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Weekly Grain Market Report

Independent grain marketing and brokerage advice for the progressive farmer

A weekly newsletter **14th October 2010**

Ex-Farm prices(£/t)

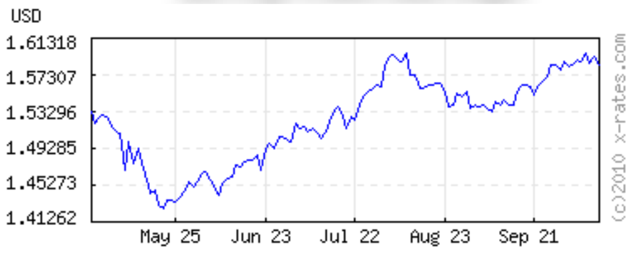
	Fd Wheat	Softs	Class 1	Class 2	Fd barley	OSR	Mill Oats	Beans
O/N/D '10	153	Fd + £5-10	Fd + £25	Fd +£18-20	145	318	140	180
A/M/J '10	160				152	330		
Harvest '11	125				105	308		
O/N/D '11	130				112	315		
A/M/J '11	134				118	321		
O/N/D/ '12	126							

Thursday's	Nov '10 £162.75	Jan '11 £165.35	Mar '11 £166.00	May '11 £168.50	Jly '11 £169.75	
Futures close	Nov '11 £137.00	Jan '12 £136.75	Mar '12 £139.00	May '12 £142.50	Jly '12 £144.50	Nov '12 £133.00

November 2010 Futures Graph

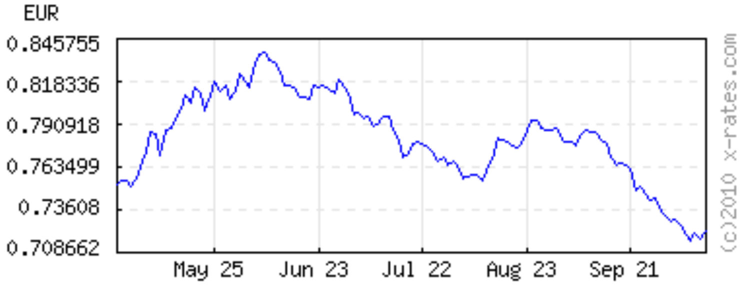
November 2011 Futures Graph

$:£ Up 1.603 (62.35p)



Euro:£ U/C 1.137 (87.91p)

Euro: $ Up 1.410 (70.91p)



Crude oil $/barrel Up 1 $84.50

Guest currency: Danish krone: £ 11.02 (8.9p)

Corn tightness leads the market

Wheat

Harvest 2010:

Feed: The USDA report last Friday, which has been discussed already in many quarters, was quite explosive. The corn figures were down 4% on the previous estimates and almost double the lower projections of the so called guru's in the US. So being caught on the hop, the market was not covered and so the big boys began to buy, and buy they did, see graph. Markets were 'limit up', immediately, and continued the next day too. The US corn shot up to a 2 year high, and wheat a 14 month high.

CBOT Dec '10 Corn Futures

Subsequently, as always, the market has retrenched a little as there was no new news but a higher plateau has now been reached. Again the market has made a mockery of any 'sensible' traditional selling strategy, confirming the need for some kind of hedging approach. Some traders feel the market has got a further £30 rise in it, such is the uncertainty.

With World stocks: usage ration 16% vs 18% last year and the US situation under 7% vs 13%, there is very little wriggle room and the market must now be underpinned until the US harvest is totally in and next months figs confirm or deny these ones.

THE CBOT corn has ended up £18 on the week, wheat up £10 and LIFFE wheat up £5. It is felt that if the demand from the animal feed sector of the US does not reduce, then the price will rise to over the $6 level, now £5.70, almost double 3 months ago. It is seen as the only way to limit demand.

The US's EPA has announced increased inclusion rates of ethanol in car fuel, adding to potential demand. Ethanol already consumes a third of US production.

DEFRA announced its estimate of the UK's 2010 harvest production at 14.88mt. This is 4-500,00 more than the trade, that believe that 80%+ of this years crop has been sold. Short term the market is very clogged up with wheat as merchants have a big collect on their books for November. Consumers have bought to post-Xmas, so there is pressure on prices at present, in terms of basis values.

Recently, the basis under futures has been £6-7, it is at present £8-10 as buyers have to be 'encouraged' to buy. Delivered the port prices quoted are; the futures price or just under, so once haulage and merchant margin are taken into account it's £8-10 discount. Haulage making the biggest difference. If you can hold off selling, and believe the market

will not tumble, it may be best not to sell until the basis returns to a more normal level. However, if the market falls £2-3 you need not have bothered!

UK exports have stopped as no EU buyers, even at the lower Sterling levels, but there isn't much more available to export anyway. The only ports buying at present are Ipswich and Immingham.

November contracts, especially the cheap ones, are being moved early as if the November book can't eventually all be moved, the trade don't want to be held in default for up to £60/t for non-collections - expect a call.

Group 3 soft wheat have a range of prices depending on destination, £5-10 but £12 was reported to me. These supplies are short, hence the premium, especially as so much post-rain has shot hagbergs.

Milling: Group 1 premiums:

Premiums are varied, £20-25, for O/D positions depending on location, as few buyers. Most full until Xmas.

The 11.3%, 225 hag, 76kg 'shipping spec' market, remains u/c at £12 and are being bulked together for that purpose at the ports.

Group 2 premiums: As per last week, £20 for Cordial, again dependent on the home. Lower premiums for other varieties, £18 for Einstein and quick movement. More demand as cheaper than Group 1's but lack of demand evident.

Hedging H'10: Please ring for a quote.

Harvest 2011:

Feed: Market has ended this week up £3.50, so a net £7 in two weeks. Nov '11 now approx £130, depending on haulage.

As before, very little new news and few buyers, which is making it difficult to sell but there is now approx £35 difference between July '10 and new crop harvest, which is unsustainable in the long run. There has to be a coming together at some price in the future.

Much will depend on the state of the drillings around the world and the effect of low stocks.

Locking into £130 doesn't seem bad to me, and if it's not a good enough price for you, why did you drill it?

Hedging H'11: If there has ever been a case for a Put option, now must be the time. Please ring to discuss the finer details of how to protect a fall in price if you're not selling or a rise if you are. Hedging is not "too expensive"if done correctly. For approx £7.50 you can cut your downside risk in half and still have the upside gains if they happen.

Harvest 2012:

Up £2. £125-6 ex. Just a punt but still remains a good price.

Barley

Harvest 2010:

Feed: November, £145. Few buyers for spot except if a merchant is short for a boat. Where is the barley? Merchants are short and so market underpinned in the short term but new boat trade limited at present, even with the lower Sterling.

Very little activity.

Malting: Up £8-10 as November shorts hit the market, as merchants buy-in to cover rejections or lack of supply. A turn around from last weeks poorer pre-Xmas prices.

Winters: Nov £160
Springs: Nov £165
£2/month carry after that.

L/T outlook remains the same... barley is short. £200 for malting, as 'bare boards' in the A/M/J period next year. Hold if you can.

Harvest 2011:

Feed: Down £2. £105 harvest.

Malting: U/c, buyers watching the weather to see how much is getting drilled. At present it appears that it may be only the same as last year's as wheat and OSR the preferred choices.

Still plenty of time before March for the market to swing.

Winters: £140.
Springs: £150.

Low/ nil stock is the driver still, so market looks to be in the sellers favour.

No sellers at present.

Do you have a selling price?

OSR

Harvest 2010

Up £9, at a recent market highs. £318 November, depending on location. Very volatile everyday, reacting any changes in the market. Market has reacted to the movements of the wheat and corn situation, following the USDA crop report and does not want to be left out, especially in the race for acres' next spring. Soya was less affected by the numbers, just it's relative price vs corn.

Crude oil has been firm, up again. Sterling remains weak vs Euro, EU demand high, USDA say stocks have fallen slightly.

Good demand from the EU for UK's record 2.2mt supply and the EU will have a crush exceeding their production.

Erith d/d: Nov £326.

Hedging H'10: From £20/t, which compared to wheat per acre, seems good value.

Harvest 2011

Little selling by farmers despite the market being up £8 to make new market highs, again. £308 harvest, Nov £315, depending on the location.

As commented last week, good prices so please sell some. Look at the margins, then add the bonuses - huge.

Selling 50% now and leaving the rest until harvest is reducing your price risk by half. A £100 price fall will still leave an average of £250, still a positive margin.

Erith d/d: Hvst £316, Nov £323.

Beans

Feed: Up £8, following other crops and regaining last week's loses. Nov '10 £180.

Human consumption:

Winters: Feed + £15

Springs: Feed + £15

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