



Straights market update

11 August 2017

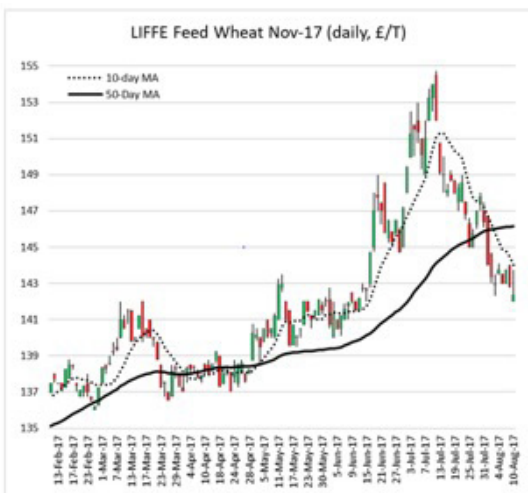


Summary

The USDA published a significant Agricultural Statistics (WASDE) report on Thursday, 10th August which has taken the market by surprise, and increased current global ending stocks from a month ago for maize grain, soya bean and wheat by 1.1%, 2.2% and 0.51% respectively. As a result prices have fallen slightly and, as market pressure increases, there is an opportunity to cover more of this winter's, and next year's, requirements going forward.

Wheat

Forecast yields for the Black Sea countries have been increased to record levels, with winter crops now harvested and spring crops looking good. Grain quality, however, is questionable so there could be a lot of feed wheat coming on to the market. Forecast global stock:use ratio for 2016/17 is now at a record 35% and the forecast for 2017/18 is now nearly 36%, another new record. CRM's view has for some months been that when forward November London Futures prices get down to around £140/t then that would be a time to take more cover through the winter period, and we are now close to this level. There is likely to be some resistance to the wheat prices falling much below this as European wheat tends to be in demand from other countries around the globe. In addition, the UK harvest is being hampered by heavy rain, causing concerns about quality, and the pound has fallen by 2.5% in the last two weeks (currently worth \$1.29), making any quality wheat potentially more attractive for the export market.



Maize grain

The US yield forecast was greater than expectations with the second highest August figure, despite lower crop ratings. CRM's view is that the forecast will be reduced over the next few months as the full impact of the poor weather is seen in the crops.

Soya

The biggest surprise was for soya, with the USDA increasing its forecast rather than lowering it as expected by the trade. This resulted in the highest ever August forecast on the back of record South American production working its way through the system, and this resulted in falling prices providing a good opportunity to cover more forward requirements. The soya market, however, is still nervous as conditions in the mid-west are very dry for the critical seed pod formation, but provided they get some rain in the next two weeks then on the back of the USDA yield forecast, soya prices could ease into the winter, reaching the lowest point around mid to late October when the north American harvest is normally completed.

Rape

Excellent crops have been harvested in parts of Europe, particularly in France, but concerns persist. After falling on the back of yesterday's USDA soya forecasts, rapeseed and meal prices came back to where they were today because of shortages in vegetable oil (particularly palm oil), wet weather concerns delaying harvests in Germany and Poland, and uncertainty concerning the Canadian rape crop, where conditions are very dry. Provided it rains in the US mid-west, the weakening soya market should still result in rape seed meal prices fall over the next few weeks. CRM's view is, therefore, to be prepared to take more cover over the short term as prices could increase from September onwards as the market turns more of its attention to the crop in Canada (the biggest global exporter of rape) and then Australia.



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