



# Market Report

28 July 2014 / Vol 9 Issue 4

## Summary of the week

	<b>Bullish</b>	Concerns over dry weather in key US soyabean growing states; Impact of earlier rain is causing concern over wheat quality in France (supportive of milling wheat premiums).
	<b>Neutral</b>	Chinese soyameal exports are likely to decline as a result of improved processing margins, however Brazil and Argentina are likely to recapture their market share that was previously overtaken by increased Chinese sales.
	<b>Bearish</b>	EU Commission increased 2014/15 EU oilseed production forecasts to 0.83Mt higher than 2013/14; US crop tours suggest very good yield prospects for spring wheat crops.



## Grain

**Harvest progress continued to be in focus for grain markets** last week. The French harvest sped up ([read more here](#)) as drier weather returned, but the potential **impact of earlier rain on wheat quality** continues to prompt concerns. Reports of French traders making purchases of German / Polish wheat as insurance for August shipments, offered some support to Paris milling futures mid-week.

**Black Sea origins continued to dominate** in the latest Egyptian tender. GASC purchased 120Kt Russian, 60Kt Romanian and 55Kt Ukrainian wheat for September shipment, averaging \$256.60/t (cost & freight).

Annual **US crop tours got underway last week**, commencing with northern Hard Red Spring wheat crops. Yield prospects were reported as very good, and while it is ultimately only final yields that matter, the tours often prove a target for market attention. US maize crops are well into the critical pollination phase and the latest fall in prices points to some 'risk premium' being removed from the market as conditions to date have been favourable.



## Oilseeds

Concerns over **dry weather in key US soyabean growing states, and strong export sales (see graph) provoked a price rally over the past week**. At Friday's close nearby prices had increased by \$13.41/t since Monday's settlement; the largest gain was seen on Wednesday when prices rose \$6.25/t. As the crop is entering its key phase of development, a lack of moisture now may cap yield potential.

China's soyameal **exports are likely to decline** due to higher demand for animal feed within the country. This would be welcome news for other exporting countries, such as **Brazil and Argentina, who may be able to recapture market share**. China's exports of soyameal doubled in the first half of the year, mostly attributed to higher soyabean imports during a time of weak demand.

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## Recently on [www.hgca.com/markets](http://www.hgca.com/markets)

[Global Crop Update](#) (25 July)

[ADAS Harvest Report](#) (24 July)

[Mid-week News Round-up](#) (23 July)

## Recent Prospects Articles

[US Wheat Supply and Demand Review](#) (22 July)

[Analyst's Insight: Great Expectations](#) (23 July)

[Biodiesel Update Part 2](#) (24 July)

## News in Brief

**All shipments of Distillers Grains (DDG) from the US to China are now required to be certified as 'MIR 162 free'** under new rules announced and implemented last week. The GM event MIR162 is not currently approved for import by China and has led to maize shipments being rejected. US trade reactions suggest the rules are not workable; China is a main destination of US DDG shipments.

Latest EU Commission balance sheets reveal that **EU oilseed production is forecast to increase by 0.83Mt during 2014/15**, to approximately 31.9Mt, from 31Mt in 2013/14. EU rapeseed production is forecast to increase by 1.3Mt year on year to 22.2Mt.

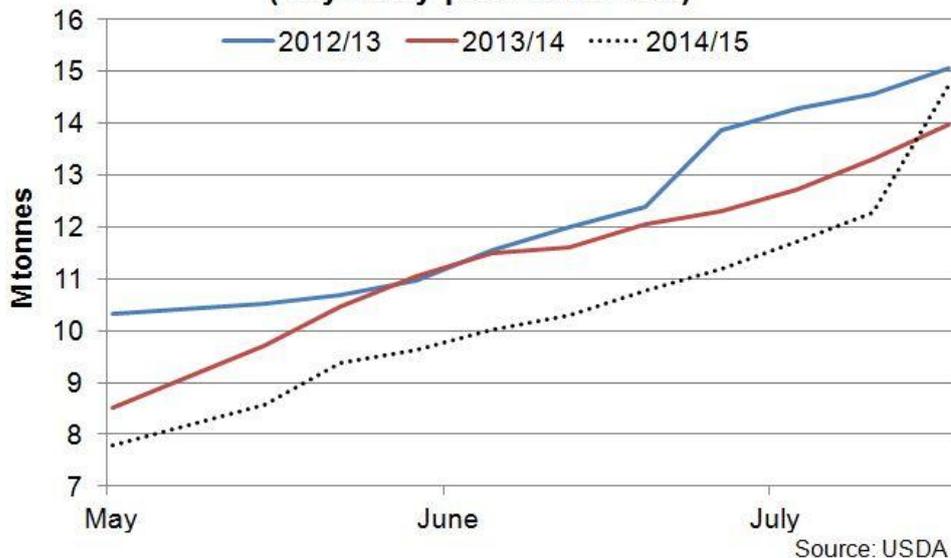
## Upsurge in US Soyabean Export Commitments for 2014/15

USDA export commitments data has revealed that **recent sales of the 14/15 US soyabean crop have increased sharply**. Up until mid-July soyabean exports had been **behind previous years' trends**, although have now caught up. Lower prices, along with higher levels of stock forecast appear to have boosted sales during mid-July; **key importers may also be taking advantage of discounted prices**.

Weekly exports **increased by around 2.5Mt** from 11-18 July 14, which increased cumulative sales to around 14.5Mt. The pace is now slightly behind 2012/13, but around 1Mt ahead of last year's level of forward sales.

**The changing pace of sales should be a watch point** for the market now and it should not be assumed that as a result of a record harvest, US stocks will be ample come the end of the marketing year.

**Cumulative US Soyabean Export Sales  
(May - July prior to harvest)**



## Price Summary

UK feed wheat futures prices (Nov-14) closed at £126.30/t on Friday, down £2.70/t since the previous Friday and down £11/t compared to late June. As at 14:55pm today (28 July), UK feed wheat future prices (Nov-14) had declined further to £125.95/t. The decline was led by global feed grain prices with nearby Chicago maize futures closing at \$142.91/t on Friday, down from \$146.16/t the previous Friday.

In contrast, milling wheat futures ended the week slightly higher with some concerns over potential quality issues muted. Chicago wheat futures for Dec-14 were \$205.65/t, up \$1.68/t from the previous Friday, while Paris milling wheat futures gained €0.50/t to close at €179.75/t on Friday.

Paris rapeseed (Nov-14) prices followed the Chicago market higher (see oilseed section for more) and closed at €327.50/t on Friday, up €4.25/t from the previous week.

For full prices, see the latest [Market Data Publication](#).  
For historic prices, see the [Market Data Centre](#).

A recent Reuter's poll of 20 analysts revealed **optimism that US soyabean yields could be higher than forecast** by the USDA (Reuters). The current USDA forecast is based on trends and suggests a record yield of 45.2 bushels/acre (3.04t/ha); the next USDA forecasts are due on 12 August.

**Brazilian soyabean area for harvest 2014/15 is predicted to expand by 4%** according to tentatively early forecasts from local consultants Safras & Mercado. Planting typically commences in mid-September and if realised, a total of 31.2Mha would be grown to soyabeans. The maize area is predicted to fall 6.1% to 5.14Mha with declines to pastureland also predicted.

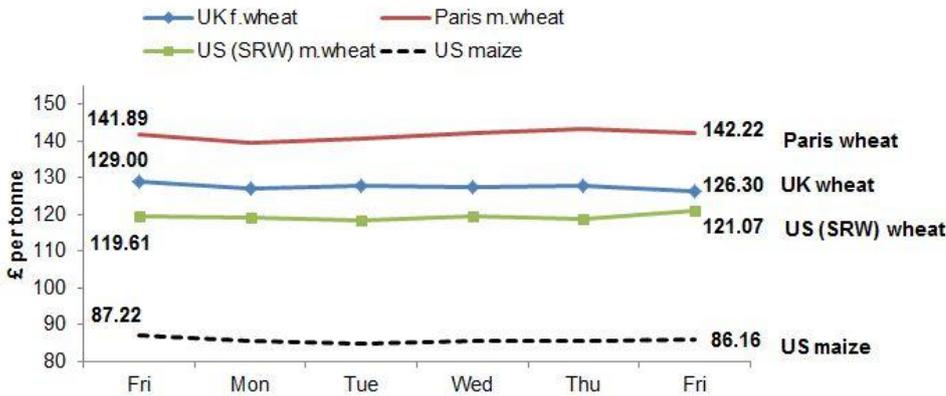
**The Russian wheat harvest in 2014 could total 57.5Mt** according to local analysts firm IKAR. This is an increase from the 56.3Mt previously estimated following positive yield reports in several regions and further up on the 52.1Mt the USDA estimated was harvested in 2013.

**US cattle and calf numbers as at 1 July 2014 were the lowest** on records dating back to 1973, according the USDA. At an estimated 95.0 million animals, cattle and calf numbers as at 1 July 2014 were 3% lower than 2012 and the lowest in the surveys history; no survey was conducted in 2013 due to budget cuts.

**US exporters reported sales of 360Kt of soyabeans to China** for 2014/15 delivery on Friday. This will be included in the next export commitments report (out Thursday), as by law export volumes greater than 100Kt must be reportedly promptly.

The **EU Commission revised upwardly its forecast of 2014/15 maize, wheat and barley** output. Maize production is up by 1.7Mt from early June to 70.8Mt, now 5.5Mt above last season's crop. Soft wheat production was increased slightly (53Kt) to 137.5Mt, compared to 135.0Mt in 2013/14, while the barley crop is now put at 55.9Mt; up 0.5Mt from June, but still 3.5Mt below 2013 levels.

## International Futures Nov/ Dec 14



	New Crop Oilseed futures: Nov/Dec-14 (£/t)		Nov-15 Futures (£/t)	
	Fri-25-Jul	Fri-Fri Change	Fri-25-Jul	Fri-Fri Change
Chicago soyabeans	234.34	+ 1.03	UK feed wheat	139.50 - 1.75
Paris rapeseed	259.12	+ 3.23	Paris rapeseed	264.46 + 3.82

### Ex farm prices (weekly average corn returns for w/e 24 July )

Specification	Bread milling wheat	Feed Wheat	Feed barley
Month	Jul 14	Jul 14	Jul 14
Price	£168.20	£124.20	£103.10
Change	-£15.20	-£10.90	-£3.90

Please note that July Corn Return prices are likely to include a combination of old and new crop grain given recent harvest progress and expectations.

### Delivered prices (as at Thursday)

Delivery specification	N. West bread wheat	E. Anglia feed wheat	Yorkshire feed wheat	Central Scotland feed wheat	Erith Oilseed Rape
Month	Nov 14	Nov 14	Nov 14	Nov 14	Nov 14
Price	£167.50	£127.50	£133.00	£137.00	£248.00
Change	n/c	-£4.50	n/c	n/c	+£2.00

### Currencies (as at Fridays close)

£1 = €1.2639	£1 = \$1.6987	€1 = \$1.3440
up	down	down

Turkey's state grain agency purchased a total of **165Kt of milling wheat and 65Kt of feed barley** last week in its latest tender. This is on top of the 235Kt of milling wheat, and 200Kt of feed barley purchased on 17 July.

The ongoing conflict in eastern Ukraine could result in grain production losses of around **0.5Mt**, from a total crop of around 60Mt according to the Agriculture Minister. An estimated 20.5Mt had been harvested by 24 July, including 14.2Mt of wheat and 5.9Mt of barley.

### Data and Prospects Articles out this Week

**Tuesday:** Prospects: Strong Global Feed Demand off the Back of Low Prices?; UK Export Prices (AHDB/HGCA)

**Thursday:** Prospects: EU Crop Update; Monthly Report (International Grains Council); Last Trading Day, Paris rapeseed futures, Aug-14

**Friday:** UK Delivered Cereals & Rapeseed Prices (AHDB/HGCA)

[See the HGCA website for more dates of upcoming information releases.](#)



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