Wheat markets stagnant

THE GLEANER

DRY and windy during the day and frost most nights seems to be the ongoing weather at present with only 12mm or ½ inch of rain for the month of February to date. As a result ploughed fields are drying up and as March approaches we should soon see some action in the fields.

There is little or no activity in the cereal market arena at present with very little tonnage being traded.

May 2015 feed wheat futures were down £1.60 on the week to £123.00 and earlier this week futures dropped another £2.00 to £121.00, which is the lowest since last October.

The export pace of UK wheat has been disappointing to date due in part to currency issues with a weak euro not being helped by political issues in Greece.

Farmer selling remains slow and with the surplus building up it looks likely there will be a carry over tonnage into the new 2015 harvest crop. Demand for wheat for ethanol production is not being helped with one plant closing down until further notice.

There are, however, scenarios that do help certain parts of the country and two seasons of low wheat production in 2012/13 and 2013/14 influenced stronger regional differences in wheat prices with the North of England and Scotland seeing the strongest prices off the back of substantial supply and demand deficits.

UK wheat production in 2014/15 has increased by 39% compared to the previous season and on a regional level year on year, production increases of 53% and 51% are expected for the North-east and for Scotland respectively.

November 2013 saw almost a £15.00 premium for Central Scotland over East Anglia. In early May 2014, ex-farm prices for Central Scotland were £16.10 greater than East Anglia prices.

However, in November 2010 when wheat production levels were more usual there were less than £1.00 premium per tonne for Central Scotland over East Anglia.

Increased levels of production in the North of the UK have meant that Northern regions are less reliant on imports from the South.

Increased costs of moving wheat from surplus to deficit regions could threaten the competiveness of southern wheat being moved to the north of the UK.

Delivered feed wheat ex-East Anglia is currently worth £123.50 compared to Central Scotland at £130.50. Ex-farm UK feed wheat is currently worth £122.40 compared to feed barley at £116.30.

In the EU, wheat and barley exports continue to move strongly ahead of last years pace.

Wheat exports are 650,000 tonnes ahead of last year's total at this time and feed barley is almost 1m tonnes ahead of last year again at this time.

Russia is expected to export more than 21m tonnes of wheat in the 2014/15 season, which would be a near record even with their export tariffs.

Updated forecasts for the new season were announced at the USDA Outlook Conference this week and estimates suggest a smaller US area planted to wheat for harvest 2015, however, yields are currently forecast to be better than in 2014 with drought conditions less harsh compared with this time last year.

While almost 2% down on last year, their forecast maize area was larger than expected.

The discount of Scottish barley in comparison to South-east of England has widened since the end of the last marketing season due to the increased production of barley in Scotland.

Over the past 10 years, barley production in Scotland has increased by 12% and more than 400,000 tonnes in the last four years alone.

With Scottish wheat production 51% higher, barley has to work harder to remain competitive against other feed grains and keep its share of the local feed grain markets.

Also the increasing strength of sterling – currently £1.00 equates to €1.3609, has also reduced competiveness, which has been offset partly by weakness against the dollar.

Essentially this means UK exports find themselves uncompetitive in euro terms but able to compete in dollars.

Last year's UK barley harvest totalled 6.91m tonnes leaving an estimated 2m tonnes available for export.

So far up until December, barley exports have totalled 743,000 tonnes equating to 11% of the 2014 crop of which more than a third has been shipped to non EU destinations.

With the amount of wheat and barley produced in the UK this year it seemed likely that there would be less maize being imported.

By the end December, UK maize imports reached 938,000 tonnes, which was not far behind last year's record breaking end December total of 1.13m tonnes.

The narrowing of the price spread between imported maize and ex-farm UK feed wheat, led to maize becoming more competitive and in Scotland this was more evident with higher ratio of imported maize compared to other regions of the UK.