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## Weekly Grain Market Report

*Independent grain marketing and brokerage advice for the progressive farmer*

**A weekly newsletter**

**16th Year**

**3rd November 2011**

### Ex-Farm prices (£/t)

	Fd Wheat	Softs	Class 1	Class 2	Fd Barley	OSR	Mill Oats	Beans
N/D '11	141	Feed + £2	Feed + £14	Feed + £10	143	352		175
J/F/M '12	146				146	354		
A/M/J '12	150				149	256		
O/N/D '12	140				135	334		
A/M/J '13	146				140	340		
O/N/D '13	140							

Thursday's	Nov '11 £151.00	Jan '12 £151.50	Mar '12 £153.25	May '12 £155.75	Jly '12 £156.25	
Futures close	Nov '12 £145.40	Jan '13 £146.65	Mar '13 £147.90	May '13 £152.90		Nov '13 £146.50

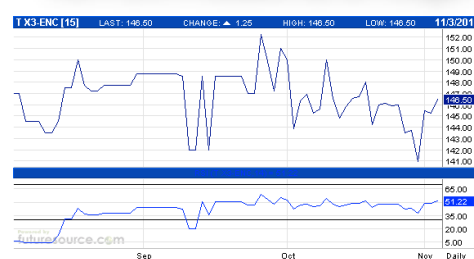
Nov 2011 Futures & RI Graph



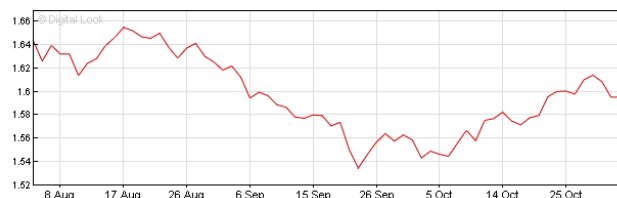
Nov 2012 Futures & RI Graph



Nov 2013 Futures & RI Graph

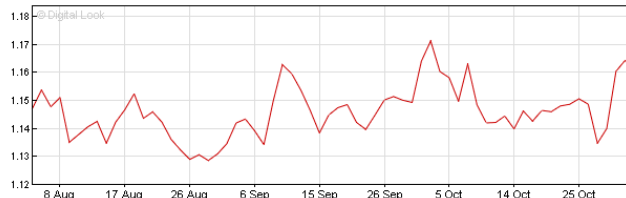


£:\$ up, 1.611 (62.4p)

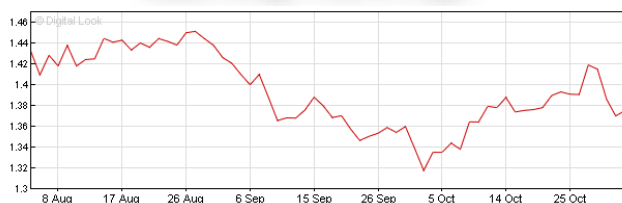


Past 3 months

£: Euro down, 1.134 (87.62p)

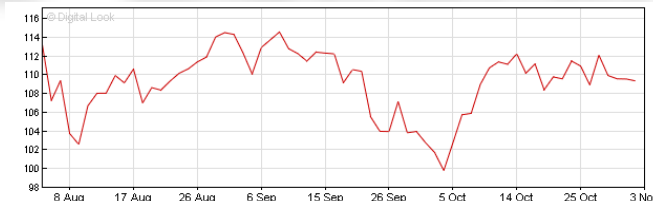


Euro: \$ up, 1.42 (71.2p)



Past 3 months

Brent Crude oil \$/barrel u/c, \$110.50





## Population hits 7 billion - Happy birthday



### Wheat

#### Harvest 2011:

**Feed:** With very little new news to push the markets in any real direction, it was comforting to know that the world's population continues to climb to new highs. 7 billion mouths to feed, so demand for food is guaranteed. It's just the supply that we have to keep growing at the same rate.

The world markets were all unchanged on by close of play today. This has hidden some market volatility all caused by those cheeky sun-dried, Ouzo and Metaxa swilling chappies, Spiros & Son. Does Greece have a problem or it is the EU that has the problem?

Markets all dived as the cuckoo in the nest President Papandreou waved a cheery bye-bye to Angela and Nicholas on Sunday, only to pooh-pooh the deal by Tuesday. Markets plunged and the end of the world was imminent, again. However, thanks to the fact that the sun always rises from the East, the Rising Sun of China, with its buoyant economy is coming to the rescue. Allegedly it's going to loosen its monetary policy and save the world.

Domestically, yet another week when hardly anything has happened. The ex farm price remains rooted in a very narrow band, the whole of October has only seen a £3 movement around a mean, stabilising at approx £143/4.

Farmers appear 'cool' with the idea of this price, having sold at both above and below this level. Most seem to be waiting for their November contracts to

go before selling more. The merchant trade has a huge November book, as normal, so if you want grain moved, ring them up and chivvy them up.

Consumers of wheat are so laid back they are almost horizontal, with no real requirements until the New Year. Merchants are the only real shorts, and those are so very small that Speedos come to mind.

Internationally, the IGC again raised the wheat tonnage, to give a three year high. Thankfully the 10mt increase was matched by a similar increase in demand, leaving stocks at levels just under those of 2010/11 at 30%.

US corn continues to trade at a premium to Corn and the US wheat continues to be thrashed by E. Bloc wheat to the tune of £18-20/t. Even at these differentials, corn exports from US continue apace, nearly 50% up on normal pace. Oz wheat crop a near



CBOT Corn Futures Dec 11

25mt+ harvest and is competing for the Asia market, which with a strong Dollar, is hindering US exports.

Speculation is rife from US traders as to whether the corn harvest estimates from the USDA, out next week, will be higher or lower. The trade feel lower, but they feel the USDA will say higher.

So the market is waiting and doing little except reacting to every little political toss and turn.

**Recommendation:** Wait a tad as I feel market has a bit to rise. Sell at £149/t rather than wait for £150. Take the profit from this rise when it materializes.

Longer term, there is too much wheat and we need to see higher exports if market to continue upwards.

**Hedging H'11:** Jan '12 and May '12 'options' still allow a min price of £140+ minimum price to maintain/protect margins and popular SOLL's, of £120.

**Soft wheat:** As per last week, there has been no premium for 74/180/10.7 spec samples. Market over-run by 'feed varieties that make the grade, so end users can just buy a variety and almost guarantee a good sample will arrive. Contracts with 'feed plus premiums', should always be concluded by 15th of the month preceding delivery month or you enter the spot trade, with mostly lower premiums. Let your merchant know your results and agree a premium.

Post Christmas, premiums £4/t.

**Group 4 hards:** Nil premium.

**Milling: Group 1 premiums:**

Premiums u/c this week, still down at £14. Consumers are full 'til Jan and there is plenty of good samples about. A lot has been bought for November as



feed plus premiums, some will inevitably roll forward.

The lower 11.3, 74, 180 market is;

Down £5, £6 premium, which is as per Class 2's, so good value.

### Group 2 premiums:

Harvest: Down £2, £8-10. Very difficult to get a real value at present. Cordial is much more loved and gains a £2 premium to others.

The lower 11.3, 74, 180 market is;

As per Group 1 above, £6.

### Harvest 2012:

New crop ended the week up £1 advantage. £138, ex Nov '12.

Little real activity in the market but now the RI charts are where they should be, there needs to be a market factor to push prices up.

If prices sink, I suggest one concentrates on the self preservation angle and determines the SOLL required as even though more mouths to feed, there is a wheat surplus and prices could descend toward the unpalatable £120, SOLL level.

**Recommendation:** If the market rises to £145, I would be sell at least 25-50% of the crop and hedge half of the remainder with a Put option against a falling market. With SOLLs of £120, hedging must be triggered to enable £120-25 minimum.



### Harvest 2013:

Market ended up £3, but leaps about on very thin trading. November '13 is £140 ex farm again. No one is selling. RI charts suggest price is correct.

**Recommendation:** Sell up to 25% as the £140 mark has been reached, a good place to start the 2013 campaign, I think. If stocks of corn/soya continue low, this market will recover, as low stocks give rise to price hikes.

## Barley



### Harvest 2011:

**Feed:** Up £1, at £143.

Barley now almost at parity to wheat again. Little export and compounders would rather use wheat, as better value. Barley scare but having high N malting barley added to its pile.

**Malting:** Down £10/t, lack of pre Xmas demand, despite the 'pre-Xmas brew up' which is now in full swing. The malt is just not moving as it should be.

They are short and are looking to buy what samples there are. Only when they go will there be the need to buy and pay up for 2.1-2.2%N samples. This may not be until Jan/Feb. Hold if you can.

L/t outlook remains short and higher prices I believe will return.

Winters: £180 @ 1.85N. Down £10/t.



Springs: £190 @ 1.85N. Down £10/t.

Carry to Jan £10, so keep it if you can, again, the market is giving you a really strong signal.

**Recommendation:** Market will be tight all year. Do not sell yet, just wait and see. Maltsters and brewers in trouble with nowhere to go in the longer term. Put in shed and leave it.

### Harvest 2012:

**Feed:** U/c, £135.

**Malting:** Winters: £160, hvst, Up £5.  
Springs: £170, u/c.

There is a £10 carry to November, so hold if possible.

Less barley will be carried forward and less being drilled, so a barley shortage is beginning to evolve.

If a UK production of 5mt, getting tight as 3.5mt needed for feed and seed and 1.6-1.7mt for malting.

**Recommendation:** Do nothing in the v s/t or s/t. Max sell 25%. Longer term, sell 25% at hold on the rest. Market looks to be short from previous year.

## OSR



### Harvest 2011:





UK market was off £11, with MATIF off £18 and CBOT £5. UK carry is £1 per month only. What is the point of storing a £350 item for £1 a month! Get shot of it.

As last week, commodities were down as EU dithering happened but now the opposite a recovery in energy, stock and commodity markets rising.



CBOT November '11 Soya and RI Chart

EU is short of OSR but world looking to have enough soya, with S.Am and Russian crops increasing world supplies.

The EU is importing bio-diesel as a substitute of home-generated bio-diesel, such is the scam, so much so that plants are running at half speed and EU OSR imports are likely to be reduced by 2.5mt.

The UK's exports have been going well but post Xmas, they will have to compete with Oz supplies, this may be hard.

Erith d/d: Nov £360, May £364.

**Recommendation:** Sell into rises as even though bullish I feel rises may be limited to 10%.

L/t market looks less bullish, especially if yields in N and S. Am are upward revised.

If you need to sell but would have preferred to hold, apply a call option.

## Harvest 2012

Down £12 in the UK and £2 MATIF. CBOT down £5 as over supply and economic woes weigh heavy on projected demand..

UK ex-farm, approx £326 ex farm hvst, depending on proximity to Erith/L'pool or Hull.

£8 carry to November, £334 ex farm.

As per last week, time to sell up to 50% now, £350 with bonuses still makes a lot of money. Consider a hedge on unsold/unsellable 50% of crop, you've seen how quickly the markets can bite you.

Erith d/d: Nov £334, Nov £342.

**Recommendation:** Definitely sell 25%, maybe 50%. Apply a 'put option' on at least half the remainder, to guarantee £300 min price before bonuses. Options available at approx 8-9% of the crop's value- a bargain. 4% if only half covered. Too cheap to not do.

## Beans

## Harvest 2011

**Feed:** N/D £172-5, down £3.

Revalued lower again but remain over-valued in feed value terms vs wheat etc. Problems looming for sellers in that area.

### Human consumption:

Winters: £15 premium, up £15.

Springs: Feed + £20, u/c.

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