China holds the key to grain prices

THE GLEANER

WITH ONLY one inch of rain in the first three weeks of October and some good sunny days and drying winds, harvest is now more or less all wrapped up.

The beans that refused to ripen have at last been cut and dryers are working overtime to remove the excess moisture, which is never an easy task with beans.

Potatoes are now being lifted in earnest and the fields after beans and potatoes have been planted with next year's crop, so at last this long harvest looks as if it is coming to an end as November approaches.

The highlight of this past harvest has been the excellent and, in some cases, record yields for most crops. The UK's average wheat, spring barley and winter barley yields all reached new records in 2015, according to provisional data released by Defra.

However – and this is not good news as far as prices are concerned – the NFU suggest that yields were higher than those quoted by Defra. The government estimate UK wheat production at 16.17m tonnes, but the NFU estimate the total to be 16.8m tonnes.

In Scotland, the 2015 wheat total is provisionally estimated at 1.06m tonnes, up 7% year on year. The last time we harvested a wheat crop of at least 1m tonnes was in 1992.

With the area unchanged year on year at 109,000 ha, calculated yields are at record levels. As a result, Scottish ex-farm feed wheat prices have remained subdued so far this season.

Since July 1, the price difference between feed wheat prices in Scotland and England and Wales has averaged just £2.50 per tonne, one of the lowest since the start of the century. And, the average ex-farm feed barley price in Scotland remains lower than those in England and Wales.

Earlier this month, feed barley prices in England and Wales averaged £98.40 per tonne – that's £4.10 per tonne more than in Scotland.

UK ex-farm price for bread milling wheat this week was down £1.80 to £120.90; feed wheat was down 30p to £107.40 and feed barley was down £2.40 to £96.30. Oilseed rape delivered Erith was down £3 to £270.50.

So far in 2015/16, average UK ex-farm prices are currently at their lowest since 2009/'10. The July-October average UK ex-farm feed wheat price for 2015/16 is £108.90 per tonne, down £8.14 per tonne in comparison with last season and £44..48 per tonne lower than in 2013/14. The July-October average for feed barley is £96.50 per tonne for 2015/16, or 6% lower year on year.

Pressure is coming from global and domestic production, as well as high carry-over stocks boosting supplies this season. Large UK exports of wheat and barley would help to reduce the surplus, but we would need to export more than 3.5m of wheat to get back to normal carry-over stocks at the end of the season.

Barley exports are being hampered by sterling's gain against the euro amid rumours about the loosening monetary policy in the eurozone and cuts to China's interest rates.

Also, the value of the dollar increased by 2.5% against the euro last week and the impact of a stronger dollar means a cut in competitiveness for dollar-denominated commodities, which also affects soybean prices. The euro fell its furthest in nine months in one day last week due to concerns about the Chinese economy – hence the reason for the ECB considering further quantitative easing to prop up the economy.

In 2015/16, China could reduce their maize purchases by 50% in a bid to reduce its stock piles and use more domestic grain, before its stock-piling policy is scrapped next year. If this is what happens then purchases would be around 33-43m tonnes lower than what was bought in 2014/15.

Higher domestic production is forecast in 2015/16 which would reduce the need for imports as well. This reduction in imports could put some pressure on global grain prices and the UK could feel a draught on feed wheat prices due to the direct competition with maize on the feed grain market.

In contrast, China imported 7.26m tonnes of soyabeans in September, 2015, which is 44% higher year on year and a new record for the month of September. In 2014/15, Chinese imports of soyabeans reached a record 78.4m tonnes.

This global glut led to the November, 2015, Liffe feed wheat futures heading down by £1.25 last week to £113.50, compared to November, 2016, where feed wheat futures were down 79p to £128.25 per tonne. Oilseed rape futures were down £5 as well.

Prices have drifted lower again this week and physical markets have been generally quiet. With a price carry from this marketing season into the next, this means that the two crop years are effectively trading as one.

However, prices are being supported somewhat by ongoing concerns of dry conditions in Russia, Ukraine, Brazil, US and Australia. Ukraine's maize crop is estimated to be almost 20% lower than in 2014 and its area of wheat being planted for next year's harvest could be down by as much as 10%. Russian growers are also delaying wheat planting because of a lack of rain.

UK barley production is estimated at 7.27m tonnes, the largest since 1997. This is made up of 3.32m tonnes of winter barley, up from 3.09m tonnes in 2014 and 3.95m tonnes of spring barley, up from 3.82m tonnes.

This year's tonnage is still lower than the exceptional crop harvested in 2013 when the area soared due to a difficult autumn. This year's figure includes a Scottish spring barley crop of 1.57m tonnes which is down from 1.67m tonnes in 2014.

Oats have produced a total of 779,000 tonnes, down from 820,000 tonnes harvested last year but still above the previous five-year average. English production is estimated down 11% to 560,000 tonnes, compared to Scottish output which climbed 17% to 178,000 tonnes.

Flexibility the key to weed control in Scotland

TWO LEADING Scottish agronomists say that cereal growers north of the Border looking for weed control solutions that are flexible, effective and economic, have solutuons in their armoury.

Cam Murray, an agronomist who has lived in Scotland and works for Hutchinsons, operates in the Lothian and Borders has to deal with many weed problems.

ANDY GILCHRIST
of Scottish Agronomy

However, because potatoes are in the rotation, crop restrictions have to be adhered to.

"For example, the active ingredient picolinafen has a half-life of just 30 days on average in soil, ranging up to a maximum of 64 days, whereas DFF has an average half-life of 180 days, up to 315 days.

"So picolinafen-containing herbicides with their short soil persistence and no following crop restrictions have an immediate appeal to us."

A coformulation of picolinafen with pendimethalin, as in PicoPro, has good timing flexibility, being applied pre-emergence to post-emergence up to GS30,