

● Look ahead to Cereals 2015 event in Lincolnshire

Edited by  
Ken Fletcher

# Little respite from low prices

**COLD, WINDY and wet conditions still dominates our weather cycles and crop growth continues to be slower than normal – that's maybe not a bad thing as winter barley goes into its 'grain fill' mode.**

May rainfall was 52 mm, accruing to 211mm for the year to date, compared to 223 mm by the end of May last year, which is a similar amount. We are expecting some heat this weekend, but forecasters say it will not last and, due to the position of the main jet stream, cold weather will return and continue.

The LIFFE feed wheat futures fell again from last week by £3 for new crop November, 2015, to £119.45 and down £2.15 for July old crop wheat to £110.10. November, 2016, futures were also down £2.85 to £130.15.

Due to global weather issues and reports of frost, feed wheat futures earlier this

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week rose by £3.05 in one day and, due to the US increasing its biodiesel quotas, oilseed futures surged in one day rose by £10 per tonne.

Countering that, though, was the news that after last week's wheat short covering rallies, global wheat markets moved lower with improving weather forecast and a stronger US dollar pushing Chicago futures £7 down over the week.

Price volatility will continue, though headlines of flash floods in Texas is causing concerns for remaining US short fund investors. But commodity traders' interest is now focusing on improving weather conditions elsewhere in the US, Canada and the Black Sea region.

The El Nino situation is being carefully monitored, especially when the Pacific

surface temperature recordings are similar to 1997/98, which was the strongest El Nino on record.

More settling news came this week, too. After a period of continual speculation, the Russian government has approved a new wheat export tax, which will come into force on July 1, 2015. The aim of this is to attempt to limit wheat exports from Russia in the event of a decline in the Rouble.

The tax will equate to 50% of the price of a tonne of wheat minus 5,500 roubles – which currently equates to £68, but not less than 50 roubles per tonne which equates to €1. Despite an 8% drop in the wheat output in 2015/16, there is likely to be strong competition from the Black Sea region and Russia, where forecasts for wheat

exports are expected to be only marginally down at 21m tonnes.

For the EU as a whole, winter crops generally continue to be in good shape and no major concerns have yet emerged for spring crops. However, while for the major exporters crops remain in good condition, significantly drier than average conditions were reported for parts of Spain and Italy.

As winter crops are starting grain fill in Spain, substantial rainfall will be needed in the coming weeks to achieve satisfactory yields. If rainfall does not happen, this could help UK exports as Spain is historically a key importer of UK wheat.

The 2015 UK wheat yield is forecast to be 8.14 t/ha, compared to 8.62 t/ha in 2014. That would leave a 2015 UK

wheat crop of 14.8m tonnes, against 16.5m tonnes last year.

Winter barley yield is forecast at 6.72 t/ha, compared to 7.25t/ha last year and spring barley is down from 6.02t/ha in 2014 to a forecast of 5.81 t/ha.

EU soft wheat export licences for year to date total 29.3m tonnes, compared to 26.4m tonnes last year to date, barley exports total 8.4m tonnes up from 5.3m tonnes and maize imports are down from 13.3m tonnes in 2014 to 8.4m tonnes.

The 2015 Indian wheat crop is forecast to be only 80m tonnes, down 16m tonnes on 2014 and there are real concerns that El Nino could reduce its monsoon rains considerably, leading to drought.

Globally, the wheat crop is now forecast at 715m

tonnes, which is down from 721m tonnes in 2014, while maize production is down from 997m tonnes last year to a forecast total of 961m tonnes this year. The total cereal forecast is for 1968m tonnes, against 2011m tonnes in 2015/15.

Overall usage should be up from 1977m tonnes last year to 1981m tonnes and end stocks are expected to be 426m tonnes which is 14m tonnes down on 2014, so the market is tightening a little.

UK ex-farm prices for feed wheat were down 70p last week to £110 and feed barley was up £2.70 to £108.80, so there's little difference between these two commodities. Oilseed delivered Erith was up £3.50 to £277.50 and Canadian rapeseed futures have seen support this past week due to concerns of dry conditions causing concerns for canola production there.