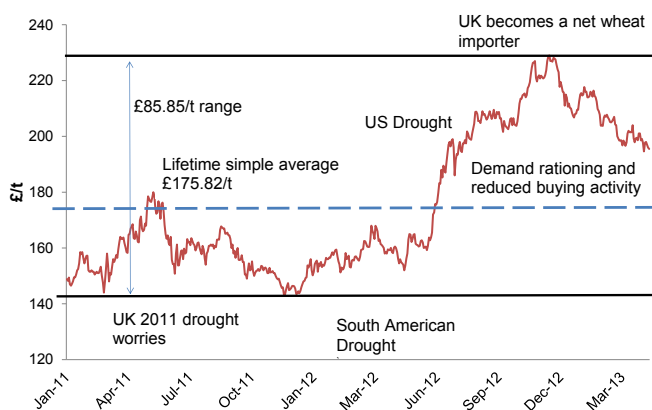
Introduction

After an unusual season in 2012 underpinned by the low feed grain stocks the market is increasingly looking towards the new crop prospects to drive the price of both the old and new crop. Tight stocks mean the market is more sensitive than usual to changes in supply and demand forecasts – in either price direction.

Old Crop Review

The figures herein relate to daily closing LIFFE futures price, unless specified otherwise. They do not include any fallbacks, deductions or claims and are on the basis of a 72.5kg/hl feed wheat specification. Equivalent ex farm values for 72kg/hl feed wheat will typically be at a discount to futures levels in England.

Figure 1 May-13 LIFFE Futures Price



Source: AHDB/HGCA

Figure 1 shows the evolution of the May-13 UK feed wheat futures (LIFFE) daily close up to 29 April 2013. The difference between the top and bottom of the market was £85.85/t - the lowest value being £143.15/t, on 24 November 2011, and the highest, £229/t on 29 November 2013. Since the high in November, prices have declined to below £200/t.

Domestic feed wheat futures prices earlier in the season saw a premium to the Paris milling wheat futures, which served to encourage wheat import buying into the UK. The second half of the season saw UK futures values move back to a more traditional discount to Paris – possibly indicating that sufficient import buying had been executed.

Grain markets and impacts on farm returns

Due to the current era of volatility, the average price which a particular marketing strategy can deliver has large impacts on farm returns and profitability. A sensitivity analysis can show the impact of both varying yields and price as demonstrated in Figure 2.

Figure 2 Sensitivity of Profit to Changes in Yield and Price*

Crop Margin (£ per Ha)	Yield: tonnes per hectare							
	7.50	8.00	8.50	9.00	9.50	10.00	10.50	
120	-277	-217	-157	-97	-37	23	83	
130	-202	-137	-72	-7	58	123	188	
140	-127	-57	13	83	153	223	293	
150	-52	23	98	173	248	323	398	
160	23	103	183	263	343	423	503	
170	98	183	268	353	438	523	608	
180	173	263	353	443	533	623	713	
190	248	343	438	533	628	723	818	
200	323	423	523	623	723	823	923	

Source: HGCA Crop Margin Sensitivity Calculator

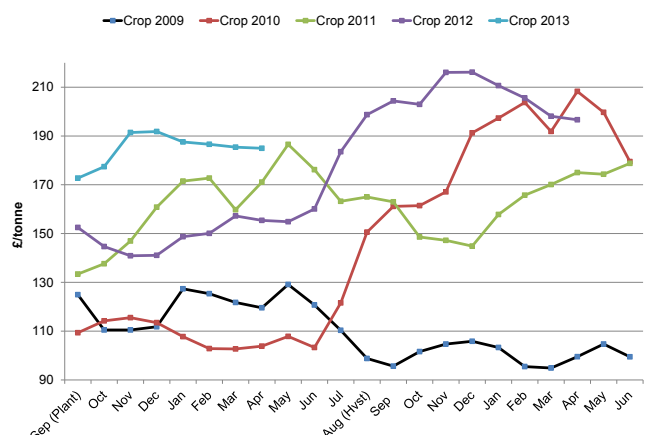
*Assumes costs of production of £1,177/Ha

In 2012, yields came in well below budgeted levels, concentrating costs over a smaller tonnage. Depending on the marketing strategy employed, rising prices through the summer of 2012 may have offset some of the losses incurred by reduced yields. However, pre-harvest 2012 prices were historically high which would have likely encouraged farmers to lock into forward prices. As such, it is likely that few would have seen major benefit from the rising price through the summer of 2012.

The Sensitivity calculator can be found by [clicking here](#).

Pre Harvest Prices, 2013/14 season

Figure 3 UK Feed Wheat Futures



Source: AHDB/HGCA

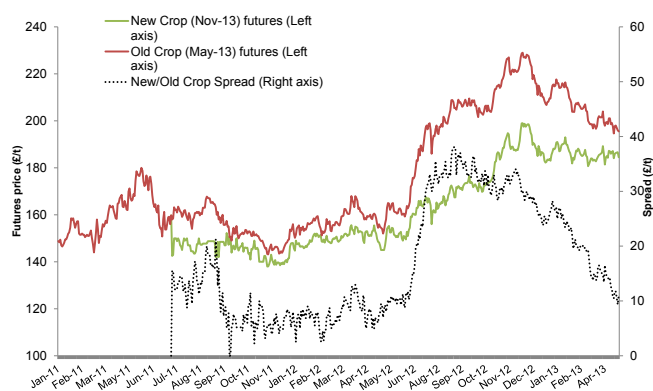
2012/13 Price Review and New Crop Pricing Prospects

Figure 3 shows the new crop futures prices over the growing and storage periods. For the 2013 crop, forward prices are currently at a historic high pre-harvest level, but of course the same was almost true for 2012 prices a year ago – then prices moved even higher.

However, following a period of high prices, the world's farmers are incentivised to increase production hence there is a risk of downward movement should there be no major weather issue. With low global stocks the market will remain cautious until 2013 crops are well on their way towards harvest.

Over the last 7 years there has been no obvious answer to whether it is better to sell pre or post harvest.

Figure 4 Old and New Crop Futures Relationship



Source: AHDB/HGCA

Usually, the forward new crop (November) price will be at a noticeable discount to the old crop (May) price as the approaching harvest will bring fresh supplies and so relatively lower values. The scale of the discounts into the new crop (spread) is driven by a number of supply and demand factors for both old and new crop. The spread between May-13 and November-13 prices has reduced markedly since September from around £35/t to just £10/t recently. This has come about as the May-13 price has fallen, but the new crop has not to the same extent – supported by domestic crop concerns.

Conversely to the UK situation, there is a sharp spread between old and new crop Chicago maize futures of \$37/t (July and December). The spread is wide due to the tightness in the nearby market and anticipated surplus in the new season.

The fact that there is a discount into the new crop suggests that it would be un-economic to carry wheat into the new season. However, those still left with low specific weight wheat, may see carrying the wheat in

question as a viable option. The logic behind this assumes that the specific weight of the new crop will be better than that of the old, which would allow a blended average of 72Kg/hl to be achieved.

Before actioning this, the following needs to be considered:

- The specific weight of the old crop wheat and how likely it is to be blendable with the new crop
- The cash price available for the old crop (net of any specific weight claims)
- The cash price available for the desired new crop movement month – blending for harvest movement is likely to be less viable than for November and beyond
- Is there a margin in carrying old crop wheat i.e. if c-b is positive then there is a margin
- Is there sufficient cash flow to finance the carry?

Remain aware of volatility e.g. if this strategy is used, and nothing is sold forward, a subsequent fall in the market price would yield a poorer return than if the old crop was just sold in May/June on the spot market.

Concluding Comments

The 2012/13 season has been one of unusual volatility, with strong prices since harvest offsetting some of the poor yield impacts.

Next year growers cannot necessarily rely on the same support from world markets, and so must engage in a proactive marketing plan throughout the marketing period to protect against the unknown. Even doing nothing until post harvest is a viable strategy if it has been well thought out and can be financed if markets go against it. Should the potential record feed grain production be realised in 2013 it would result in downward price pressure. Those considering to carry low specific weight wheat into the new crop season should do so with care and remain focused on the desired margin of the strategy.

Key Points

- Record pre-harvest forward prices, negated by fresh memories of 2012 and UK yield uncertainty
- Potential record world feed grain crop in 2013, but markets currently treating latest forecasts with caution this far ahead of harvest.
- The UK market will follow world markets so complacency towards high prices must be avoided