



AGRICOLE MARKETING CLUB

OUR 19TH YEAR

Weekly Grain Market Report

Independent grain marketing and brokerage advice for the progressive farmer

Ex-Farm prices (£/t)

Regional variation +/- £2

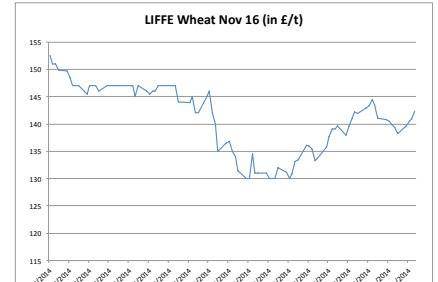
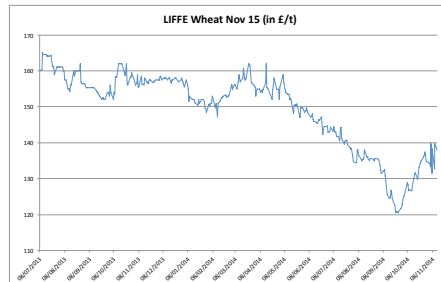
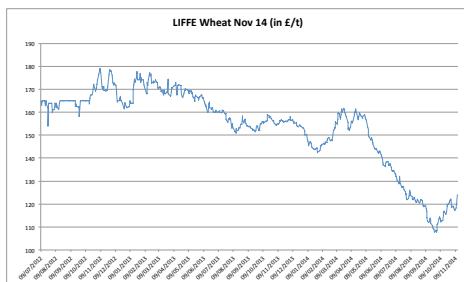
	Fd Wheat	Softs	Class 1	Class 2	Fd Barley	OSR	Mill Oats	Beans
N/D '14	117-118	Fd + 3-5	Fd + £38+	Fd + £35+	114	250	100	167
J/F/M '14	120				116	253	100	167
A/M/J '15	125				120	255		172
Harvest '15	127				115	250		No buyers
O/N/D '15	132				120	257		
O/N/D '16	130?							

Thursday's	Nov '14 £123.95	Jan '15 £126.50	Mar '15 £128.50	May '15 £130.50	Jly '15 £131.35	
Futures close	Nov '15 £138.00	Jan '16 £139.90	Mar '16 £140.15	May '16 £138.25		Nov '16 £140.00

Nov 2014 Futures (Last 12 mths)

Nov 2015 Futures (Last 3 mths)

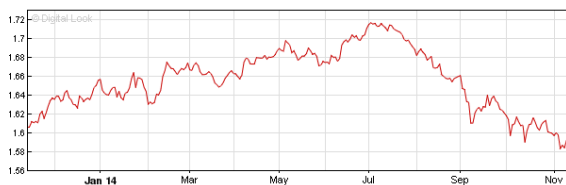
Nov 2016 Futures (Last 3 mths)



£ : \$ down, 1.571 (63.65)

Last 12 Months

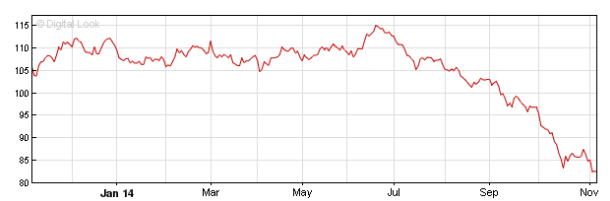
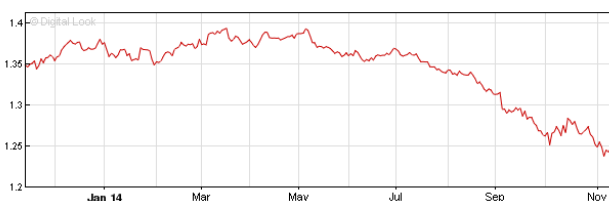
£: Euro down, 1.258 (79.43)



Euro: \$ up, 1.247 (80.13)

Last 12 Months

Brent Crude oil down, \$78.95/barrel





Yo-yoing agri-prices rise to harvest levels



Currency overview: Sterling tumbled yesterday as the B of E cut its growth forecasts for the UK economy and predicted that UK inflation would drop below 1% within 6 months.

Against the US dollar, the euro has managed to stabilise from continued losses suffered since October.

Wheat

Harvest 2014:

LIFFE up £5, regaining last weeks lose. MATIF up £4. CBOT up £6. Corn u/c.

Domestically, UK ex farm £118 November, £120 Jan. Highest prices since mid-July, as lower Sterling.

Market remains firm and underpinned by the complete lack of farmer selling and the associated 'shortness' of the merchant trade, trying to deliver without contracts against them. Really odd situation and all down to the fact that only 50% of grain has been sold, whereas the norm is more like 65% by now and 80% by early Dec.

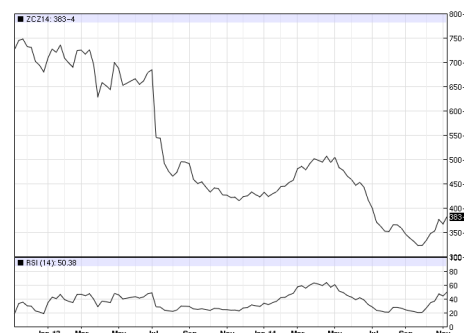
Internationally,
Bullish;

- USDA WASDE report made little or no change to the wheat numbers
- Unexpected downgrade to the corn yield, which traders don't seem to believe, may prompt end users to buy forward cover, so create some buying demand. Production will still be record-breaking, just not as barn-busting as expected.
- CBOT wheat futures reached its best finish in two months. The gains were attributed in part to plunging US temperatures later in the week and so worries over US winter wheat.

- The colder US weather is stalling the US corn harvest, now at 80% complete. Corn still not ripe, a week behind schedule.
- MATIF at a two month high.
- France won a 180,000t order from Egypt's Gasc grain authority. Exports are behind last season but better than expected considering France's poor quality crop.
- Strong pace of exports from other European countries, with the bloc's overall volumes reaching 10.31mt, up 9.4%t on last season.
- Russian troops moving into eastern Ukraine, triggering upward prices, as may affect exports in the short term. May increase demand from non-E.Bloc countries in EU.
- French wheat exports forecast higher.
- A likely 40% smaller second (safrinha) crop of corn in Brazil, due to delayed soya sowings.

Bearish;

- CBOT corn 'net long positions' look dodgy as the overall market begins to look weak, as the longs will sell. Double whammy.
- The smaller 'net short position', and slower export demand, is likely to cap any corn rally
- Demand estimates are at a max and carry-over stocks are high. Only way to reduce them is by having lower prices for sometime.
- Upside to values is limited, thanks to improving South American weather and crop potential.



December '14 CBOT corn futures and R.I. chart for past year.

Hedging H'14: May '15 options available at approx £7-8, cheaper than storing on farm and a lot less risky.

Soft Group 3 wheat: Down £2, £3-5 premium. Some coming forward and shorts for November have gone.

Still big differences 72kg, 150 hag, no protein, others want 74, 180, 10.5% protein, 10.7% or even 11.3%. Hardly any difference in price for the lower spec. Why take the risk on proteins?

Hard Group 4 wheat: Nominally a £2-5 premium.

Recommendation: As last week.

In v short-short term continue to sell into this rise.

Pre-Xmas; Sell.

Medium term, Dec-Feb more could be vulnerable to farmer sell off.

If you're worried the market may rise and you've sold at the bottom, apply a hedge. If not, don't.

Milling: Group 1 premiums: U/c. £38-43 over feed Oct/Dec in £161 d/d Midlands for 13-12.5% spec, £5 lower if fallbacks to 12% required.

Full spec in limited supply and will stay around £40 for some time.

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Millers using increased amounts of 11.3%/12/12.5% and blending with imported German wheat.

Group 2 premiums: U/C, £35-40, £3-5 under Class 1 if Cordial Oct/Dec. Other varieties £5 discount. Lower premiums for spot movement £2-5/t. Lower proteins, so ditto Class 1.

Group 1 & 2 11.3 min protein market, U/C. £14. Tonnes of this type of wheat about, so over supplying the market.

Harvest 2015

LIFFE, MATIF and CBOT up £3-4. Corn up £2. All markets regaining last week's losses.

November '15 just now £132+ ex farm, as futures £138. As per last week, still a very thin trade, with a trickle selling as farmers liked the sound of £130/t as their first bite of the H'15 cherry and just reaching their Standard of Living Line (SOLL).

HGCA have published the results of the annual Early Bird Survey (EBS), which was conducted by The Andersons Centre and gives the first snapshot of what H '15 crop areas could look like.

Early Bird Survey estimates of UK harvest 2015 crop areas

Kha	Defra June Survey 2014	EBS Forecast Harvest 2015	Change
All Wheat	1,929	1,832	-5%
Winter Barley	427	476	12%
Spring Barley	653	713	9%
Oats	136	118	-13%
Other Cereals	26	38	48%
OSR	674	649	-4%
Other Oilseeds	17	15	-10%
Pulses	138	171	24%
Arable Fallow	160	189	18%
Other Crops on Arable Land*	397	404	2%

* S. Beet, potatoes, maize, vegetables, roots, other stock feed

Source: Defra / The Andersons Centre

Wheat area is 1.832m ha, a decline of 5% year-on-year in response to growing weed pressures from black-grass.

Internationally,

- Cold air mass is spreading from Rocky mountains down into the Plains, with up to 12 inches of snow forecast to fall overnight in parts. Concerns about early damage to newly-planted winter soft wheat. Cold conditions later this week will stall germination and will push the crop into dormancy in many areas harvest.
- Strategie Grains say that the EU will harvest 148.7mt of the grain (including durum), down from 155.7mt H'14. Mainly due to lower yield estimates, after H'14's exceptional crop, not area drilled.

Hedging H'15: Nov '15 options available at approx £12, cheapest they've been. Going 'out the money' a little will bring the premium down.

Recommendation: If no sales so far, sell flat into this market up to 20% of your crop, guarantee your SOLL, and start the marketing process at over £130. If you've sold 40% or more, stick for a bit.

Lots of time for a 'weather event', so I'd sit and watch it.

Harvest 2016:

Nov '16 futures, up £1 on little trade. No sellers but ex farm approx £135.

Recommendation:

Continue to do something! Sell some flat and begin your H'16 marketing campaign.

Barley**Harvest 2014:**

Feed: Up £2, £114 Nov (£121 d/d port), £1/month carry.

Too much barley about (fd & downgraded M.Barley) so a huge surplus but some exports for Nov/Dec and there are shorts buying in as so few farmers are selling. S/t price rise I feel.

Malting: Winters: Off £5, £117 Jan. Demand back to internal maltsters. Most are covered until well after Xmas.

Springs: U/c, £130 Jan. £140 April. Bug problems continue in UK farm and French commercial co-op stores, up to 10% loss. PLEASE CHECK YOUR before its v. expensive. Will it keep 'til A/M/June?

Home trade buying as perceived maybe quality issues and shorter supply AM/J. Covered pre-Xmas.

Recommendation: Sell into these markets, esp if want movement just after Xmas.

Harvest 2015:

Feed: U/c, £115 Harvest, £120 Nov. A little bit of export trade. Barley seems to have benefitted from the lower wheat acreage, see EBS table, above.

Malting: Winters: U/c, £123. Plus £10 for November. Lower demand expense from brewers as lower beer demand and higher lager demand continues.

Springs: U/c, £133 Sept. Plus £10 for November. Some export trade already.



*Nothing is more pleasant to the eye than grass kept finely shorn
- Francis Bacon*

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Some buying as believe less carry over from H'14 if bug problem expands. What's being drilled? Poor bean price may still make growers stick/turn to Sp barley as margins better.

Recommendation: Begin to sell, 30%, into these premiums again.

OSR

Harvest 2014

UK, MATIF & CBOT up £7, gaining last week's loses as the OSR yo-yoing market continues.

Nov £257 d/d, £250 ex, plus hardly a £1/mth carry.

Domestically, no farmer selling even with magic £150. Prices up and down like the proverbial. Currency volatile, so prices volatile.

Internationally,

- Soya complex dropped this week after WASDE report kept its forecast for stocks at 450mbs. Traders were looking for something more bullish. Many do not believe this 450mb figure.
- The USDA raised its forecast to a record-breaking bean harvest of 4bb from a yield of 47.5b/a.
- US and Chinese demand remains relatively strong, despite those big numbers.
- Rumours of consumers buying Argy and Brazilian soya meal supplies, as US prices were uncompetitive by £40-50/t+.
- CBOT Dec soya futures continue to trade at a premium to the Jan ones (a reflection of the short supply/high demand in the short term). When will this revert to the normal Contango situation and see futures fall? (http://www.investopedia.com/articles/07/contango_backwardation.asp).
- Improved S. Am sowing conditions so price trend will be lower.



CBOT Soya '14 Soya futures and RI chart - Past 2 years

Hedging H'14: Cheaper and less hassle than using your/merchant store. Options from £15 May '15 = 6% = bargain = too cheap not to use on 50% of the crop (3%).

Recommendation: No carry, so sell spot. It is not worth the hassle or risk of storing, and the market's way of saying SELL.

Get rid. Worried that you've been forced into a corner and sold at the bottom? Hedge with May 15 option.

Harvest 2015

UK Hvst: Up £6-8, gaining last week's loses, £257 d/d, £250 ex. O/D, £265 d/d Erith, £257 ex.

As last week, prices unclear in this illiquid mkt and few sellers. The oilseed rape area is showing a modest decline of 4%, less than many were expecting, see EBS.

Internationally, soybean crop's lower cost of production and higher prices means farmers switching from corn to soya. Could be soya everywhere.

Recommendation: Seems too low, so sit'n'watch for a while as bound to be some weather 'shock' at some point over the next 9 months.



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