

22 November 2022

# Grain Market Outlook Conference 2022:

## Managing risk and looking ahead to new demand



Session 1.

# AHDB market outlook

Megan Hesketh, Anthony Speight, Millie Askew & Mark Topliff



# Global grain outlook

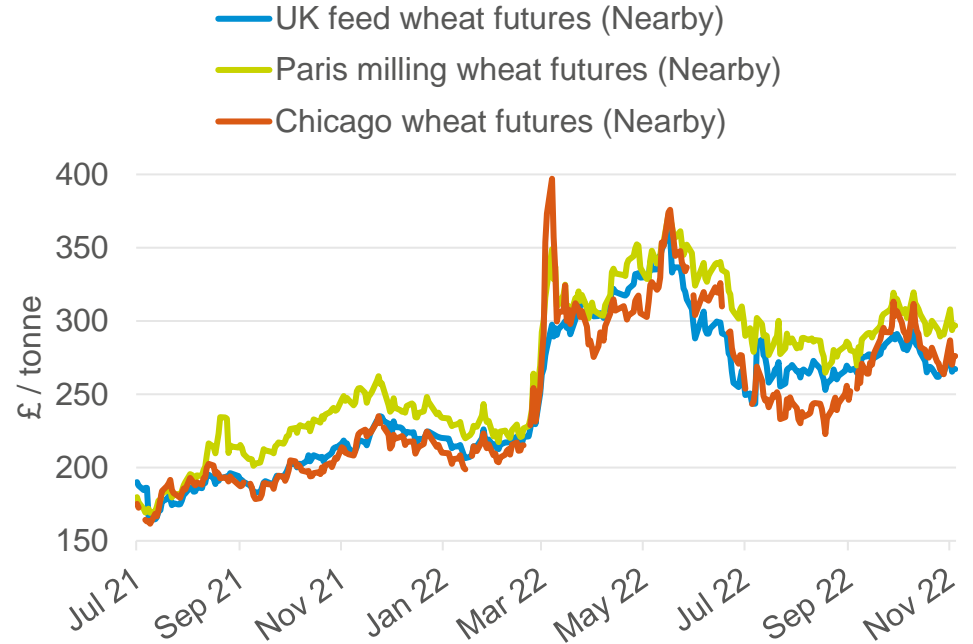
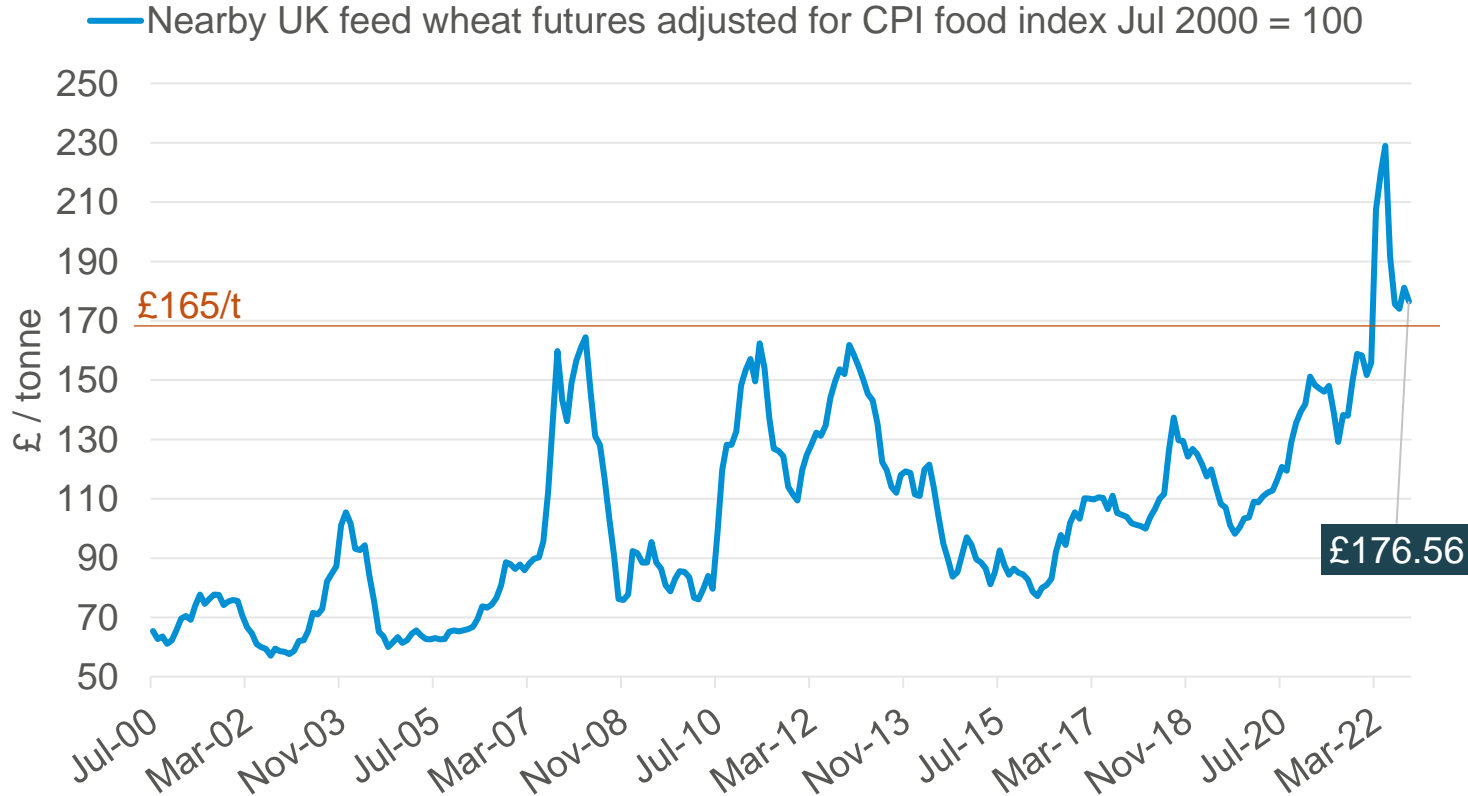
Are strong global prices going to continue supporting a well-supplied domestic market?

Megan Hesketh, Senior Analyst – Cereals and Oilseeds



# Strong global prices supporting UK prices

## Nearby UK feed wheat futures adjusted for inflation



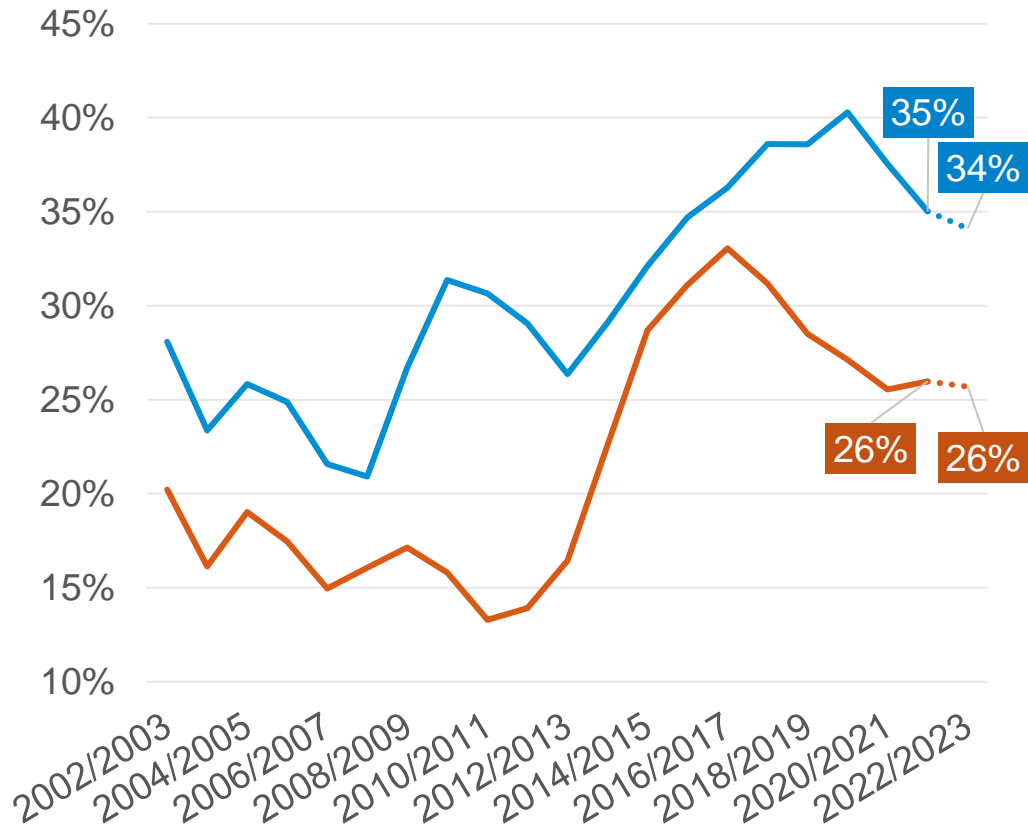
As at today:  
£261/t (May-23)

Note: CPI data Jul 2000 to Oct 2022  
Source: Office for National Statistics, ICE.

# Just another 'normal' year?... Absolutely not

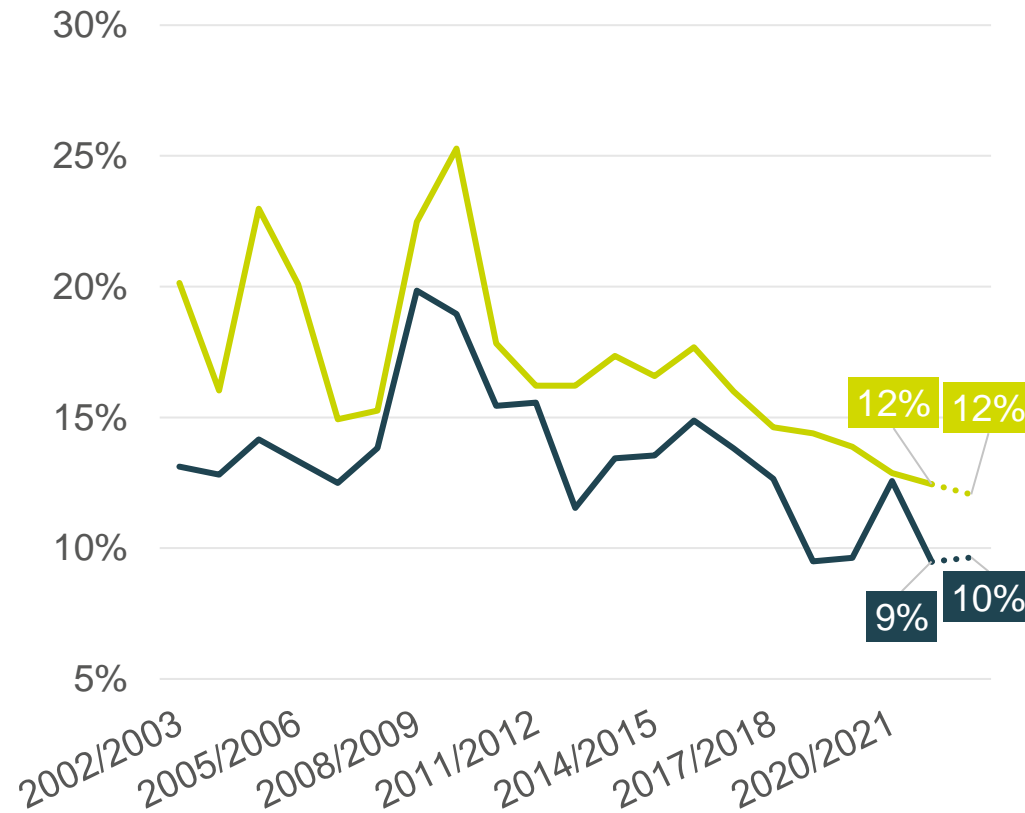
Global stocks to use (%)

—Wheat —Maize



Global stocks to use (%)

—Barley —Oats



Expect supply volatility to continue

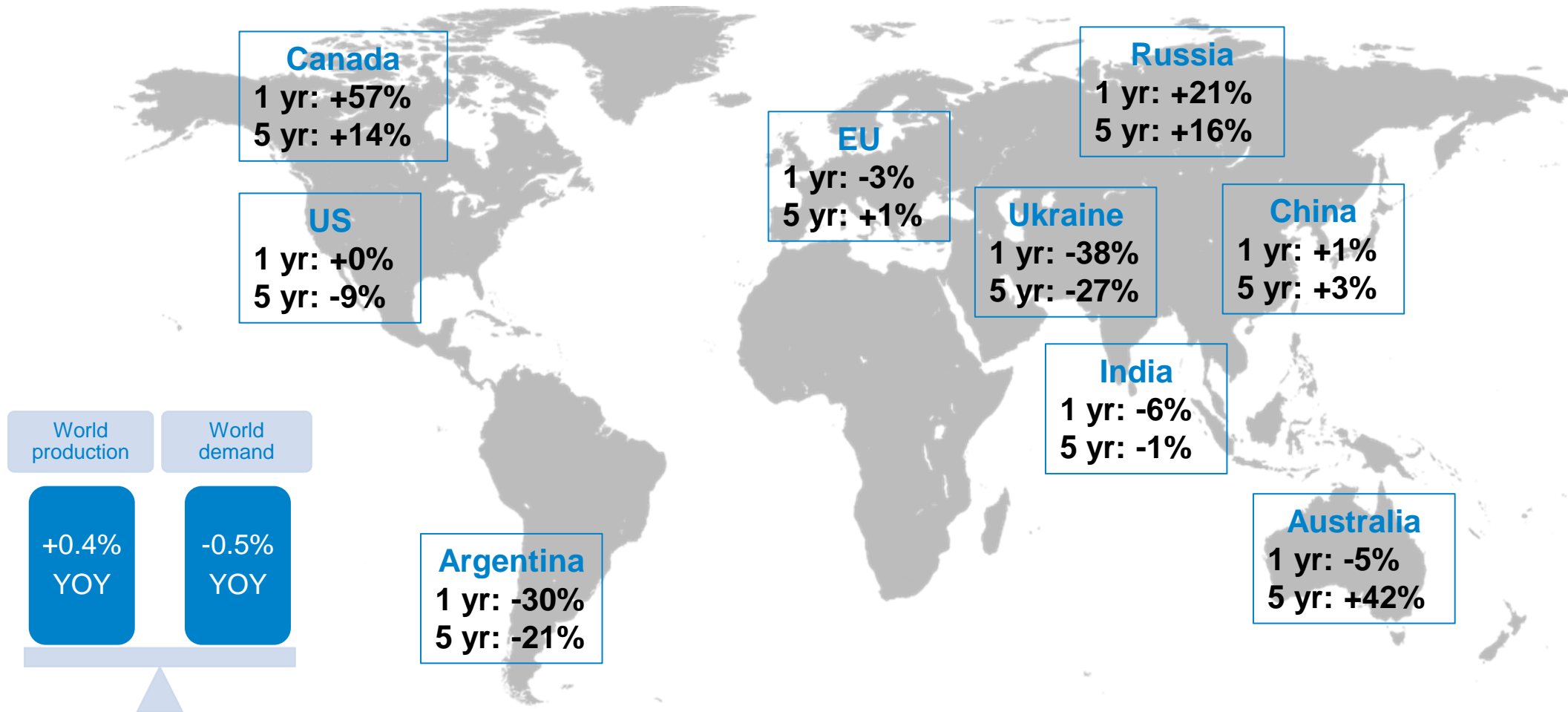
Stocks to use do not reflect market

Note: Stocks to use calculated dividing total global consumption by global ending stocks

Source: USDA

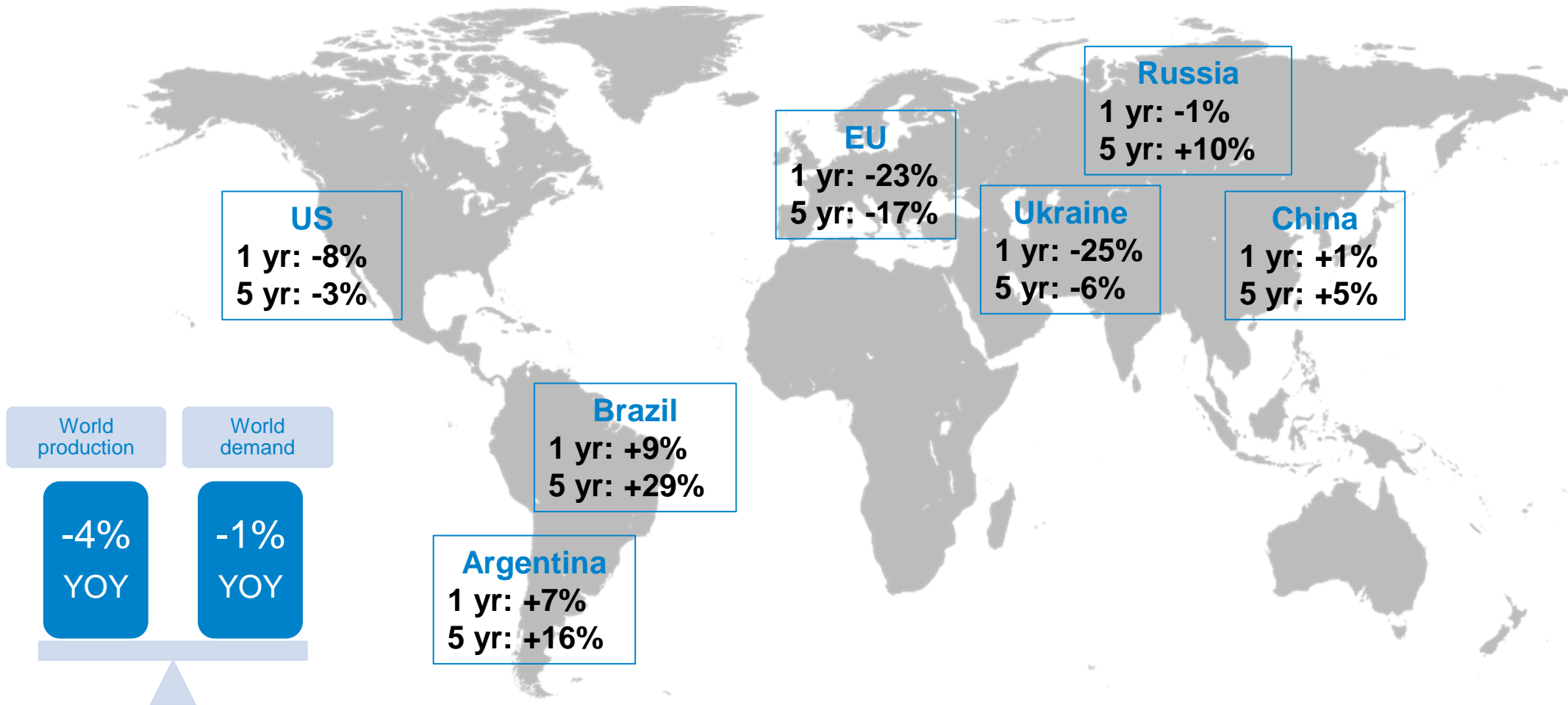
# Let's look into supply...

## Wheat: average annual production growth %



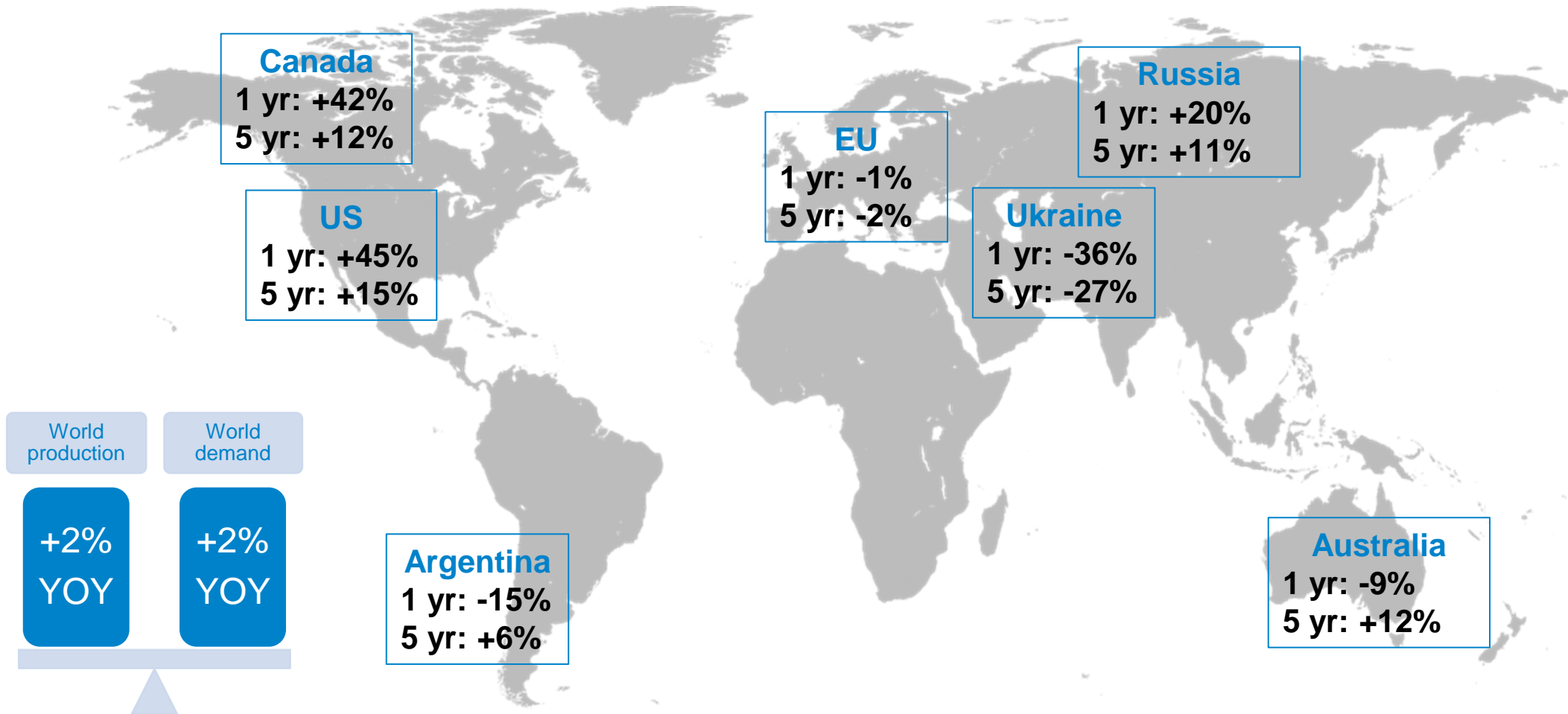
# Let's look into supply...

## Maize: average annual production growth %



# Let's look into supply...

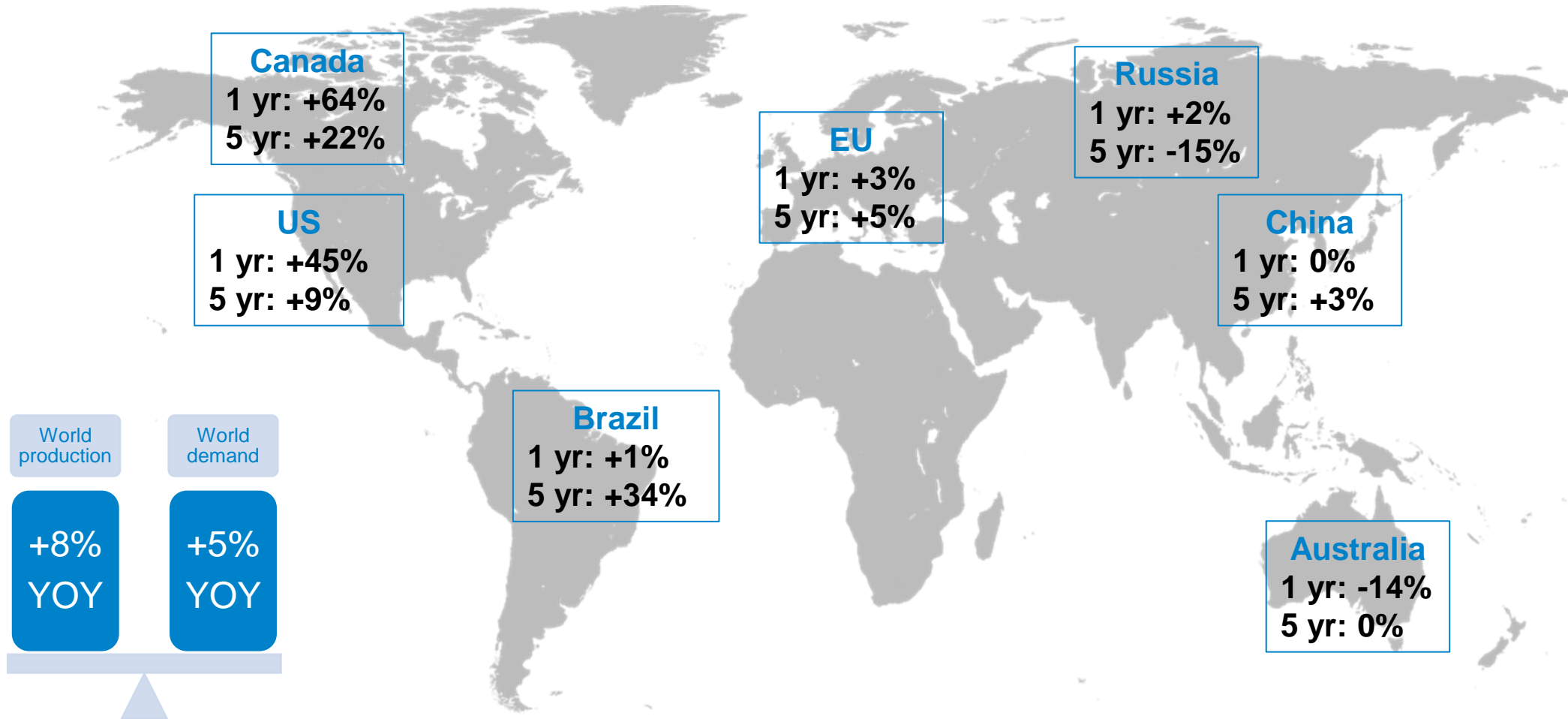
## Barley: average annual production growth %





# Let's look into supply...

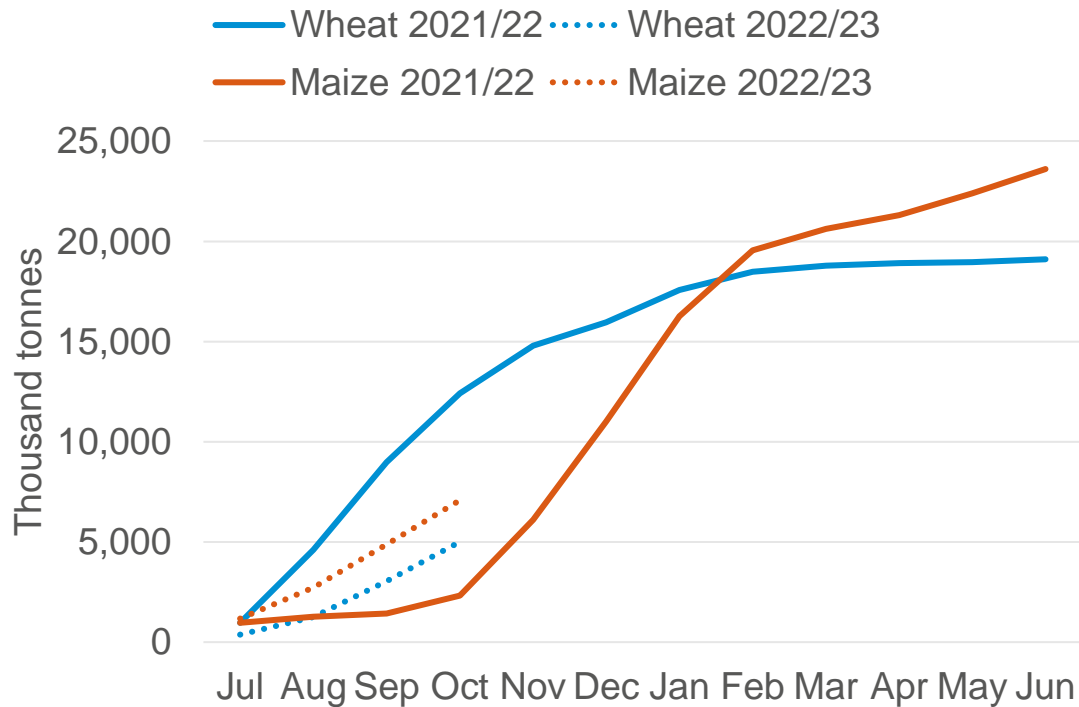
## Oats: average annual production growth %



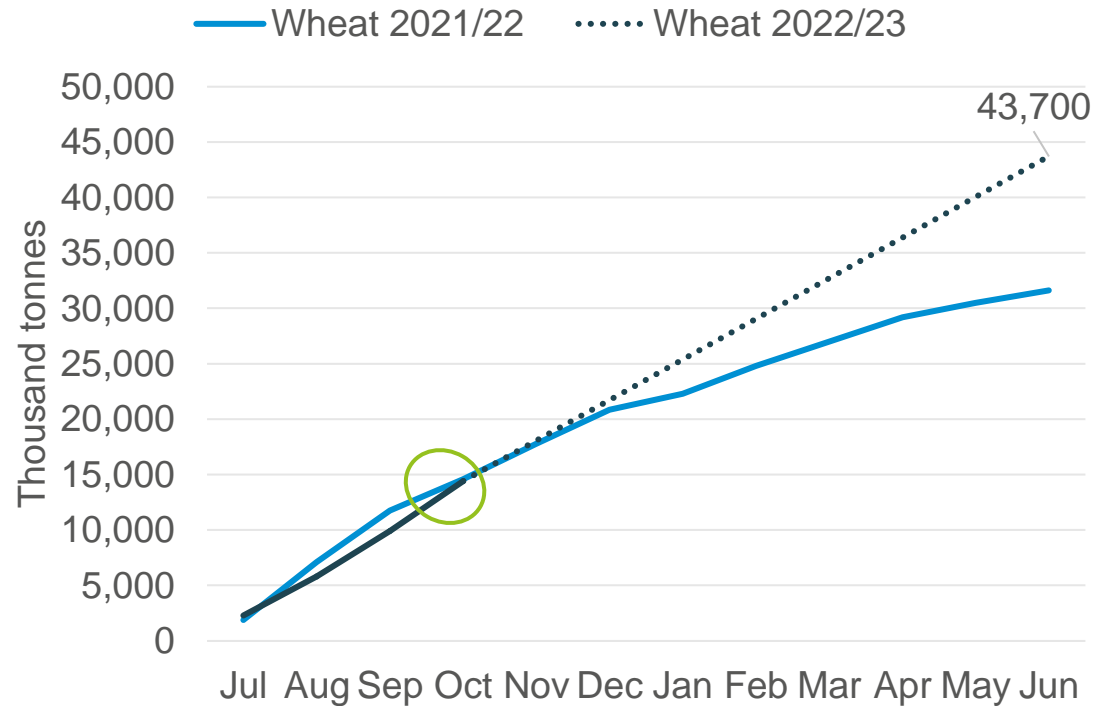
# How is the Black Sea conflict impacting trade?

Update on corridor: Black Sea corridor extended for another 120 days from 18 Nov.

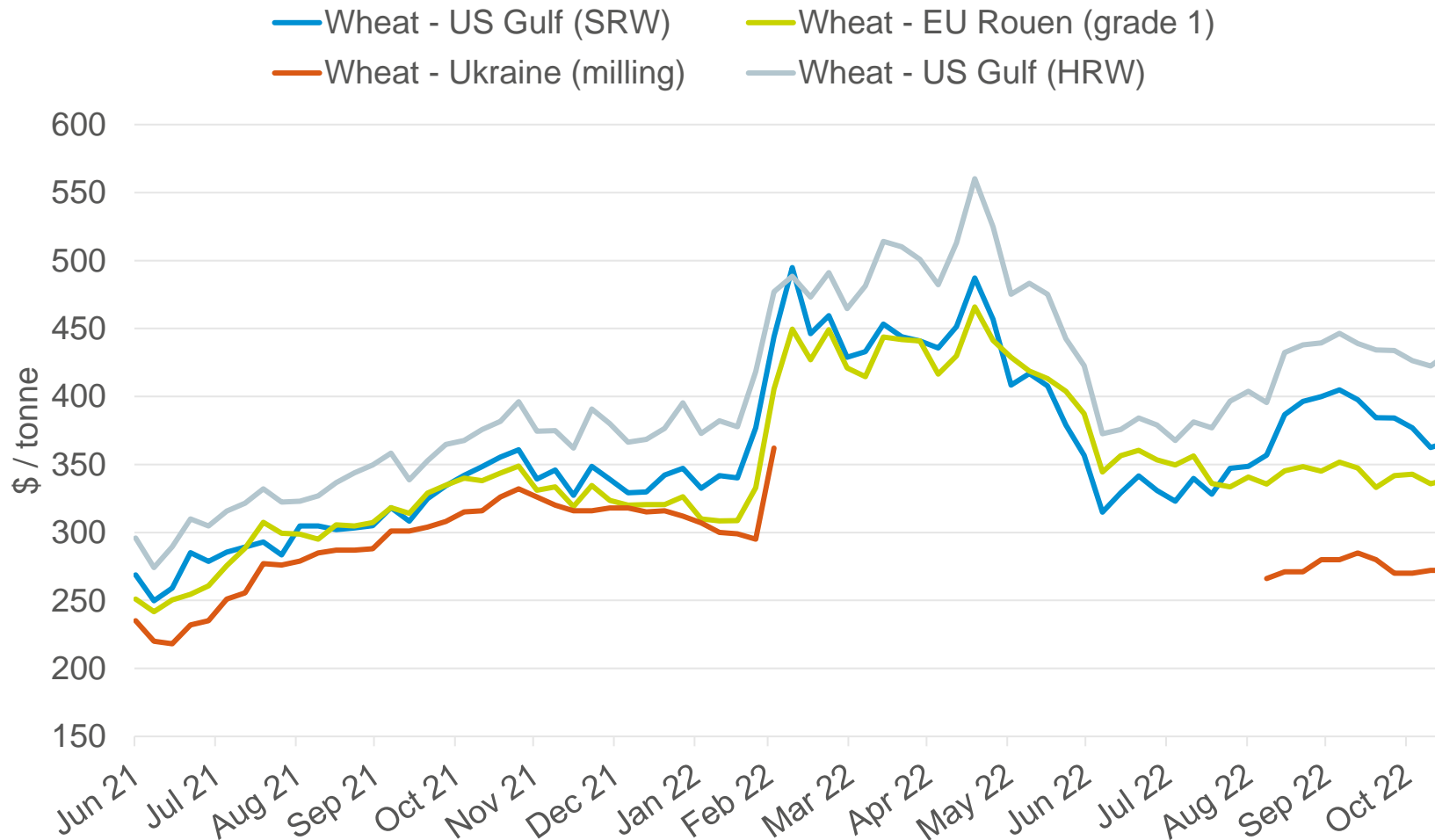
## Cumulative Ukrainian exports



## Cumulative Russian wheat exports



# World wheat export prices



As at: 18 Nov

Wheat origin	\$ / tonne
US	\$417
Argentina	\$419
EU	\$344
Ukraine*	\$272
Russia*	\$311

Source: International Grains Council, UkrAgroConsult.

\*Notes on FOB prices: Argentina 12.0%, up river; Russia – milling Novorossiysk, 11.5%; EU-France grade 1, Rouen; US- HRW 11.5% Gulf. Ukraine (milling).

\*Russia as at 17 Nov. Ukraine as at 16 Nov.

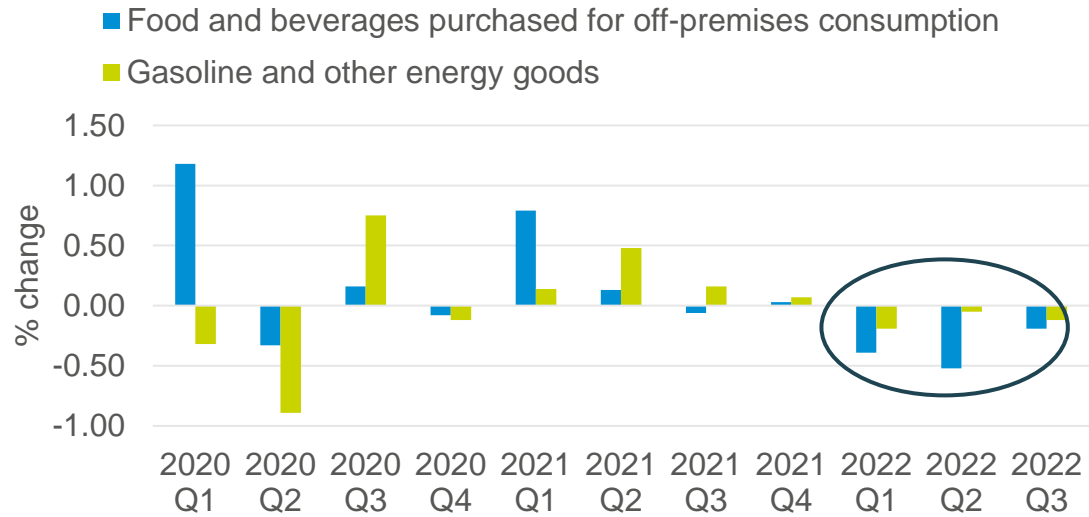
# Re-assessing available global wheat exports



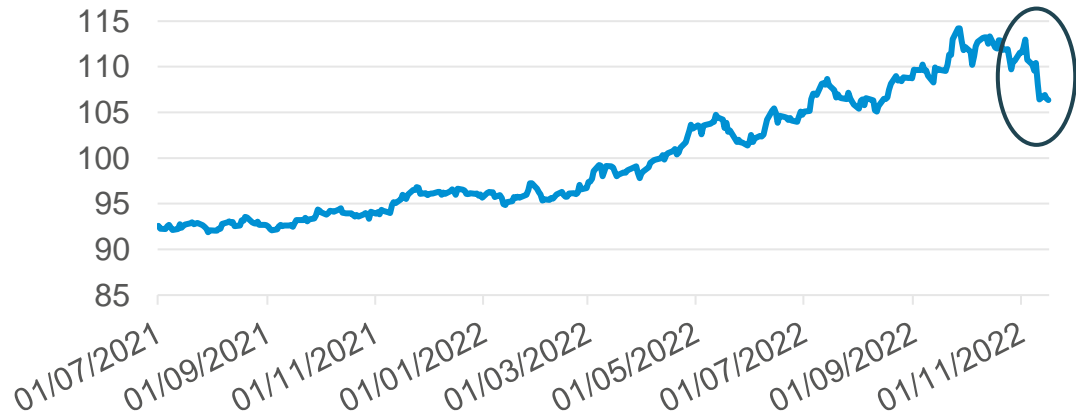
\*Major exporters include: Argentina, Australia, Canada, European Union, Russia, Ukraine, United States, Kazakhstan.  
 Source: International Grains Council, USDA, UkrAgroConsult, SovEcon, Rosario Grain Exchange.

# A recession to dampen global demand?

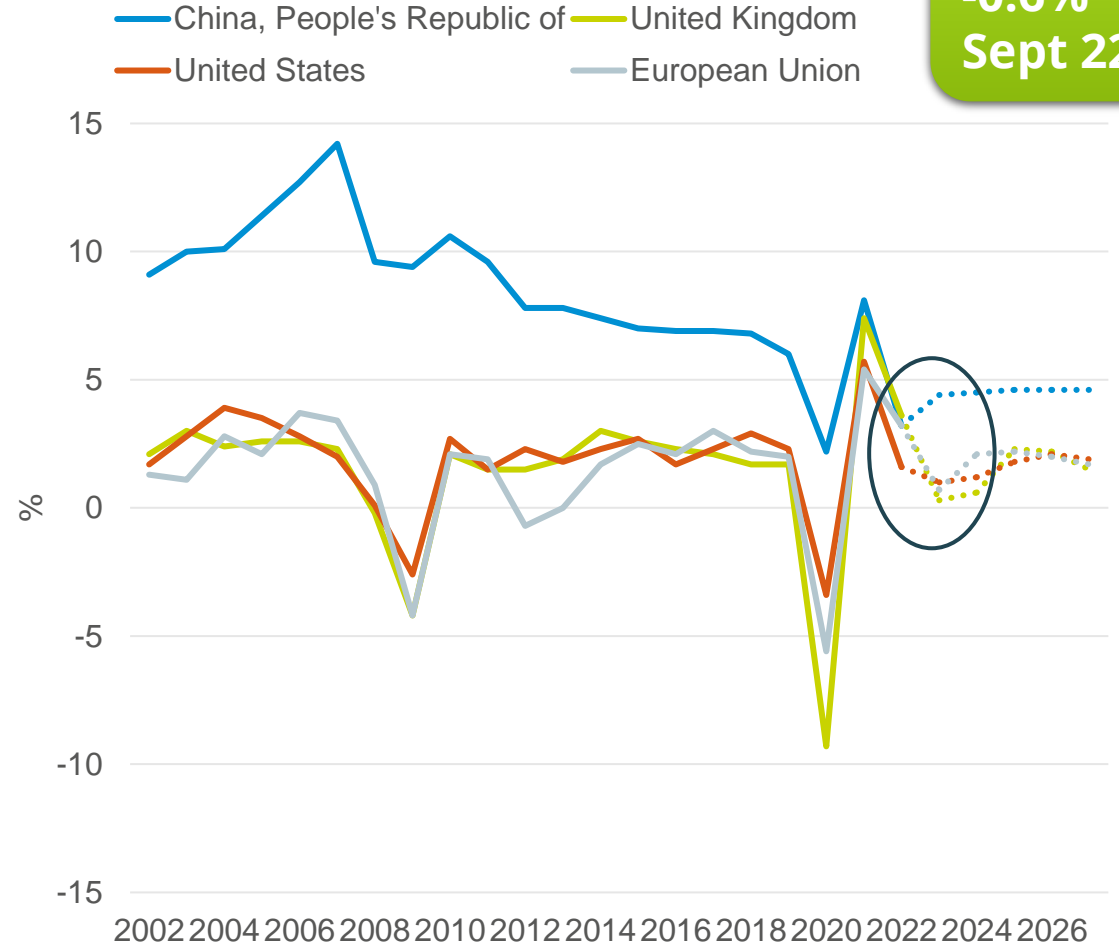
**US Real GDP – food, energy not performing well**



**US Dollar Index**



**Annual Real GDP growth**



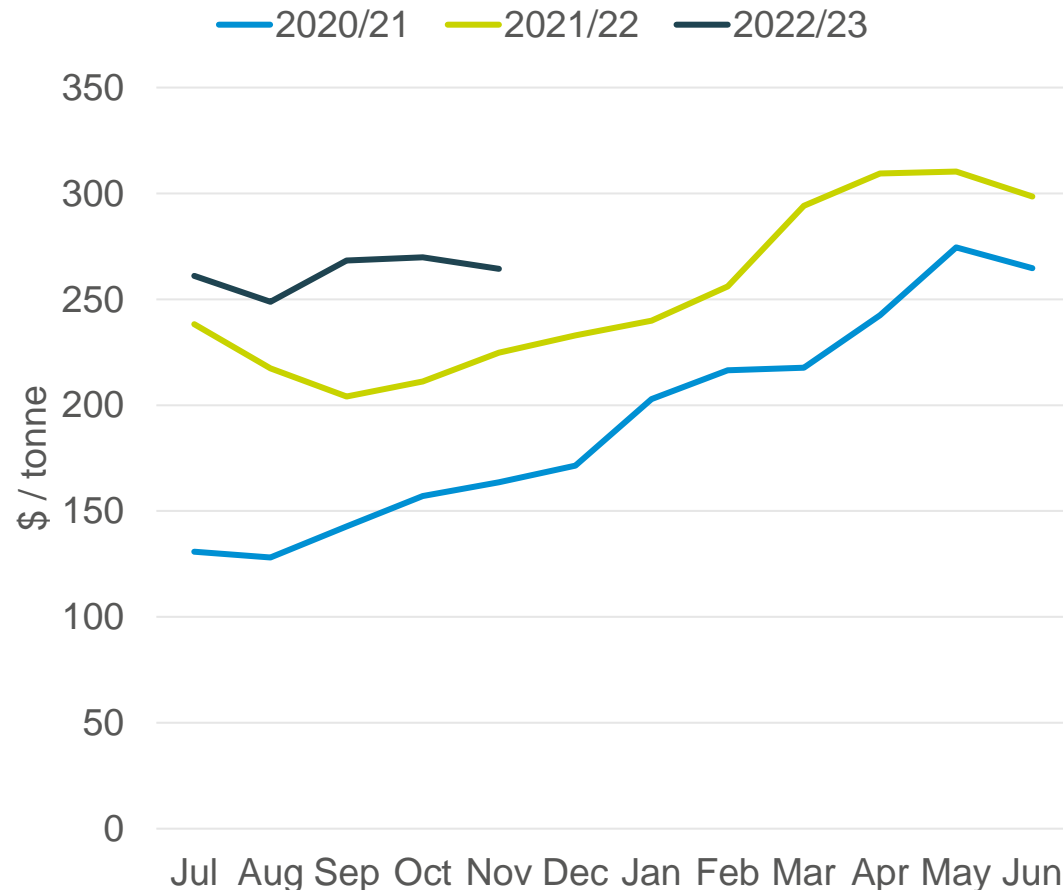
**UK GDP  
-0.6%  
Sept 22**

Source: US Bureau of Economic Analysis, Refinitiv.

Source: International Monetary Fund.

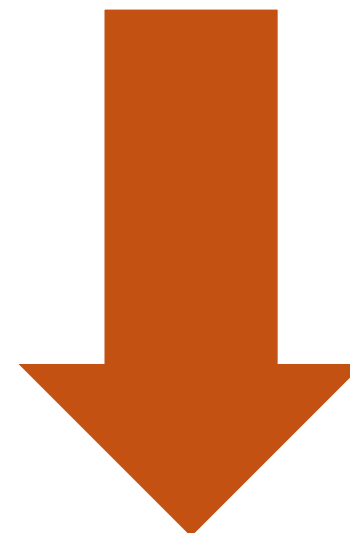
# Maize continue to be a strong base to market?

Average monthly Chicago maize futures



## Support

- Strong US ethanol production/exports
- War in Ukraine
- Dry conditions in Argentina - La Niña?



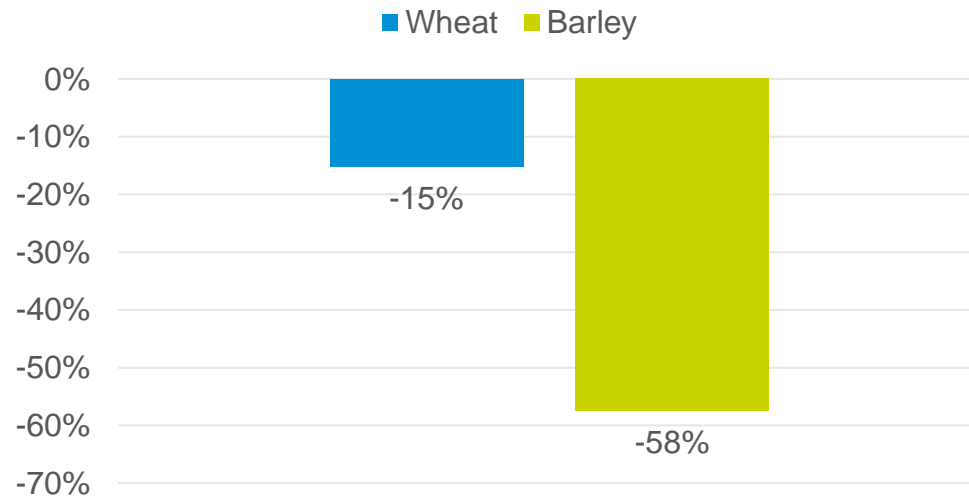
## Pressure

- Large Brazilian crop
- EU ethanol margins
- Poor US export sales
- Recession?

# Conclusion – tight supply keeps prices volatile



% change - forecasted planted area for harvest 23 down from 2022 harvested area

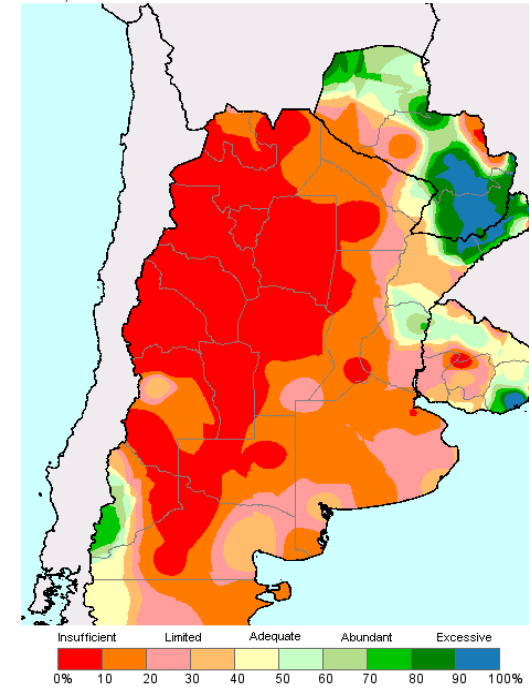


Things to change this balance?

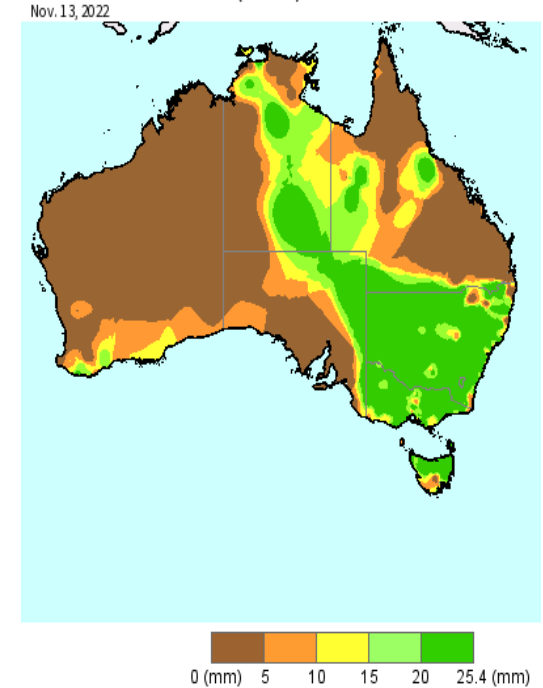
Argentinian dryness

Australian quality

Percent Soil Moisture (WMO)  
Nov. 13, 2022



Surface Soil Moisture (WMO)  
Nov. 13, 2022



But big Brazilian crop...

Source: USDA Foreign Agricultural Service

Source: UkrAgroConsult

# Global oilseed outlook

Soyabeans; a key influencer in oilseed markets that will drive your rapeseed price

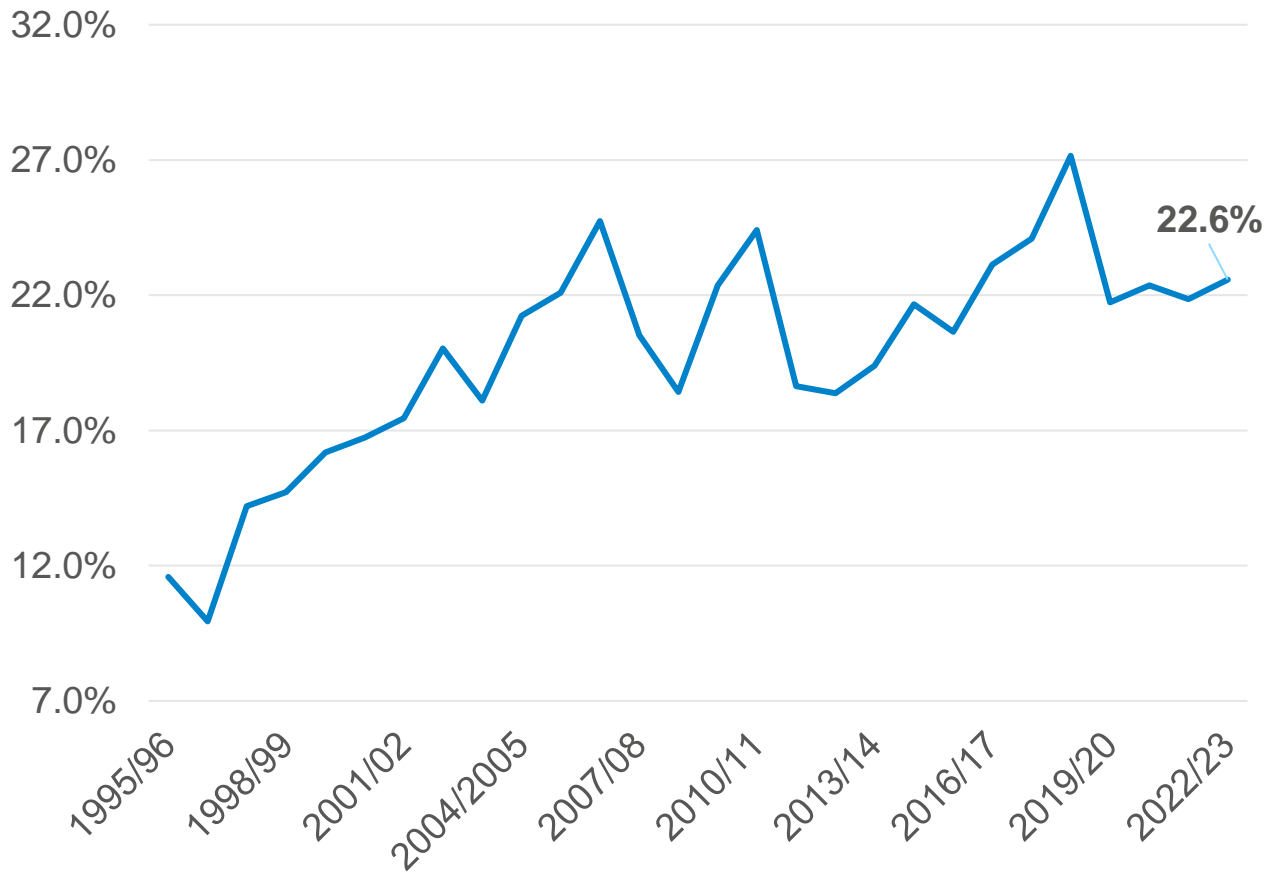
Anthony Speight, Senior Analyst – Cereals and Oilseeds



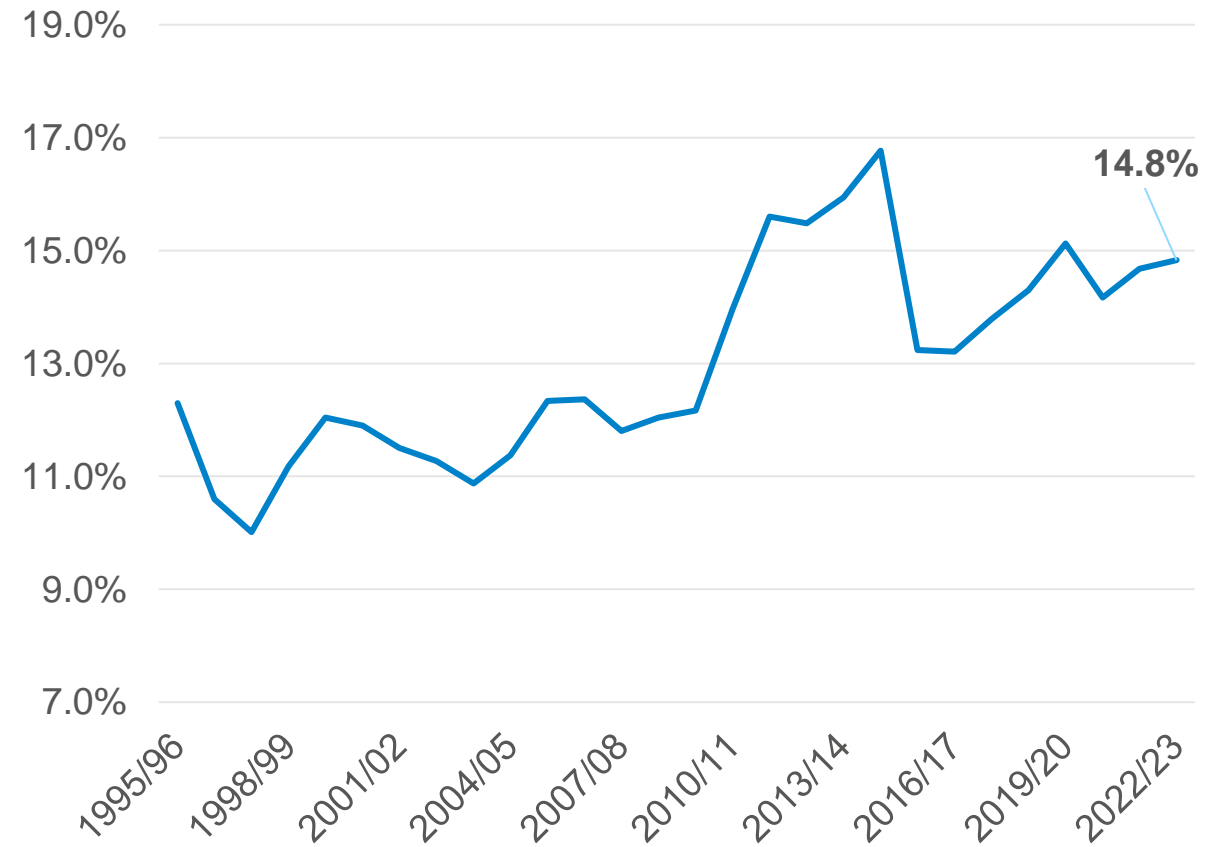


# Stocks to use up, but could they be higher?

### Major oilseed stocks-to-use



### Major vegetable oil stocks-to-use



Source: USDA

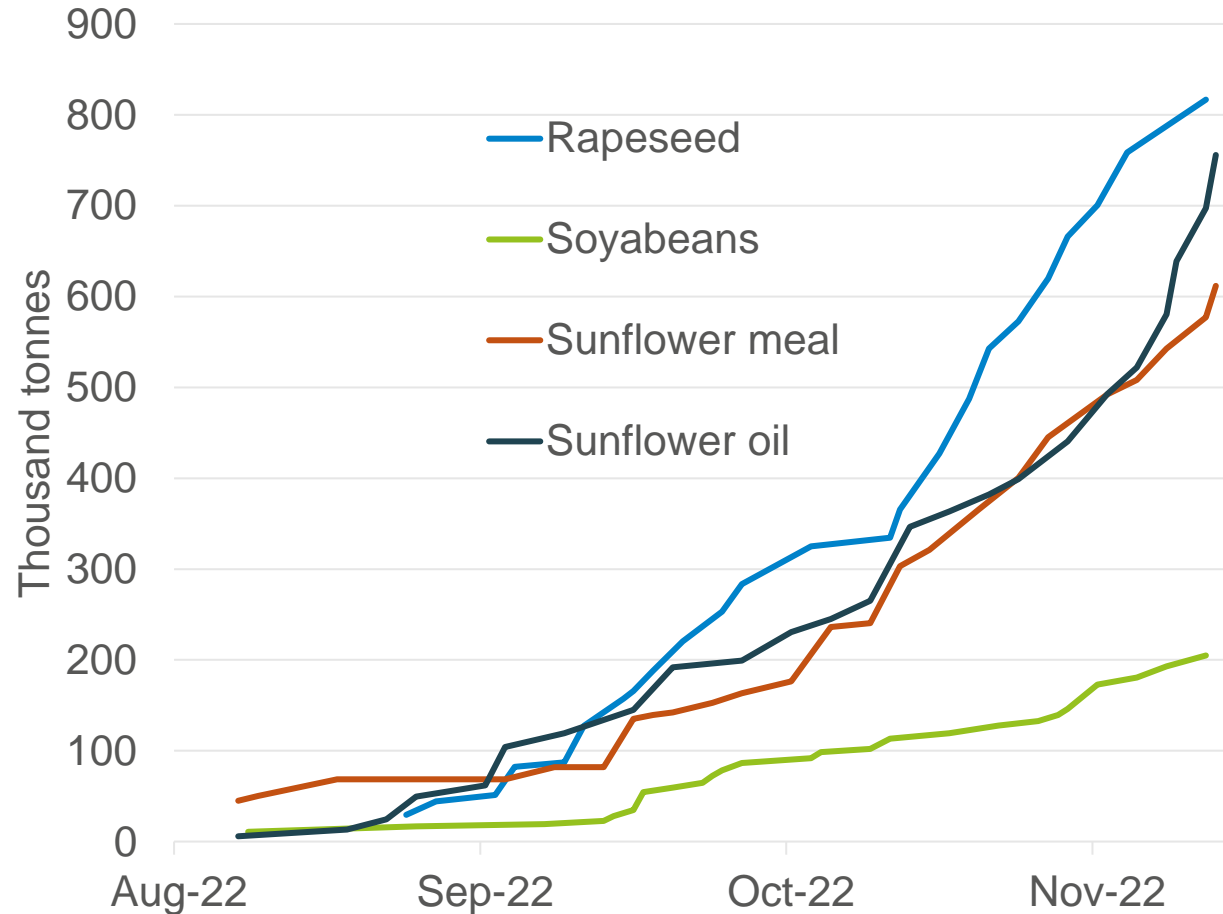
Note: Stocks to use calculated dividing total global consumption by global ending stocks

Major vegetable oils – palm, sun, soya, rape.

Major oilseed – sun, soya, rape

# Are Ukraine's exports key to the oilseed market?

Ukrainian exports out of the Black Sea



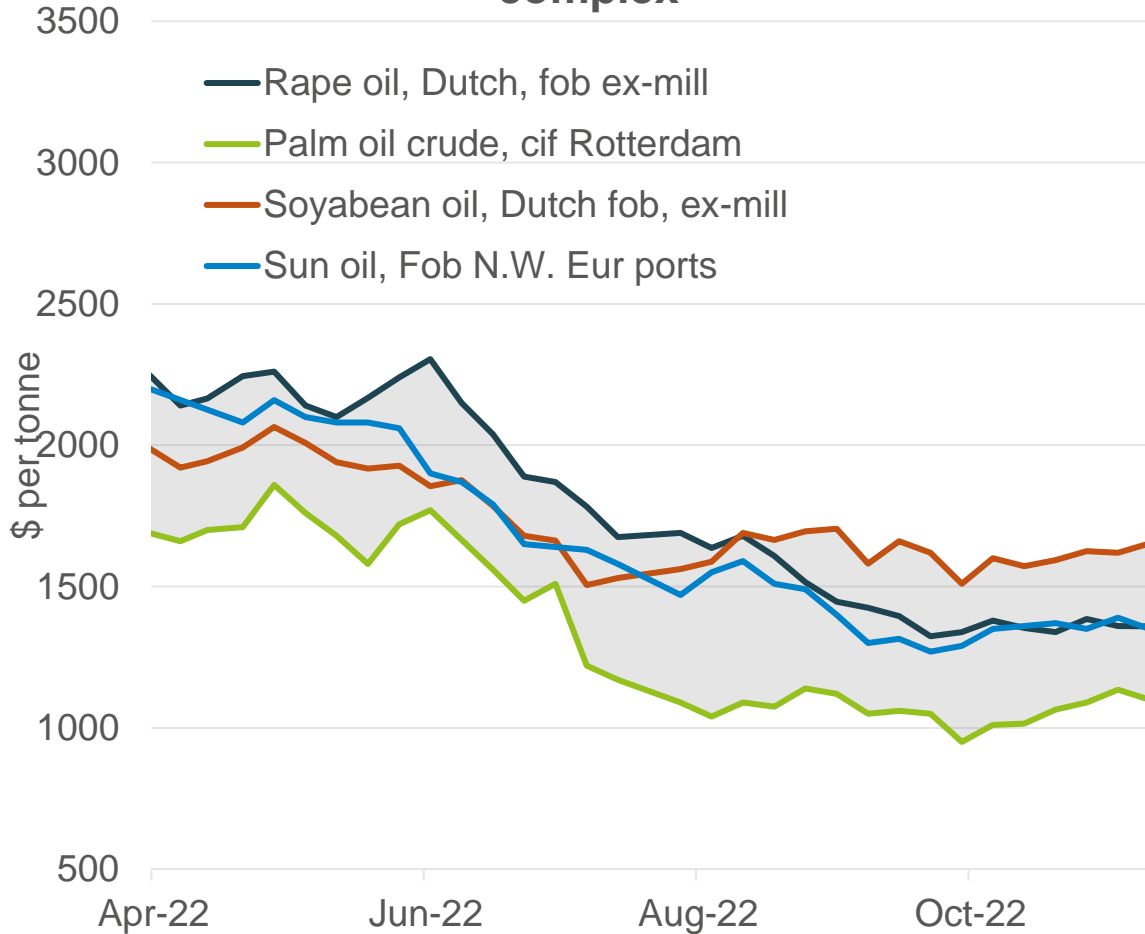
Sun oil export market share



Source: UN vessel movements - Black Sea Grain Initiative Joint Coordination Centre – Data up until 14<sup>th</sup> November 2022

# Biofuels to influence the market

## Soya oil at the top of the vegetable oil complex



Source: oilworld.biz

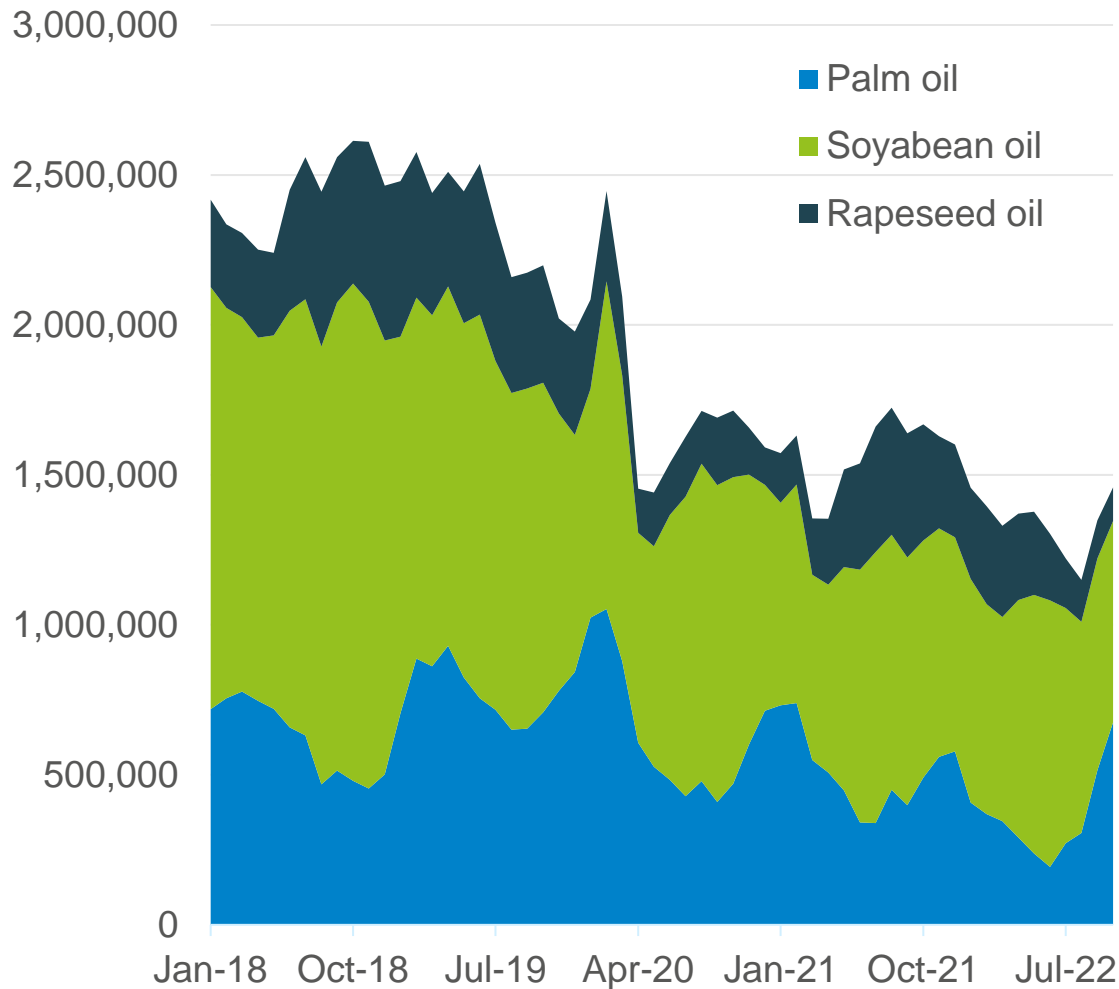
## Soya oil consumed for production of US biofuels



Source: U.S. Energy Information Administration

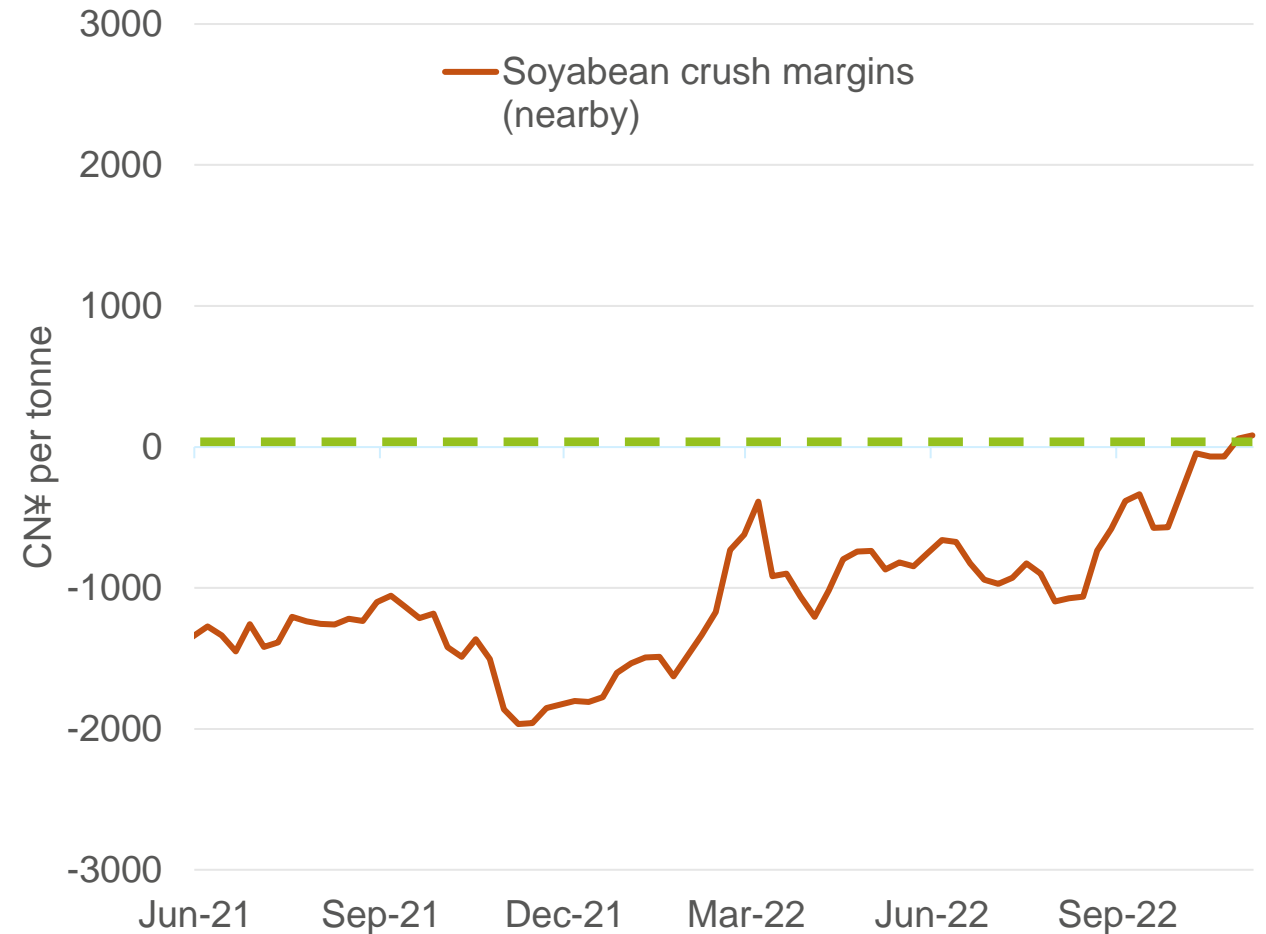
# Chinese demand will set market sentiment

### China vegetable oil ending stocks



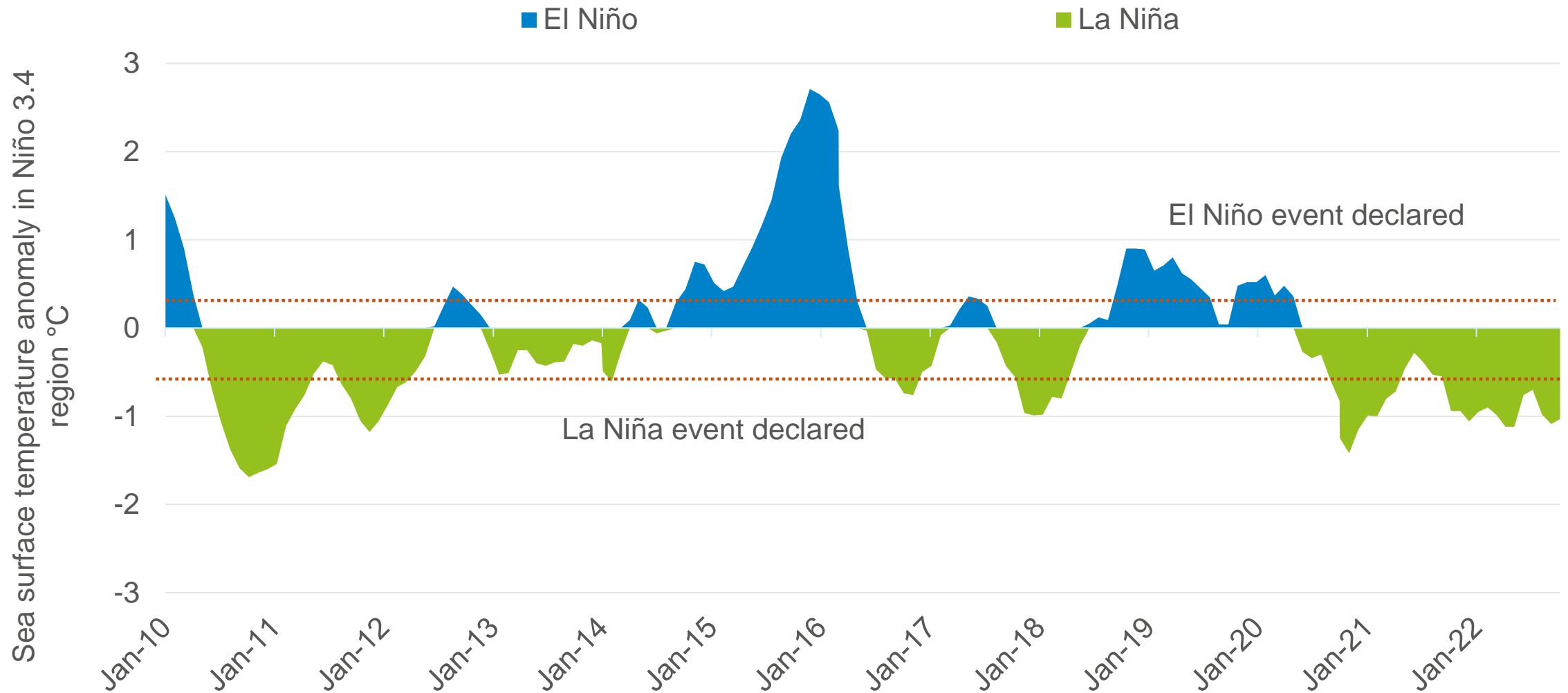
Source: MPOC Market Intelligence

### Soyabean crush margins starting to turn positive in China



Source: DCE - Refinitiv

# We are entering a third successive La Niña

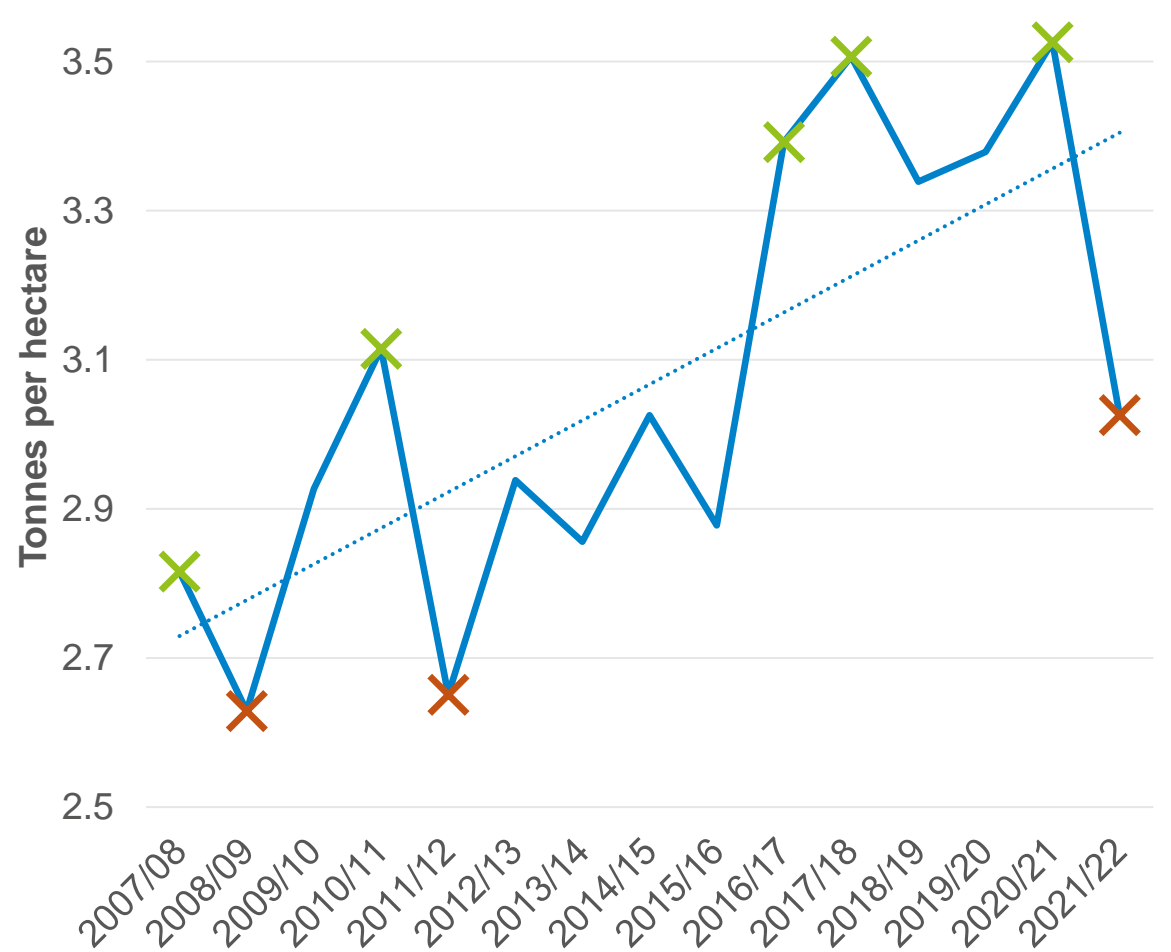
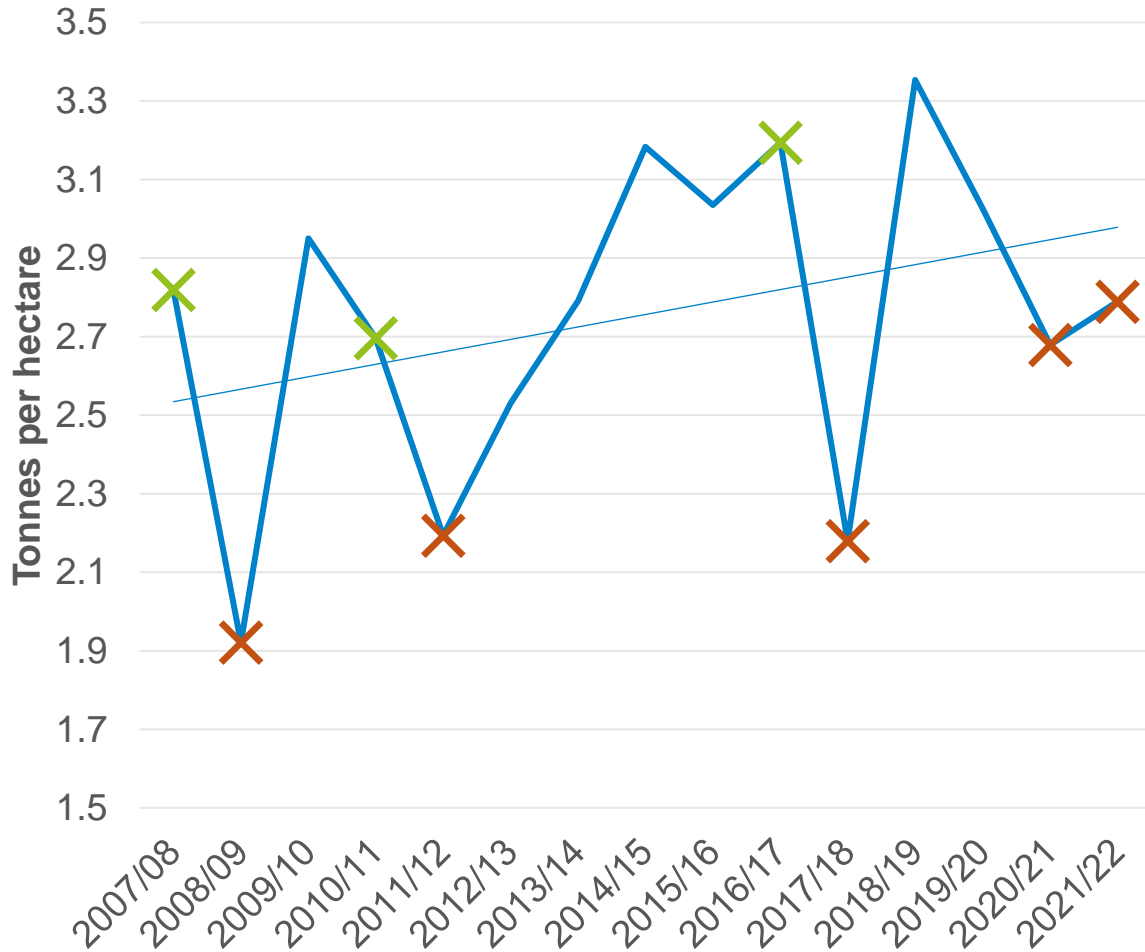


# South American soyabean yields

Argentina

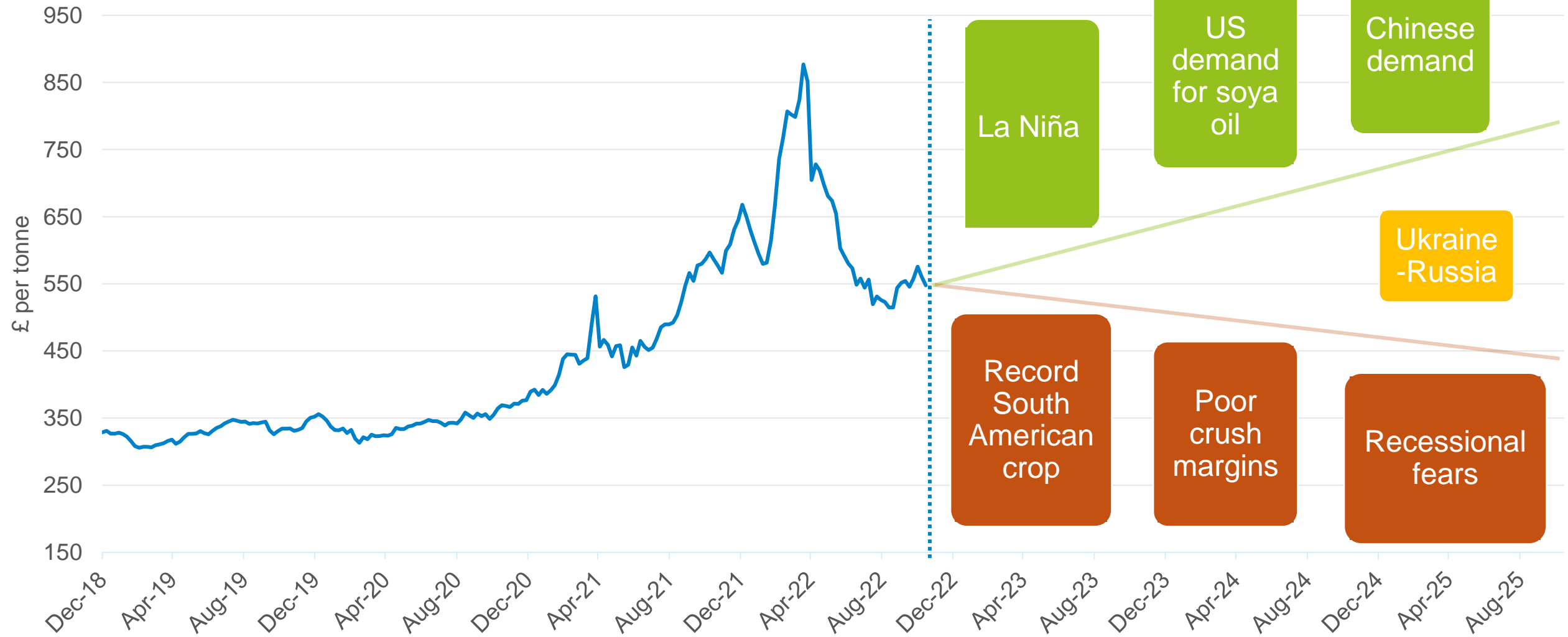
X/X = La Niña years

Brazil



# What is going to happen to rapeseed prices?

Nearby Paris rapeseed futures



Source: Euronext - Refinitiv

# UK focus

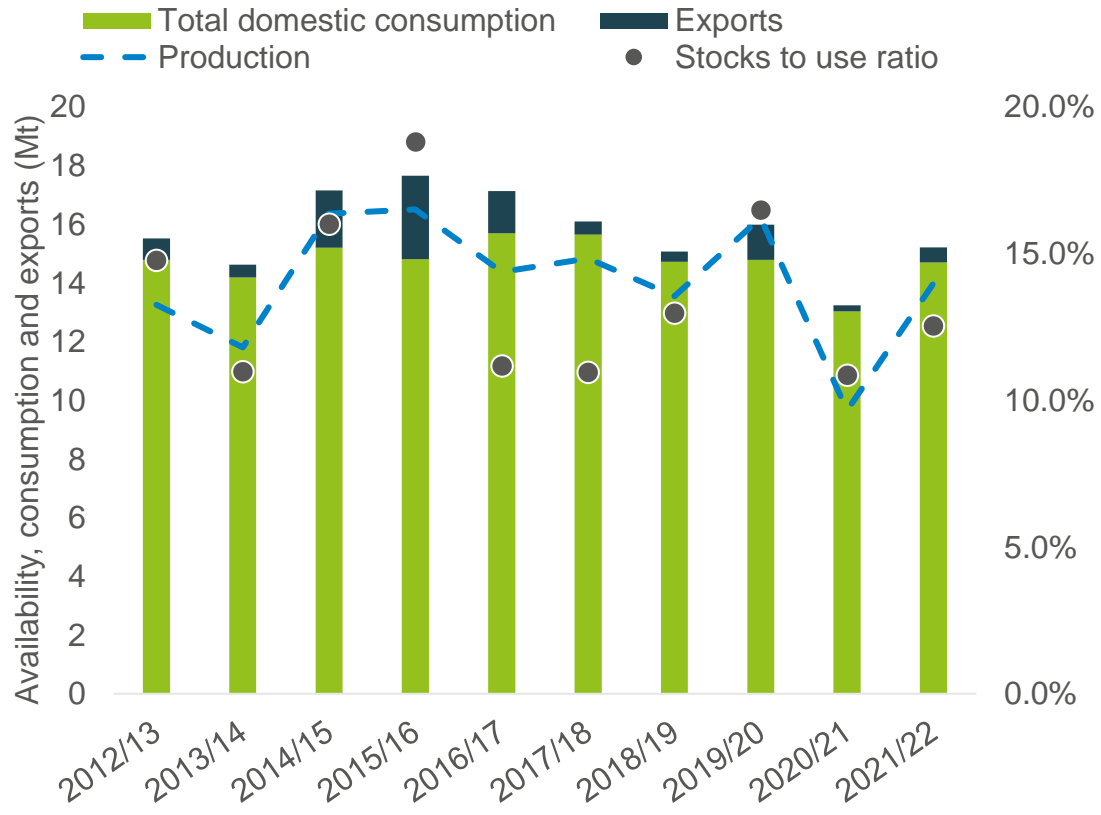
Millie Askew, Lead Analyst – Cereals and Oilseeds



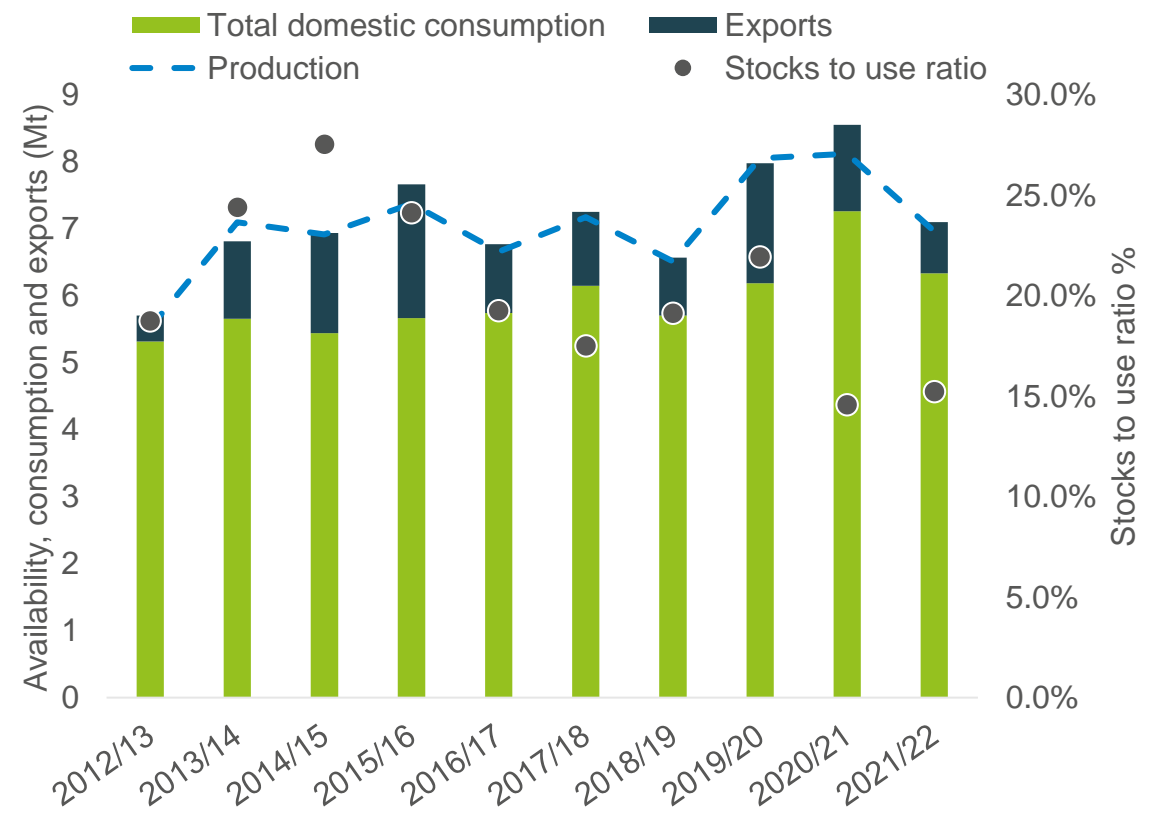


# 2022/23 – large carry-in stocks for wheat, but tight for barley

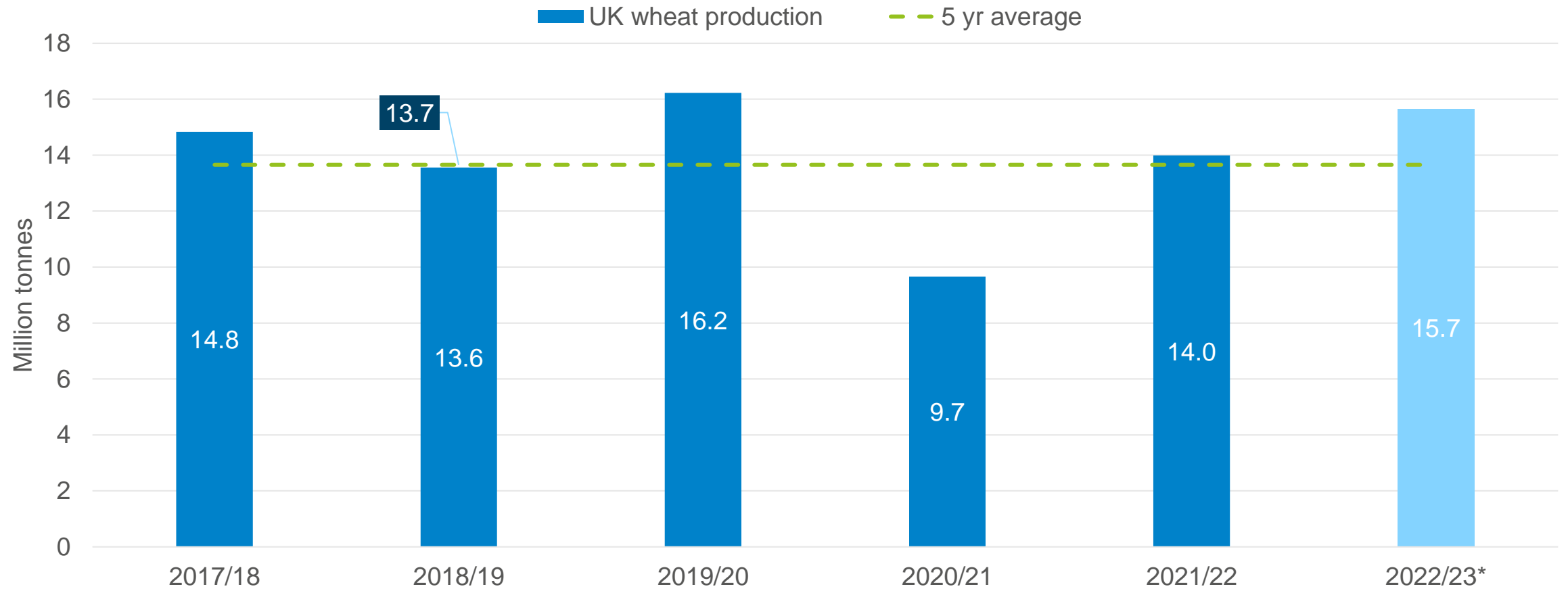
### UK wheat supply and demand



### UK barley supply and demand



# Bumper 2022 crop adding to heavier carry-in



Source: AHDB, Defra

\*AHDB calculation

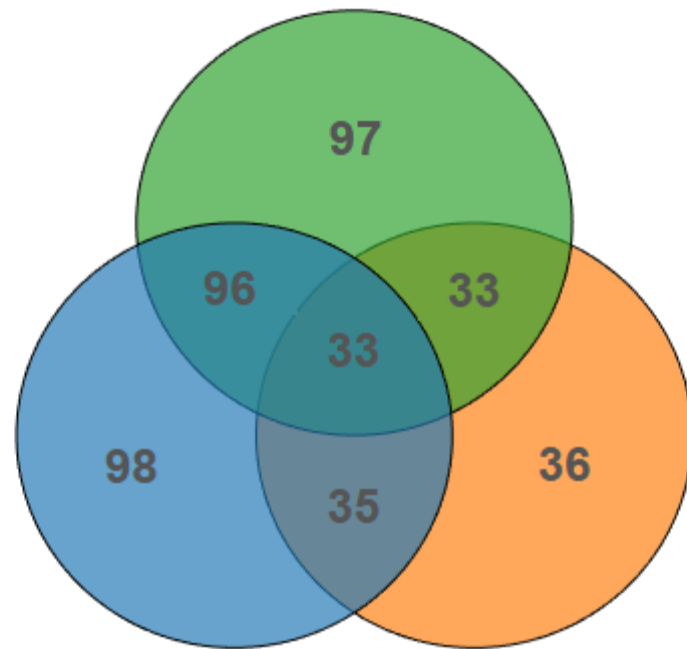
# Quality 'amongst the best seen'...minus lower protein!

## Final cereal quality results UK 2022

UK flour millers Group 1 samples

(Specific weight  $\geq$  76 kg/hl, Protein  $\geq$  13.0%, Hagberg Falling Number  $\geq$  250s)

### Specific weight



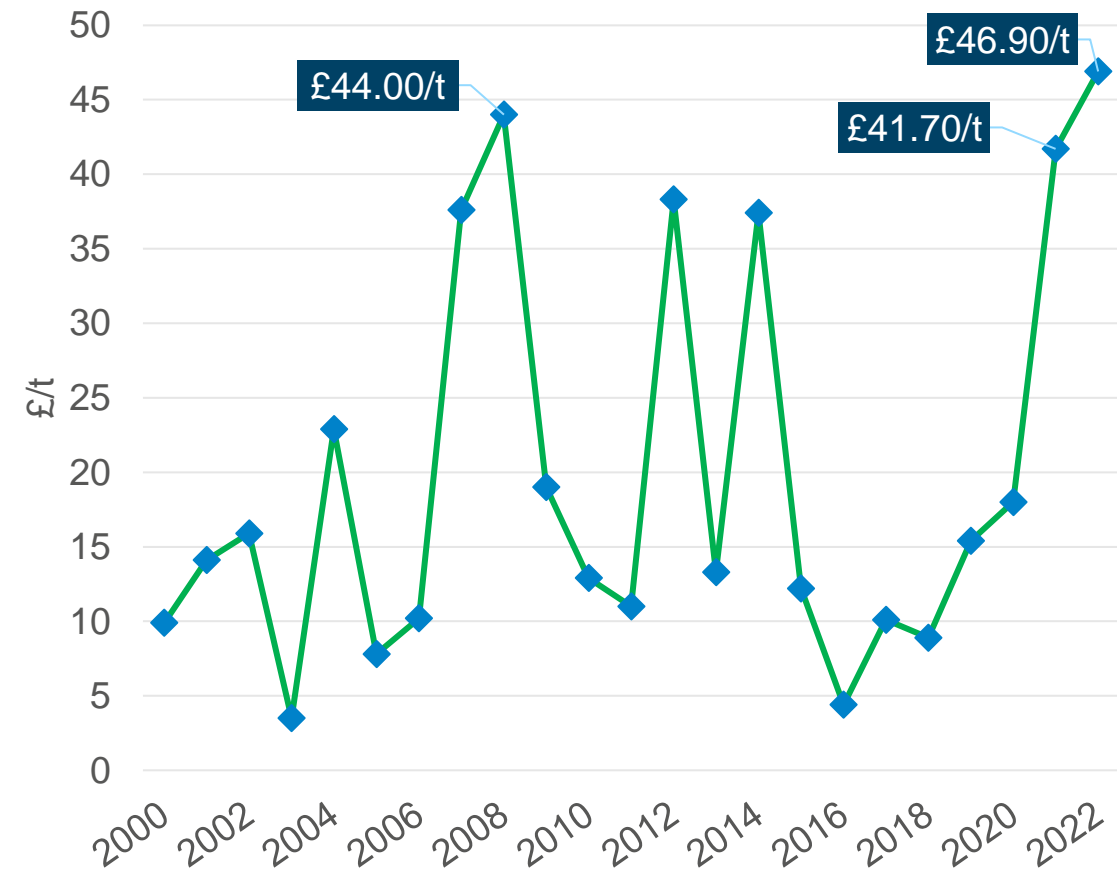
Hagberg

Protein

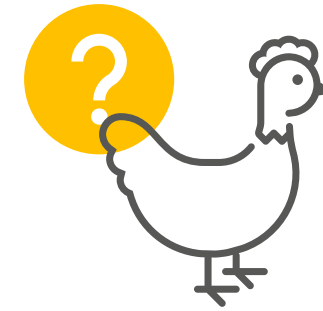
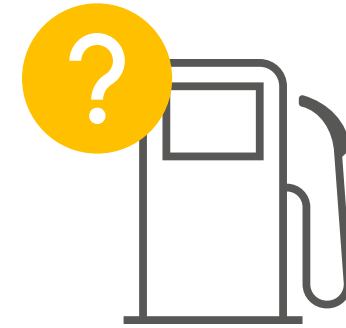
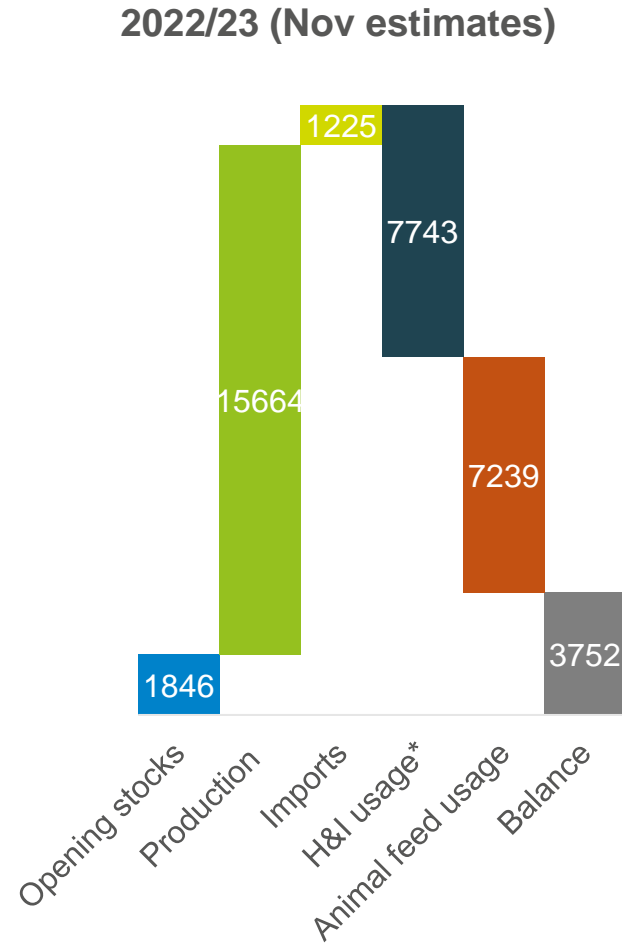
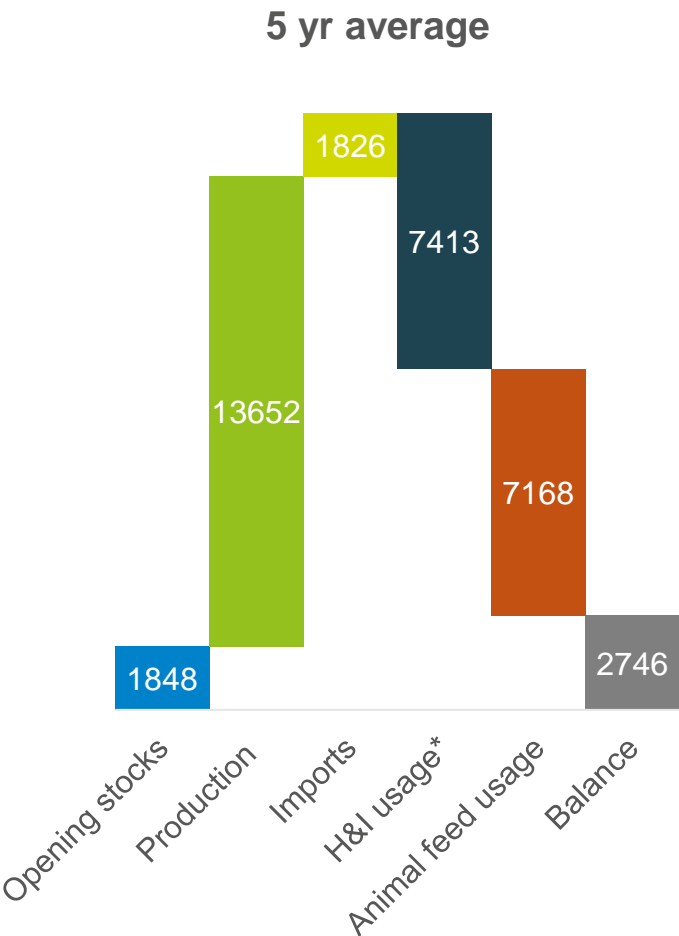
Sample: 957

Source: AHDB Cereal Quality Survey, AHDB Corn Returns

## Premium of monthly average UK ex-farm milling wheat over feed wheat



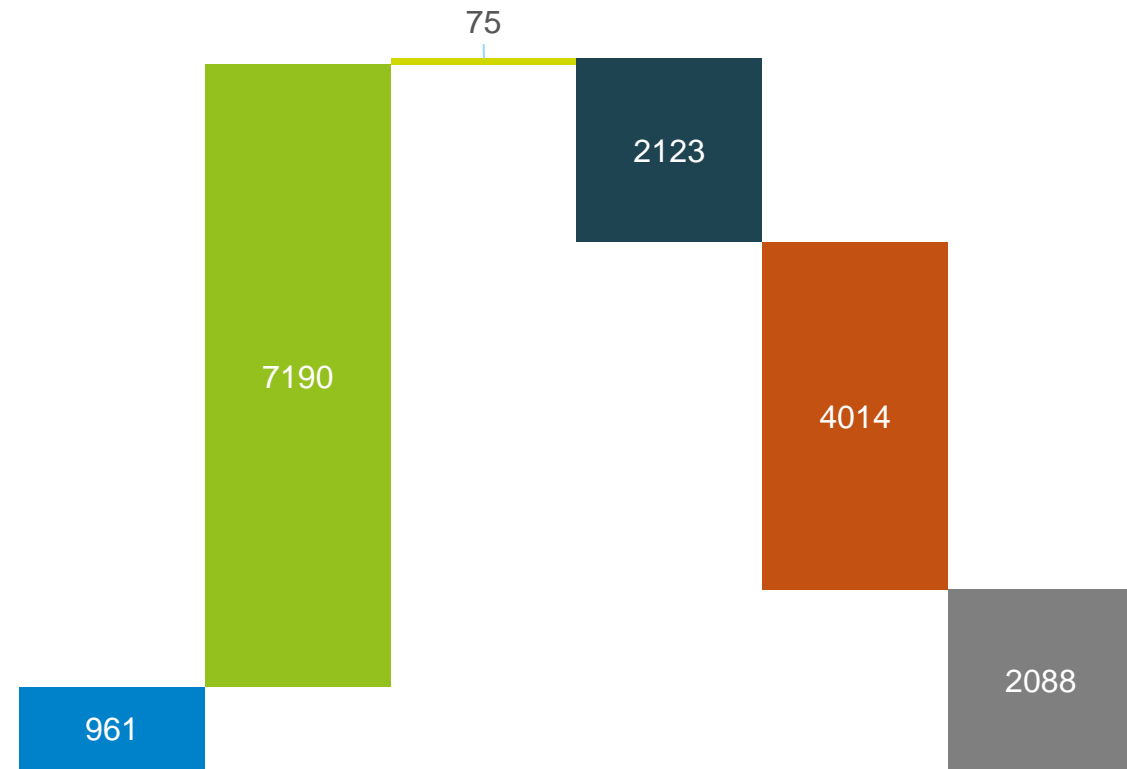
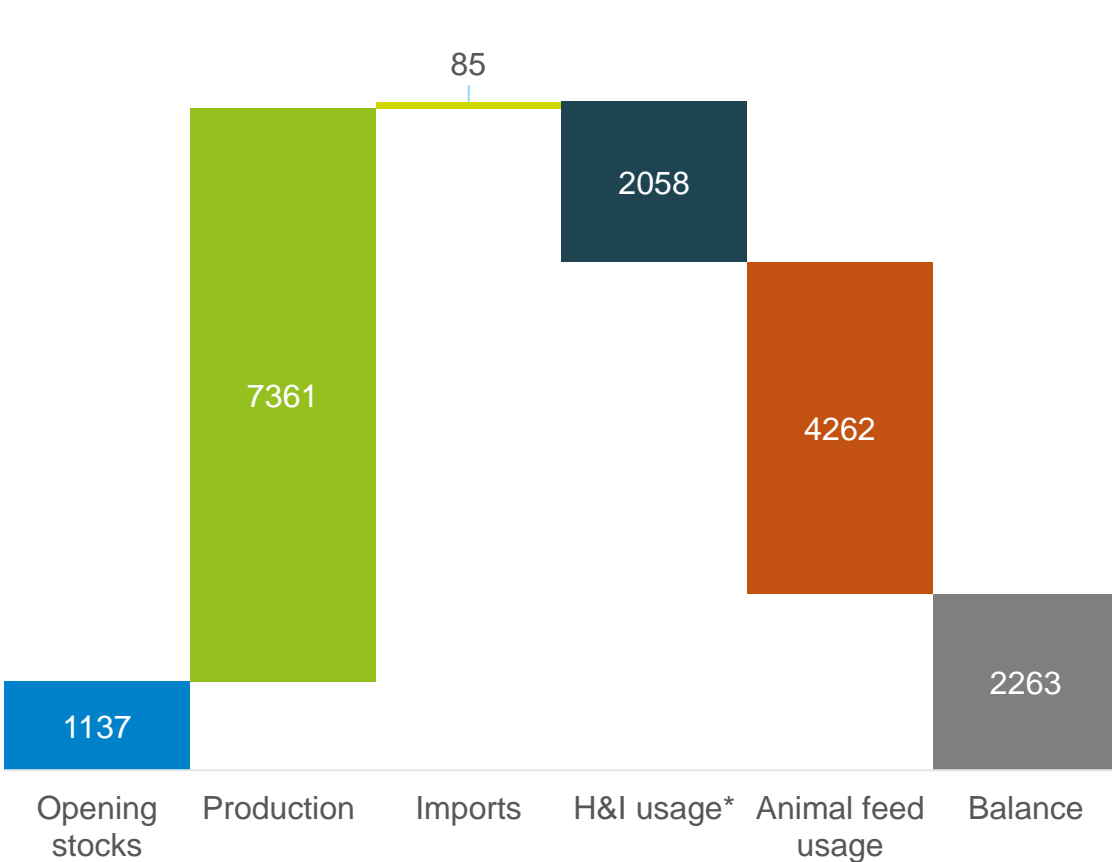
# Heavy wheat balance this season with added uncertainty around demand



# Barley balance is more comfortable, but remains low historically

5 yr average

2022/23 (Nov estimates)



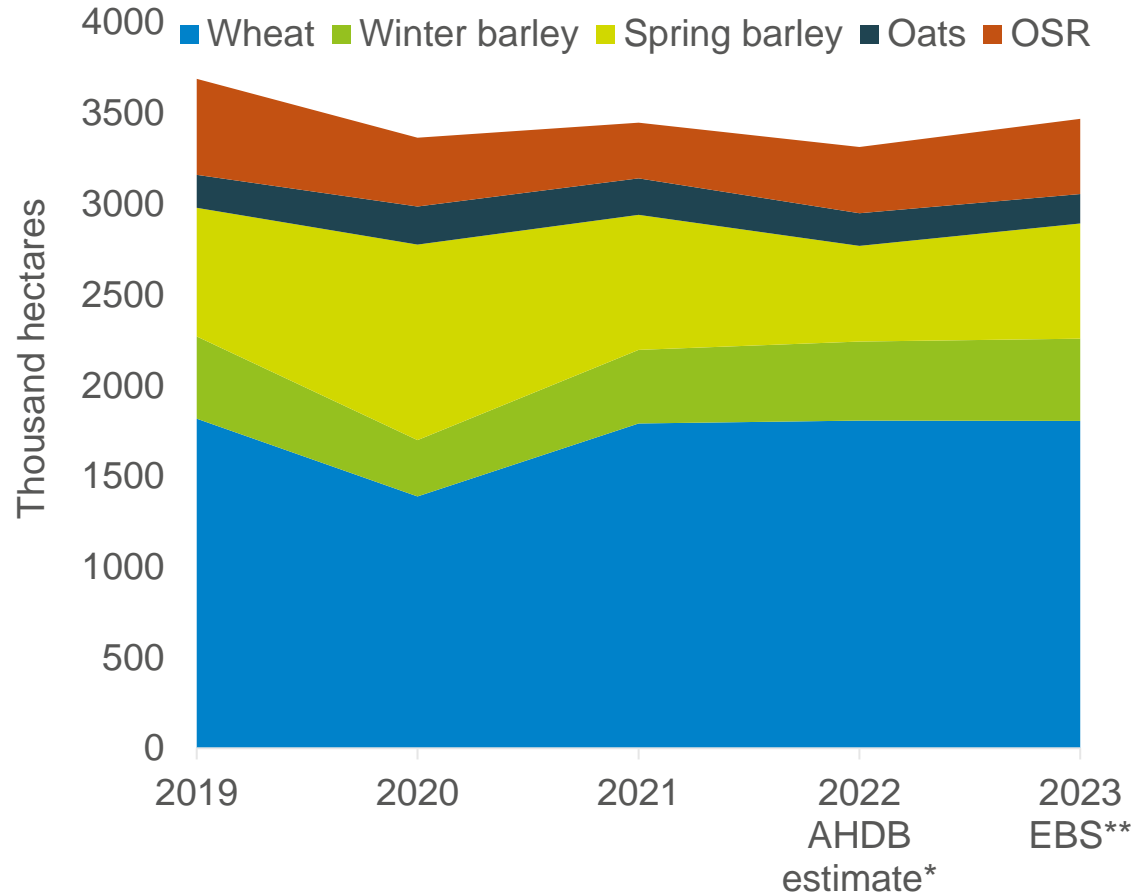
Unit: Thousand tonnes

Source: AHDB, Defra

\*includes seed and other

# Winter plantings up for harvest 2023

UK planted area



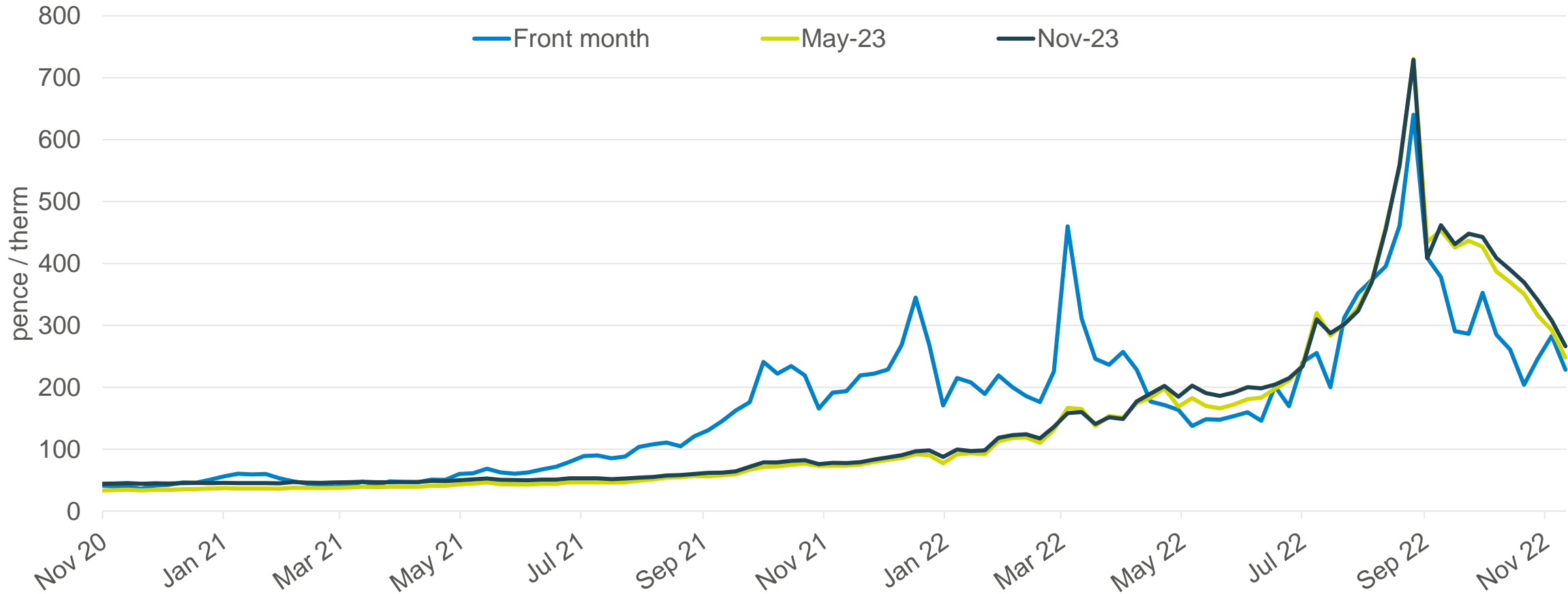
Thousand hectares	2022 area estimates*	Provisional EBS Forecast 2023	% Year-On-Year Change
Wheat	1,805	1,803	-0.1%
Winter barley	436	454	4.1%
Spring barley	672	635	-5.4%
Total barley	1,107	1,089	-1.7%
Oats	179	162	-9.5%
OSR	366	415	13.4%

Source: AHDB, Defra

\*AHDB estimate, \*\*provisional harvest 2023 Early Bird Survey planting intentions

# Input costs to remain high?

Front month and forward UK weekly natural gas futures



Source: ICE, Refinitiv

# To summarise...

- Heavy wheat balance sheet for 2022/23, but relatively tight barley supply and demand situation again
- Demand watch points that could weigh further on wheat
- Harvest 2023 – more area planted to winter crops due to favourable autumn weather
- High input costs likely to continue



# Farmbench combinable crop results: past, present and future

Mark Topliff, Lead Analyst

AHDB Farm Economics



# Impact of higher costs

- COP has on average increased over the **five years to 2021**
  - **Middle 50%** of performers = **6% rise**
- Crop costs in **2022** are estimated to be **15% higher**
- **Up another 32%** for **2023** harvested crops
- Farmbench winter wheat net margins could **increase by 80% in 2022** but then **fall by two thirds in 2023** for middle 50% performers

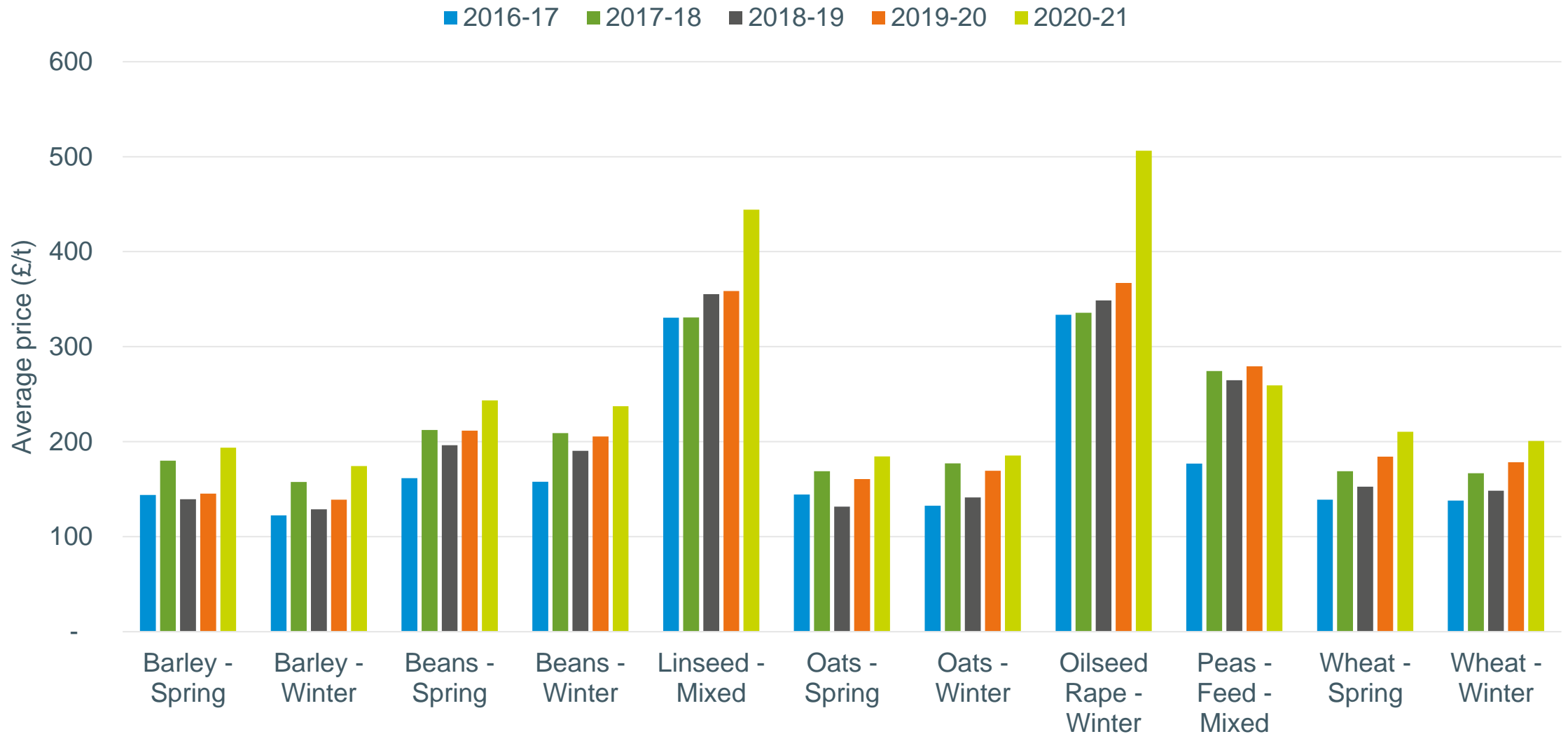
# The analysis

- Over 11,000 conventional combinable crop enterprise performance results for 2017 to 2021 harvest years
- 2022 estimated figures based on part of crop year at higher input prices
- 2023 forecast figures based on a full crop year at current inputs inflation rates
- 10% fertiliser usage reduction is assumed

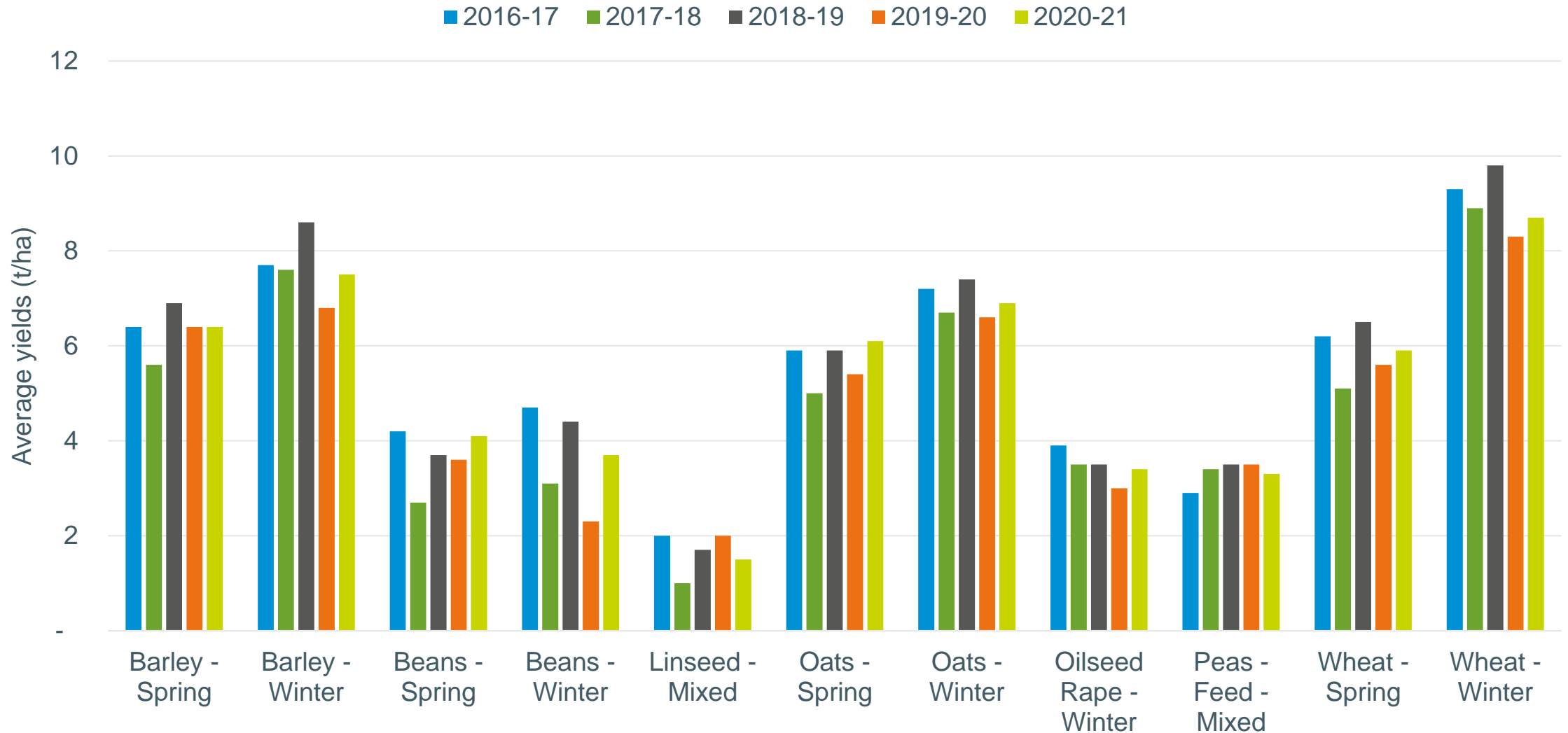
## Crops analysed

- Spring barley
- Winter barley
- Spring beans
- Winter beans
- Linseed
- Spring oats
- Winter oats
- Winter oilseed rape
- Feed peas
- Spring wheat
- Winter wheat

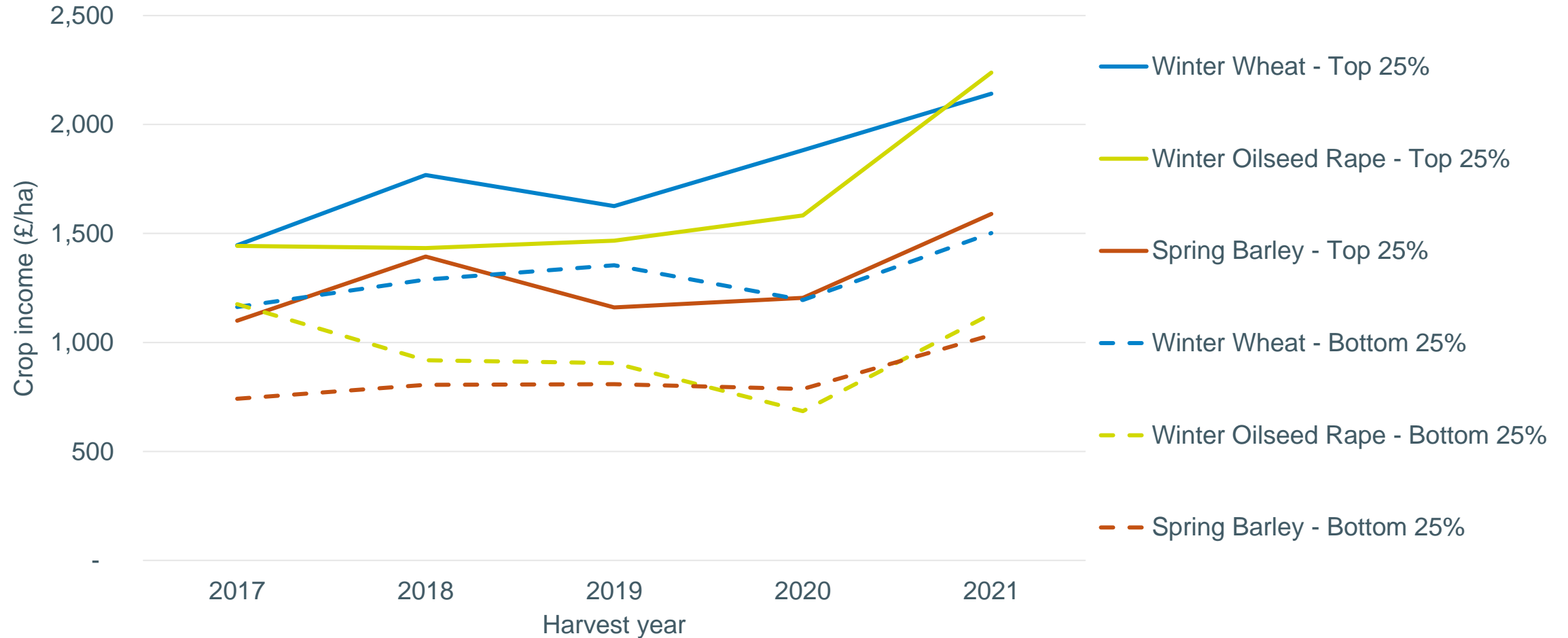
# Upward prices trend for most crops since the 2019 harvest year



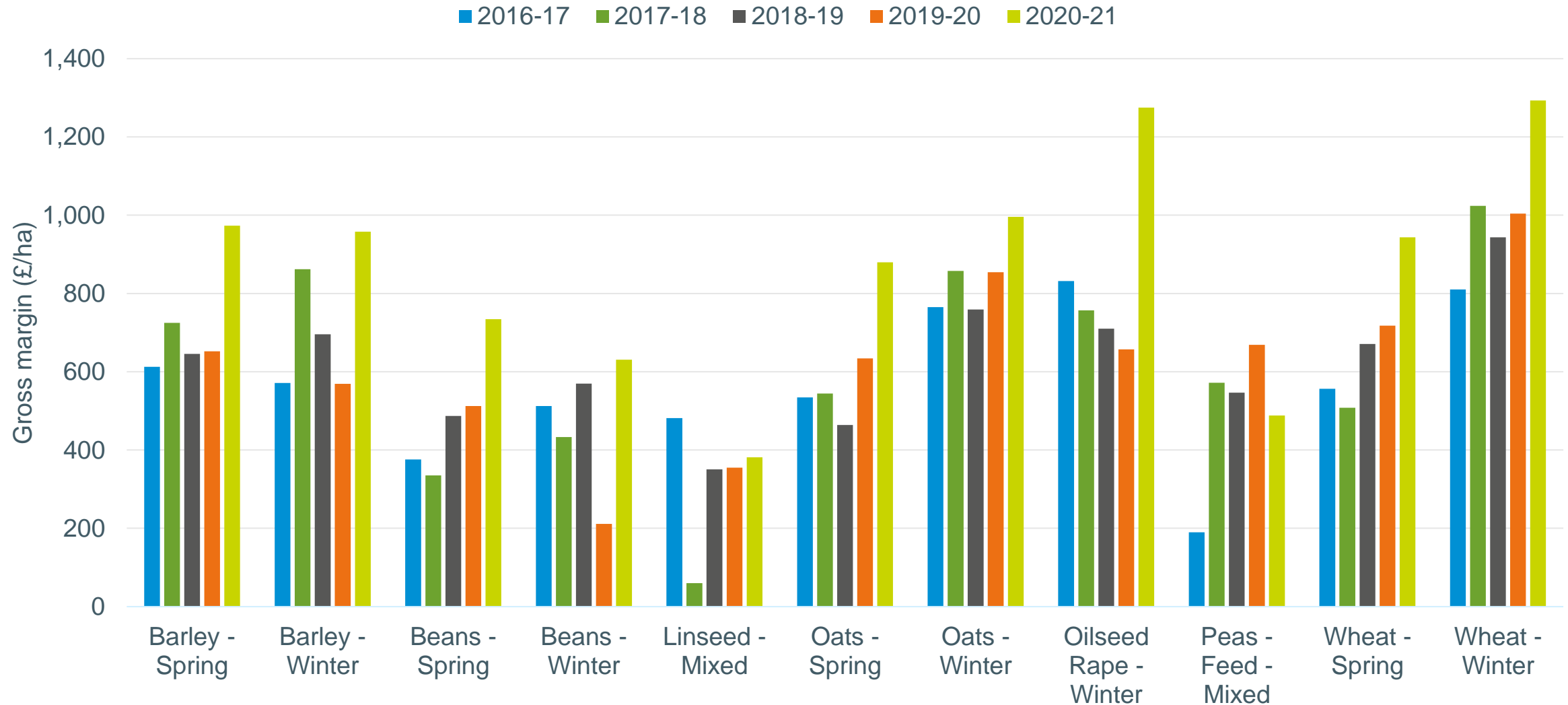
# A roller coaster of a journey for crop yields



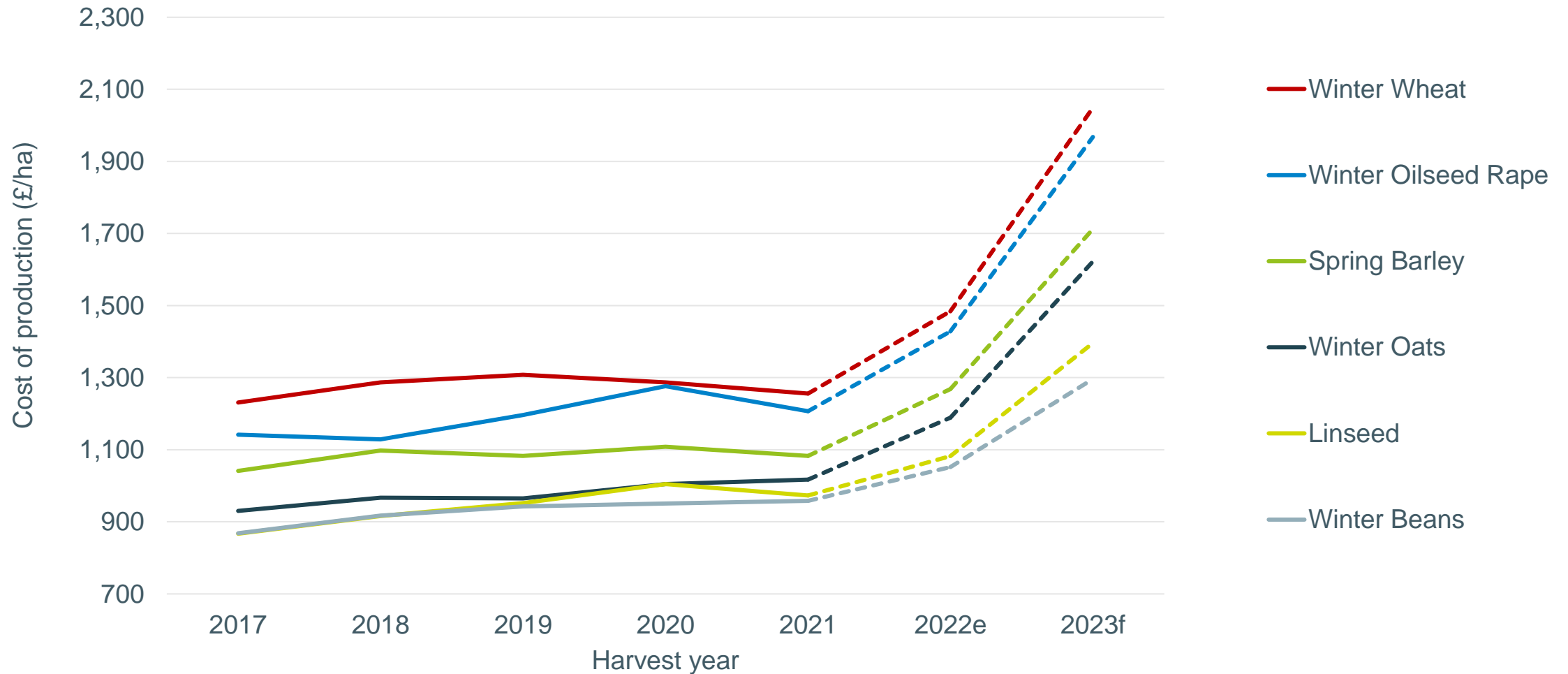
# Top 25% income increased by around £500 to £800/ha over the five years



# Middle 50% gross margins generally higher than in 2017



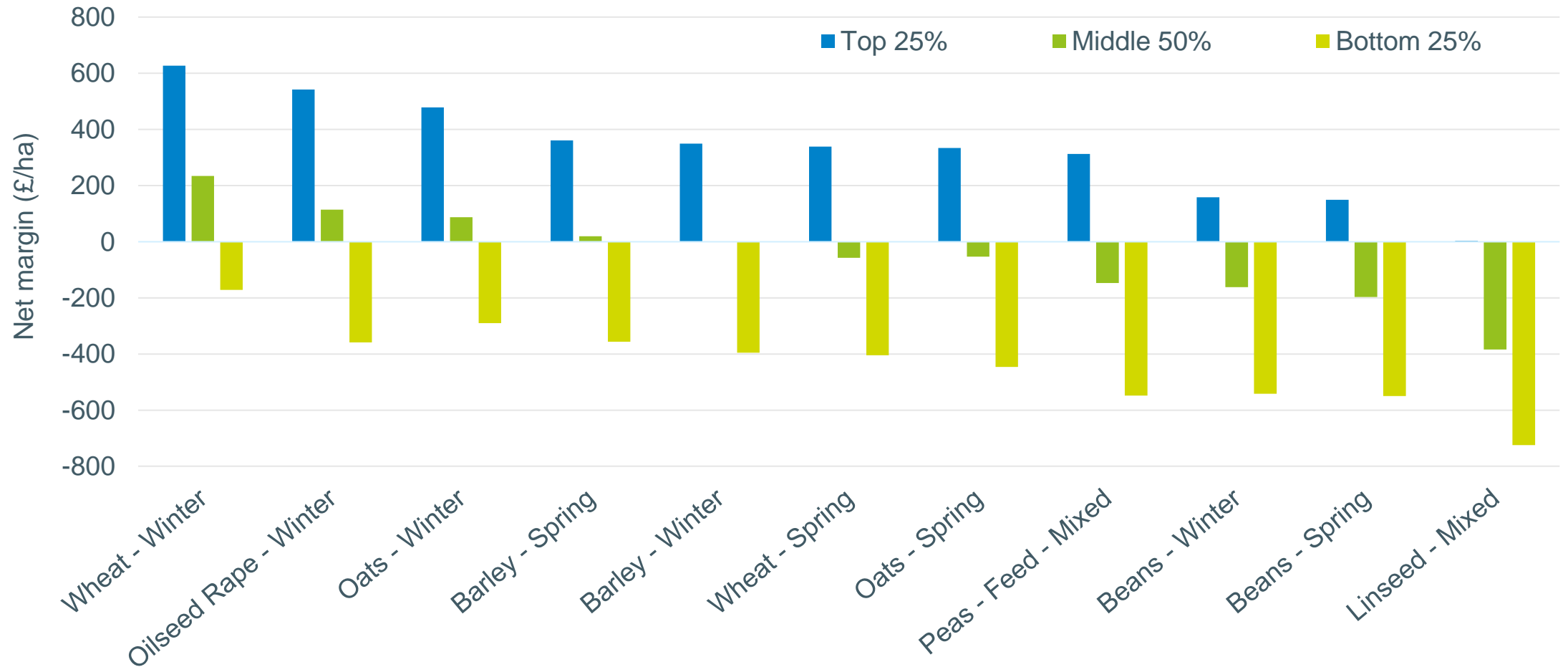
# Average costs up 6% in five years, 15% in 2022 and 32% in 2023



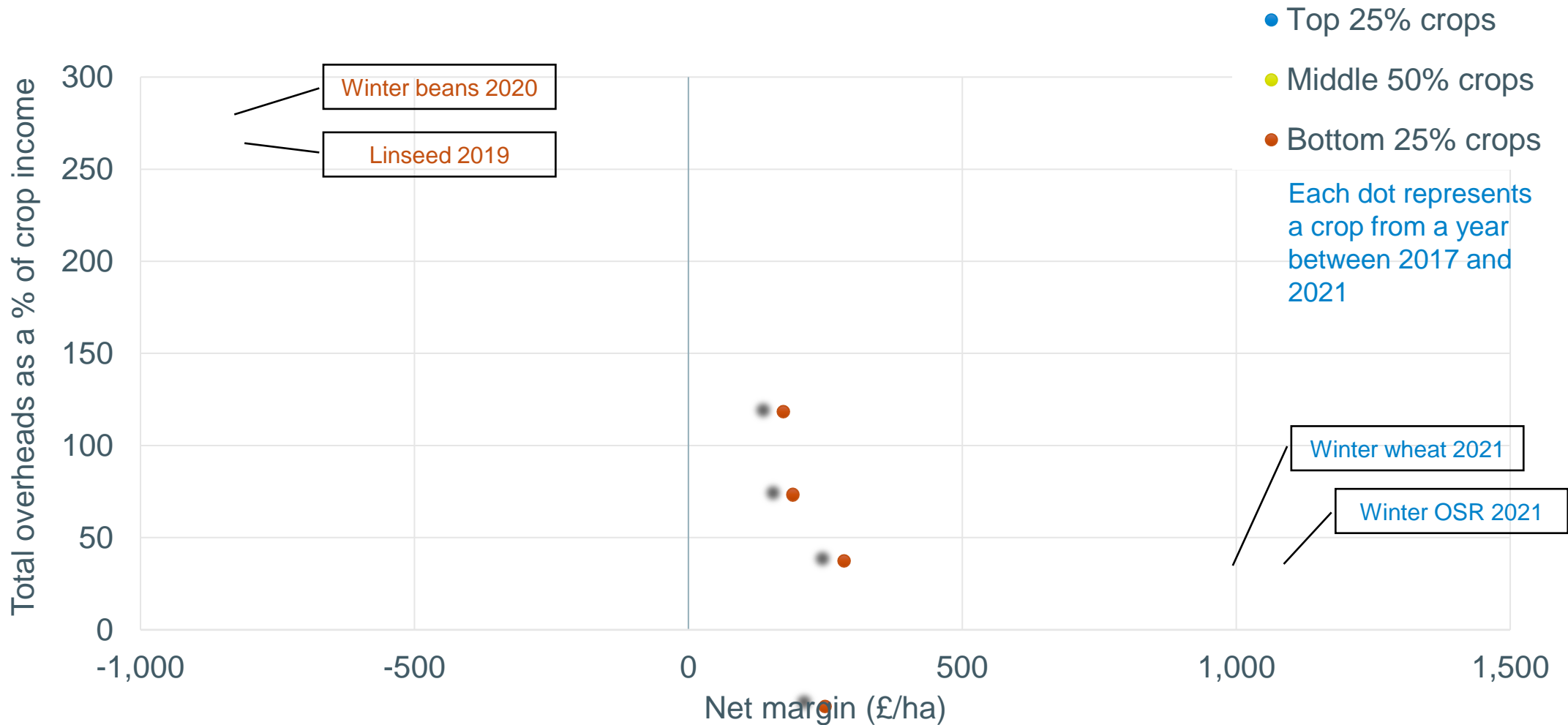
Middle 50% performers – ranked by net margin



# Winter wheat, OSR and winter oats top 5-year average net margins



# As overheads as a percentage of income reduce, net margin increases



# Prices will have a greater impact than in previous years

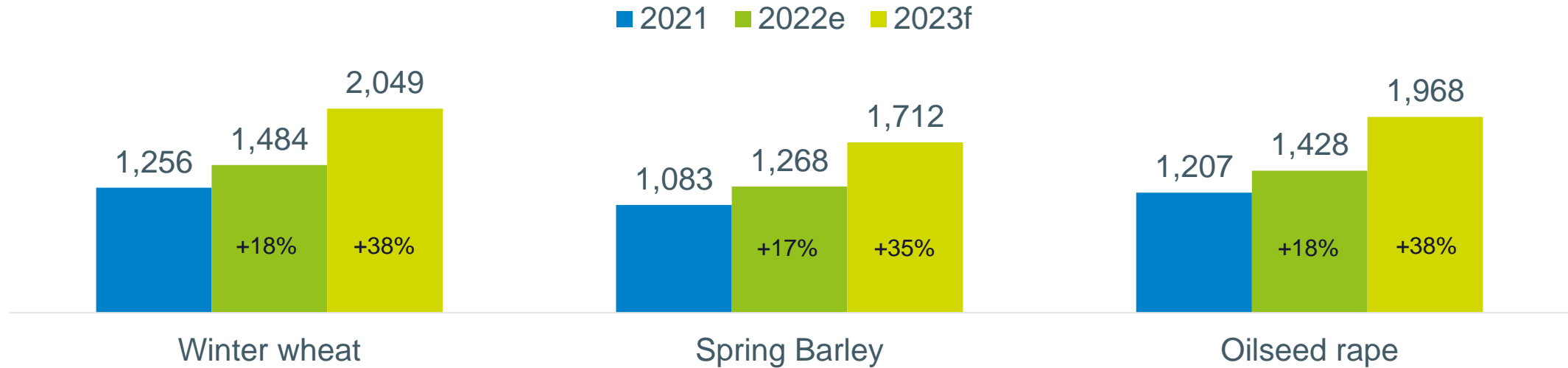
	Middle 50%	Forward crop prices <sup>1</sup>	
	2021 (Farmbench reported prices)	2022 (based on Nov-22)	2023 (based on Nov-23)
£/t			
<b>Feed wheat</b>	196	265	261
<b>Feed barley</b>	190	240	236
<b>Oilseed rape</b>	499	559	560

<sup>1</sup>as at 4/11/22

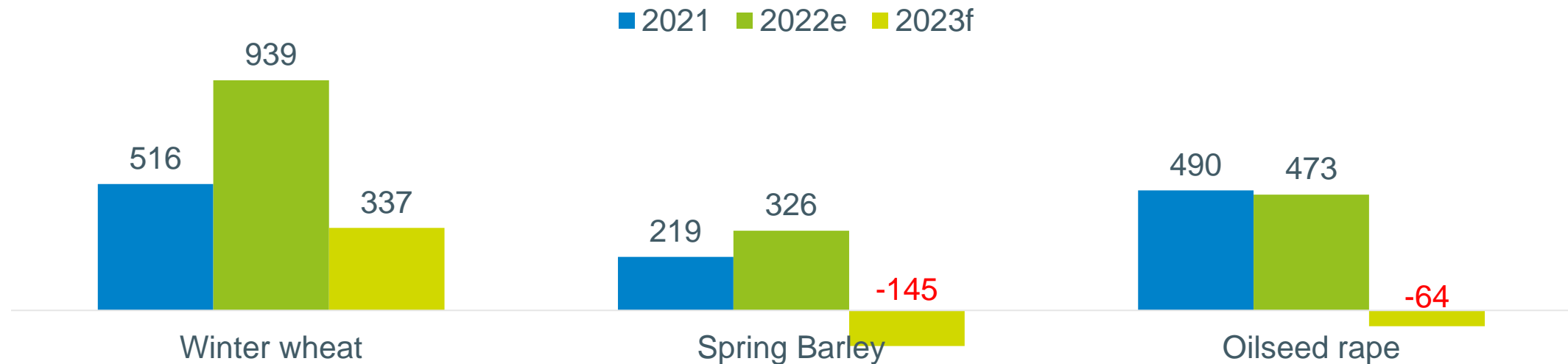
	Yields for the middle 50%	
	2021	5-year average <sup>2</sup>
t/ha		
<b>Winter wheat</b>	8.8	8.9
<b>Spring Barley</b>	6.5	6.3
<b>Oilseed rape</b>	3.4	3.4

<sup>2</sup>Farmbench 5-year average

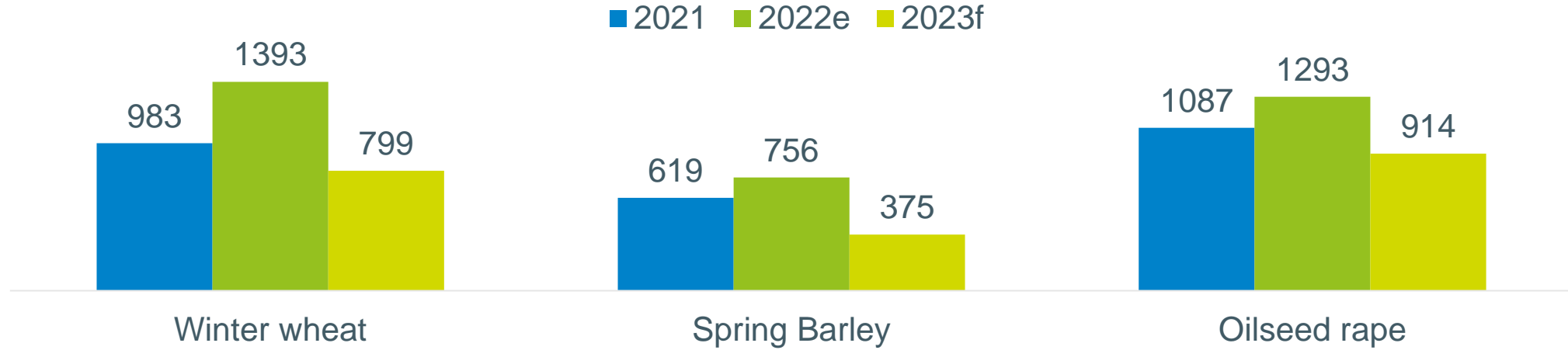
### Total cost of production (£/ha) – middle 50%



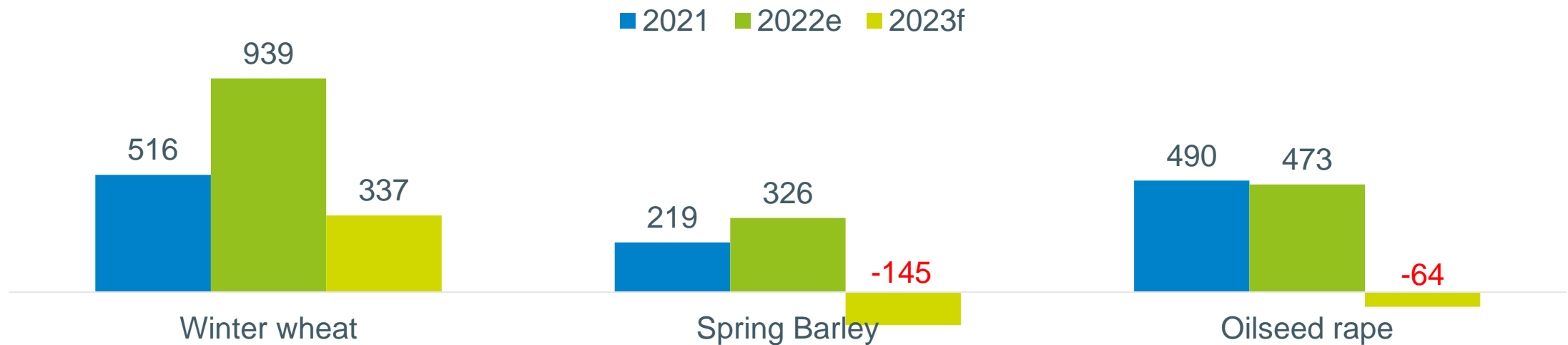
### Net margin (£/ha) – middle 50%



### Net margin (£/ha) – top 25%



### Net margin (£/ha) – middle 50%



# Key results

## 2017 to 2021

- Prices had kept pace with gradual cost increases
- Winter wheat still the best cash crop

## 2022

- The influence of higher prices could rise COP by 15% but margins could rise by up to 80%

## 2023

- Full impact of cost rises
- Average COP up 32%
- Net margins down by up to 65% in wheat but still positive

The full article can be found at [ahdb.org.uk/news/farmbench-results-past-present-and-future](https://ahdb.org.uk/news/farmbench-results-past-present-and-future)

# Support can be found at [ahdb.org.uk/tools](https://ahdb.org.uk/tools)



## **FARMBENCH**

Farmbench helps you to understand and compare your full costs of production at both enterprise and whole-farm level.



## **MACHINERYCOSTING**

### CALCULATOR

Calculate the cost of farm machinery, per hectare or per hour, with this simple calculator.



## **FARMBUSINESS**

### REVIEW

The Farm Business Review Tool can help you assess your business and get ready for a world without BPS payments.

Also:  
[ahdb.org.uk/integrated-pest-management-ipm-hub](https://ahdb.org.uk/integrated-pest-management-ipm-hub)



### Nitrogen fertiliser adjustment calculator

Use this tool to establish the economic optimum amount of nitrogen to apply to cereal and/or oilseed crops.



### Mycotoxin rainfall risk tool

Calculate rainfall-related mycotoxin risk assessment scores automatically with this tool



### BYDV management tool

Time your cereals insecticide sprays for aphid/BYDV control with greater accuracy.



### Light leaf spot forecast

Temperature and rainfall information is used to simulate disease development.



### Phoma leaf spot forecast

Temperature and rainfall information is used to simulate disease development.



### Sclerotinia infection risk tool

See the extent of risk of Sclerotinia infection of oilseed rape crops in your area.

Independent analysis and  
insight you can trust

The AHDB logo, featuring the letters 'AHDB' in white on a blue background with a white wave-like graphic underneath.

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The [Dairy markets homepage](#) will signpost you to the industry data, analysis and insights from the dairy sector to help inform your business decisions. Our industry experts will guide you through the [market movements](#) and provide a clear, impartial view on what it all means.



The [latest pig prices](#), and industry essential [trade data](#), are the cornerstones of the Pork market website pages. There is also the [latest analysis and insight](#) to provide you with a clear and impartial view.



Our [trade and policy](#) resources focus on the future changes in domestic policy and trading relationships to help farmers and growers explore how these will affect their business. There is also a dedicated [Consumer and Retail Insight](#) team who look at the needs of the modern consumer as well as their attitudes towards cooking, buying and eating food.

Thank you

