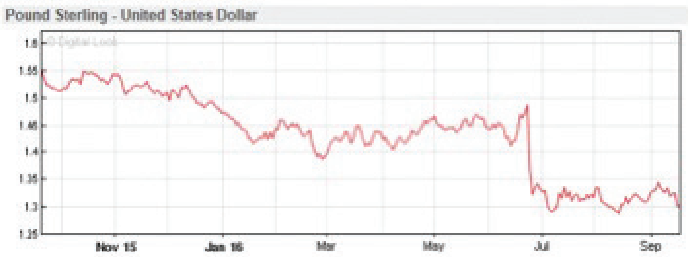
Straights market update

September 2016

In the last two weeks there has been a change in the straights market.

Previously, commodities specialist CRM were forecasting that bumper maize and soya crops in the US would put downward pressure on straights prices through September and potentially into early October. From mid August to early September the straights market has been slowly falling, but this was not going to last for ever because of world events. There are signs now that the market is starting to turn, and rapeseed prices in particular could jump upwards in the next week or two. The reasons for this are listed below.

The £ continues to weaken against other currencies, making our imports more expensive. Compared to where we were 12 months ago, the £ has now fallen by 15% against the dollar, and 12% against the Euro, and the £ is set to keep on falling as UK growth is likely to fall in the last quarter of 2016 because of uncertainties surrounding Brexit.



Cereals

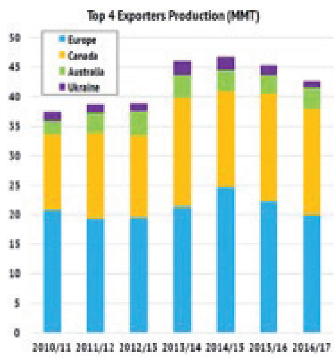
The weaker £ is helping to make UK wheat more competitive for export, pushing domestic wheat prices up. World wheat production is still on track to produce near record crops, but delayed harvest in the US due to rain, yield and quality problems in Europe, and delays with wheat plantings around the Black Sea area all creates uncertainty. November wheat prices on the futures market bottomed out at £120 on the 7th September, since then prices have started to creep up. Wheat prices are unlikely to take off because of the size of the wheat and maize harvest, but CRM view is that wheat will continue to firm from here on with the falling £ as the year progresses and, therefore, it would be sensible to cover 90% of your forward requirements till July 2017.

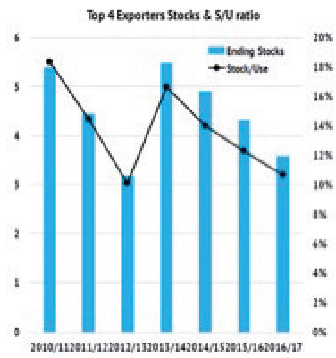
Proteins

Although there is a huge soya crop forecast from the USA, world stocks are low and very tight at the moment because of high crop losses sustained in S. America this summer, delays with the N. American harvest, and continued record high demands for soya from China.

There is a new USDA report due out at the end of September which could flag up that soya ending stocks are smaller than previously thought. Any unexpected news in this report could have an adverse effect on soya prices, which will then impact on other vegetable proteins.

World rapeseed production has been falling for the last 3 years, as the following graphs from CRM show.





Although Canadian and Australian crops are currently looking good, rape production in Europe was badly hit this summer. In addition this winter's plantings in EU and Black Sea areas are suffering badly from drought, which is pulling next year's yields back, and some EU and UK plantings have failed completely because of flea beetle attacks, and the situation is getting worse.

The potential for rapeseed meal to fall any more in price is very limited, but the potential for prices to take off is high. Rapeseed is now around £165/tonne ex store from Erith and Hull for September/October, and £171 for November to January, and £178 for February to April 2017.

CRM's view is that things could change quickly and we could see rapemeal at £200/tonne in the next few weeks. Rapeseed is still a more cost effective quality protein at these prices than soya at £300/tonne, therefore it would be prudent to book all of your rapeseed meal requirement now for the next 9 months while rapeseed meal prices are still reasonable.

For more information, please speak to your consultant.

Tim Davies, Kite Nutritionist.

For enquiries regarding the information in this document please contact:
Kite Consulting | The Dairy Lodge | Dunston Business Village | Dunston | Staffordshire | ST18 9AB
Tel: 01902 851007 | Fax: 01902 851058 | Email: enquiries@kiteconsulting.com