Arable debating season set to begin

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Russian tax will help EU and UK exports

THE GLEANER

BACK IN harness following the festive period, it is good to note that for the first time in living memory the number of dairy animals has increased by 9646 head from the 2013 figure and it is also the highest there has been since 1997.

Scotland continues to lead the way in both the rest of the UK and in Europe with regards to cow numbers and a further rise in dairy herd size is predicted for this coming year. That gives some solace to grain farmers, who will have to supply at least part of the protein for that industry.

Similarly, with regards to Scottish barley production from 2004 to 2013, the industry's usage of malting barley increased by 87% and its demand for wheat and maize had increased by 54%.

The UK is the largest EU producer of spring barley but even taken on its own, Scotland would be Europe's seventh largest. Official figures for Scotland show that the national harvest has risen from about 190,000 tonnes in 1914 to more than 2m tonnes in 2014.

There has been a production increase of more than 1000% since 1914, where the area planted has increased by 316% from around 80,000 ha to more than 325,000 ha.

Yields have gone up by 278% since 1914, from 2.4 t/ha to 6.3 t/ha today and a factor in that is that Scotland's growing brewing and distilling industry used 600,000 tonnes of barley last year.

For crops and livestock to do well, we need the weather to be good and for 2014 Scotland had the warmest 12 months since records began and 2015 is likely to be even warmer.

Scotland had a mean average temperature of 8.4°c or 47°F, which is one degree celsius higher than the 'normal' and was the warmest since at least 1910. Average temperatures in Scotland are expected to rise this year to as high as 9.9°c or 49.8°F.

Eight of the UK's warmest years have been recorded since 2002 and while there has been no record-breaking individual months for temperatures, every month, except August, was warmer than average.

Here in the Borders we had 650mm or 25.9 inches of rain in 2014, which is 175mm or 4.93 inches more than in 2013. The Met Office, however, gave the official rainfall figure for Scotland of 1736.8mm, or 68 inches, which is 10% above what is normal at 1571mm. Only in 1990, when 1828mm fell and 2011 were wetter years.

The UK's May, 2015, feed wheat futures peaked on December 24 at £140 but that early Christmas present was not sustained and it fell back to £136 by January 2. However, on Monday January 5, when everyone was back to their desks, futures prices again jumped by £3.65.

UK ex-farm prices for the week ending January 1 saw feed wheat rise by £4.30 to £134.20 and feed barley drop £7.90 to £114.40. Throughout December, UK feed wheat futures for November, 2015, have been close to, or above £140 and represents a sizeable gain of nearly £20 per tonne from the start of planting in September.

Price volatility is likely to continue this year, with the November, 2015, contracts increasingly coming into focus as more information emerges about the prospects for the 2015/16 season.

We are now getting more clarification on the Russian wheat export situation as Russia will, from February 1, impose a 15% export duty plus €7.5 per tonne but duty will be not less than €35 per tonne.

This is expected to stay in place until the end of this marketing year and applies to wheat exports only and is likely to aid to the competitiveness of EU wheat on the global markets and may increase spot prices relative to those for the 2015 crop.

Grain markets in recent weeks have been driven more by politics than supply and demand. Although UK prices have increased over recent weeks, the increase has not been to the same extent as seen in global markets. This is due to strong domestic supplies and a slow export campaign.

Sterling has shown some stability against the euro in December and UK feed wheat futures are now around a £20/t discount to Paris, where a month ago it was nearer £13/t. This should help build UK competitiveness for exports in the second half of the marketing season.

In the first half of the season, our exports have been relatively slow given the size of the UK crop and mans that the second half will be important for the UK to remain competitive in the export market campaign.

EU wheat exports continue and will benefit from a weak euro and the upcoming Russian export duties starting next month. The faster than anticipated export pace is unlikely to prevent EU stocks from rising but will help to stop the increase of the wheat stocks.

We have become used to, in recent years, the correlation between grain and crude oil prices, which has occurred through the emergence of the biofuel industry. Crude oil prices, which are at a 5½-year low, are now below $50 per barrel, does not necessarily mean low grain prices. However, continued confidence in grain stocks this year, which are keeping prices down, could help to keep up the pace of ethanol production and stocks for some time.

The weekly ending stocks of US ethanol hit a two-month high during the week ending December 26. At 18.09m barrels, the latest stocks were the largest weekly volume since mid-October and are in part due to grain prices falling faster than sugar in 2014, creating more incentive for the world to use more grain based ethanol to meet inclusion mandates.