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Weekly Grain Market Report

Independent grain marketing and brokerage advice for the progressive farmer

A weekly newsletter | **Our 17th Year** | **1st November 2012**

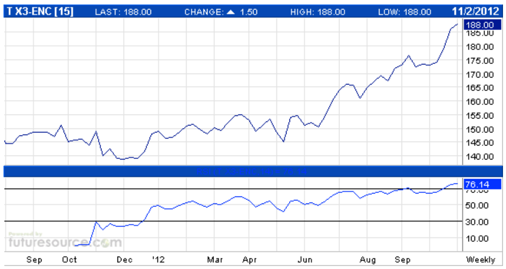
Ex-Farm prices (£/t)

	Fd Wheat	Softs	Class 1	Class 2	Fd Barley	OSR	Mill Oats	Beans
N/D '12	204	Prem fd £10-12	Prem fd £35-40	Prem fd £30-35	180	371	?	260
A/M/J '13	212				185	373	193	262
O/N/D '13	182				165	342		
A/M/J '14	186				170	350		
O/N/D '14	165							

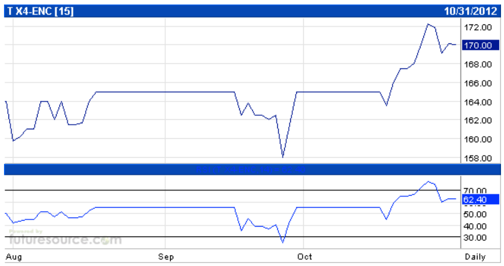
Thursday's	Nov '12 £210.00	Jan '13 £213.00	Mar '13 £215.15	May '13 £218.00	Jly '13 £215.00	
Futures close	Nov '13 £188.50	Jan '14 £189.15	Mar '14 £190.15	May '14 £193.00		Nov '14 £172.25

Nov 2012 Futures & RI Graph

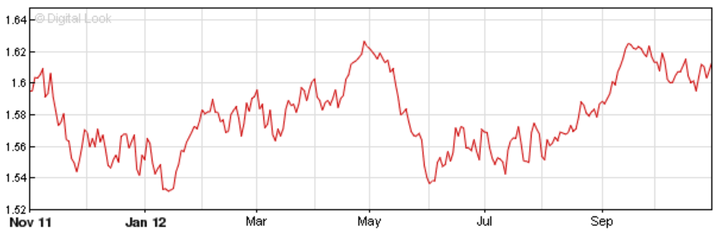
Nov 2013 Futures & RI Graph

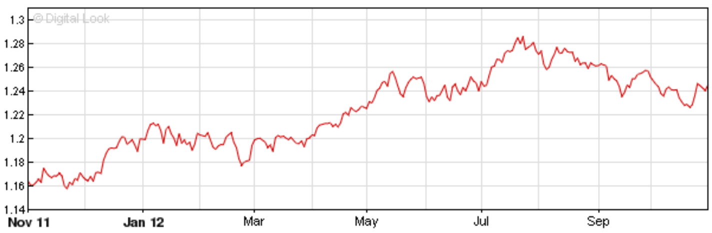


Nov 2014 Futures & RI Graph

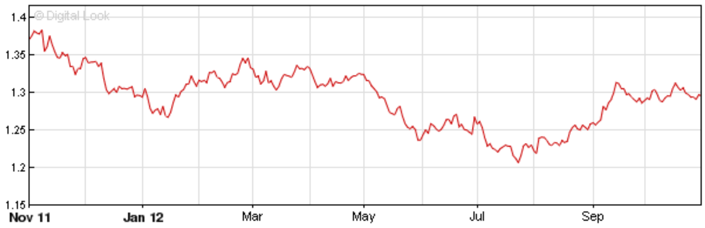


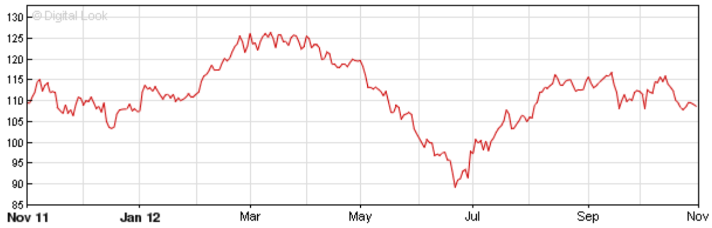
£:$ up, 1.613 (62.02p) Past 12 months £: Euro u/c, 1.245 (80.21)





Euro: $ u/c, 1.294 (77.31c) Past 12 months Brent Crude oil u/c, $108.50 /barrel





Guest currency: Botswana Pula :£ 7.8 (12.6p)

Halloween spooks markets?

Wheat

Harvest 2012:

Feed: All the markets were quietish, then rose, as external factors hit the market. LIFFE up £1, CBOT off £1 and MATIF up £5.

This week has been a quiet one as domestically it's half term and many players are on their hols. Internationally, Sarah has caused the US markets to be disrupted.

As far as UK ex-farm trade is concerned, business is as 'normal', if normal is the right word. The trade is girding their loins for the usual massive November ex-farm collect. It is anticipated that it will not all get moved on time, due to extra transport and processing times needed to turn sub-standard crops into something saleable.

There is now a £8-9 carry to Feb from November, such is the desire from the trade that you don't sell them any in the near months as they're full up. Normally it is £4.

There remains the £5 difference between 72kg, 15% feed and 68kg, 15% feed and the dreaded drop to 65kg. Under 65kg is a real problem, and the further one goes West the more difficult it can be. The ethanol plants, acting as the destination of final resort, if you have deep pockets and not space to hold wheat until next year.

The market is sensitive to bullish news and insensitive to bearish news.

Import and export parity prices are very close now and the UK is definitely going to be a net importer this year. Nearly 1/2mt of Scandinavian wheat is believed to be on its way into the UK to help raise bushel weights.

Internationally, NYSE reopened yesterday after two days of Sarah and there was some short covering by traders that couldn't do anything since Monday.

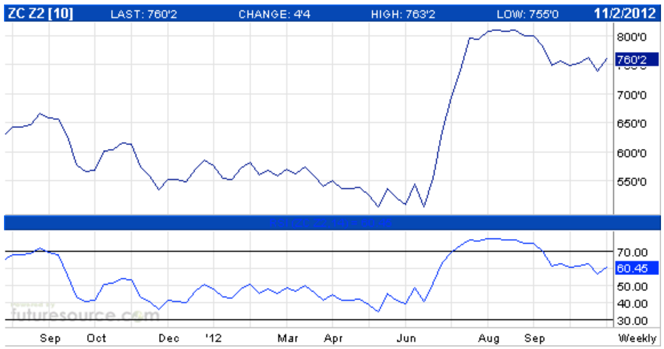
The Southern hemisphere crops are looking increasingly like they are going to be the deciding factor/tipping factor in the great 12-13 harvest world S & D puzzle.

Corn traded higher after traders decided that Southern Brazil and Argentina were seeing less than ideal planting conditions. Concern that heavy rainfall in areas of Argentina may remove nearly 20% of its projected corn crop forced bears to the sideline today. The USDA is projecting Argentina corn production at 28mt and a 20% reduction would reduce the crop down to 22.4mt vs. year ago levels of 21mt. The tight global balance sheet in corn is a supportive factor long term, South America could intensify the situation.

It was announced yesterday that Egypt bought 300,000t of Romanian, Russian, and French wheat for December shipment. US prices levels have narrowed their premium to France but cheap offers out of the Black Sea continue to be bought by Middle East customers. Tunisia also bought 125,000t of optional origin wheat in there tender overnight.

A downward revision in Russia wheat production and news of a very poor start to the winter wheat crop overnight helped to support solid gains. A dry outlook for the US central and northern plains for the next week added to the positive tone.

Bizarrely, the wheat supply situation in Ukraine is adding tension to the market after their Ag Minister on Wednesday softened its position on a wheat export ban this season, saying it will consider all "necessary measures" if the country's wheat stocks fall to a critical level.



CBOT Corn futures Dec '12

Soft wheat: U/c, gaining still in the short market. £15-20 depending on location but no trade as farmers are not selling anything especially if 10.7, 180, 74 spec. Import parity precludes higher prices Lower quality spec'ed softs, 72, 100 hag, no protein spec are £10 premium. Get samples done.

Hard wheat: No real market but there has been a few enquires this week. Have you got any? Millers are reformulating their grists and will probably find a way of using some with their imported German imports.

Hedging H'12: Min prices, up £5, £190+ AS A MINIMUM, if apply some form of hedge to grain sold or not able/too afraid to sell for yield reasons.

Recommendation: As before, get some sales on the books at these excellent levels, Sell your worst wheat now. Later it will be more difficult, as stores will be full and selling sub-68kg wheat directly to a consumer is a non starter as their blending facilities are smaller.

Overall, I'm a L/T bear but less so if this S.Am and Oz news continues but the Ukraine non export ban is s/t bearish. Sell into good prices with deductions as getting a poor price, deductions and a lower yield will lead most farmers to a loss.

RI charts suggest price getting over valued again. (See graphs on page 1).

Milling: Group 1 premiums:

Group 1 premiums u/c. £35-40. Consumers want supplies but no sellers. They are buying imported to get some cover so further price rises unlikely at present. German imports arriving 2.4mt estimated total imports @ £245-50 d/d port or £255-260 d/d internal mill.

11.3% market £25-30 premium. Blending to this level increasing supply.

Group 2 premiums:

Group 2 premiums U/c. £35 spot movement, more about than Class 1.

Lots of fallbacks as per Group 1s

11.3% market £25-30 premium. Blending to this level increasing supply.

Harvest 2013:

Market up £1-2 November '13 is £182 ex farm. No selling as market volatility rises again, unless you've been advised by me to sell! All eyes on the H12 crop and its effects on H13.

What acreage will the N. Hemisphere drill? What will happen to S. Hemisphere drilled crops? It produces, say USDA/HGCA 7.3% of the worlds wheat, 11% of the corn and 45% of the soya.

Market looks to be as volatile as before, or worse.

I reiterate about 'virtual farming'. Stop drilling and just buy a Call Option. Much less than mauling a crop in for no capital expenditure on seed, drilling, fertiliser, sprays and spraying, harvesting, carting to shed, drying and storing.

If the market roars up, then take the profit on the option for no effort.

RI charts suggest price is getting over valued at value. (See graphs on page 1).

Hedging H'13: Nov '12 'options' @ 12% means a min price of £160+. The chance of a 12% movement by Nov '13 is ???% likely.

Recommendation: Selling/Hedge up to 50%of your crop, leave the rest and see what effect E. Bloc export ban & world drillings have. Sell some at £180 rather than an Option at present.

Harvest 2014:

Market U/C, November '13 is £165.

Worth a punt on 25% I think. No option hedging available.

Barley

Harvest 2012:

Feed: Up £5 at £180. Still £25 under wheat, and just following the wheat market higher.

Fundamentals the same as before: Big carry to J/F/M, £185, as consumers covered until Christmas but not afterwards and will be competing vs wheat for supplies after Xmas.

The barley crop as a whole will be 4.5mt and 3.5mt goes to home use, malting and seed, leaving 1mt to go to compounders and export. 1/2mt has already been exported, so the rest will have to come from malting barley, that will eventually be feed. Beware.

Malting: Winters: £185, Nov, Up £5.
Springs: £195, Nov, Up £5.

As before, the market stalemate mess continues, no trading happening. Brewers not buying as believe big EU crop, so relaxed. Prices risen as the differential between Malting and wheat prices too large and would prevent drilling.

As per feed bly, £10 carry to J/F/M, £205, as consumers covered until Christmas but not afterwards and will be competing vs wheat after Xmas.

Huge Danish and French crop. UK barley too expensive to ship. Much malting will end up as feed.

Recommendation: As before; Sell OUT for the New Year, take advantage of the short and £10 carry. I think premiums/ final value can't rise unless EU quantity and quality fall, or change in exchange rates in UK's favour.

Harvest 2013:

Feed: Up £5. £160 hvst.

No exports, no demand forward. Less being drilled and perceived as too

cheap vs wheat to sell forward, as differential is usually about £6-8/t.

Malting: Winters: £170, hvst. Up £2.
Springs: £180, hvst. Up £2. Will more sp. barley be drilled by accident rather than design, if the wet autumn weather continues, as wheat looks increasingly less likely to get drilled? Or will wheat just be mauled in on a frost?

Recommendation: No bids or offers as market participants jostle for position. Sell 25%, as premiums may continue to slide if acres drilled increases with wetter autumn.

OSR

Harvest 2012

UK off £6, MATIF off £2, CBOT u/c.

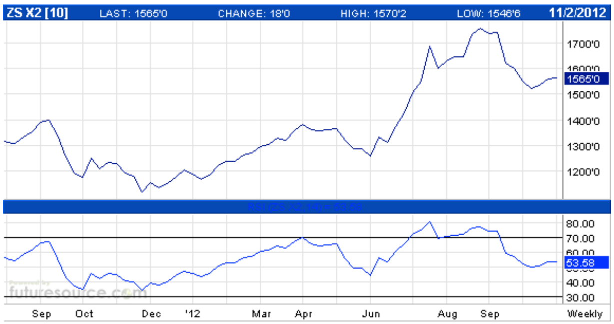
UK, £371 November, but as for the past few weeks; Completely dead market for Spot trade and lack of forthcoming supplies remains the market story. Buyers want supplies and they want supplies now, despite the fact that 1/2mt needs to be exported.

Erith d/d: Nov £379, J/M £381.

Heavy rainfall in Southern Brazil and Argentina have some analysts suggesting that delays to corn planting could shift more acreage to soyabeans, while others claim the rain is so severe that soyabean acreage losses should already be factored in. The Rosario Grain Exchange estimates that farmers are expected to plant 19.5m ha of soyabeans this season which is up 3.7% from last season. A report overnight from a South American analyst stated that Argentina could lose up to 10% of their overall soyabean production due to the violent storms. A substantial cut in South American soyabean production could be a supportive factor long term.

Could the market hit the magic £400/t level again, many think so.

Recommendation: Sell and move if need the space. Hold if you don't, despite no forward carry in the futures markets, as UK undervalued vs French and US situation not sorted yet. World market tight. Rather hold OSR than wheat at present.



CBOT Soya Nov 12 Futures & RI Chart

Minimum price: Nov £350 + bonuses. Protect against a market fall. Options still equate to under 10% movement over the next 6 months, up or down. Highly likely. Cheaper/acre than wheat.

Harvest 2013

UK off £7, MATIF off £2, CBOT up £5. Production worries. Hold off selling.

UK £342 ex Harvest, Nov £350.

Recommendation: Hold off selling.

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