

● Risk and reward for spray programmes

Exports and ethanol give hope for wheat

A MAINLY dry sunny week, with some heavy rain showers, has seen crops continue to grow and barley awns are now evident – which means we are getting ever closer to harvest once again.

Various factors have affected prices this past week including a Brexit poll that has opened up a 13% gap in favour of remaining in Europe and this has seen the pound firm against other currencies.

At one point, sterling recorded its largest daily gain against the euro, peaking at 1.3060p, which devalued November London wheat futures by £1.90 and then saw its largest weekly rise since July, 2015. Sterling also rose by 1.1% against the US dollar and, as a result, both grain and oilseed prices fell.

The European company, Crop Energies, which own the Ensus bioethanol plant in Tees-side has announced that the plant will reopen this summer after a prolonged period of closure. This is one of the UK's key grain-based biofuel facilities and the closure of the plant since February, 2015, has affected UK wheat use and prices,

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especially in the North-east of England.

The test run coincides with a recent sharp increase in EU ethanol prices, as well as the closure of a rival plant in Rotterdam, the previous week.

The UK export pace for both wheat and barley has been noticeably faster in the second half of the season, compared to the first, alongside the weakening of sterling. A stronger sterling would hinder exports, although current values still remain close to March levels.

In this month, UK wheat and barley exports were at their highest monthly level since September, 2000. Following a season of bumper volumes of barley exports from the UK, the available supply of feed barley is now tight in some parts of the country.

In Scotland, feed compounders have reformulated rations to replace barley with wheat whenever possible but for those that must buy barley, price levels are above those of wheat.

Over the last three seasons, market prices have struggled to gain upward traction against the strength of the downward pull of global grain surpluses. It is unusual to have four seasons in succession of global grain surpluses – this has occurred just twice since 1960 – however, without a significant weather event that's what we are facing for 2016/17.

Total wheat and coarse grain balances are expected to be in surplus again in 2016/17, albeit by around half of this season's surplus. Production minus total consumption is currently expected by the USDA to be in the region of 11m tonnes.

This season, the total availability of UK barley hit the highest level in nearly 20 years, driven by a bumper harvest in 2015 and high levels of opening stocks. Despite the increase in total availability, demand for cereal domestically is forecast to reduce year-on-year by 2% to 5.4m tonnes.

Despite harvest 2015 producing

the largest barley crop since 1997, UK imports so far this season are relatively high at over 103,000 tonnes. This is 45% ahead of last season and 30% ahead of the 10-year average. Furthermore, season to date imports are at the highest level since 2012/13, when domestic demand was driving a need for increased imports.

UK winter barley plantings for harvest 2016 are at a three-year low, but still one of the highest areas planted since early 2000s, despite generally favourable weather conditions in the autumn.

The forecast for UK spring barley plantings is 10% higher in 2016 than in 2015. However, estimates in Scotland are that spring barley has reduced by around 5%

However, rainfall so far this spring in parts of the UK has been higher than the 30-year average, which has impacted on spring plantings. This, combined with low prices, may well keep marginal fields that were previously destined for spring barley out of production and this could lead to a smaller than expected spring barley area. There are also yield and quality risks

associated with later planting.

EU 28 soft wheat stocks forecast for the end of the 2016/17 season are put at 11.9m tonnes compared to 14.7m tonnes in 2015/16 and EU wheat exports for the season to date stand at 27.5m tonnes compared to 29.1m tonnes last season to date.

Argentina is forecasting its wheat area at 5.3m ha, compared to 4.4m ha in 2015 and that would be a nine-year high.

This is due to the introduction of new policies where the 23% export tax and export quotas were scrapped and led farmers to sell their stockpiles of wheat and to increase wheat plantings this season by up to 27%.

India is forecasting its 2016 monsoon rainfall at 106% of normal following two years of below normal seasons in 2014 of 88% and 86% in 2015.

It is also suffering from its highest temperature in history of 51°C, which beats the previous record of 50.6°C in 1956. Some regions have had prolonged drought due to the two previous years of weak rainfall and has destroyed crops in more than 13 states.