



# MI Prospects



## Wet Weather Worries

With the extreme rain of recent days, it is fair to say that the poor weather of 2012 is going to have side-effects for the 2013 UK harvest. This is certainly being reflected in the relative value of UK wheat for November 2013 with the spread between UK and Paris futures well below £5/t. Usually UK feed wheat futures discount to the French milling equivalent by around £12/t.

The main concern surrounds how much winter crop area has been planted. Results from the Early Bird Survey (see page 2) gives an early indication of areas, but the recent wet weather is likely to have further disrupted cropping intentions and puts a question mark over the condition of growing crops.

In the UK spot market, supply chains continue to adapt to using low specific weight wheat with some end-users having to switch to imported supplies to meet customer quality requirements. Yesterday saw the release of the latest **UK supply and demand estimates** from Defra, confirming strong wheat import levels, but also re-emerging ethanol demand. [Click here for more.](#) The UK oat situation has also suffered from the weather of 2012, but milling demand looks set to remain strong despite being dogged by specific weight issues. As such, imports are likely to remain strong.

Aside from the wet weather, another area of uncertainty is stemming from CAP reform, largely the timescales for implementation. The much publicised debate around the EU budget is the key issue here and with the CAP being a large item of the budget, a consensus on it is important before reforms can be implemented.

Further afield, the US is likely to be an important supplier of wheat to the world market this season with North America the only major exporting region to see a year-on-year increase in production. Despite impacting maize and soyabean output, the US drought was too late to impact wheat dramatically. If anything it assisted with ripening and harvest progress. As a result, quality appears to be improved. For 2013, the US winter wheat crop is being stressed by dry weather, but it is too early to draw any firm conclusions over what this may mean for next year's production levels.

Heading into 2013, the weather will be a key feature, especially for the UK, but also for the direction of the global grain market. In light of the poor UK conditions, it is important that farmers do not get complacent towards current high prices because markets are driven by global forces largely irrespective of what is happening in the UK.

**Jack Watts**

**HGCA Events this winter**  
HGCA are again hosting a number of events this season from Grain Market Workshops through to Milling Wheat and Malting Barley breakfasts. See [www.hgca.com/events](http://www.hgca.com/events) for more.

## In this issue...

### Early Bird Survey of GB Cropping Intentions

Poor weather conditions are likely to result in noticeably lower GB winter cropping areas for 2013 harvest

### Supply, Demand and Quality of US Wheat Crop 2012

The US wheat crop largely escaped the 2012 drought with an increase in production and quality. US wheat will be of increased importance to the world market this season

### Oat Market Update

Despite an increase in production in 2012, thin carry-over stocks, strong milling demand and specific weight issues are supporting UK import levels

### Delays to CAP Reform

Implementation of CAP reform measures are likely to be delayed due to the much publicised debate around the EU budget

### Oilseeds News In Brief

South American weather and its impact on the growing soyabean crop is currently a key driver of global oilseed prices

# Early Bird Survey of GB Cropping Intentions

**Early GB planting intentions for the 2013 harvest suggest a decline in the total wheat area from the 2012 harvest whilst the area of spring barley, pulses and fallow land is expected to increase.**

**Graham Redman, Joe Scarratt, Andersons  
01664 503200**

## Introduction

The Early Bird Survey (EBS) is undertaken annually to assess cropping intentions each autumn. The survey is led by The Andersons Centre involving the Association of Independent Crop Consultants (AICC). 33 agronomists took part in the survey this year to gather data from 239,613 ha of arable land across all regions of England and Scotland to establish cropping changes on individual farms across Great Britain. The results from the survey in previous years have represented accurate forecasts of actual harvested areas. Using the results from DEFRA's UK June Survey, it is possible to forecast crop areas for harvest 2013. Estimates are based on plantings to the 9 November plus later planting intentions subject to 'normal' weather conditions.

## Results

The results from the EBS are shown in Figure 1 and have been extrapolated onto the data from the UK June Survey to produce forecasted crop areas for the 2013 harvest.

Drilling conditions have been some of the worst in memory due to continuously heavy rain and poor soil conditions. As a result, the **wheat area is forecast to be down 12% to 1.756M ha**. The actual area could however be slightly lower when waterlogged patches and slug damaged areas in fields that will not justify re-drilling are accounted for. Naturally, strong forward prices continue to encourage wheat plantings right through to the end of January/early February where conditions allow. However, unless ground conditions improve, spring alternatives will be inevitable. Where land has been damaged following potatoes and maize crops it is going to be difficult to drill winter wheat.

Poor conditions also explain why **winter barley plantings are forecast down 9%**. As a result, the **spring barley area is forecast to be higher** at 865K ha with the Northern part of England expected to see the largest increase. However, seed availability could change this scenario with land destined for spring barley also likely to be cropped with spring wheat or spring oats should there be insufficient seed available. **The oat area is forecast down 4%** although this probably hides a shift from winter to spring oat plantings.

**Figure 1 Early Bird Survey (EBS) Estimates of GB Crop Areas for Harvest 2013**

Thousand Hectares	DEFRA June Survey 2012	EBS Forecast 2012/13	Change
All Wheat	1,993	1,756	-12%
Winter Barley	385	350	-9%
Spring Barley	618	865	+40%
Oats	122	117	-4%
Other Cereals	26	46	+77%
OSR	755	732	-3%
Other Oilseeds	29	24	-17%
Pulses	122	132	+8%
Arable Fallow	154	209	+36%
Other Crops on Arable Land	376	349	-7%
<b>Total</b>	<b>4,580</b>	<b>4,580</b>	

Source: Andersons/Defra

Surprisingly, the **oilseed rape area is only forecast to be down 3%** to 732K ha. This is the area planted and in the ground at present, plus expected spring plantings. Many agronomists expect up to 10% of the OSR area to fail due to non-germination issues or small plants and impending pigeon damage during the winter. Again, similar to wheat, the area harvested may well decrease further when patches within fields that have failed to emerge or will not withstand the winter have been accounted for. **Pulses are forecast to make a recovery** to 132K ha, with spring beans proving a popular alternative due to strong current prices. This could go higher if spring cereal seed is insufficient and several agronomists consider this will be the case.

**Fallow land** is always difficult to predict as this may well be cropped if conditions allow given strong forward prices. However, the amount of headlands / wet areas left uncropped will be sizable across the regions worst affected by the weather. The area of other crops on arable land (potatoes, sugar beet, vegetables and forage crops) looks to decline by around 7%. Areas of grass have been ploughed out on the back of strong cereal and oilseed prices, plus concern over possible increased protection for 'permanent' grassland within CAP reform.

Interestingly, the area of other cereals shows a significant increase, but is a very small hectareage and so must be cautiously interpreted.

## Closing Comment

Although the survey carries an accurate track record, given the poor weather conditions experienced this summer and autumn there is likely to be some changes made on-farm between now and spring, which further adds to the uncertainty. The survey only represents a snapshot at a given point in time and therefore should be interpreted carefully.

# Supply, Demand and Quality of US Wheat Crop 2012

**Total US wheat production is estimated at 61.8Mt, up from 54.4Mt last season, mainly due to the recovery in Hard Red Winter wheat (HRW) production. Most of the wheat quality parameters for 2012 are better than the 2011 crop.**

Sarah Nightingale, External Contributor

Total US wheat production is estimated at 61.8Mt, up from 54.4Mt last season, mainly due to the recovery in Hard Red Winter wheat (HRW) production. Hard Red Spring (HRS) wheat production is also up nearly 3Mt. Following severe weather problems for HRW and HRS last year, yields of these classes recovered in 2012.

## Domestic use and exports forecast higher

As a result of larger crops, domestic usage of HRW and HRS in 2012/13 is seen to rise to 15.8Mt (12.3Mt) in 2011/12 and 7.9Mt (6.1Mt) respectively. Table 1 shows the supply and demand balance sheet based on the USDA November estimates.

Exports of HRW are also seen up 4.0Mt to 14.8Mt this season, following lower export availabilities from major exporters in the Black Sea region and EU-27. As a result, stocks of HRW are expected to decline to the lowest level since 2007/08, when they fell to 3.8Mt. For HRS wheat, exports are forecast at a similar level to last season with stocks forecast slightly higher.

Production of Soft Red Winter wheat (SRW), which is mainly grown as a rotational crop in eastern parts of the US, is a little lower than last year at 11.4Mt (12.5Mt). While domestic usage is seen down 1Mt to 7.5Mt, exports of this class are forecast at a similar level to last season.

## 2012 wheat quality

US Wheat Associates have recently published their annual wheat quality report for 2012. Table 2 summarises some of the test results for wheat samples as reported in the US Wheat Associates Crop Quality Report.

More detail and data on flour, semolina and end products processed from the 2012 crop are given in the report, which can be found on the US Wheat Associates website ([www.uswheat.org](http://www.uswheat.org)).

## Hard Red Winter (HRW)

US Hard Red Winter wheat is a medium to high protein wheat used for certain types of bread, rolls, Asian noodles and flour. The 2012 HRW crop saw abnormally warm conditions in most areas and suffered some stress from heat and dry conditions in the spring. Harvest began 10 to 14 days earlier than normal and yields are reported to be quite varied but disease and insect damage is limited.

Overall, protein content is higher in 2012 at an average 12.6% (on a 12% moisture basis) compared to 12.3% last year. Specific weight is also higher, and the average Hagberg Falling Number is high, reflecting the dry harvesting conditions for the crop. The Alveograph results on 2012 HRW dough showed strong (P value of 78mm) and extensible (L value of 102mm) properties with a P/L ratio of 0.77 compared to 0.83 last season.

## Soft Red Winter (SRW)

SRW is a lower protein soft wheat used for pastries, cakes, biscuits, flat breads etc as well as blending for breadmaking purposes. It is also used for animal feeding. This year's crop is better quality than last year. US millers are reporting back to US Wheat Associates that it is the best SRW crop for several years. The 2012 crop is graded No. 1 SRW with a high specific weight (averaging 79.2kg/hl) and relatively low percentage of defects. Protein content is slightly lower but kernel size is larger, which is an important factor for many millers.

With regards to regional variations, specific weight and Hagberg Falling Number were higher at Gulf export ports compared with East Coast ports. This is believed to be the result of a wet harvest in the North Carolina growing region.

**Table 1 US wheat supply and demand by class**

M tonnes	HRW		HRS		Durum		White		SRW		Total	
	11/12	12/13	11/12	12/13	11/12	12/13	11/12	12/13	11/12	12/13	11/12	12/13
Beginning stocks	10.5	8.6	5.0	4.1	1.0	0.7	2.3	1.7	4.7	5.0	23.5	20.2
Production	21.2	27.3	10.8	13.7	1.4	2.2	8.5	7.0	12.5	11.4	54.4	61.8
Imports	0.0	0.3	1.0	1.2	1.0	1.2	0.2	0.2	0.9	0.6	3.1	3.5
<b>Total supply</b>	<b>31.7</b>	<b>36.2</b>	<b>16.8</b>	<b>19.1</b>	<b>3.3</b>	<b>4.1</b>	<b>11.0</b>	<b>9.0</b>	<b>18.0</b>	<b>17.0</b>	<b>80.9</b>	<b>85.5</b>
Domestic use	12.3	15.8	6.1	7.9	1.9	2.4	3.4	2.7	8.5	7.5	32.2	36.4
Exports	10.8	14.2	6.6	6.5	0.7	0.7	5.9	4.6	4.5	3.9	28.6	29.9
<b>Total demand</b>	<b>23.1</b>	<b>30.0</b>	<b>12.7</b>	<b>14.5</b>	<b>2.6</b>	<b>3.1</b>	<b>9.3</b>	<b>7.4</b>	<b>13.0</b>	<b>11.5</b>	<b>60.7</b>	<b>66.4</b>
End stocks	8.6	6.2	4.1	4.6	0.7	1.1	1.7	1.7	5.0	5.6	20.2	19.2

Source: USDA

## Supply, Demand and Quality of US Wheat Crop 2012

Incidence of DON is much lower than last year and other recent years, with an overall average of less than 0.5ppm. For the East Coast region, which accounts for 19% of SRW exports, the DON content averages 0.5ppm.

### Hard Red Spring (HRS)

US Hard Red Spring wheat (HRS) is a high protein, hard endosperm wheat used for breads, rolls, croissants, bagels etc and for blending. It is grown in the Northern Plains of the USA where planting, growing and harvesting conditions were very different in 2012, compared with 2011. Due to a mild winter, sowing was completed 3 weeks ahead of normal. While conditions over the growing season were relatively dry there was sufficient soil moisture for most crops to produce reasonable yields.

This year's HRS crop is showing a high specific weight, at 80.6kg/hl, up from 79.4 kg/hl last season. Total defects (including damaged kernels, foreign material and shrunken and broken grains) are lower this year and the average Hagberg Falling Number is significantly higher. Due to the relatively dry conditions over this year, average moisture content, at 11.7% is lower than last year and the 5-year average.

Regional data show that, while disease levels across the growing region were generally low, some fusarium headblight occurred in northern parts of North Dakota. Consequently higher levels of the mycotoxin DON have been detected in wheat samples in that region. While levels are below the EU maximum level of 1.25ppm for unprocessed cereals, at between 0.7ppm and 1.2ppm, US Wheat Associates advises overseas buyers to maintain a specification on maximum DON content for HRS in 2012/13.

### Concluding comments

Despite the weather problems for other crops grown in the US the main wheat areas saw relatively good conditions, and most of the wheat quality parameters for 2012 are better than the 2011 crop.

Total US wheat stocks are expected to decline this season as a result of higher domestic and export demand. Although there are differences between classes, the current forecast for end-season wheat stocks would still represent 29% of annual domestic and export demand – a relatively comfortable level.

However, it should be noted that there are concerns for the state of the next wheat crop. The US Drought Monitor shows that there remains a considerable lack of moisture across many of the wheat growing areas of the US and winter wheat sown into dry soils in these areas is reported to be suffering.

**Table 2 Selected data on quality of 4 US wheat classes (composite averages)**

Hard Red Winter	5 year average	2011	2012
Specific Weight (kg/hl)	79.5	80.0	80.4
Total defects (%)	1.6	1.5	1.4
Grade	1 HRW	1 HRW	1 HRW
Moisture (%)	11.1	10.8	10.7
Protein (12% mb)	12.0	12.3	12.6
Falling Number (sec)	415	403	409
Alveograph; P/L	0.79	0.83	0.77
<b>Soft Red Winter</b>			
Specific Weight (kg/hl)	77.2	77.4	79.2
Total defects (%)	1.8	1.3	1.5
Grade	2 SRW	2 SRW	1 SRW
Moisture (%)	12.9	12.9	12.7
Protein (12% mb)	10.1	10.2	9.9
Falling Number (sec)	331	328	329
Alveograph; P/L	0.45	0.39	0.47
<b>Durum (Northern states)</b>			
Specific Weight (kg/hl)	78.5	78.0	78.9
Total defects (%)	1.7	1.8	1.8
Vitreous kernels (%)	86.2	88.0	89.0
Grade	1 HAD	2 HAD	1 HAD
Moisture (%)	11.7	11.6	10.5
Protein (12% mb)	14.1	13.6	14.6
Falling Number (sec)	359	372	412
Gluten index	51.8	55.5	60.6

Source: 2012 Crop Quality Report, US Wheat Associates

### Key Points

- US wheat production higher in 2012/13 with a recovery in HRW, HRS and durum production
- All wheat classes have generally high specific weight and high HFNs reflecting a relatively dry harvesting season in most areas
- Some pockets of production show a higher incidence of DON in HRS and durum wheat
- Exports of HRW forecast 4.0Mt up on 2011/12
- US wheat stocks expected to decline but still relatively comfortable

# Oat Market Update

**The 2012 UK oat crop is estimated at 662Kt, an 8% increase from last year although there are concerns over specific weights amongst winter sown crops. Larger Human & Industrial usage is forecast at 480Kt due to continued demand for oat products and lower flour extraction rates for millers.**

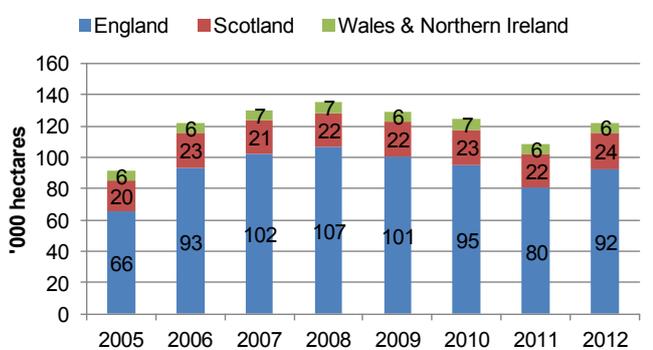
Helen Plant, Market Specialist team  
02476 478759, [Helen.plant@ahdb.org.uk](mailto:Helen.plant@ahdb.org.uk)

## UK situation

The **2012 UK oat crop is estimated at 662Kt**, an 8% increase from last year's crop but still below the 2010 harvest of 685Kt. The increase is due to a larger planted area of 122Kha, up from 109Kha for harvest 2011 likely stimulated by relatively strong prices. The English area increased by 15% to 92Kha, while the Scottish area increased by 9% to 23.7Kha. In Scotland, spring oats accounted for over three-quarters (77%) of the planted area for harvest 2012 compared with 68% last season following difficult autumn planting conditions.

The **UK average yield** is estimated at 5.4t/ha by Defra, slightly down on last year and the five year average (both 5.6t/ha) following a challenging growing season. While oat yields appear less affected than some other crops, in particular wheat, regional variation was again a key feature. Low specific weights are also a particular concern amongst winter planted oats.

**Figure 1 UK Oat area since 2005**



Source: Defra, Scottish Government

In the first three months of the crop marketing year (July – September), **UK oat millers** used an estimated 111.9Kt of oats – a decrease of 2.3% on the same period in 2011/12. This reflects a relatively tight carryover stocks situation and also the late start to the UK harvest. Defra estimate that the oatmeal milling industry carried 15.3Kt of oats into this season – the lowest since the late 1990's following last season's historically low crop.

The first official estimates of UK oat supply and demand made by Defra are shown in Figure 2. Defra estimate total oat usage at 682Kt, up 4% on last season. Of which, human and Industrial (H&I) demand for oats (primarily oatmillers) is forecast at 480Kt, up 1% on last

season due to continued demand for oat products and lower flour extraction rates. Animal feed usage is estimated at 182kt, 18kt higher than 2011/12 but lower than previous years.

**Figure 2 UK Oat Supply and Demand**

000 tonnes	2010/11	2011/12	2012/13
Opening Stocks	94	65	63
Production	685	613	662
Imports	18	57	60
<b>Total Availability</b>	<b>797</b>	<b>735</b>	<b>785</b>
Human & Industrial Usage	460	474	480
Animal Feed	198	164	182
Seed & other	20	18	20
<b>Total Domestic Usage</b>	<b>678</b>	<b>656</b>	<b>682</b>
Exportable ?	54	16	16
Commercial Closing Stocks	65	63	87

Source: Defra

In the first three months of the 2012/13 season **10.217Kt of oats were imported** according to HMR&C, broadly in line with last season's 10.416Kt. Finland, Sweden and the Republic of Ireland remain the main import origins for the UK. For the entire season, oat imports are forecast at 60Kt, slightly higher than last season. Ultimately the level of imports will be driven by price competitiveness, but also quality i.e specific weight.

**Exports so far this season** have been minimal reflecting both increased competition due to the larger availability from the Scandinavian countries and domestic quality issues. Between July and September 2012, the UK exported 2.325Kt of oats, compared with 5.416Kt in the same period last year and just over 30Kt in the first three months of 2010/11.

## European Production

Total EU-27 oat production is forecast at 7.8Mt, slightly lower than last year although earlier estimates had suggested an increase in production.

## Finland

**Harvest started later than usual** in Finland, one of the largest oat exporters in the EU-27 alongside Sweden. Planting delays, particularly further north, followed by a cool wet summer slowed crop development. Rain caused harvest delays, particularly in the northern areas, which are reported to have impacted the yields and quality of later cut crops. As oats (spring planted) and spring barley are typically grown further north than wheat and oilseed crops, they were most affected.

## Oat Market Update

In the last pre-harvest estimate, the Agriculture Ministry estimated the 2012 crop at 1.16Mt, up from the 1.04Mt harvested last year due to a larger planted area. A survey by the Finnish Grain Association in mid-October suggested that this estimate may be met but at the time around 10% of the cereal area remained to be cut. The first post-harvest estimate will be released by Tike (Finnish Agricultural Statistics department) on 29 November.

Specific weights are reported to be good with samples received by Evira (Finnish Food Safety Authority) grain laboratory up to mid-October showing an average specific weight of 57.9kg/hl. This represents a sizeable increase from the final 2011 crop average of 55.2kg/hl. However, reports by the Finnish Grain Association suggest some higher mycotoxin readings have been seen as a result of wet conditions.

### Sweden

Spring planting started early in Sweden this year and despite some delays due to rain, a larger area than last year was planted. The growing season was described as good and pre-harvest estimates suggested that the crop would reach 0.91Mt, up 14% on last season and the highest level since 2004. However, rain hampered and delayed the harvest in many parts of the country with western and northern areas most affected – areas where oats are widely grown.

**The first estimates of the crop production survey put the 2012 crop at 758Kt**, up 10% on last year. This first estimate is based on fewer results than in previous years due to the harvest delays and is likely biased towards areas where harvesting was most advanced. The next estimate is due in mid-December.

### Germany

The German crop is estimated at 0.72Mt, an increase of 14% from 2011 levels. The higher output is due to a combination of a larger planted area, stimulated by strong oat prices, and better yields, following good moisture availability in some regions. Germany has one of the largest oat milling industries in the EU-27, alongside the UK. With a larger crop and quality reported to be satisfactory – import demand may be lower this season.

### Harvest 2013

Winter planting conditions for harvest 2013 are very challenging in the UK (see page 2 for more) and demand for spring oat seed is said to be high. In the rest of Europe, the majority of oats are spring sown so it remains to be seen how much area will be planted for 2013 and of course how the weather plays out. In Finland, the wet harvest this year and low seed stocks have resulted in concerns over the availability of seed for 2013 due to poor germination levels, particularly for oats.

### Concluding comments

The UK crop is estimated to be 8% larger than last season but still below 2010 levels. Demand is expected to increase by 4% with both H&I and animal feed demand higher than last season.

UK open market oat prices remain historically high, for example in the week ending 1 November, ex-farm oats in the Midlands averaged £191.10/t for January delivery – a discount to the equivalent feed wheat price of £111/t. However, it must be noted that a relatively large proportion of the UK crop is grown on contract and while contract prices may not always reflect the highs of the open market, they can offer greater security.

Larger Finnish and Swedish crops suggest larger export availabilities but wet conditions have meant questions over the prevalence of mycotoxins. With anecdotal evidence showing specific weight issues for the domestic crop, the price differential between the UK and Scandinavian crops will be important to determining UK import levels.

**Figure 3 Oat production in selected EU-27 countries**

000 tonnes	10/11	11/12 (est.)	12/13 (f'cast.)	11/12 - '12/13 % change
Finland	0.81	1.04	1.16	11.5%
Germany	0.60	0.63	0.72	14.3%
Sweden	0.56	0.69	0.76	9.9%
Spain	1.02	1.08	0.67	-38.0%
<b>Total EU-27</b>	<b>7.37</b>	<b>7.81</b>	<b>7.79</b>	<b>-0.3%</b>

Sources: Spanish, Finnish and Swedish Ag Ministries, IGC

### Key Points

- UK oat production up 8% on 2011 to 662Kt
- Larger planted area more than offsets a decline in yields
- Human & Industrial usage is forecast at 480Kt due to continued demand for oat products and lower flour extraction rates for millers
- Larger Swedish and Finnish crops suggests larger export availabilities

## CAP Update

*The decision to delay a vote on CAP proposals and divisions within Europe on the EU's spending plans threaten to de-rail the implementation of the new CAP.*

Richard Veit, Research & Industry team  
02476 478849, [richard.veit@ahdb.org.uk](mailto:richard.veit@ahdb.org.uk)

### European Parliament forces revised negotiating timetable

The European Parliament's agriculture committee (COMAGRI) made the decision earlier this month to delay their vote on the Commission's CAP reform proposals until the New Year. The committee had been due to vote later this month. The move means that the European Parliament's plenary vote is unlikely to take place until March 2013. Only once this has happened will final negotiations between the European Parliament, Council and Commission take place.

The revised timetable puts the implementation of the new CAP under pressure. The aim is now to have an agreement by June 2013. Whether this means that the new CAP regulations can come into force on 1 January 2014 or not is unclear, but it seems increasingly unlikely.

The heads of EU payment agencies have made it clear that considerable time is needed to implement any changes in direct payments regulations in the IT and payments systems. As such, basic arrangements are in place for 'pillar one' provisions like the Single Farm Payment to 'roll on', should the tightening of the timetable lead to delays into 2014. This would however not only postpone the introduction of the greening element to direct payments but also plans for convergence, both across and within Member States.

Unfortunately, there is currently no such safety net for the 'pillar two' rural development element, which includes agri-environment schemes. The absence of new legislation would mean that payments to farmers enrolled in existing multi-annual schemes would continue until the end of their contract period, but no enrolment into new schemes could take place.

The decision to delay the vote was made in line with both the committee's and the European Parliament's long-standing position that no vote on CAP reform could be taken without knowing the budget parameters. However, COMAGRI itself has struggled in its role in the first reading process. It is currently amalgamating approximately 7,500 amendments into a smaller number of compromise amendments on which committee members can vote.

#### Figure 1 Revised CAP Reform Timetable

<b>15 December</b>	Deadline for compromise amendments to be presented to Agriculture Committee
<b>23/24 January 2013</b>	CAP vote in Agriculture Committee
<b>March 2013</b>	Plenary vote in Parliament
<b>March 2013 onwards</b>	Trilogue negotiations between EU Commission, Parliament and Council to reach agreement

### A divided Europe

Running concurrent to the CAP negotiations has been talks on the EU's multiannual financial framework (MFF), more commonly referred to as the 'long-term budget', for 2014-2020. Unfortunately, in this area as well, deep divisions have emerged between Member States as well and between the European Commission, Council and Parliament. The debate has been particularly charged, set against a backdrop of crisis in the euro zone and the prospect that Britain might detach itself from the EU.

The highly publicised talks on the MFF last week ended, much to the expectation of most commentators, with no agreement. Two main groups have emerged in recent months and Europe has been divided between those arguing for further cuts and those defending the need for further investment in times of crisis. Britain stood at the most austere end of the spectrum, while the European Parliament was the strongest proponent for further investment. Both had threatened to veto a budget that did not meet their demands.

Failure to come to an agreement means that a second attempt at the talks will be required after the MFF has been re-drafted. It is hoped that this Member States will be able to come to agreement in February next year. However, there remains a budgetary gap that will need to be breached which, given the symbolism of austerity versus increased investment between the two groups in the next budget, is likely to be a hard-fought debate.

### Implications to CAP

The failure to agree seems likely to have implications for the timetable for CAP reform, reducing the chance of reaching agreement by the unofficial deadline of June 30, 2013, the end of the Irish presidency of the EU. All parties involved in the reform process have accepted that agreement on the future of CAP will not be possible without agreement on the overall EU budget and the spending limits for the next CAP regime.

## Oilseeds News in Brief

***Weather issues linger in South America raising concerns for the 2012/13 soyabean crop while generous palm oil inventories in Malaysia are weighing on the oil's prices. European 2013/14 rapeseed area is forecast to be up by 7%, while sunflower meal and oil are expected to see significant export reductions in 2012/13 due to lower sunflower seed production.***

**Sidra Shaheen, Market Specialist team**

0247 647 8767, [sidra.shaheen@ahdb.org.uk](mailto:sidra.shaheen@ahdb.org.uk)

### Soyabeans

Concerns are increasingly being raised over the potentially record 2012/13 soyabean crop as the El-Nino fails to fully materialise in South America and sowing efforts are truncated by adverse weather. Already, dry weather in Brazil has led to poor germination of earlier planted soyabeans leading many farmers to replant. While extremely wet weather in Argentina has kept farmers out of fields. Analyst Oil World ([www.oilworld.biz](http://www.oilworld.biz)) have now revised down the combined soyabean production estimate for the two countries by 3Mt to 135Mt.

Despite the production concerns, soyabean prices have been in general decline throughout November and currently stand at \$532.45/t (CBOT, Jan-13). Prices have been pressured by improved soyabean crop prospects in US, and news of beneficial rains in parts of Brazil. However prices have recently rallied, with the January contract showing the largest weekly gain in three months in the w/c 16 November. This was primarily due to forecasts of additional wet weather in Argentina and a possible drought in southern Brazil.

### Palm Oil

Since January 2012, palm oil prices have declined by 27%, and on 12 November prices on the Malaysian Exchange tumbled to a three year low. Weak demand due to the ongoing global economic situation, combined with favourable production in Indonesia and Malaysia, key producers of the oil, has led to a build up of inventories. The El-Nino which has been relatively weak has also relieved fears over production issues. The seasonal peak in production also contributed to record stocks in October with Malaysian stock at 2.5Mt.

Currently the discount between palm and soya oil is \$252/t, compared to \$129/t in the same period last year. These discounts are likely to shape the 2012/13 season for palm, with importers switching demand towards it and limiting the decline in prices. Indeed, world demand for palm oil is set to increase from 40.2Mt in 2011/12 to 42.6Mt in 2012/13, with particular increases seen in the EU and India due to domestic oilseed production issues.

### European 2013/14 rapeseed harvest

The EU 2013/14 winter rapeseed area is estimated to increase by 7% compared with 2012/13. Planting progress is currently underway in Europe with firm prices and favourable weather conditions encouraging European farmers to expand sowing. German rapeseed planting is expected to rebound by 0.15Mha to 1.45Mha in 2013/14, following winter kill in the previous two seasons. The Polish and Balkan rapeseed areas are also expected to increase.

Despite the expected overall increase, French and UK plantings are estimated to be down. Dry weather in France during the planting campaign and wet weather in the UK, has led to the decline in the two key producers of the EU. French rapeseed area is seen down from the record seen in 2012/13 to 1.55Mha, while UK area is seen to be down by 5.7% to 700kha ([www.oilworld.biz](http://www.oilworld.biz)) but only 3% lower in the Early Bird Farmer Intentions survey (see page 2).

### Sunflower seed oil and meal

This season's global sunflower seed production is expected to be 36Mt, compared to a record 39.5Mt produced in 2011/12. This is a result of poor weather in key growing areas including the Black Sea, EU and Argentina. As a result global crush is forecast to be down by 2.9Mt from the previous season to 33.1Mt in 2012/13 with severe implications for the availability and exports of both sunflower meal and oil.

Global sunflower oil exports will decline from the 7.2Mt in 2011/12 to 6Mt this season. This decline will be pronounced in the second half of the season, when sun oil is forecast to increase its premium to soya and palm oil due to the smaller supply of the oilseed.

Contrary to 2011/12, sunflower meal exports are also expected to decline markedly in 2012/13 due to the generally lower availability of the seed. This may raise the price and decrease the competitiveness of sun meal relative to other meals. Again the effects are more likely to be felt in the second half of the 2012/13 season, as most exports will occur in the first half due to the tightness currently being experienced in the animal feed market.