



MI Prospects



Quality Special

The final results from the **AHDB/HGCA 2012 Cereal Quality Survey** confirm what we have known for some time – GB wheat specific weights are the poorest on record and present the biggest domestic issue by far for the 2012/13 season. This has widespread implications from contract fallbacks and the logistics of rejected loads to the challenge of meeting end user requirements - whether they be flour specifications or feed rations.

Millers are assessing the proportion of their requirements that can be filled by the UK crop and thus working out what imported grain is needed to achieve desired flour specifications. Origins of imported grain are mainly determined by quality criteria, availability and price competitiveness. To date, the German crop has looked favourable with good availability of a range of quality specifications. Hence, UK milling wheat price premiums are being capped by the value of imported German wheat.

The UK will a net importer this year and trade data shows a range of imported wheat origins from Poland, Denmark, Sweden, Latvia, Lithuania and Romania to the more traditional France and Canada. Import data is not split between milling and feed and therefore these origins could be supplying a range of wheat for different end uses, not just milling.

French wheat quality has reportedly suffered some of the detrimental weather seen in the UK, thus less than average quantities are

expected to meet 'superior milling' specification. However, with Black Sea supplies running low there are opportunities for French exports as long as they can compete on price with the main holder of exportable wheat stocks – the US.

While processors face challenges with the 2012 harvest, growers are trying to get crops planted and growing before winter sets in. The highest pre-harvest prices ever seen should certainly be a good incentive to plant grain by whatever means possible, but daily run-ins with unfavourable weather are causing growers to act with caution when considering forward sales.

A poor harvest and bad autumn understandably do nothing for confidence; but it is important not to base marketing decisions on recent memories and remember that every season has its own price drivers to monitor. Perhaps the biggest downside price risk for 2013 is the chance of returning to more 'normal' growing weather globally?

Charlotte Garbutt

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Cereal Quality Survey 2012 – Final Results

Specific weight is by far the main restricting factor of UK wheat quality this season

Milling Wheat Update

With the poor quality of the domestic crop, UK imports of wheat are expected to be considerably higher, which are acting as a cap to UK milling premiums

French Wheat Quality

Year-on-year wheat quality is lower, but France will likely remain a key global supplier with less Black Sea supply in the market

New Crop Pricing – Crop 2013

Forward prices for 2013 are historically strong, but farmers may be reluctant to take advantage due to the condition of the associated crop.

AHDB/HGCA Grain Market Workshops are now running around the country, discussing market drivers and how to manage your risk. Please visit www.hgca.com/events for more and to register for one in your area.

Cereal Quality Survey 2012 – Final Results

2012 GB milling wheat quality is considerably lower than a year ago, constrained by the lowest average specific weight on record. In comparison, the GB barley crop has fared much better with specific weights holding up better than wheat and lower nitrogen content than 2011.

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Introduction

The 39th annual AHDB/HGCA Cereal Quality Survey (CQS) provides an indication of wheat and barley quality by collating and analysing data from grain sampling labs across Great Britain. The 2012 survey consists of 99,546 wheat and 36,262 barley samples, significantly more than in 2011. Poorer quality is likely to have stimulated greater sampling of individual loads and the crop in general in order to determine suitability for processing.

Survey results

Comprehensive result tables can be found [here](#). The AHDB/HGCA Cereal Quality Calculator can be found [here](#). AHDB/HGCA would like to thank all participating laboratories for their continued support in providing data for the survey. Please note this survey has a natural bias towards nabim group 1, 2 and 3 wheat varieties as these are more frequently sampled due to their intended end-use in the milling sector.

Wheat

Specific weight

These final results confirm that 2012 wheat quality is severely hampered by low specific weights above all other quality parameters. The average GB specific weight is seen at 69.6kg/hl, the lowest on record and a substantial decrease on last year's 78.7kg/hl. This contrast in weather between the two seasons is thought to be the main reason for the decline with wet and dull conditions limiting the final stages of grain development and heightening disease levels.

The higher specific weights of 70kg/hl and above were seen in **Scotland, Northern England** and the **South East**.

The nabim group 2 varieties showed the highest average specific weight of 71.3kg/hl, followed by the Group 1 at 70.7kg/hl with Cordiale showing the highest specific weight of 72.6kg/hl amongst the most popular varieties published. **Ukp varieties** have an average GB specific weight of 70.9kg/hl while **uks** have an average of 69.2kg/hl compared to 79.7kg/hl and 78kg/hl last year, respectively.

Figure 1 Percentage of GB samples meeting minimum specification for various grades

nabim group	Minimum specification			Percentage of samples meeting specifications		
	Protein (%)	Hagberg (s)	Specific Weight (kg/hl)	2010	2011	2012
High quality bread						
1	13	250	76	30	40	2
Medium quality bread						
1	12.5	180	74	51	62	16
2	12.5	180	74	37	49	14
Biscuit						
3	10.7	180	74	46	73	6

Source: AHDB/HGCA

Hagberg falling number (HFN)

The average GB HFN of 237 seconds is lower than last year's 269s and the three year average of 267s. This trend is in line with the wet harvest which would have led to increased alpha amylase activity, hence reducing the HFN. This year's average HFN is notably lower than the usual commercial minimum bread making requirement of 250s but in the context of the year is less of a concern than specific weights.

The highest HFN of 247s was seen in the South East followed by the Eastern region at 240s reflecting their earlier harvest and the higher proportion of nabim group 1 and 2 wheat in these areas. Again, Group 2 wheat varieties have held up better than the rest with an average HFN of 276s, supported by the strong performing Cordiale variety.

Protein content

The average GB protein content of 12.5% is higher than the protein content last year and the three year average of 12% and 11.8% respectively. It should be considered that protein content tends to have an inverse relationship with yield which are considerably lower this year.

The highest level of protein content was shown by samples from the South West at 13.1% with the lowest from Scotland at 11.5%. As expected Group 1's have the highest protein content of 13.3% with Gallant the top performing variety.

High quality wheat availability

Of the Group 1 samples surveyed only 3% meet the high quality wheat specification (13%, 250s and 76kg/hl) compared to last year's 40%, heavily restricted by low achievement of specific weight criteria. This lower

Cereal Quality Survey 2012 – Final Results

trend was matched across other specifications with only 16% of group 1 and 2 samples meeting a medium quality bread specification and 9% of group 3's meeting biscuit criteria. This extensive shortfall in samples meeting typical quality specifications implies a large reduction in the availability of home-grown wheat for use by the milling sector. This, on top of the smaller crop this year, means the UK will need to import more - see page 4 and 5 for details.

Barley

Specific weight

The average GB specific weight for barley is seen at 62.9kg/hl, this is lower than last year's 66.4kg/hl and the lowest on records back to 1977. **Scotland** had one of the lower specific weights among the regions at 62.3kg/hl with the highest seen in the East of England at 64.1kg/hl. Poor weather in Scotland has led to a notably lower **spring barley** average specific weight of 62.3kg/hl compared to 66.3kg/hl last year. **Winter barley** fared slightly better but still below last year.

The highest average specific weight was recorded on the **Flagon winter variety** (65.2kg/hl) while **Concerto** had the highest average specific weight amongst the spring varieties at 62.4kg/hl.

Nitrogen content

Average 2012 GB nitrogen content is seen at 1.60%, better than last year's 1.71% which was heavily impacted by drought in some English regions in 2011. Improvements on last year were seen across all English regions however nitrogen content in Scotland increased slightly year-on-year. Average winter barley nitrogen content was seen at 1.69% (1.89% 2011) with the spring crop also improving to 1.57% (1.66% 2011).

Screening values

Screening results are generally poorer this year with an average of 3.6% passing through a 2.25mm sieve, higher than last year's 1.4% and the three year average of 1.6%. On average, 89.8% of grain was retained by a 2.5mm sieve. This is lower than last year's 95.8% and 95% three year average suggesting more shrivelled grains this year.

Closing comments

2012 GB wheat quality is significantly poorer than last year predominantly due to the worst specific weights on record. The upshot of this is that just 2% of the nabim group 1 samples included in the survey make full specification milling criteria compared with 40% last year. With less high quality domestic wheat

available, millers in particular will be using more imported grain meaning the UK is expected to be a net importer of wheat this year. Lower specific weights are also correlated with poorer flour extraction rates. For barley, 2012 GB quality is reasonable and availability better than last year despite lower specific weights and skinning issues in Scotland.

Figure 2 Summary GB average quality data

	2009	2010	2011	2012	3 Year Average
GB Wheat	Final	Final	Final	Final	
Specific Weight (kg/hl)	76.9	77	78.7	69.6	77.5
Hagberg Falling Number (seconds)	263	270	269	237	267.3
Protein Content (%)	11.6	11.9	12	12.5	11.8
GB Barley					
Specific Weight (kg/hl)	66.3	67	66.4	62.9	66.6
Nitrogen Content (%)	1.61	1.64	1.71	1.60	1.65
Grain through 2.25mm sieve (%)	1.5	1.9	1.4	3.6	1.6
Grain retained in 2.5mm sieve (%)	95	94.1	95.8	89.8	95.0

Source: AHDB/HGCA (detailed tables available online)

Key Points

- For wheat, the lowest average specific weight on record is the main limiting factor of quality
- Just 2% of nabim group 1 variety samples meet full specification bread wheat criteria, down from 40% last year
- Specific weights for barley are also low, but nitrogen levels are improved following the drought hit English crops of 2011

Milling Wheat Update

The domestic wheat crop has the lowest specific weights on record, and as a result higher than average imports will be required over the coming year to supplement domestic production. Quality wheat is available from the continent, capping UK milling premiums.

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Domestic situation

A slow and late start to harvest quickly pushed domestic prices up to import parity - where the UK price is equivalent to the price of imported wheat - and buyers bought early supplies of new crop wheat from the continent to supplement what remained of domestic old crop stocks. German 'A' wheat is similar to UK bread milling wheat and this has remained the benchmark for UK prices since July.

When the UK harvest finally started quality was seen to be below average and thus prices continued to be at import parity during August and September. Specific weights have been a problem across all regions and as a result, extraction rates by millers are lower than usual meaning that to produce the same volume of flour more wheat is required. In the season to date total flour production has remained approximately unchanged from last year. For more on UK wheat quality see pages 2 and 3.

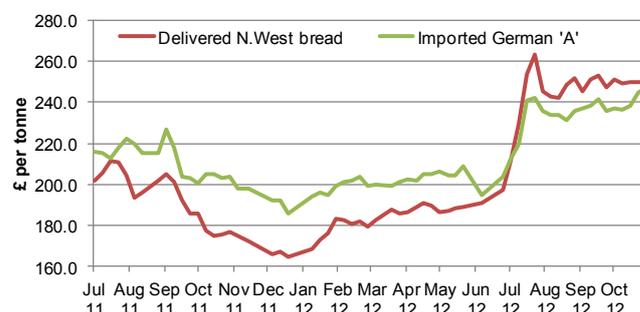
Figure 1 shows the tonnage and origin of imported wheat for the early part of this season (July, August and September). Imports during this period were 159% higher this marketing year than last, with large amounts of comparable German wheat entering the country. Figure 2 shows the prices of domestic wheat and imported German 'A' wheat.

Figure 1 UK Cumulative Wheat Imports (July - September)

Tonnes	2012/13	2011/12
France	79107	42923
Germany	141,097	36042
Poland	74040	11
Canada	84,517	66427
Denmark	41,986	4388
Romania	19,345	4008
Others	126081	64621
Total	566,173	218,420

Source: HMRC

Figure 2 Domestic v's Imported Milling Wheat Prices



Source: AHDB/HGCA

Europe

The **German wheat harvest** was similar to last year at 22.34Mt but was generally of higher quality, with an estimated output of 19.4Mt of milling wheat, significantly above the 3 year average of 16.5Mt. Average protein content was said to be 13.5%, in line with the 5 year average and higher than initially expected. Initial winter wheat specific weights were estimated at 75-84kg/hl. In **France**, 88% percent of a 35.9Mt wheat crop made milling grade, according to Strategie Grains, compared with 91% last year. For more information on French wheat quality see pages 6 & 7.

The US

The US wheat crop of 2012/13 avoided the drought which affected maize and soyabean crops, and production is estimated to be 13.5% above last year at 61.76Mt. Quality reports show the two highest protein common wheat crops (Hard Red Winter and Hard Red Spring) both exceeding 5 year average protein levels at 12.6% (av. 12.0%) and 14.7% (av. 14.1%) respectively. Specific weights were also above average, at 80.4kg/hl and 80.6kg/hl. Total wheat exports are anticipated to be 29.9Mt reflecting the comparably good level of quality wheat stock in the US relative to other countries.

As of the 1 November, the US had sold (but not necessarily delivered) 14.92Mt, down from 16.49Mt at the same point the year before. The main customers were Japan, Nigeria and Mexico which had each purchased more than 1.25Mt. Export sales have been slower than expected so far this season as importers have chosen to buy Black Sea wheat before supplies run low. US year ending stocks are forecast to be 28.9% of demand, at 19.2Mt, and so the US is likely to be an important 'backstop' for wheat importers. Figure 3 shows the wheat export commitments for different classes, as an absolute total and as a percentage of forecast exports.

Milling Wheat Update

Figure 2 US Export Sales by Class (as at 1 November)

M Tonnes	Committed Tonnage		As a % of total f'cast exports	
	2011/12	2012/13	2011/12	2012/13
Hard Red Winter	6.40	5.79	58.41	40.88
Soft Red Winter	2.34	2.12	51.06	53.67
Hard Red Spring	4.33	3.90	64.28	59.66
White	3.10	2.77	51.18	59.91
Durum	0.33	0.34	42.77	50.12
Total	16.49	14.92	57.71	49.82

Source: USDA/FAS

Canada

Canada is forecast to be the world's second largest wheat exporter this year after recent downgrades in the Australian wheat crop. Canadian production is estimated 5.7% above last year's level at 26.7Mt consisting mainly good quality milling wheat. This season is the first time that Canadian farmers will have direct access to international markets, after the breakup of the Canadian Wheat Board's (CWB) monopoly on crop marketing. The arrival of large trading companies into the country could mean more competition for farmer's crops and increased investment into export facilities.

Former Soviet Union

The drought through central Asia and Eastern Europe means **Russian wheat production** is estimated to be lower than 2010 at 38Mt. This year wheat has been moving from the coastal regions into the interior of the country encouraged by rising domestic prices in areas that are traditionally the cheapest.

Ukraine suffered the same drought as Russia, and production is also down on last year, estimated at 15.5Mt (22.1Mt, 2011). The exportable surplus is estimated at 5Mt and rapid export progress in the first few months of the season means this supply has almost been exhausted. Several conflicting statements have been made by officials in an attempt to clarify Ukraine's position on exports, but some form of restriction is expected to protect domestic supplies.

Kazakhstan's wheat production was 54% lower in 2012 at an estimated 10.5Mt (22.7Mt, 2011), although high levels of opening stocks should help maintain export volumes at 7Mt. Ending stocks are forecast down from 6.6Mt to 3.1Mt.

The Southern Hemisphere

Australia have only just started their wheat harvest but forecasts suggest production will be down on last

year's record crop of 29.5Mt after a dry growing season. In the major producing state of Western Australia production is anticipated to be around half of last year at between 5.5Mt and 6.3Mt (11.7Mt, 2011/12). Official export forecasts are so far little changed on last year at 22.5Mt, although other analysts see as low as 16.5Mt. Reasonable carry-in stocks are supporting export volumes, and ending stocks are forecast down as a result of continued demand.

The **Argentine** wheat crop is suffering from excessive rainfall, and despite sales earlier in the season, has been absent from international tenders recently. This suggests traders are less sure about the potential harvest quantity and are choosing to wait before offering more wheat. The early wheat harvest has been dogged by rain. By 8 November, 12% had been cut.

Conclusions

The world wheat market is still relatively well stocked, mainly as a result of increased US production offsetting declines in Central Asia, Europe and Australia. However, world ending stocks are forecast to decline for a third consecutive year, further sensitising the world's growing regions to weather events over the coming season. In order to protect supplies and avoid too much substitution of wheat into feed rations, prices are likely to remain high relative to other grains. UK prices will remain a function of the world price, principally German A wheat, for 2012/13 but looking ahead to the November 2013 futures contract shows on-going planting concerns are supporting UK prices relative to global markets.

Key Points

- Despite quality issues in the UK, European milling wheat production is estimated higher than last year, mainly due to higher German production
- Imports of German 'A' wheat acting as a 'cap' to UK milling premiums
- A rebound in US wheat production, and higher Canadian production will provide important sources of wheat once cheaper sources are exhausted
- Global ending stocks are forecast lower for the third consecutive year in a row, sensitising the market to weather events throughout the coming growing season

French Wheat Quality

Wet weather from April into early summer has negatively impacted the quality of French wheat with lower specific weights and Hagberg Falling Numbers. As a result the availability of French 'superior milling wheat' is lower than recent years.

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Introduction

France is the largest soft wheat exporter in the EU-27, accounting for 60% the bloc's exports to third country destinations in 2011/12. It is also an important supplier of wheat to other countries within the EU. Last season France exported a total of 15.9Mt – of which 8.4Mt was sent to third country destinations with 7.5Mt to other EU destinations.

Availability, quality and price all impact export demand for French wheat. French soft wheat production is estimated at 32.8Mt in 2012, up from the 31.7Mt last year and the largest crop since 2009 (38Mt). The 2012 harvested area was smaller than 2011 and also lower than initial forecasts following higher than usual winter kill levels, particularly in North-Western France. However, this shrinkage was offset by a recovery in average yields which were particularly low in 2011 due to the spring drought.

To provide insight into the quality of the crop, FranceAgriMer, the French office for agriculture and fisheries, conducts a survey that takes into account results from approximately 500 samples from 200 inland silos.

Quality Results

France AgriMer estimates the national average **specific weight** in 2012 at 76.1kg/hl. This represents a sharp (3.3kg/hl) decrease from 2011 levels and is the lowest since 2007 and reflects higher disease pressure due to wet conditions from April into early summer. The northern regions of Picardie, Nord de Calais and Lorraine were some of the most affected.

Persistent showers during July are also likely to have impacted the **Hagberg Falling Number** (HFN) results. HFN results are down on last year, although FranceAgriMer indicates that the results are 'higher than expected' given the weather conditions. This year 16% of the harvest recorded a HFN of over 300 seconds – compared to 19% last year and 87% in 2010. A higher proportion also recorded a HFN of less than 180 seconds – 8% compared with 6% in 2011.

Average **protein content** is slightly lower than last year at 11.4% but broadly in line with the past four years. A smaller proportion than last year had protein

levels above 12% but the majority of the crop (82%) is estimated to have protein content of 11% or above.

Classification of French wheat

Protein content, baking strength and HFN are used to classify French wheat into four grades. The baking strength of wheat is related to the quality of the protein (gluten). This is measured using the Chopin Alveograph test, which produces the 'W' value – higher W values indicate higher baking strength. These grades and the proportion of samples achieving them in 2011 and 2012 are set out in Figure 1.

Figure 1 Classification of French wheat and proportion from 2011 and 2012 harvests in each category

Grade	Protein	Baking strength (W)	HFN (s)	% in 2011 harvest	% in 2012 harvest
E	≥ 12%	≥ 250	≥ 220	1%	2%
1	11-12.5%	160-250	≥ 220	60%	50%
2	10.5-11.5%	specified in contract	≥ 180	30%	36%
3	<10.5%	not specified	not specified	9%	12%

Source: FranceAgriMer / Arvalis

Grade E ('Exceptional') and grade 1 wheat are classed as 'superior quality' milling wheat. In 2012 a total of 52% of the French crop was classed as 'superior quality', down from 61% in 2011 and 76% in 2010. This equates to 18.8Mt of grade E and grade 1 wheat, down from 20.4Mt last season despite the larger crop in 2012. In volume terms, this is the **lowest amount of 'superior quality' milling wheat produced in the last decade**. Around 12% of the 2012 crop is classed as feed quality (grade 3), up from 9% last year and 6% in 2010.

Closing Comments

Wet conditions from April into early summer have contributed to reducing the quality of the 2012 French wheat crop. Consequently, although the crop is larger than last year, the availability of 'superior' milling wheat is the lowest for a number of years.

Despite the lower availability, FranceAgriMer forecasts total exports in 2012/13 at 17.4Mt – up from 15.9Mt last season. Exports to non-EU countries are forecast at 9.5Mt, compared with 8.4Mt last season but still below 12.9Mt exported in 2010/11. With Russian and Ukrainian supplies reduced by drought, France and the US are expected to see additional export demand. However, with quality lower than last year French wheat will need to be priced to compete.

New Crop Pricing – Crop 2013

Forward grain prices for 2013 are currently historically strong, but due to the condition of the associated growing crop, farmers may be reluctant to sell. The 2013 price should be expected to remain volatile, with the biggest downside risk being the lack of any major weather events.

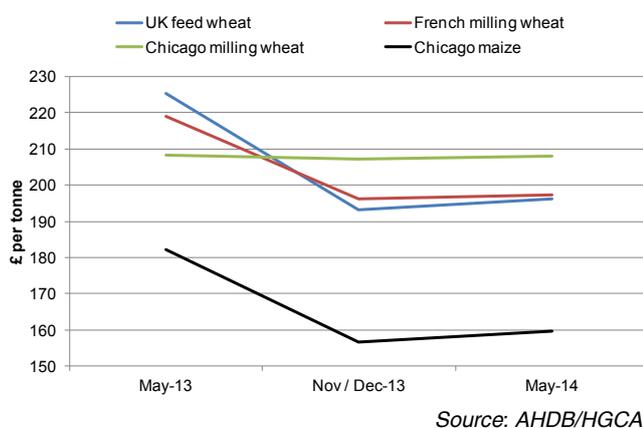
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Introduction

With grain markets expecting to remain volatile, it is important for buyers and sellers alike to have an awareness of the full pricing timeline available. For UK feed wheat, futures contracts open more than a year before the associated crop is planted. As a result, it is possible at any point in time to be **pricing for three seasons' crops**. Currently for example, farmers will be well into the marketing of the 2012 crop, have forward prices available for 2013 and even have indications of current values for 2014.

The global picture on new crop grain prices
Figure 1 gives a snapshot of the current forward price profile from May 2013 through to May 2014 for some key global futures markets.

Figure 1 Global Future Prices - (averages for the w/e 9 November 2012)



For the current 2012 crop, the main characteristic is the sheer strength in price with **UK May 2013 feed wheat futures in excess of £220/t**. It must be remembered that the UK futures price relates to a rigid specific weight requirement of 72.5Kg/hl. Samples that do not reach this standard will see noticeable deductions from the headline price.

Unusually, the UK futures price for May 2013, when compared to Paris and Chicago values is at the top of the complex (normally, the UK value would track the Paris price at a discount). This is happening because of the extremely **disappointing UK harvest**, making the UK a net-importer of wheat in the 2012/13 marketing season - meaning that UK prices have to be at a premium to attract imports.

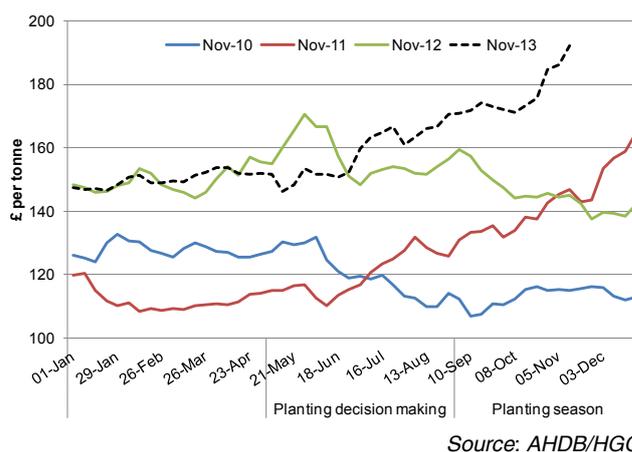
As Figure 1 shows, prices for the new crop (Nov / Dec-13) show discounts to the old crop (May 2013) as a

new flush of Northern Hemisphere supplies will be available. For the November 2013 position, UK futures values return to a discount against Paris. However, this discount is less than 'normal' at under £5/t currently. Typically, the discount is in the region of £10 - £15/t, but is likely being kept narrow by the uncertainty over 2013 UK supplies due to the wet autumn that has restricted planting activity.

UK November 2013 feed wheat futures

Figure 2 shows the development of the November 2013 UK feed wheat futures contract in the lead up to and during the planting season. The strength in the forward November 2013 price is very noticeable with the contract **recently breaking above £190/t**. The strength in the price can be attributed to international markets, but also concern over UK plantings as discussed earlier. In comparison to the previous three seasons, the November 2013 price is extremely strong and some of the highest pre-harvest values ever seen.

Figure 2 UK Feed Wheat Futures Prices in the Lead up to Planting

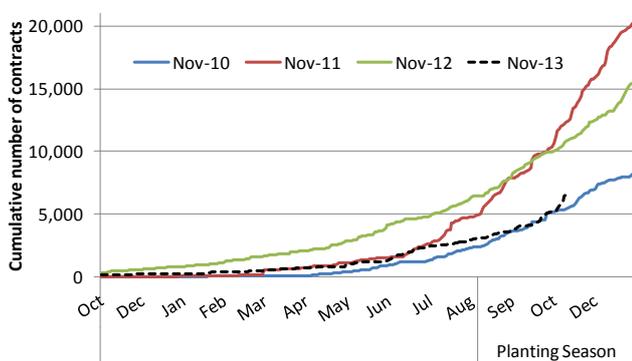


Despite being historically strong, farmers may be reluctant to lock-in to forward values. The main reason for this is planting delays. This combined with the fresh memory of poor yields in 2012 is likely to hit farmers' confidence in selling this far ahead of harvest. However, each season is different both in terms of growing weather (influencing yield) and market forces (influencing price) so it is **important that farmers don't base marketing decisions on 'knee-jerk' reactions** to previous seasons.

At this point there is no accurate way of analysing how much crop has been sold forward. However, some general trends might be identified by looking at the number of contracts traded for the November 2013 futures contract. Figure 3 shows the cumulative number of contracts traded on the November 2013 futures and previous November contracts in the lead up and during planting (1 contract = 100t). It must be emphasised that it is impossible to identify how much of the volume is related to ex-farm sales and how much is from other trading activity.

New Crop Pricing – Crop 2013

Figure 3 Cumulative Traded Volumes on UK wheat Futures in the lead up to Planting



Source: AHDB/HGCA

Until recently, traded volumes for November 2013 futures have been sluggish and well behind that for the previous two November contracts for the same period. However, activity has increased recently with 379 contracts traded on 8 November – a record daily volume for the November 2013 contract.

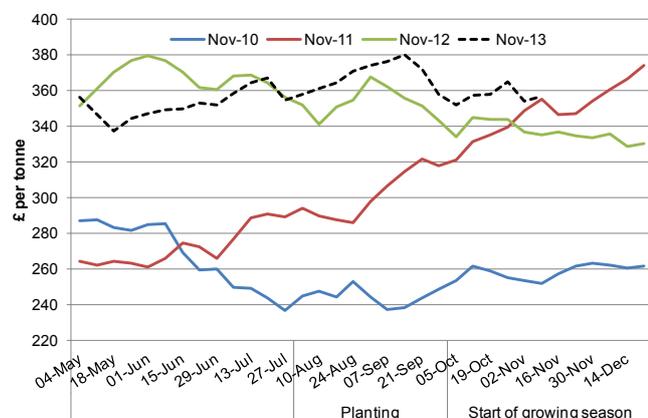
Further ahead – crop 2014

With historically strong prices in the spot and 2013 markets, values for November 2014 are also strong – in the region of £170/t. However, there is currently little liquidity in this position making it difficult to trade as buyers and/or sellers are often absent. Those who want to trade for November 2014 delivery should exercise some patience.

Paris November 2013 oilseed rape futures

In a similar light to forward wheat values, **2013 oilseed rape values are also historically quite strong**. Figure 4 looks at the progression of the Paris oilseed rape futures through planting and into the early growing season.

Figure 4 Paris Oilseed Rape Futures Prices in the Lead up to Planting



Source: AHDB/HGCA

Unfortunately, also similar to wheat, the UK oilseed rape crop has suffered from late sowing and poor growing conditions putting uncertainty over yield potential.

What do options currently cost for November 2013?

Despite historically strong forward prices, uncertainty around crop condition is making farmers nervous about selling forward. In response some may want to opt for minimum price contracts, based on options to protect against falling markets, gain if markets rise and offer protection from default charges should expected yields not materialise.

For November 2013, at-the-money (ATM) **UK feed wheat Call options** are in the region of £20/t, but may be difficult to buy as liquidity in the market is very thin. Alternatively, Paris wheat options could offer a similar level of protection with ATM Calls for November 2013 at around €20/t (£16/t). To reduce the cost, an out-the-money (OTM) option can be used. For Paris November 2013 Calls with a strike price €10/t OTM, the cost is reduced to around €15/t (£12/t).

For oilseed rape, ATM November 2013 Call options are currently in the region of €22/t (£18/t) with €10 OTM Calls costing around €18/t (£14/t).

Closing comment – what will drive 2013 prices?

2013 is likely to be similar to any other marketing season in that supply and demand will be the dominant price driver. This however is where the similarities end. Weather of course will be the key driver, but its unpredictable nature also makes grain prices for 2013 uncertain. Weather permitting, the world's arable farmers will try and take advantage of strong forward prices. As a result the biggest downside risk to 2013 grain and oilseed values is the lack of any major weather event in a key producer / exporter.

Key Points

- Historically strong forward prices for 2013 following spot market conditions and concern over UK crop areas
- Despite strong prices, farmers may be reluctant to sell due to crop concerns and fresh memories of the poor 2012 harvest
- The biggest downside risk to 2013 prices is more 'normal' growing weather for global crops