

28 November 2023

Grain Market Outlook Conference 2023

Optimising business potential



Running order for the day

09:30 – 09:35 Welcome and introduction

09:35 – 10:45 AHDB Market Outlook

10:45 – 11:00 Coffee break

11:00 – 11:15 Characteristics of top performing farms

11:15 – 12:15 Understanding mindset as a tool to release business potential

12:15 – 13:15 Lunch

13:15 – 14:15 A discussion on decision making in practice

Welcome and introduction

Tom Clarke

Cereals & Oilseeds Sector Council Chair



Session 1

AHDB Market Outlook

Anthony Speight, Helen Plant, Megan Hesketh and Amandeep Kaur Purewal

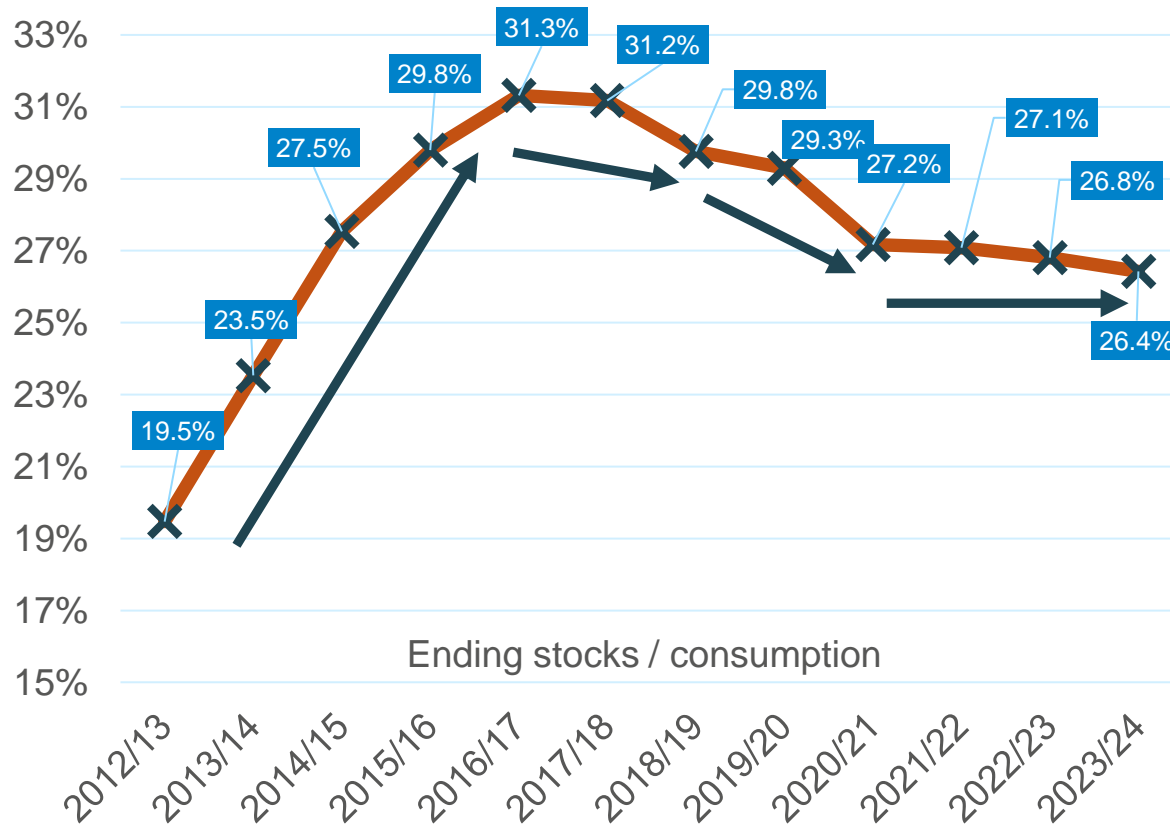


Global Outlook

Anthony Speight – Senior Analyst (Cereals & Oilseeds)

Global grain markets are well supplied

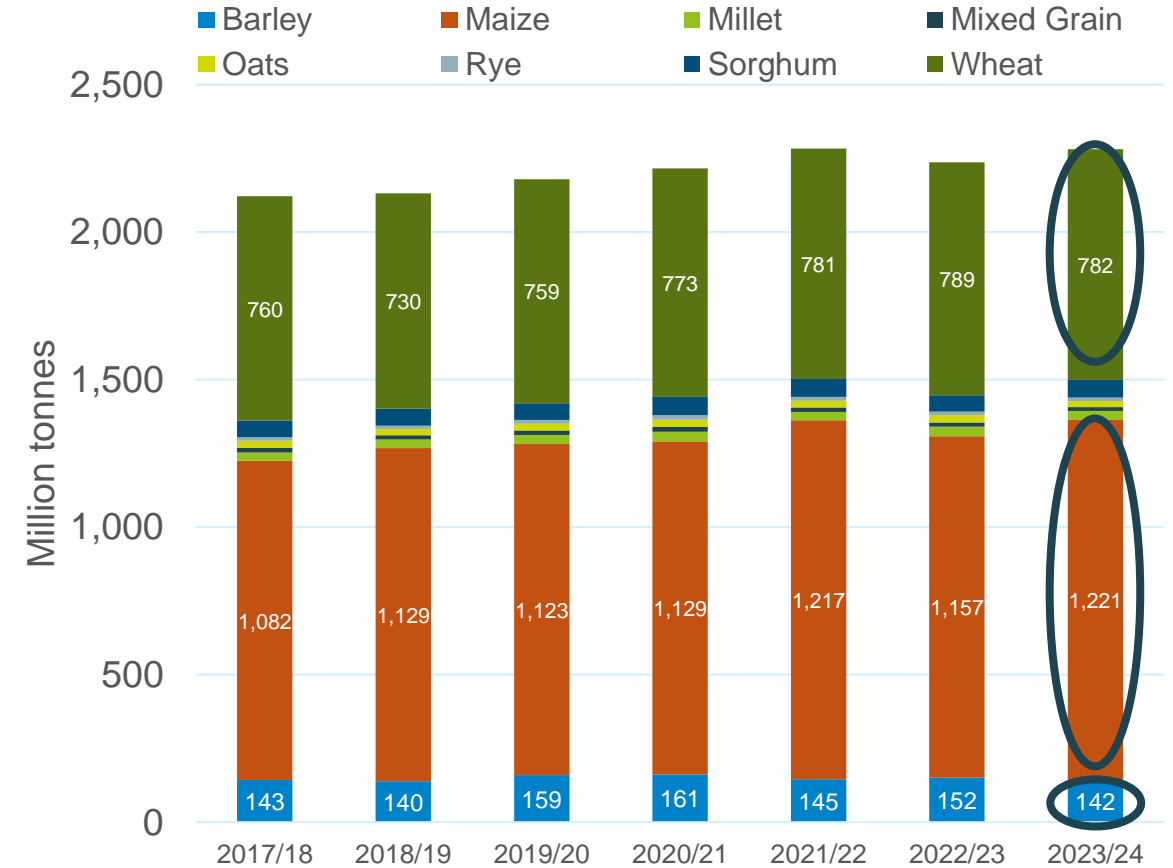
Stocks to use ratio of global grains



Source: USDA

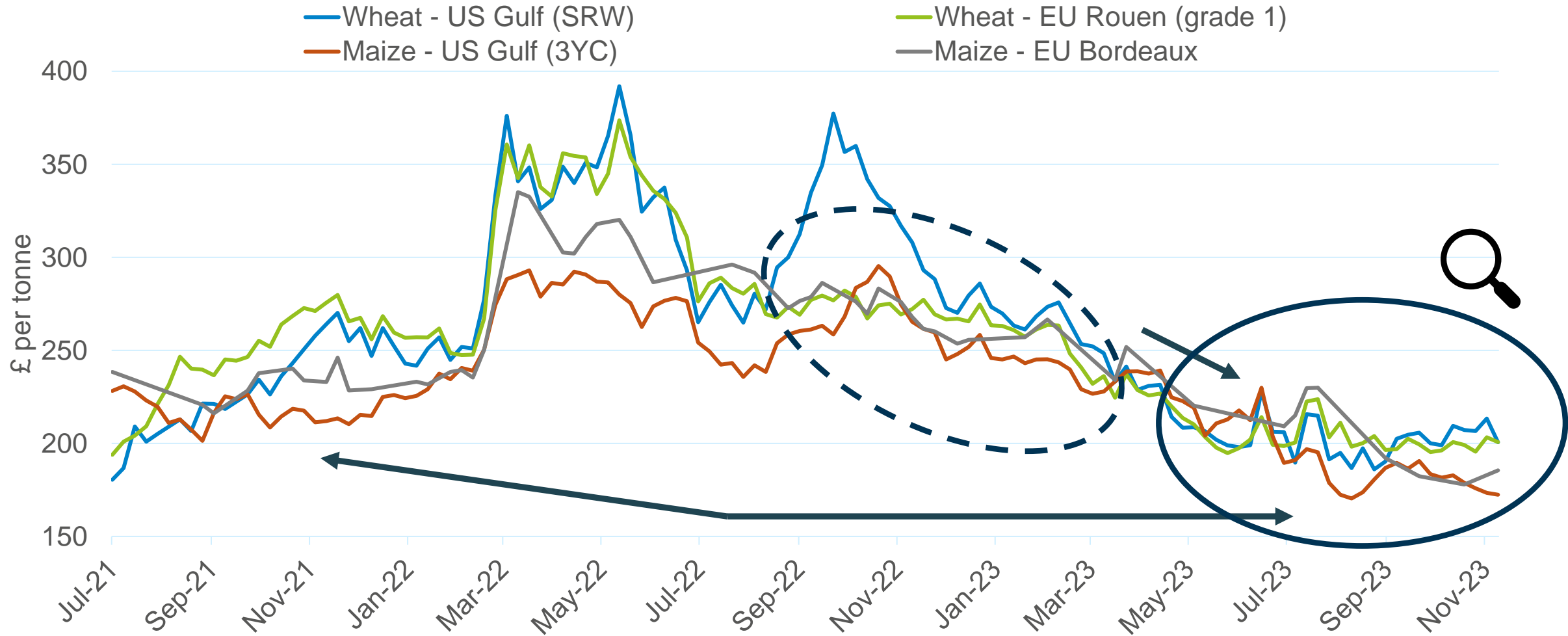
Grains: Barley, Maize, Millet, Mixed Grains, Oats, Rye, Sorghum & Wheat

Global grain production is set to grow for 2023/24



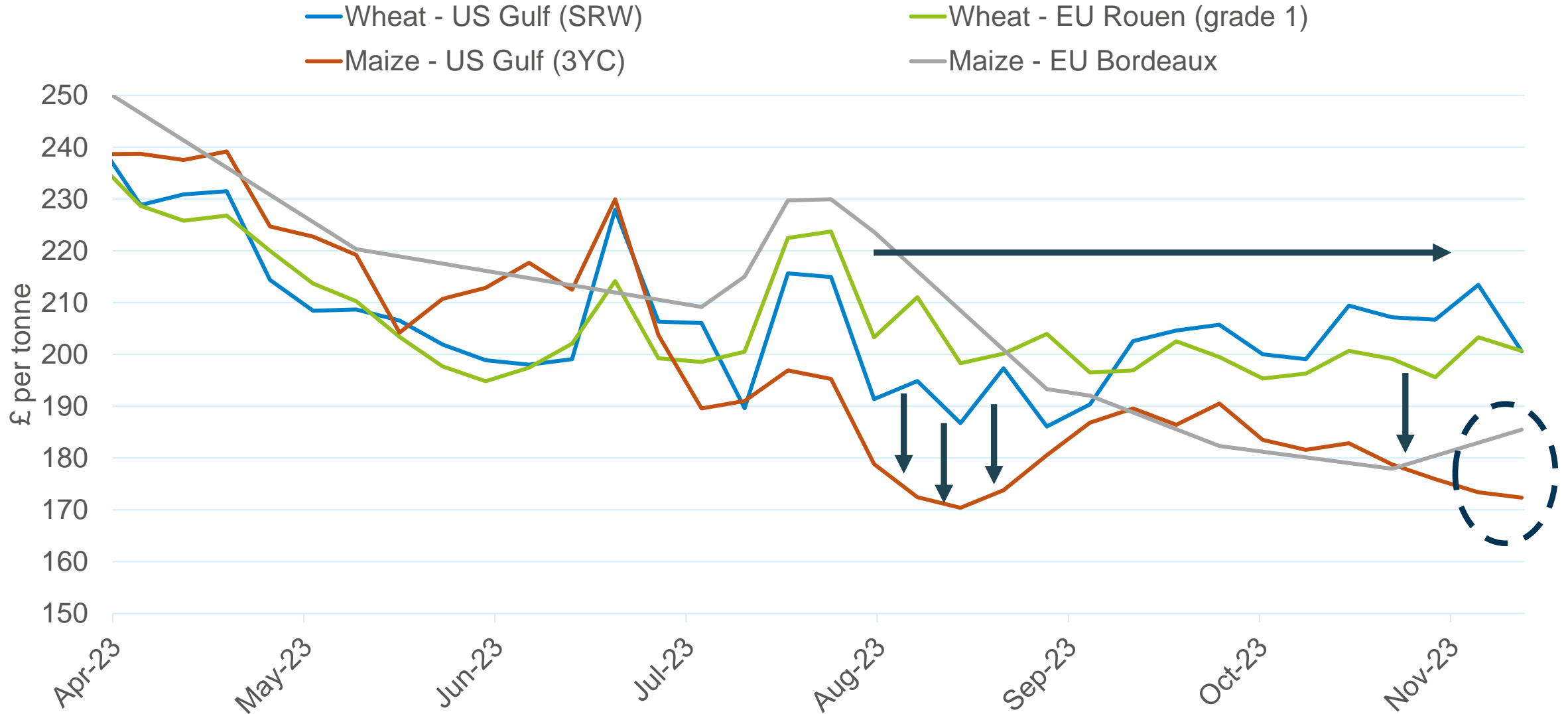
Source: USDA - November World Agricultural Supply & Demand Estimates

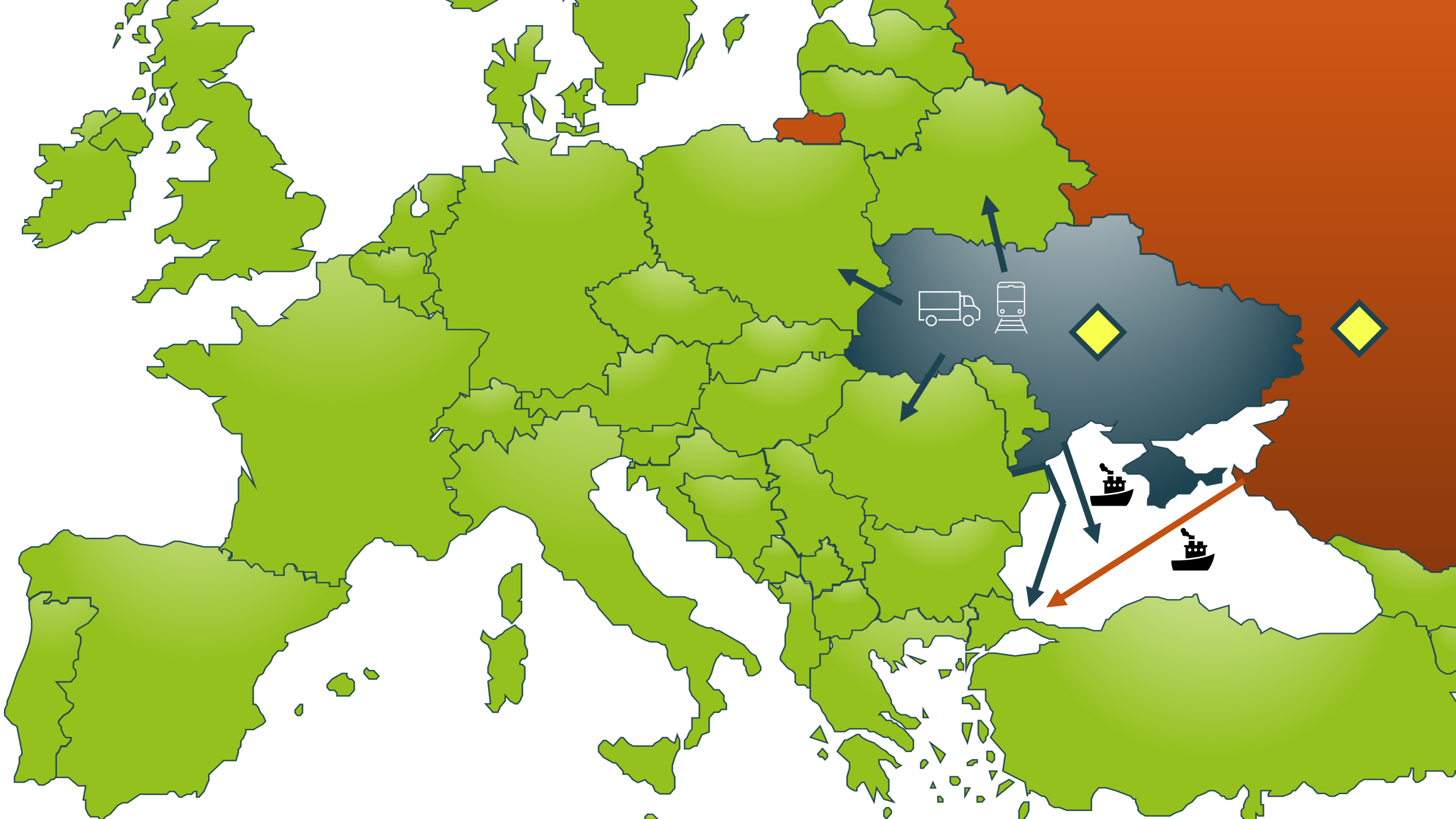
Price outlook – where are we at now?



Source: EU Commission

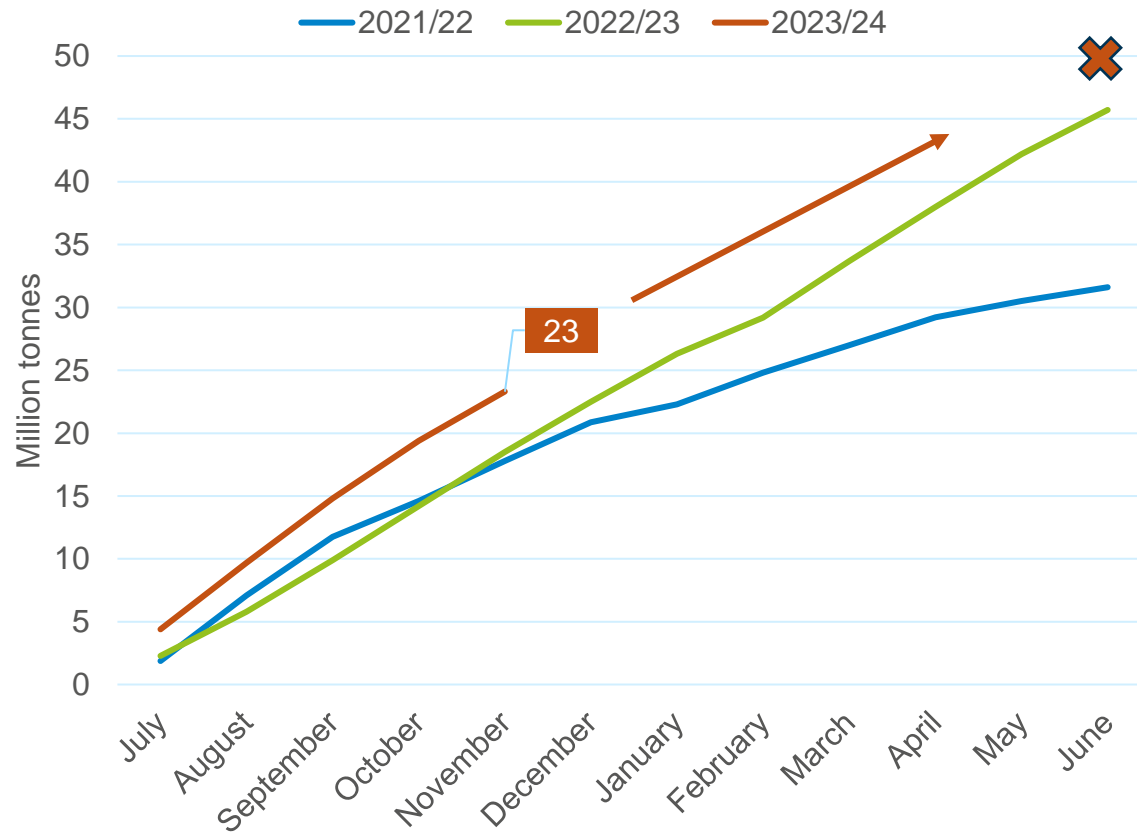
Price outlook – where are we at now?





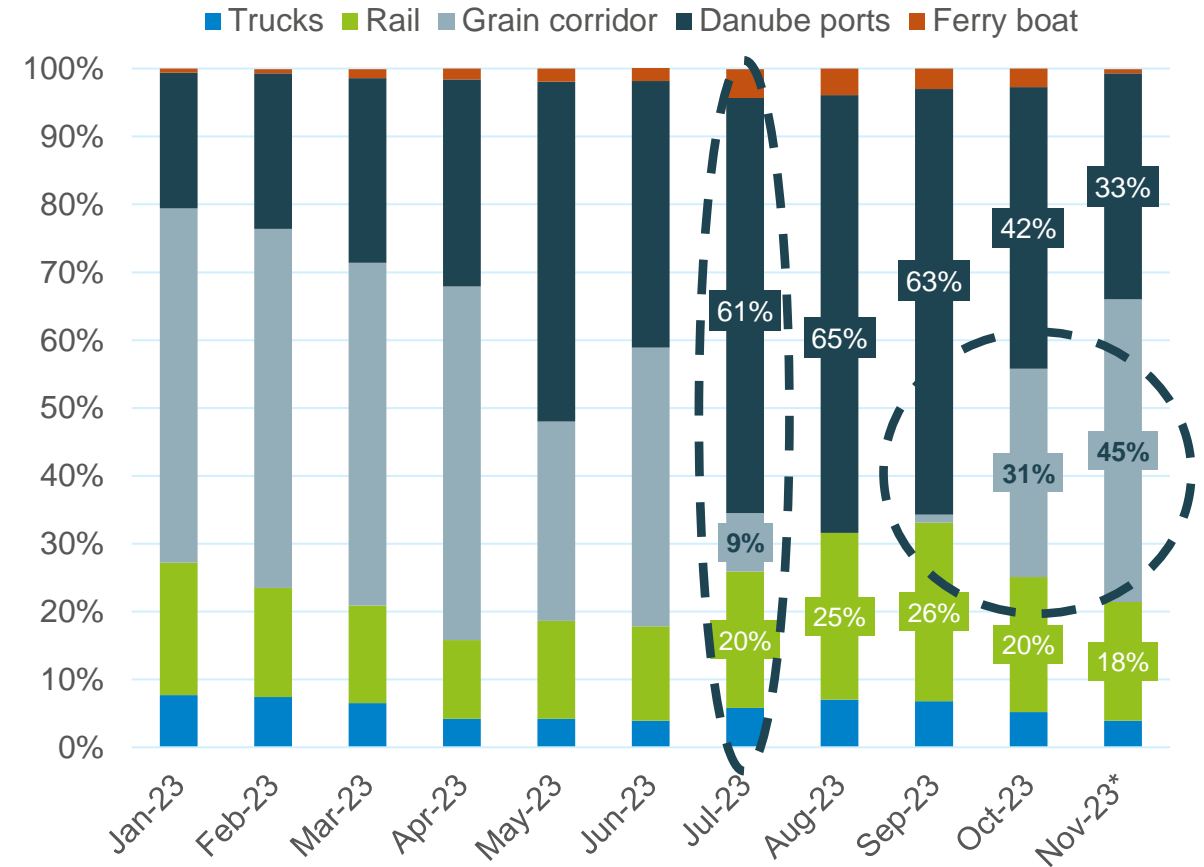
Russia and Ukraine pressuring grain markets

Strong Russian wheat exports expected to continue



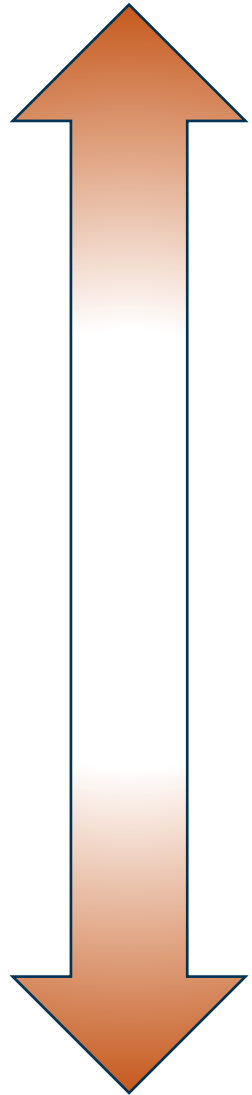
Source: SovEcon

Ukrainian export avenues



Source: UkrAgroConsult based on customs data. *Data 1-15 Nov

Black Sea pressuring continental prices..?



Feed wheat

East Anglia delivered: £186.50/t

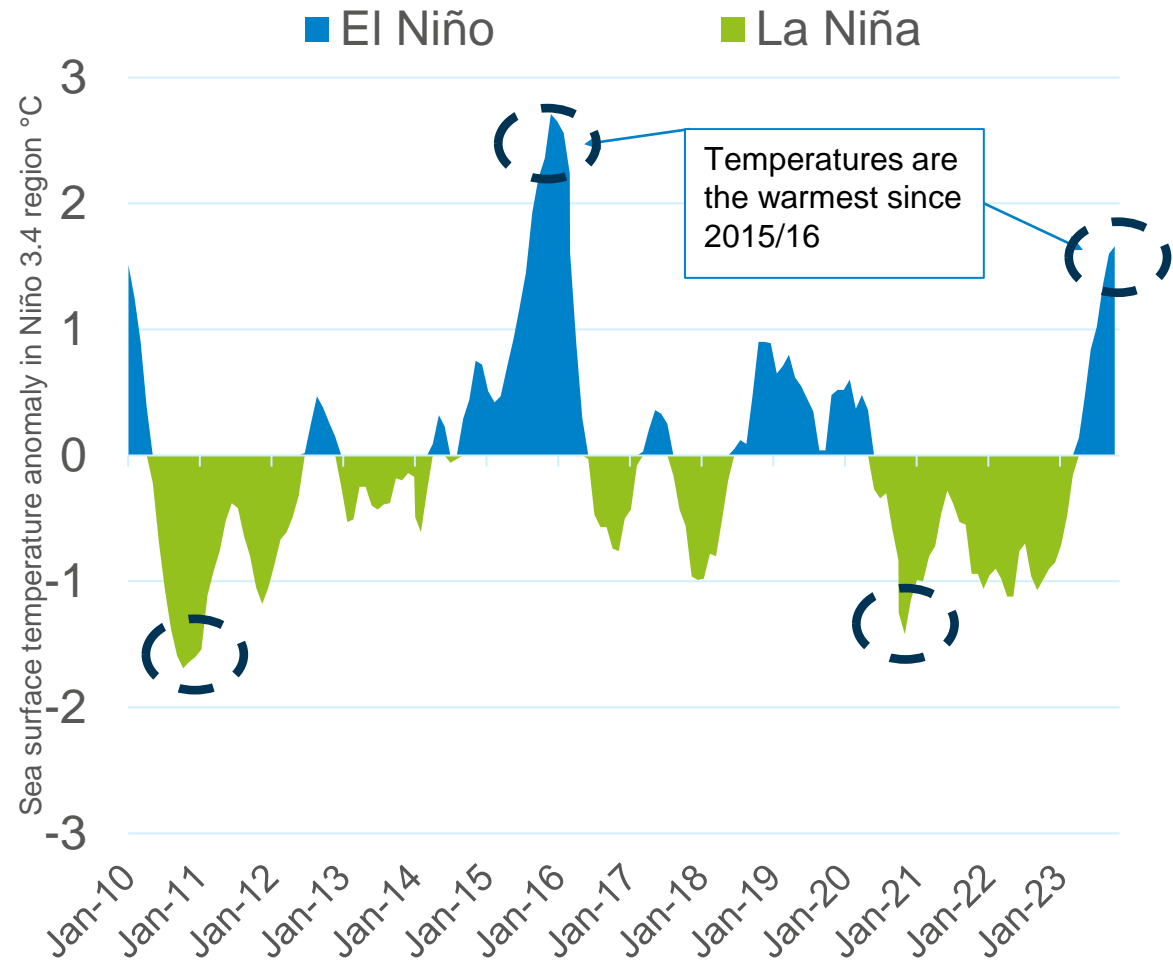
**EU Black Sea export price:
£178.60/t**

Russian export price: £158.50/t

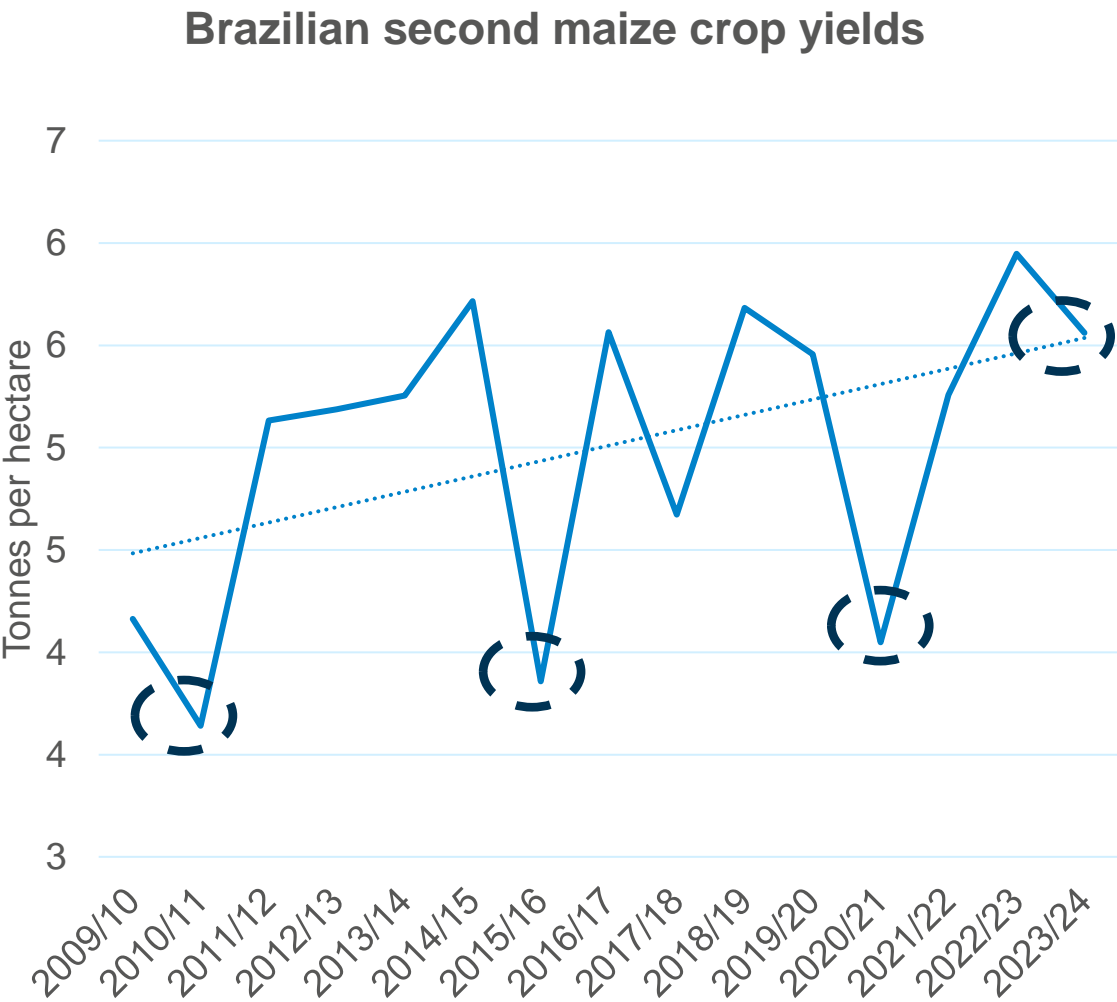
**Ukraine export price:
£113.50/t – £121.00/t**



El Niño is going to be the market driver



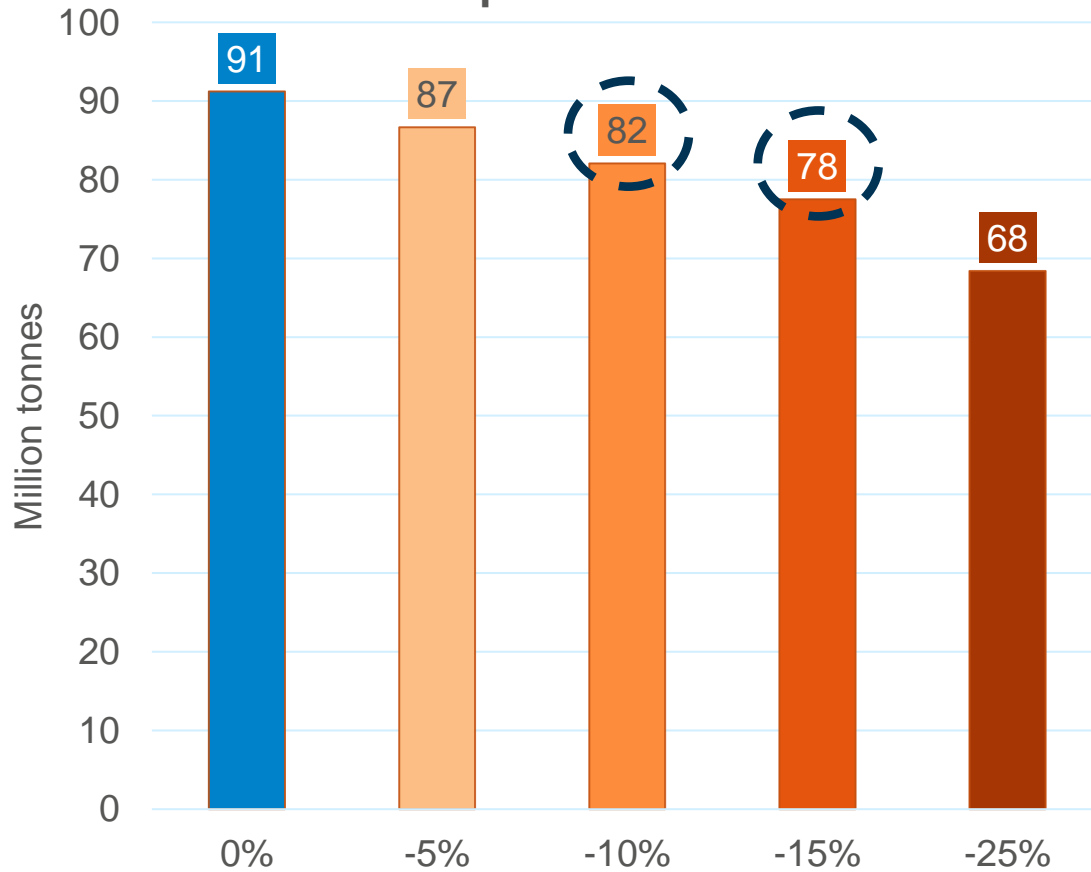
Source: National Oceanic and Atmospheric Administration



Source: Conab

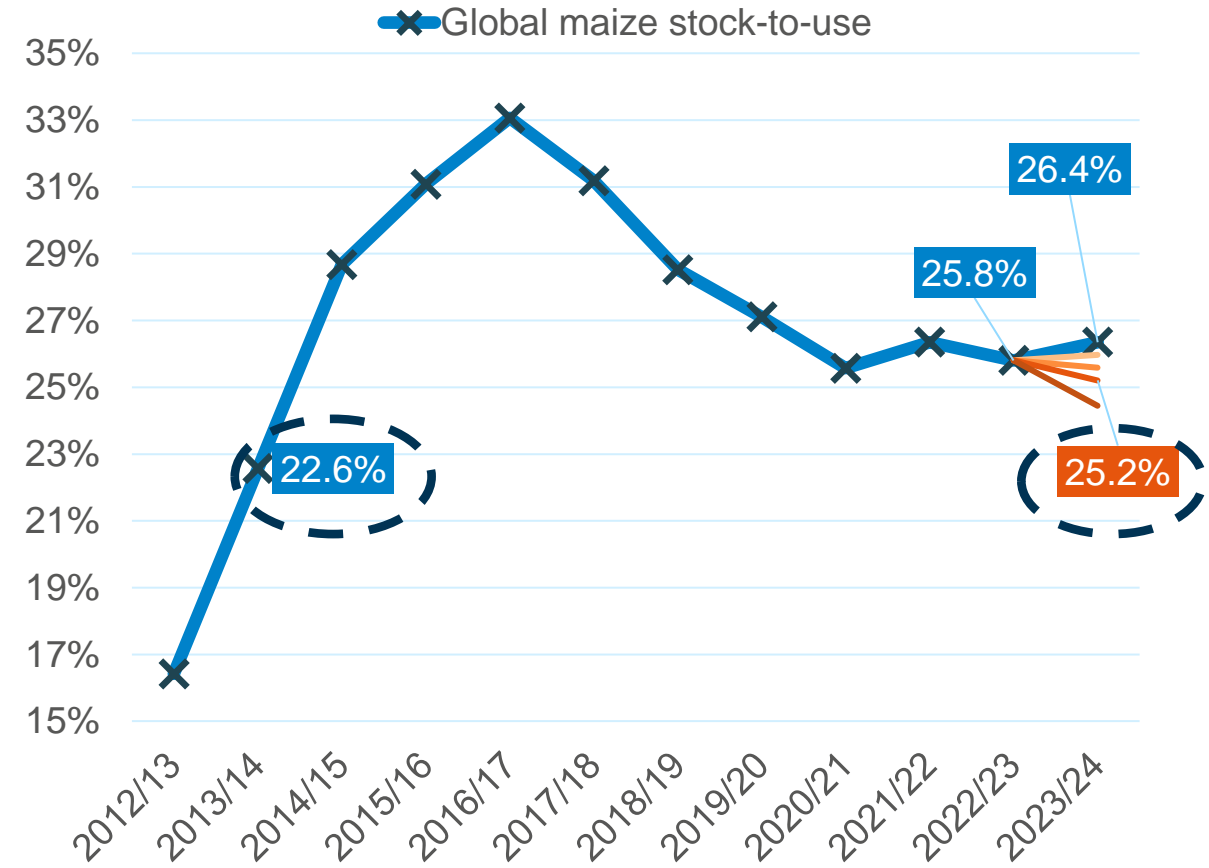
El Niño is going to be the market driver

Brazilian maize production has downward potential



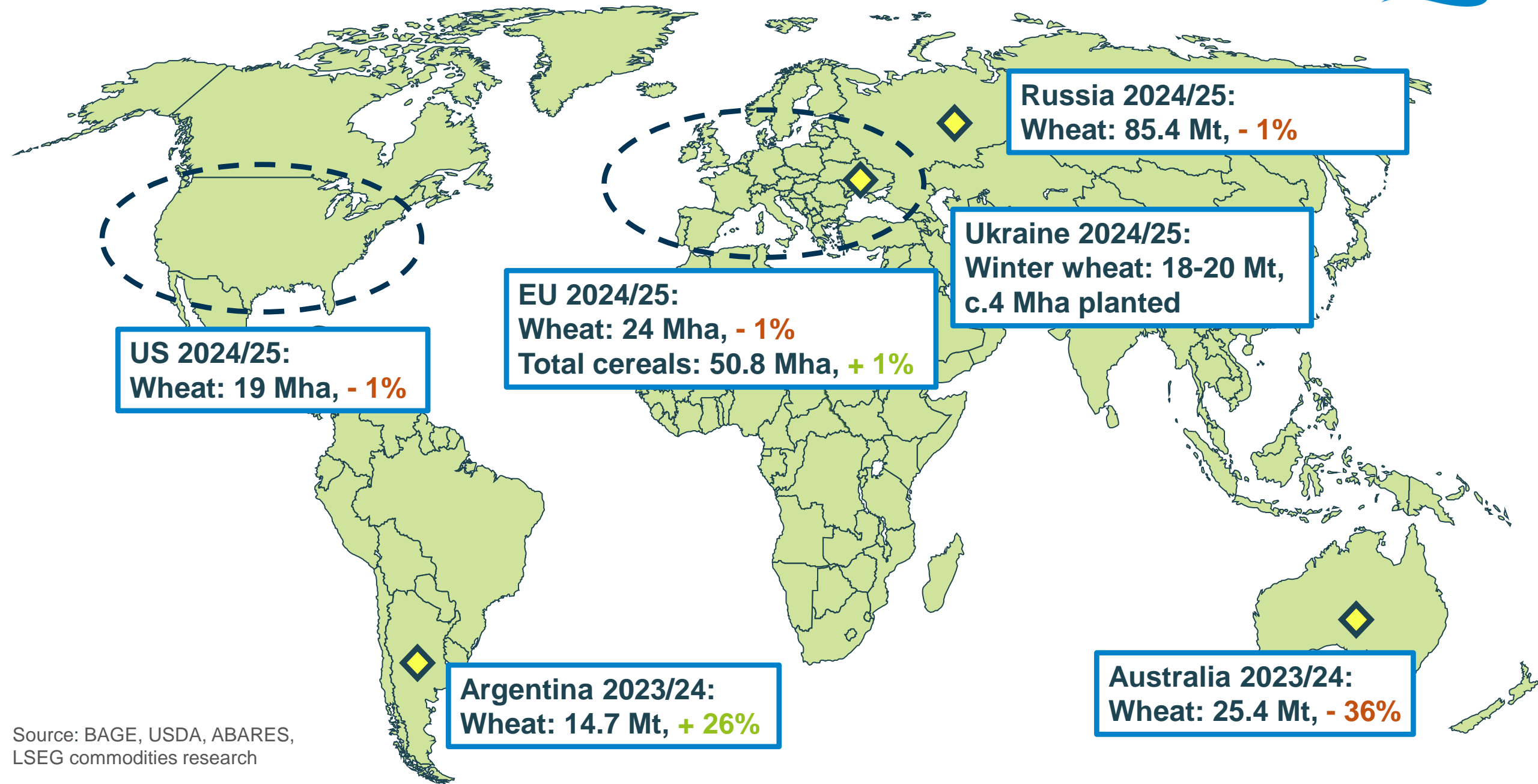
Source: Conab, AHDB analysis

Global stock-to-use ratios could tighten



Source: USDA, AHDB analysis

Harvest 2024



US 2024/25:
Wheat: 19 Mha, - 1%

EU 2024/25:
Wheat: 24 Mha, - 1%
Total cereals: 50.8 Mha, + 1%

Russia 2024/25:
Wheat: 85.4 Mt, - 1%

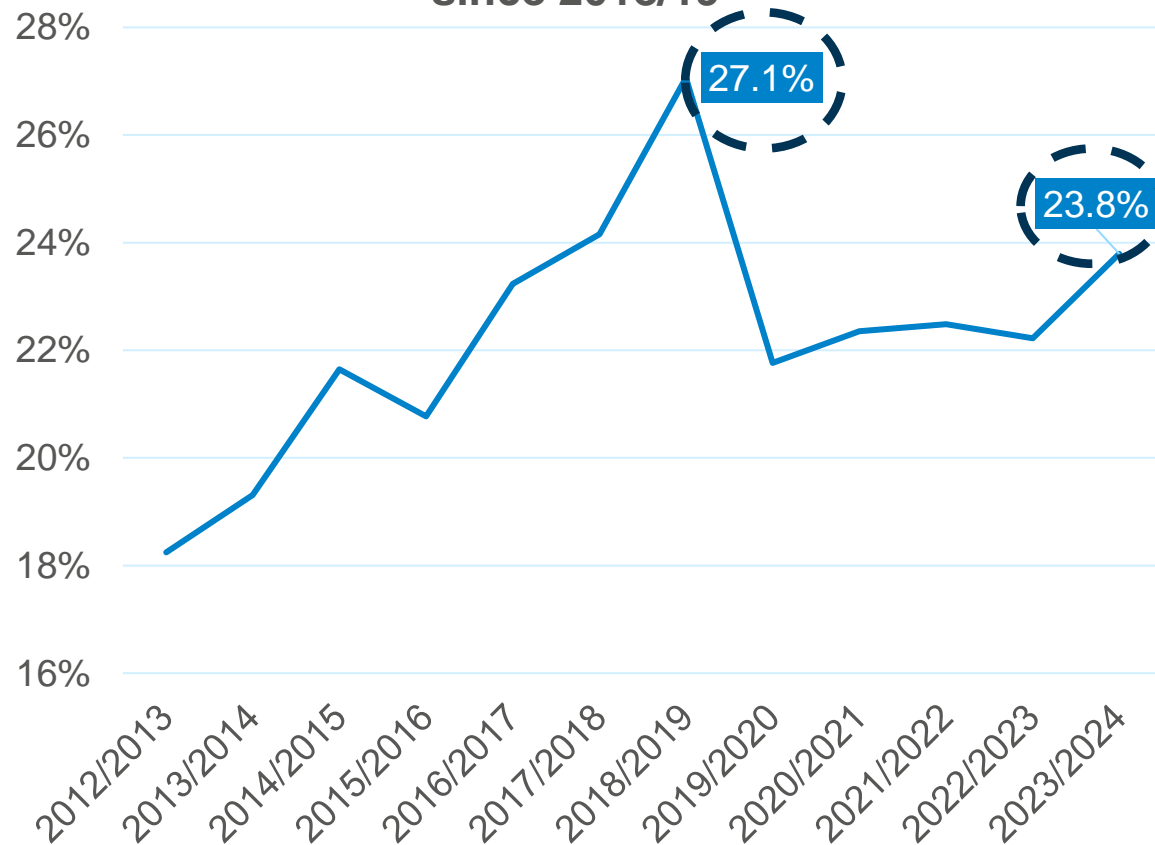
Ukraine 2024/25:
Winter wheat: 18-20 Mt,
c.4 Mha planted

Argentina 2023/24:
Wheat: 14.7 Mt, + 26%

Australia 2023/24:
Wheat: 25.4 Mt, - 36%

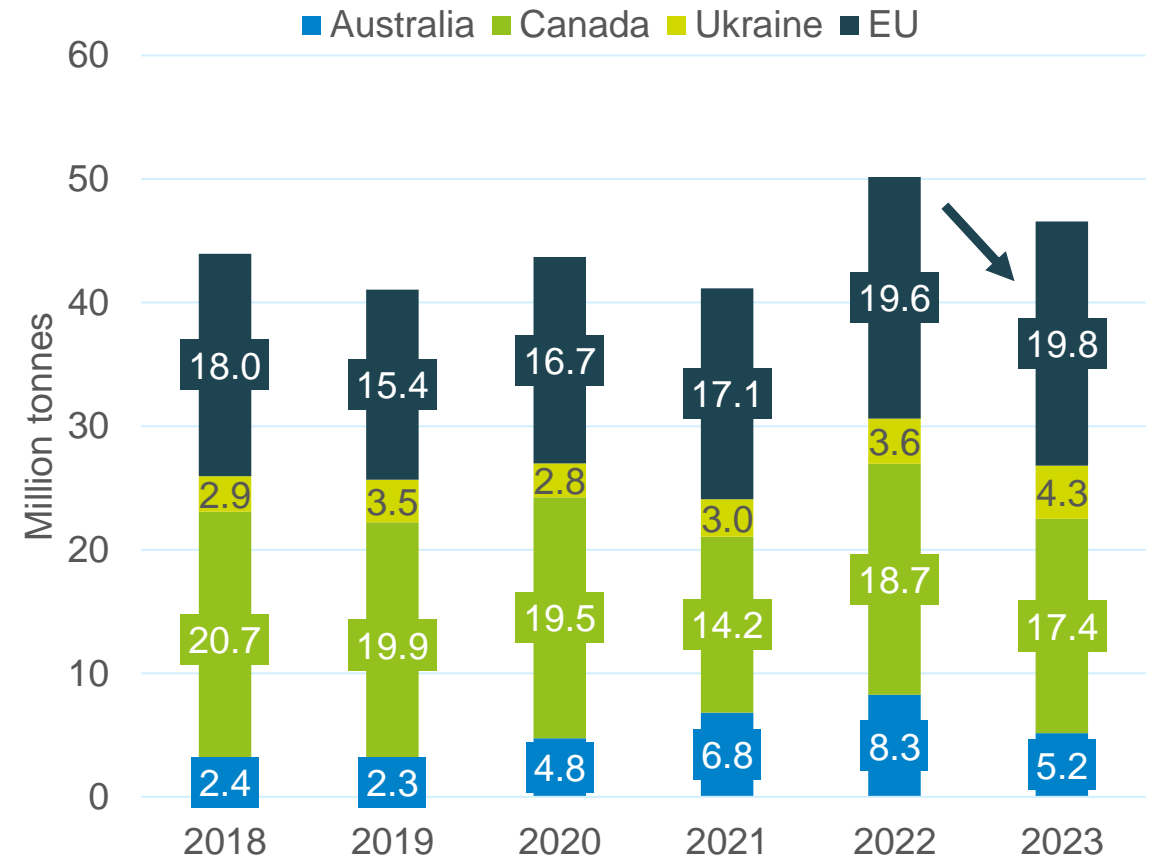
Oilseed markets are well supplied

Major oilseed* stocks-to-use ratio highest since 2018/19



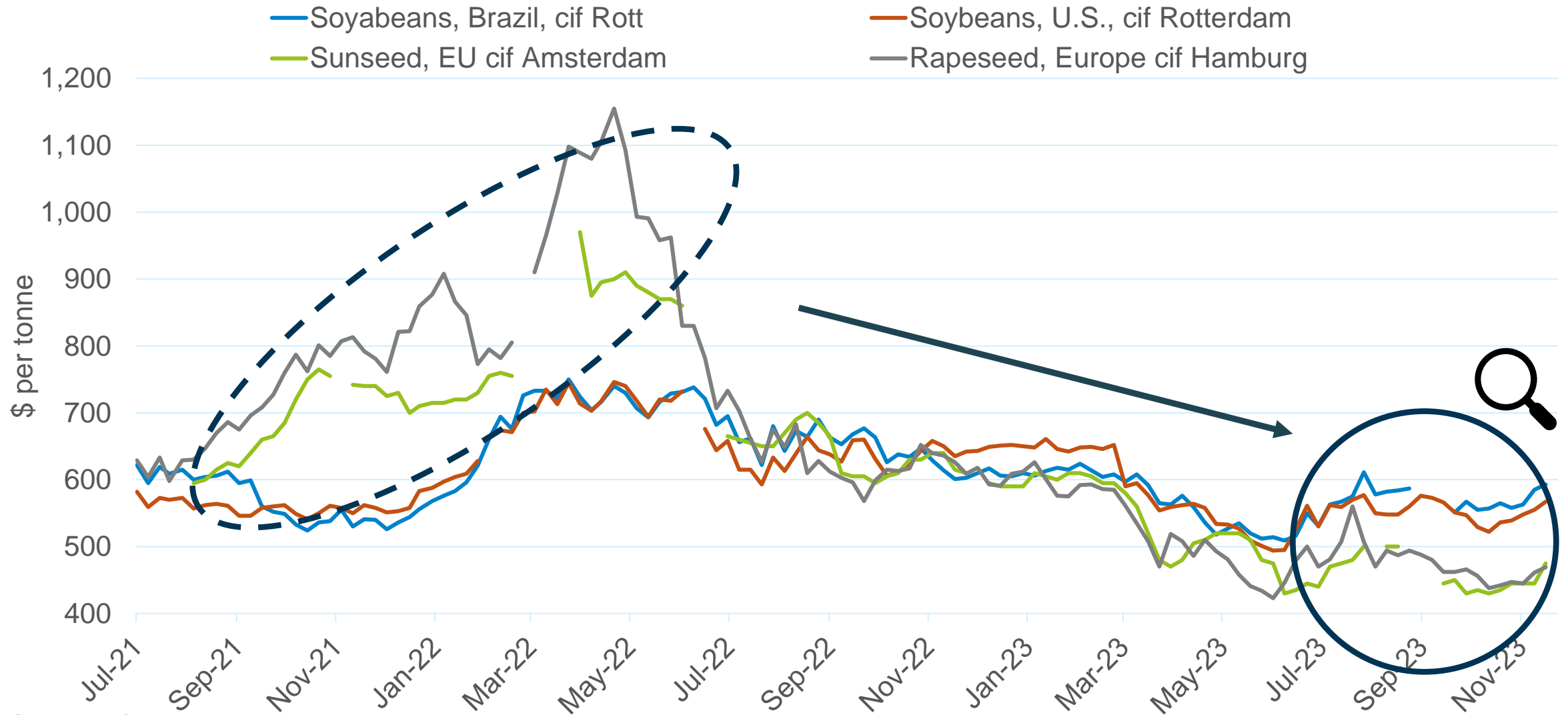
Source: USDA, *rapeseed, sunseed & soyabeans

Major rapeseed production has decreased



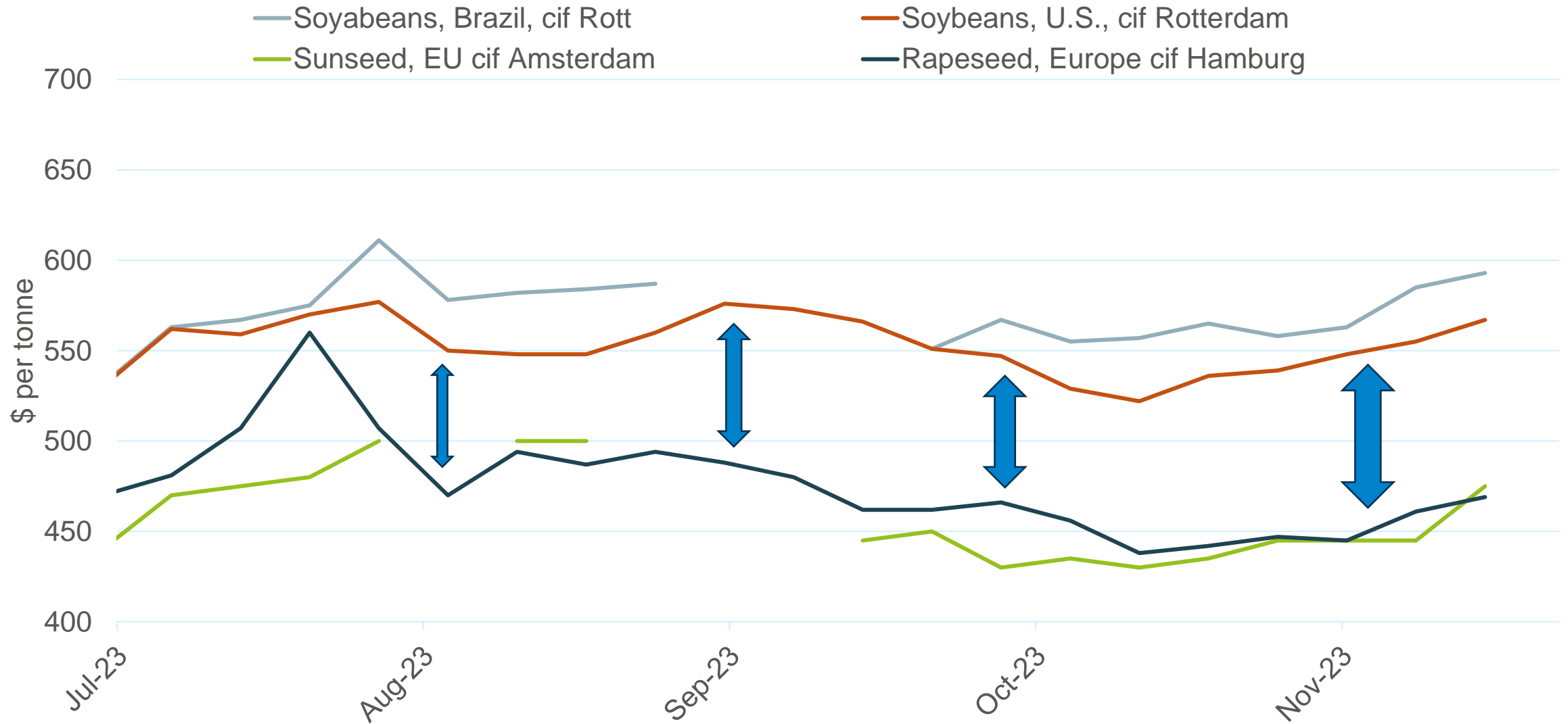
Source: ABARES, StatCan, EU Commission, UkrAgroConsult

Rapeseed pricing in relation to other oilseeds

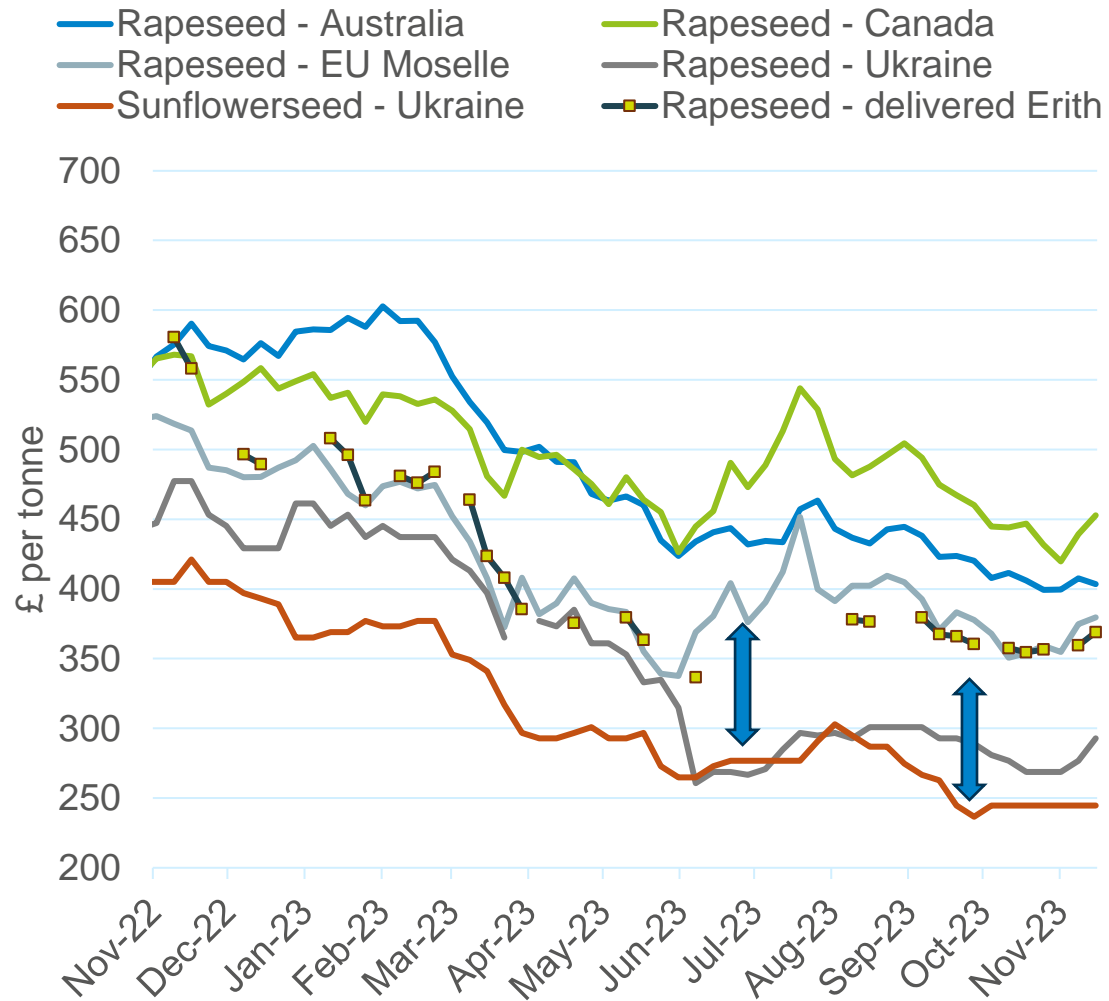


Source: Oilworld.biz

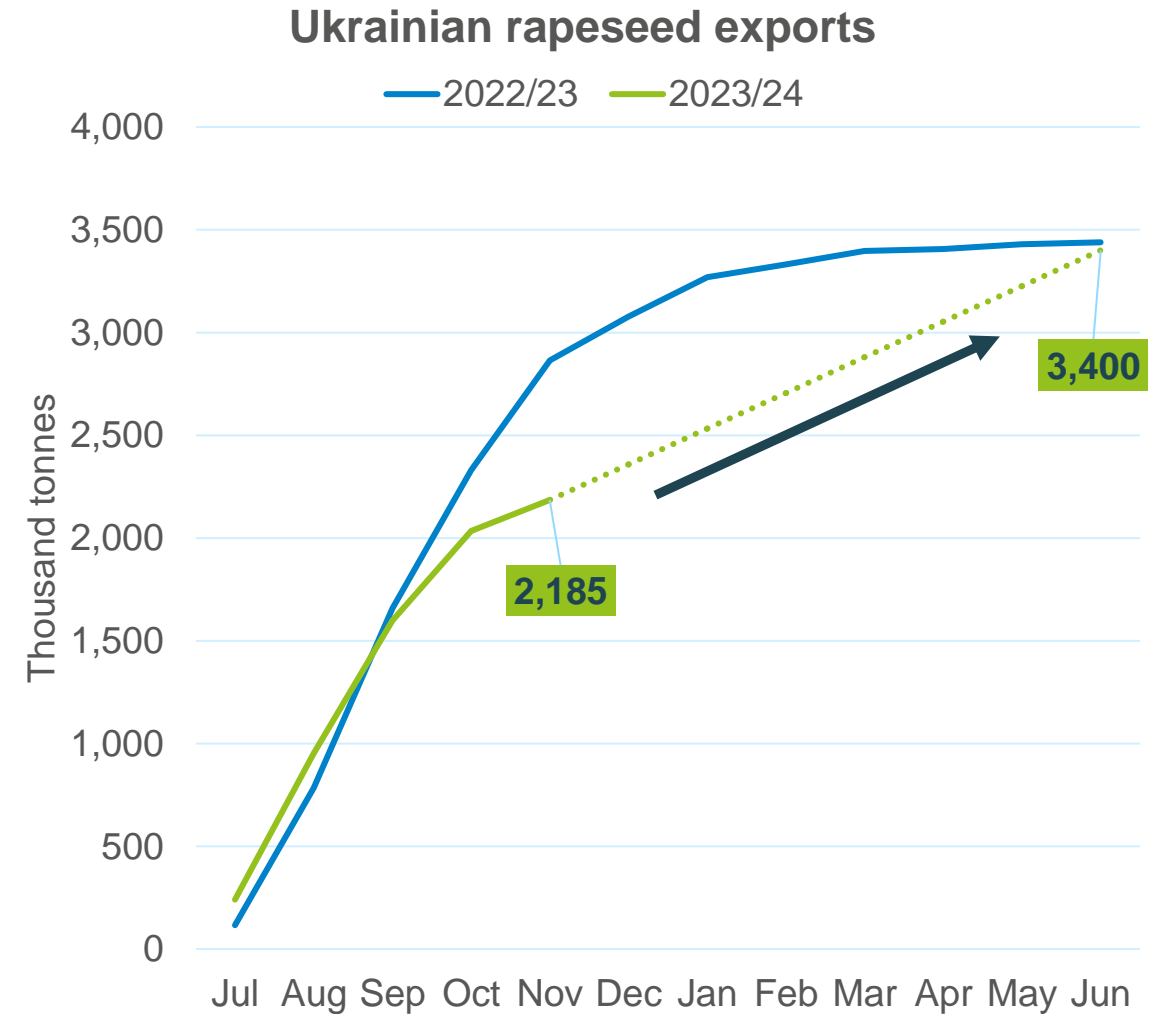
Rapeseed pricing in relation to other oilseeds



Ukrainian rapeseed is pressuring the market

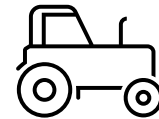
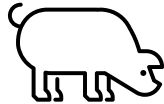
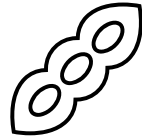


Source: EU Commission

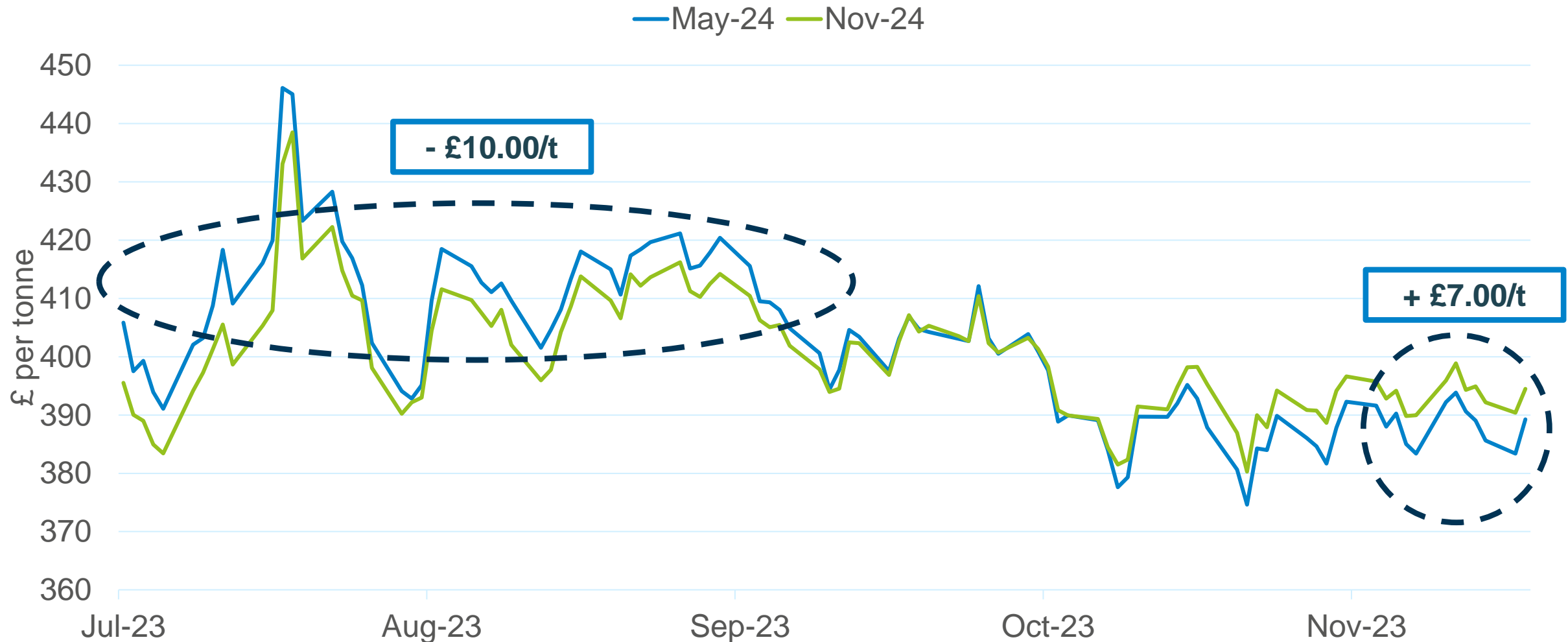


Source: UkrAgroConsult. Nov data is as of 15 Nov

What is going to drive prices in 2024?



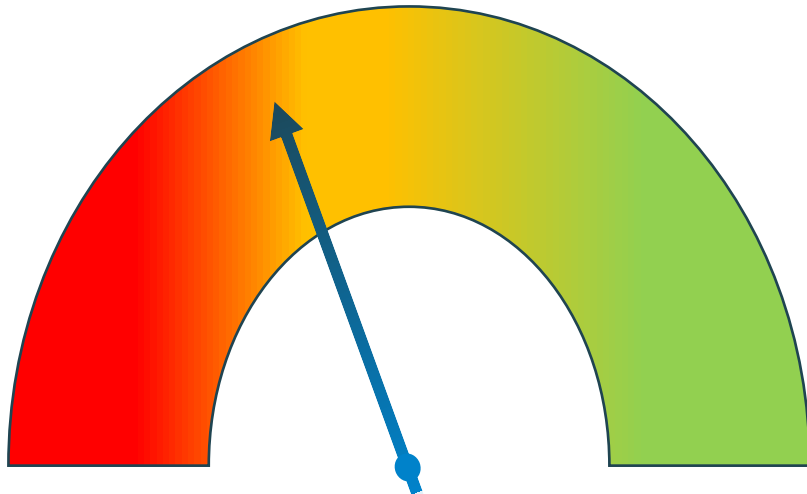
Rapeseed tightness for next year?



Source: Euronext, Paris rapeseed futures

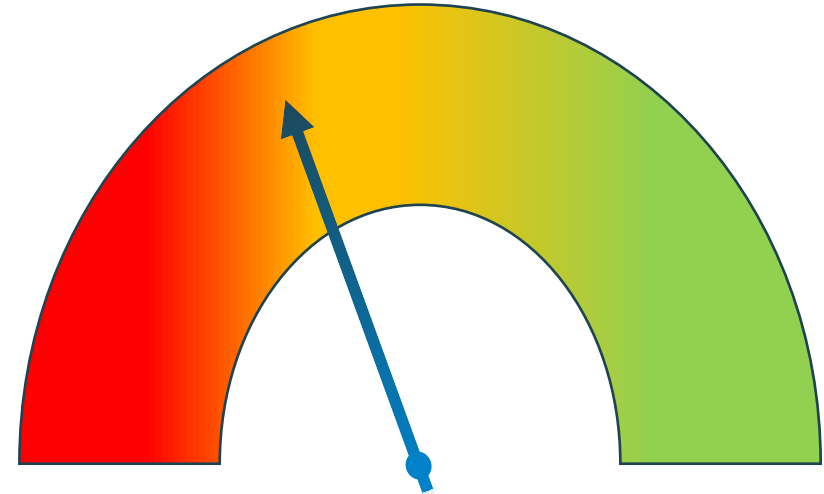
Bearish markets but with caution

Grains



- Brazilian Safrinha crop could change the tide of old crop markets
- Black Sea geo-politics
- No major cause for concern for new-crop...yet

Oilseeds



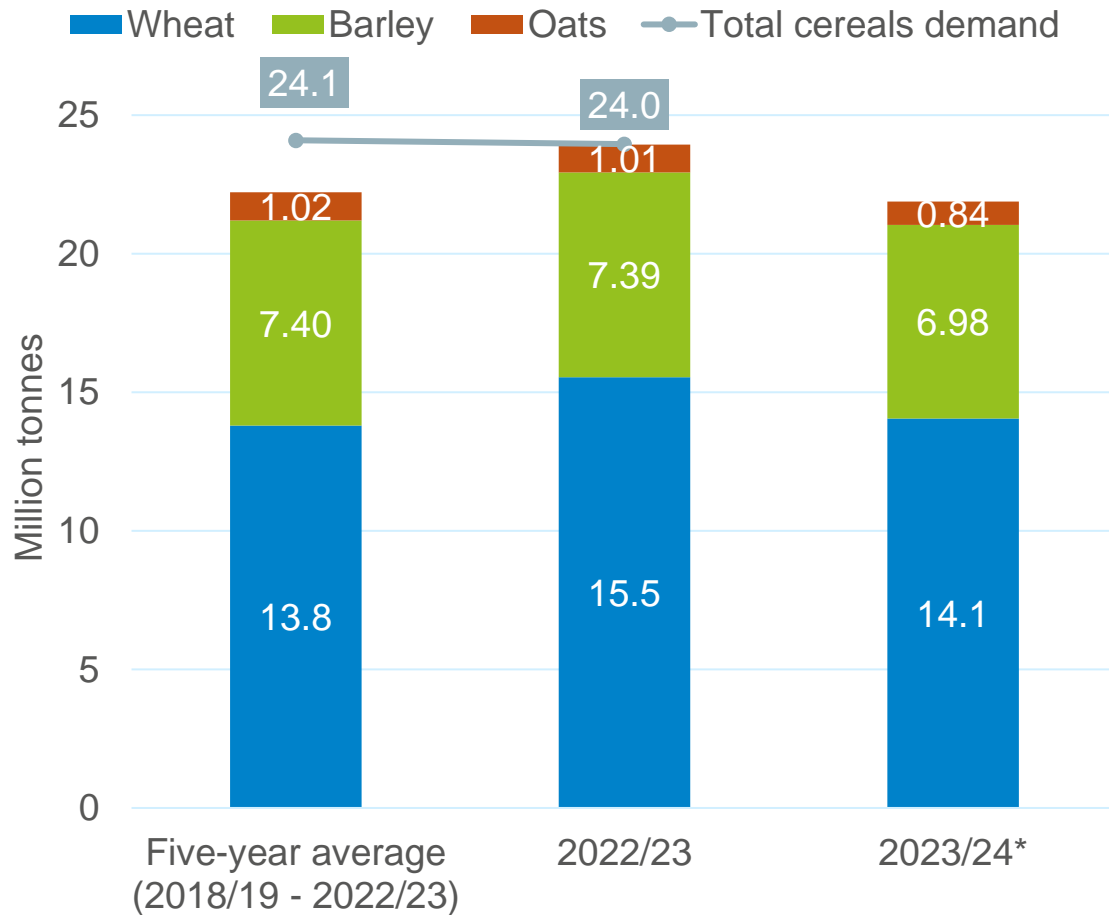
- Brazilian soyabean crop revisions key for market
- Rapeseed prices will be driven by soyabeans but their discount into 2024/25 may reduce

UK Outlook



Helen Plant – Senior Analyst (Cereals & Oilseeds)

Smaller UK crops harvested in 2023, with poorer quality too AHDB

Production provisionally down

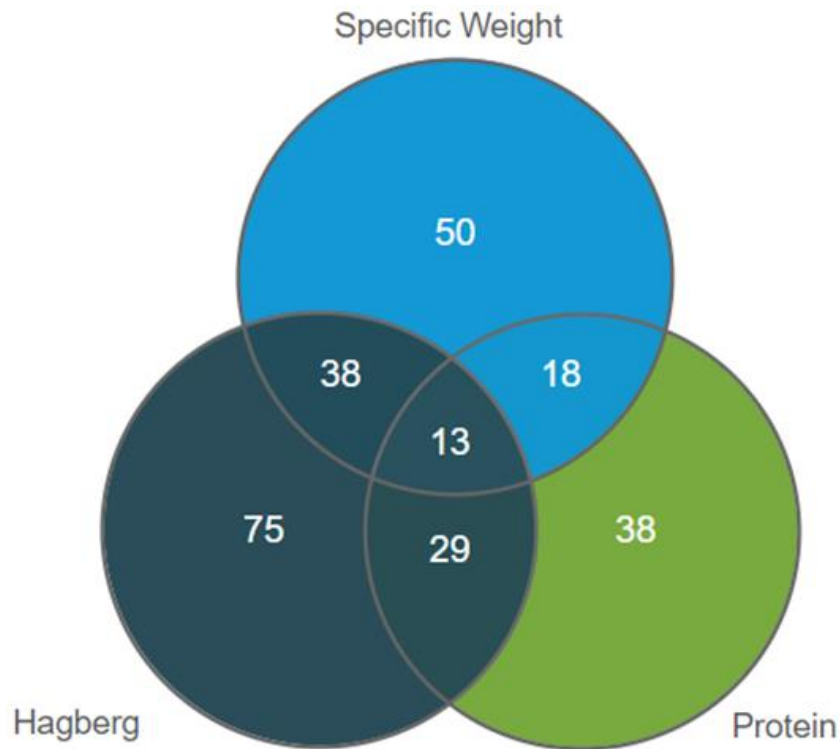


Million tonnes	2021/22	2022/23	2023/24
Barley	7.40	7.39	6.98
Of which			
Winter barley	2.81	3.21	3.23
English spring	2.91	2.42	2.10
Scottish spring	1.55	1.61	1.51

moisture contents 
&
specific weights 

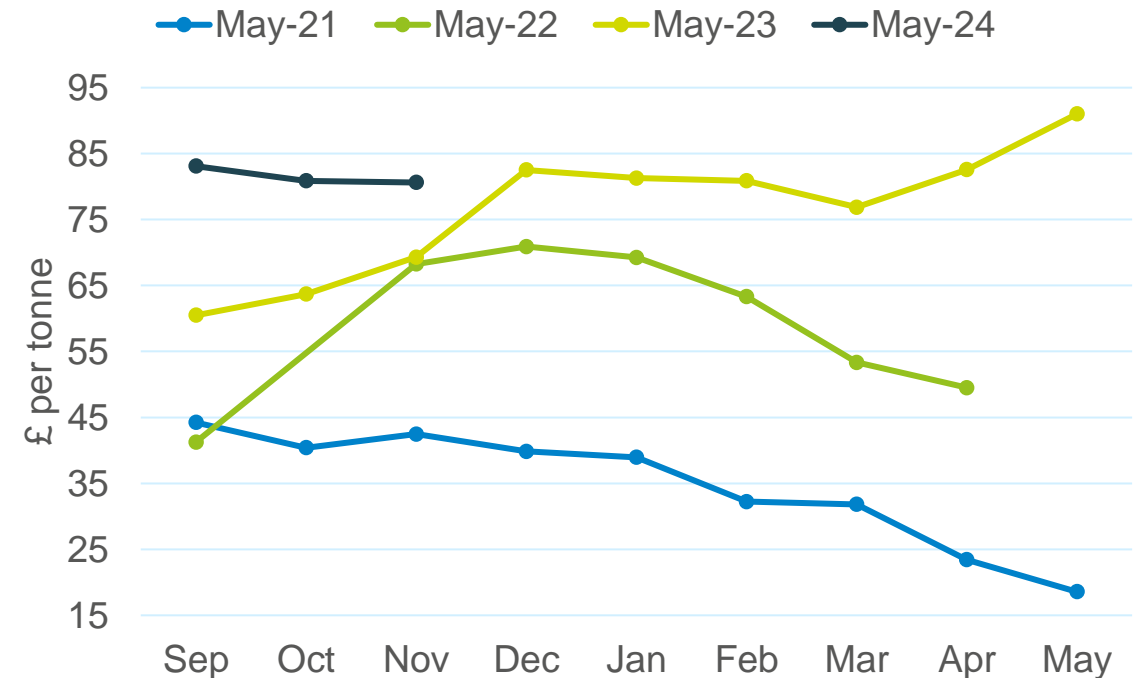
Lower UK and global quality keeps milling premiums high

Group 1s: lowest % meeting bread wheat specification* since 2014

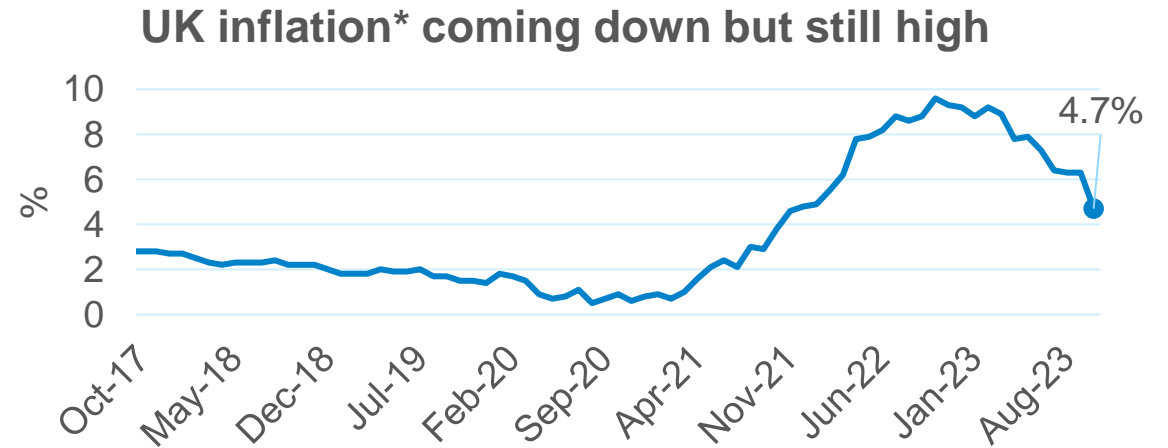
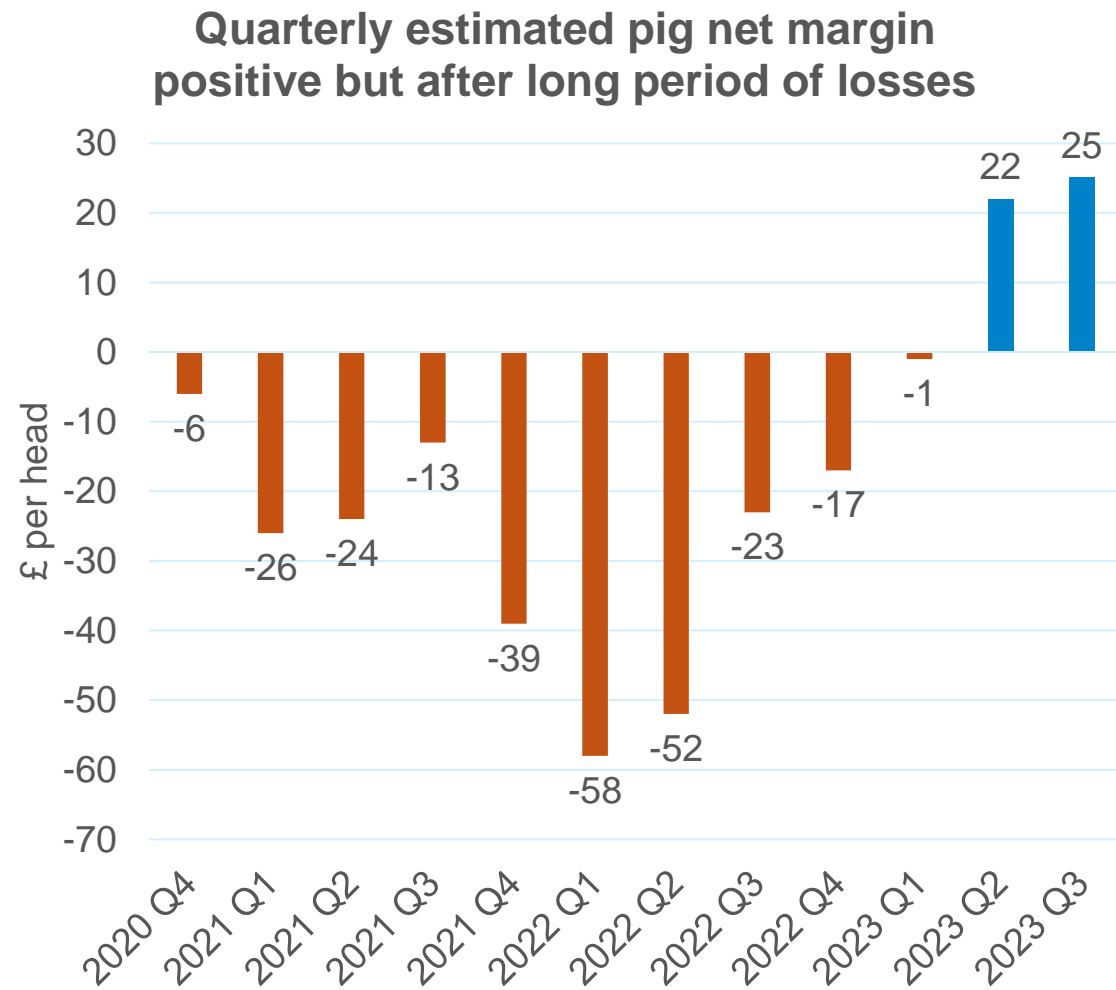


Delivered Northwest bread wheat premiums remain elevated


Average premium to UK futures^ for May delivery (monthly average)



Livestock numbers still limiting feed demand

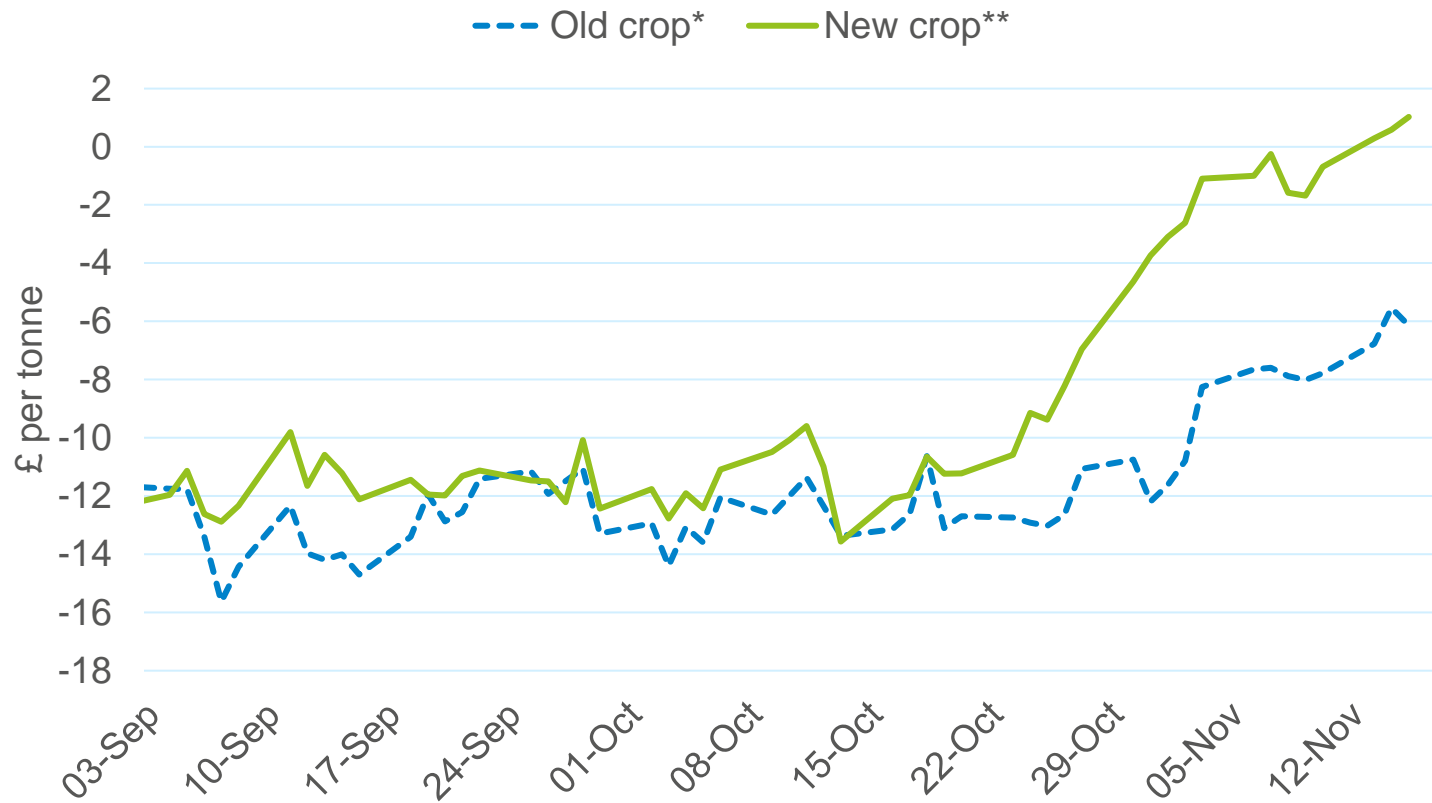


Broiler chick placings stable
in October vs 2022
with layer placings up



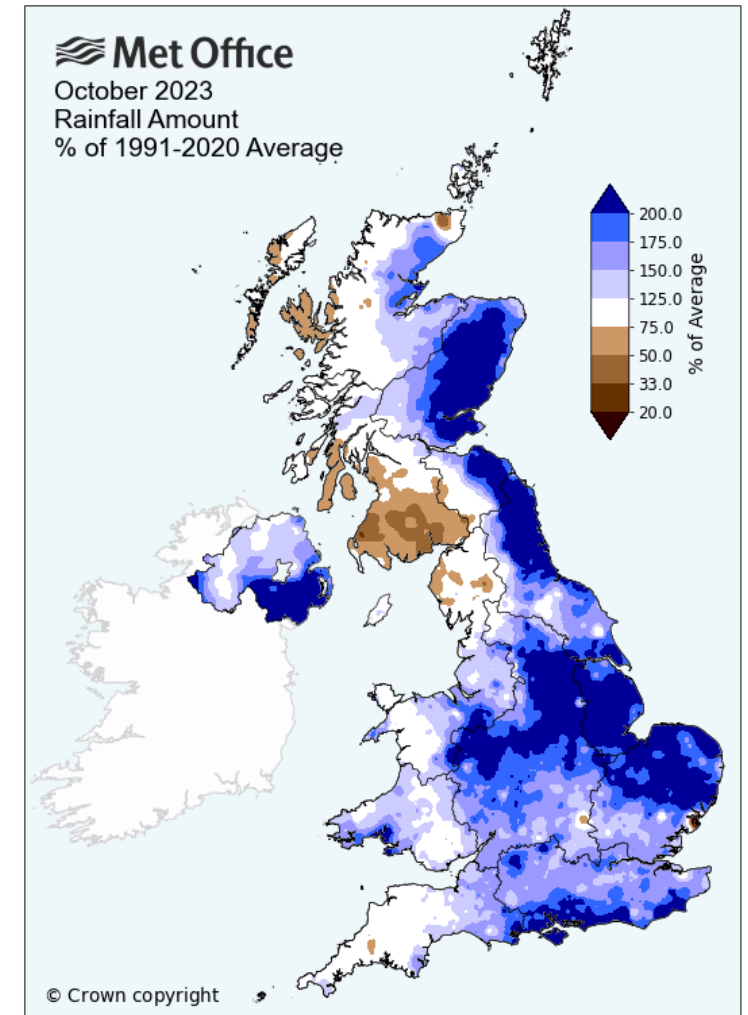
Wet weather squeezes winter cropping – impacting both old and new crop prices

UK feed wheat futures relationship to Paris milling wheat futures

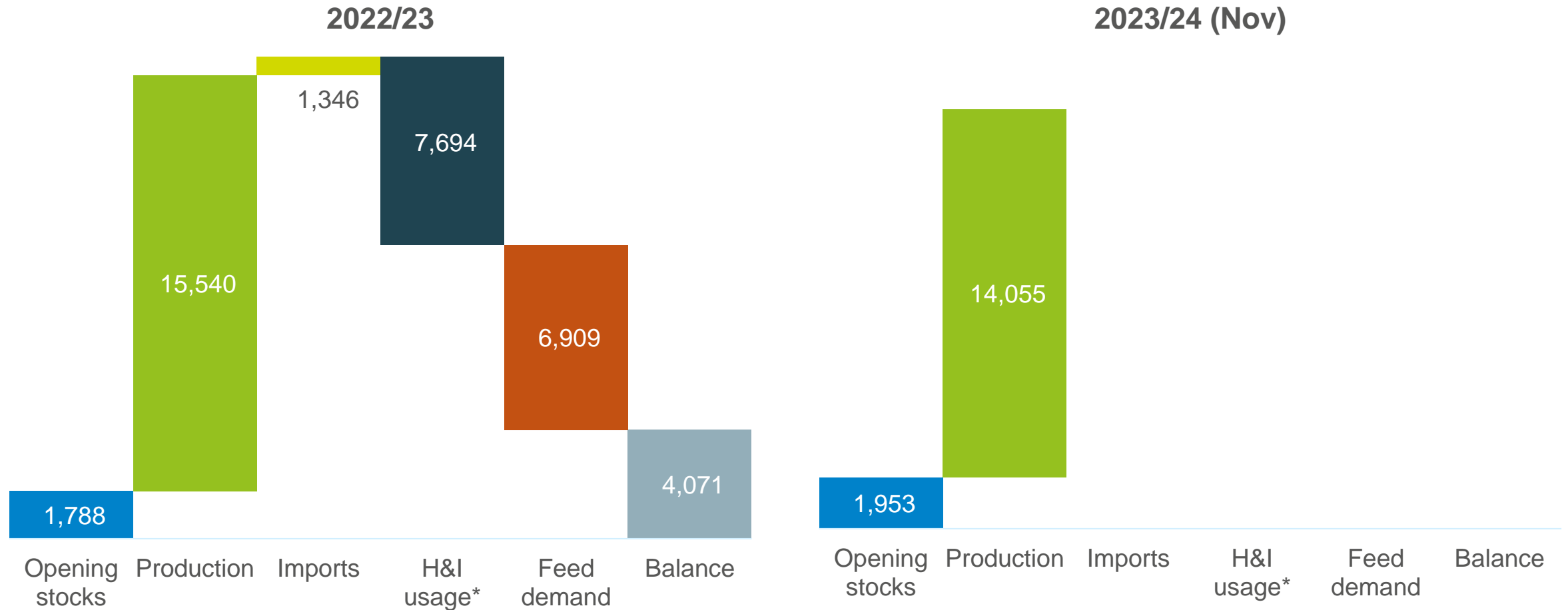


Source: ICE, Euronext, ECB

*May-24 contracts **Nov-24 / Dec-24 contracts



Wheat: demand pushed up by lower quality and higher industrial demand

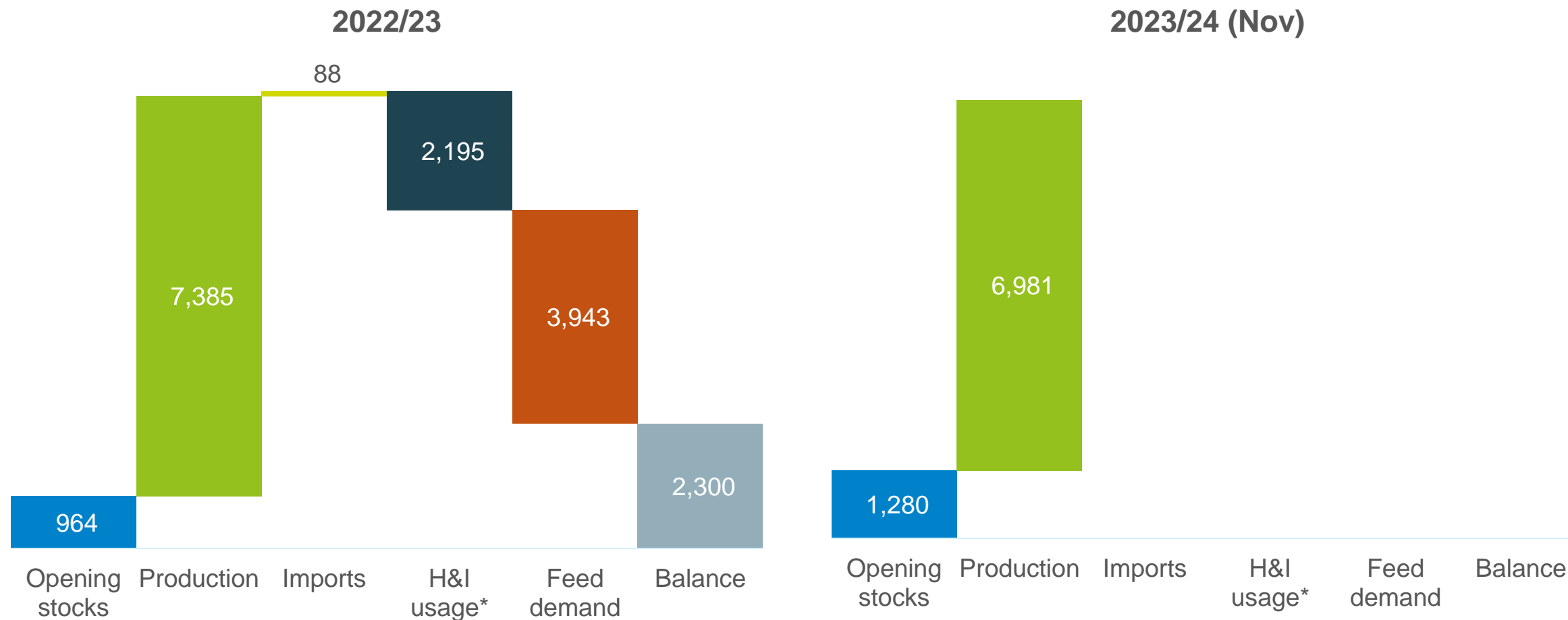


Unit: Thousand tonnes

Source: AHDB, Defra

*human and industrial, includes seed and other

Barley: animal feed key variable with malting demand predicted to stay at record levels

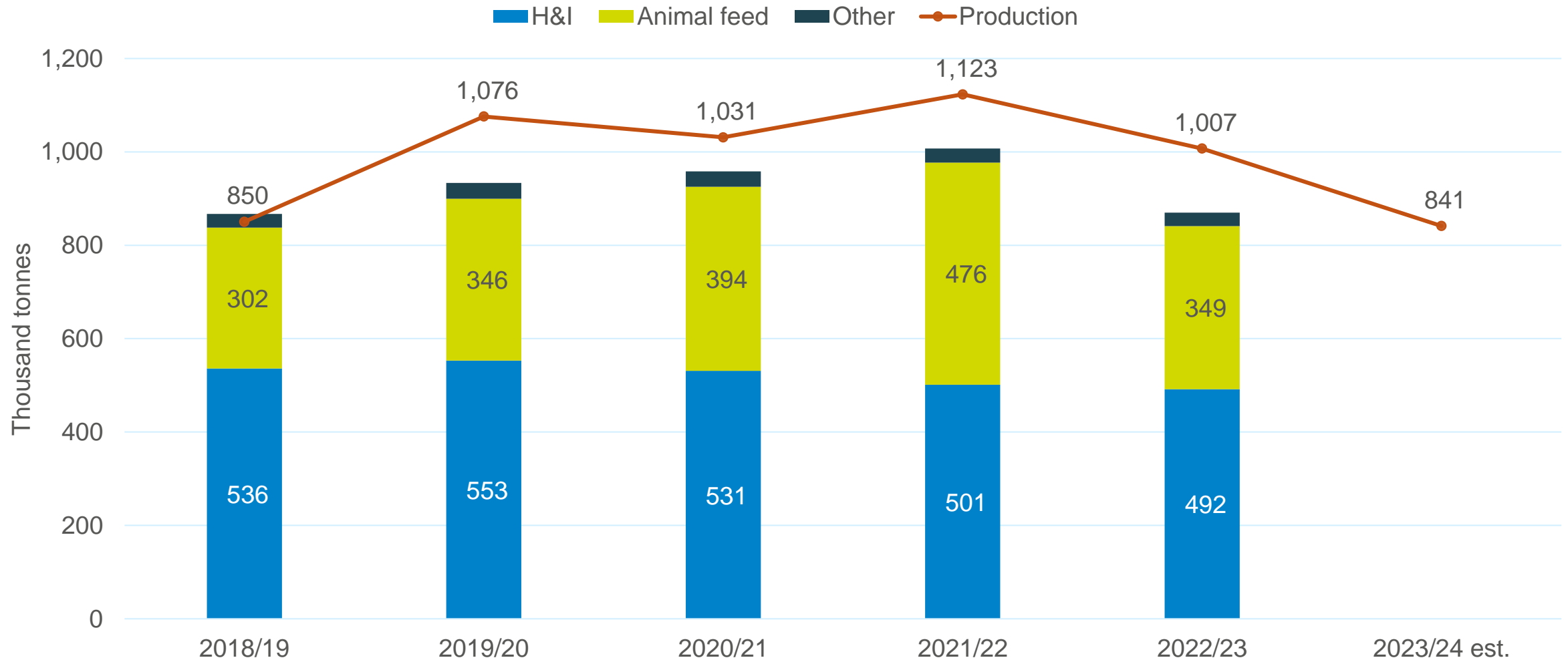


Unit: Thousand tonnes

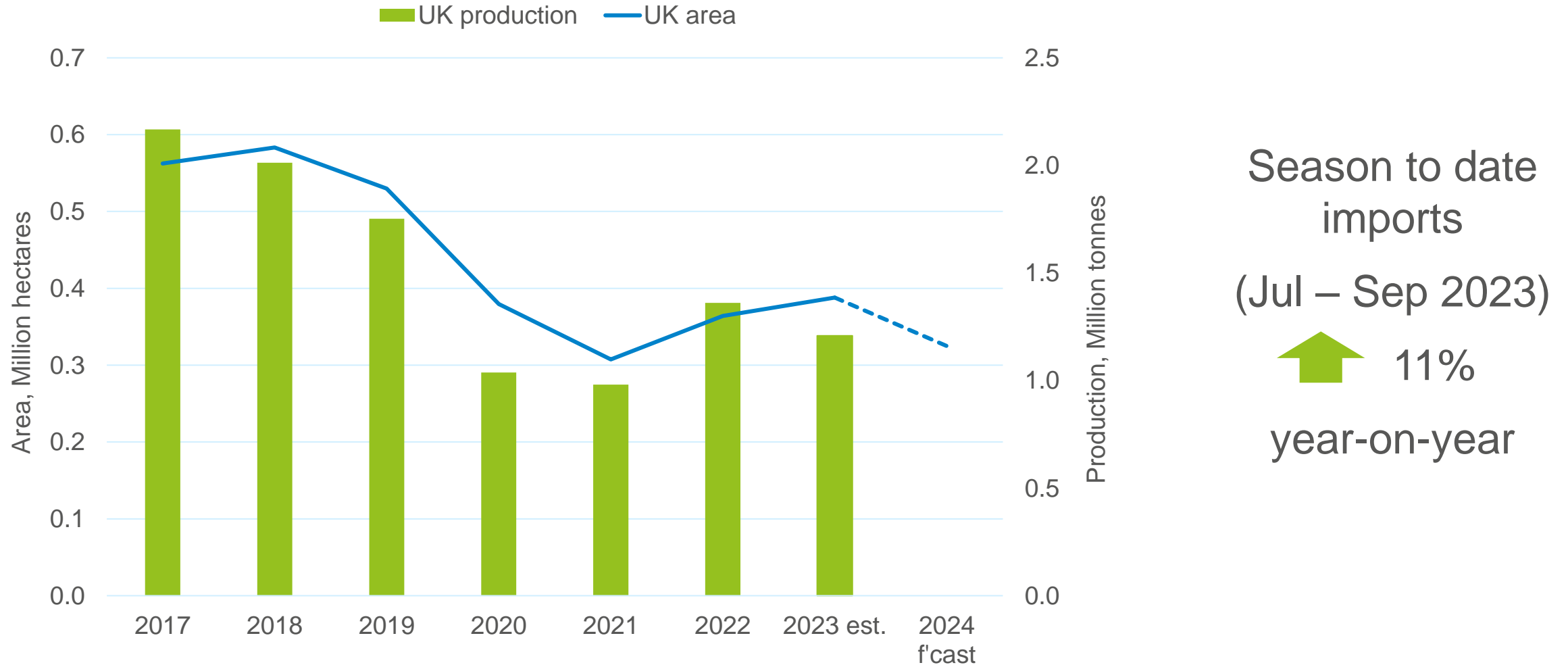
Source: AHDB, Defra

*human and industrial, includes seed and other

Oats: tightest balance since 2018/19, as lower quality drives changes in demand



Smaller UK rapeseed crop but availability of imports caps price gains



Summary – a very different season

- Smaller 2023 crops with lower quality
- UK cereal demand edges up due to lower quality, higher industrial demand and distilling capacity
- Rise capped by lacklustre animal feed and consumer cost focus
- Wet autumn means harvest 2024 likely to see a shift from winter to spring cropping but how much?
- Poorer 2024 prospects already factored into both old and new crop season prices

Optimising business potential

A look into business performance

Megan Hesketh – Senior Analyst (Cereals & Oilseeds)

Supporting farmers to achieve success through difficult years

FARMBENCH

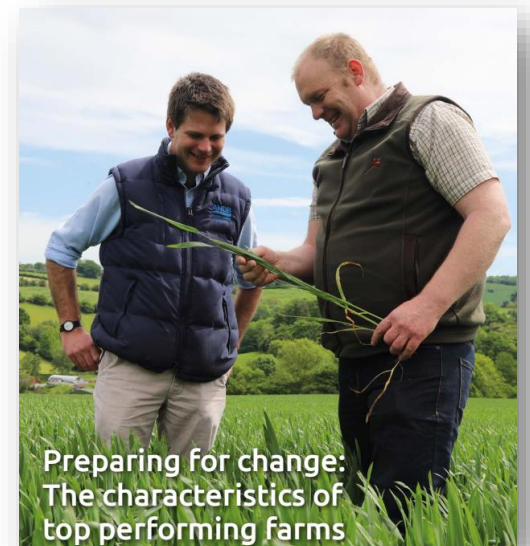


Benchmark
your business



Exploring new
opportunities

Boosting
performance



Today's analysis



Benchmarking
tool

Over 3,000
registered
users

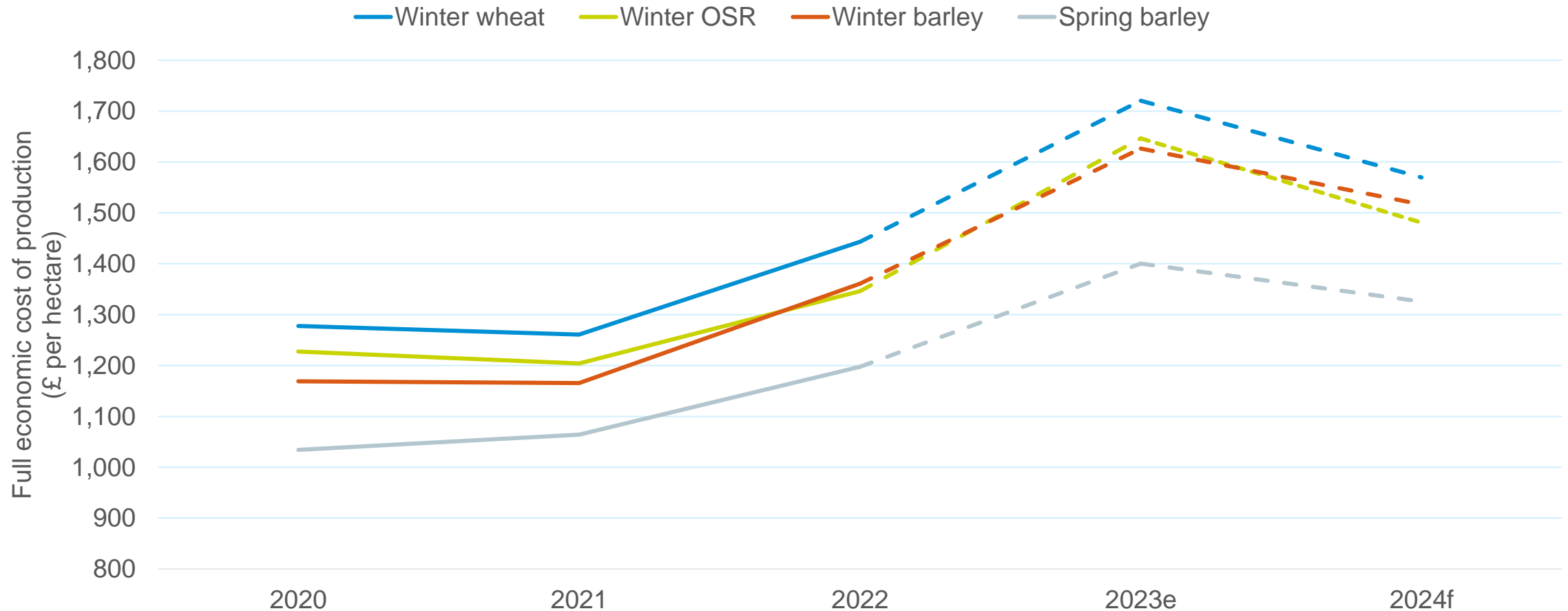
11 crops
analysed

Cost of
production
includes
overheads

Methodology

- Full economic cost of production is estimated and forecasted from Farmbench 2022 data, using Defra's Agricultural Price Index (API). Harvest 2023 is estimated from published API data, with 2024 forecasts derived from API data alongside projections for individual costs.
- The growing season includes October to September.
- Full economic cost of production includes variable costs and full overhead costs. Overheads include machinery and equipment, labour, property and energy, administration, rental value (including an imputed rent on owned land) and finance costs.
- Fertiliser costs are estimated from a buying period May to September. A reduction in application has been applied based on anecdotal insight.
- Yields have been calculated using Defra published yield data. Harvest 2023 is estimated using published yield data, and harvest 2024 a Defra UK five-year average. Yields have been adjusted for the middle 50% and top 25%, according to previous season data for Farmbench results versus national averages.
- Grain prices are calculated using the Nearby and Nov-24 UK feed wheat futures season to date average. Futures prices have been adjusted to produce an ex-farm price, using ex-farm UK values recorded in the AHDB Corn Returns dataset.
- Rapeseed prices are calculated using the Nearby and Nov-24 Paris rapeseed futures season to date average, adjusted for an ex-farm value.
- Income per hectare only includes crop sales and not straw sales.

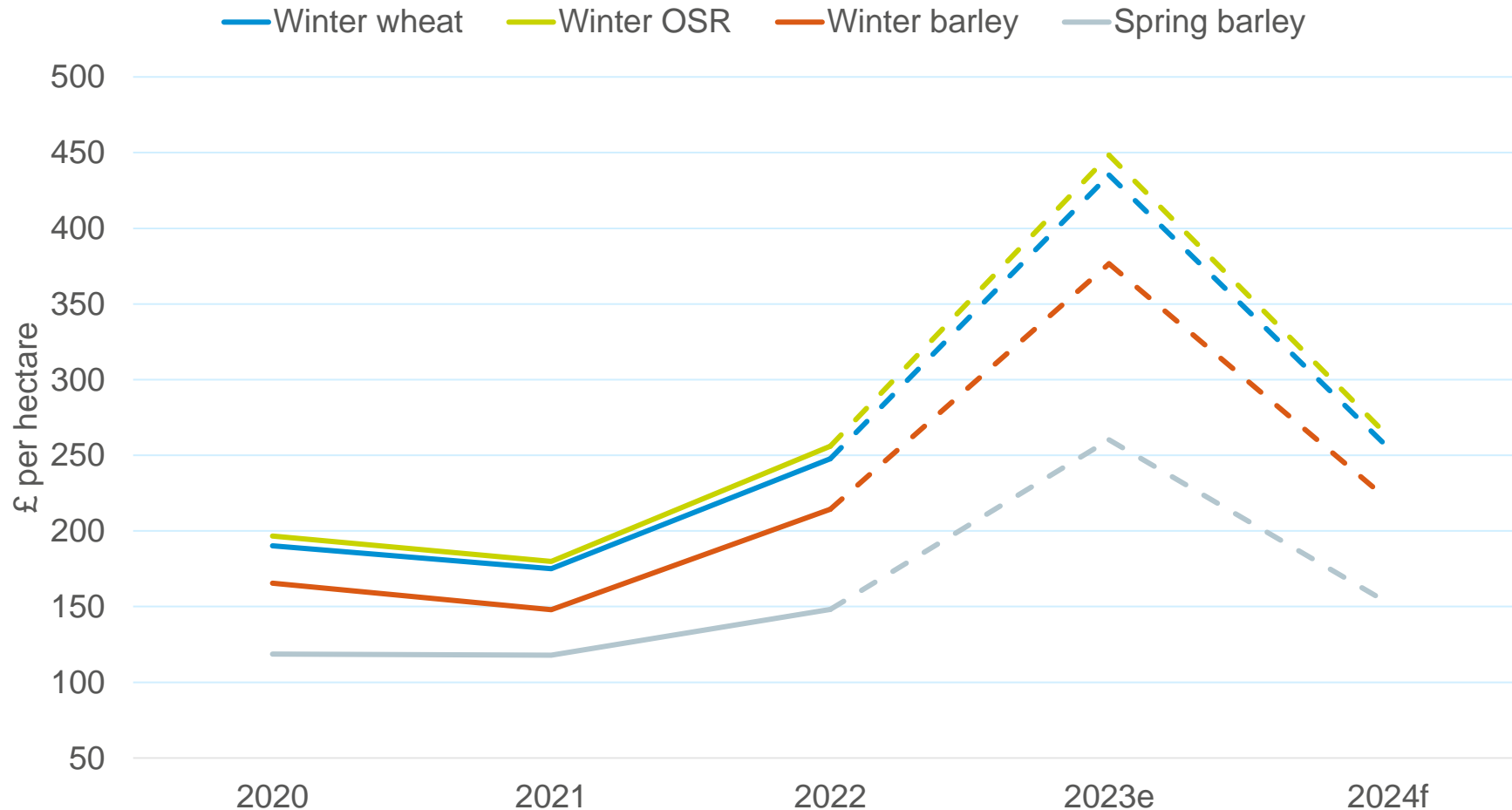
Average costs climb further for harvest 2023



Middle 50% average costs – 2023 is an estimate using Defra Agricultural Price Index data and 2024 a forecast.

Winter wheat is a feed wheat

Inorganic fertiliser costs squeezing 2023 margins

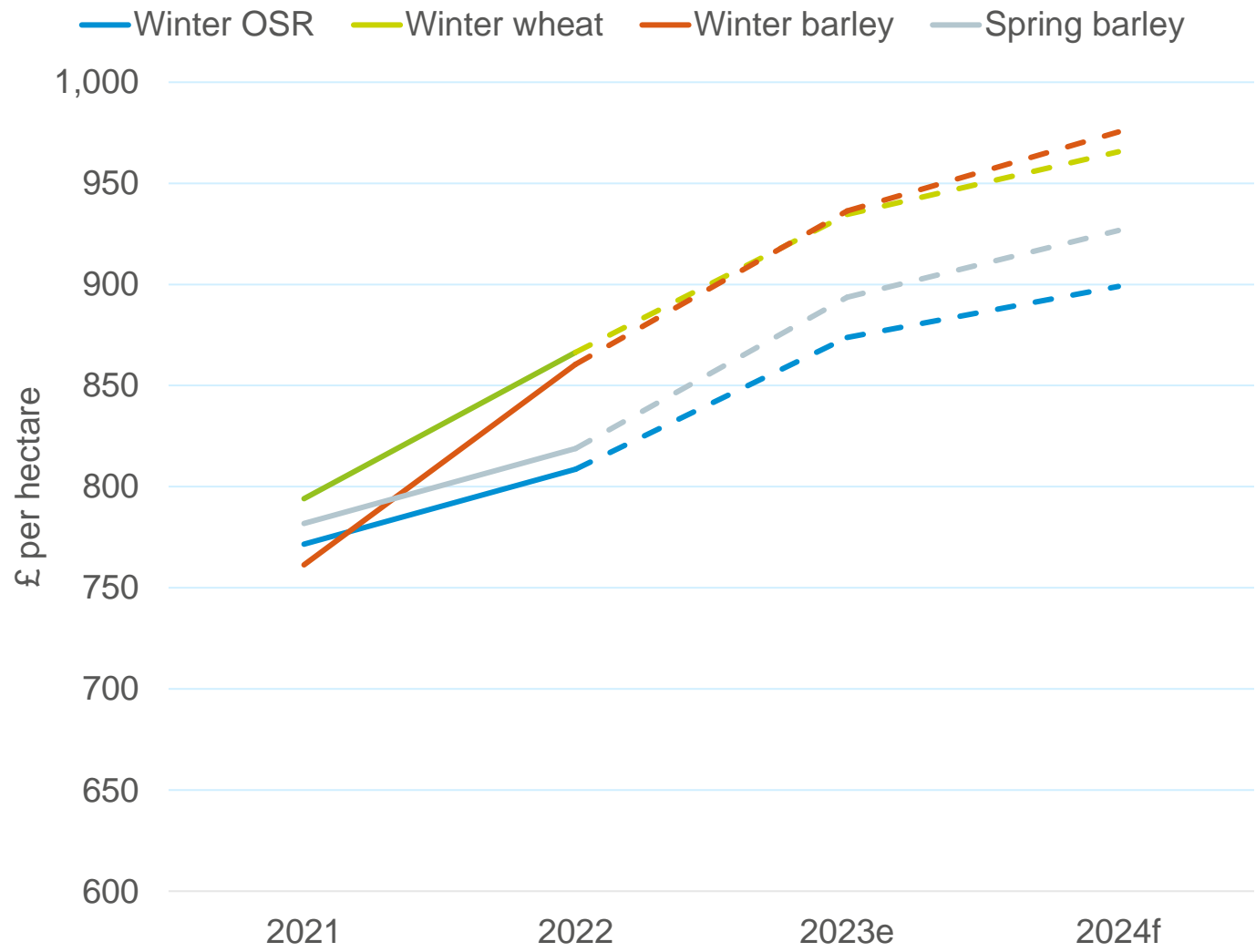


Where next?

AN imported fertiliser prices have stabilised at £361/t

Nearby UK natural gas firmer in Nov-24, keeping outlook supported

Overhead costs on the rise impacting middle 50%

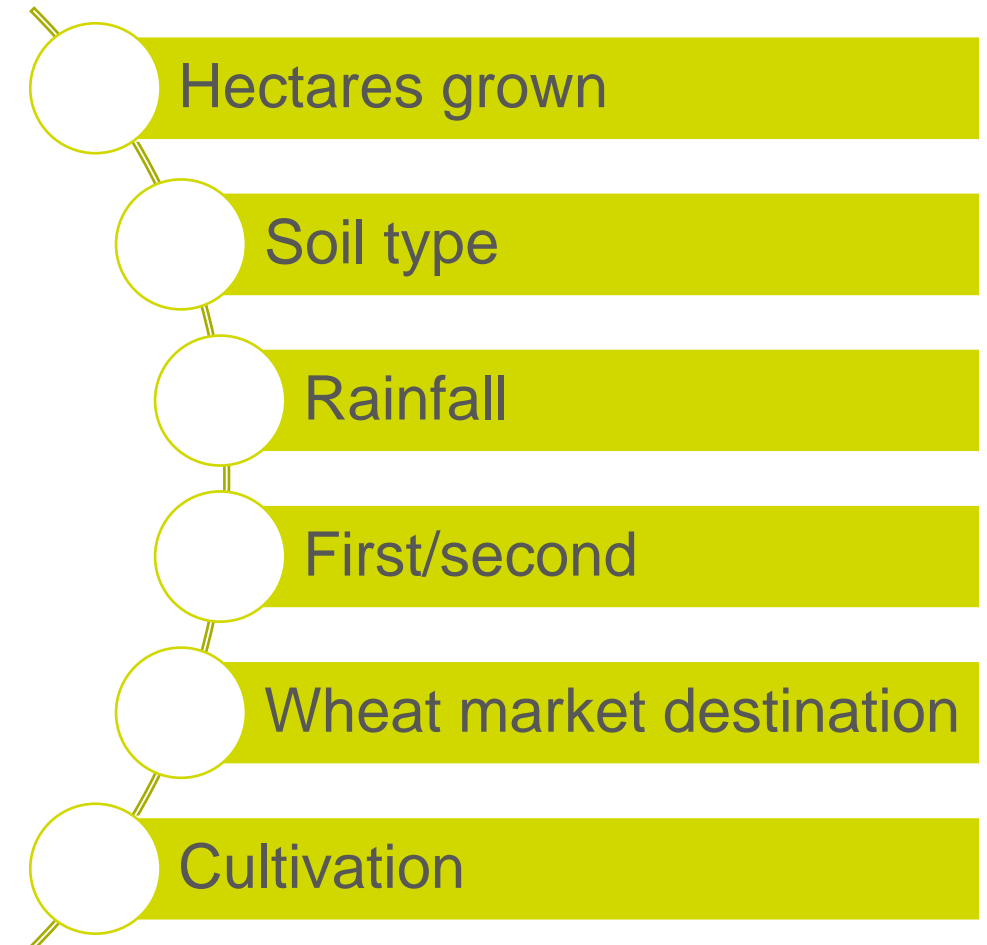
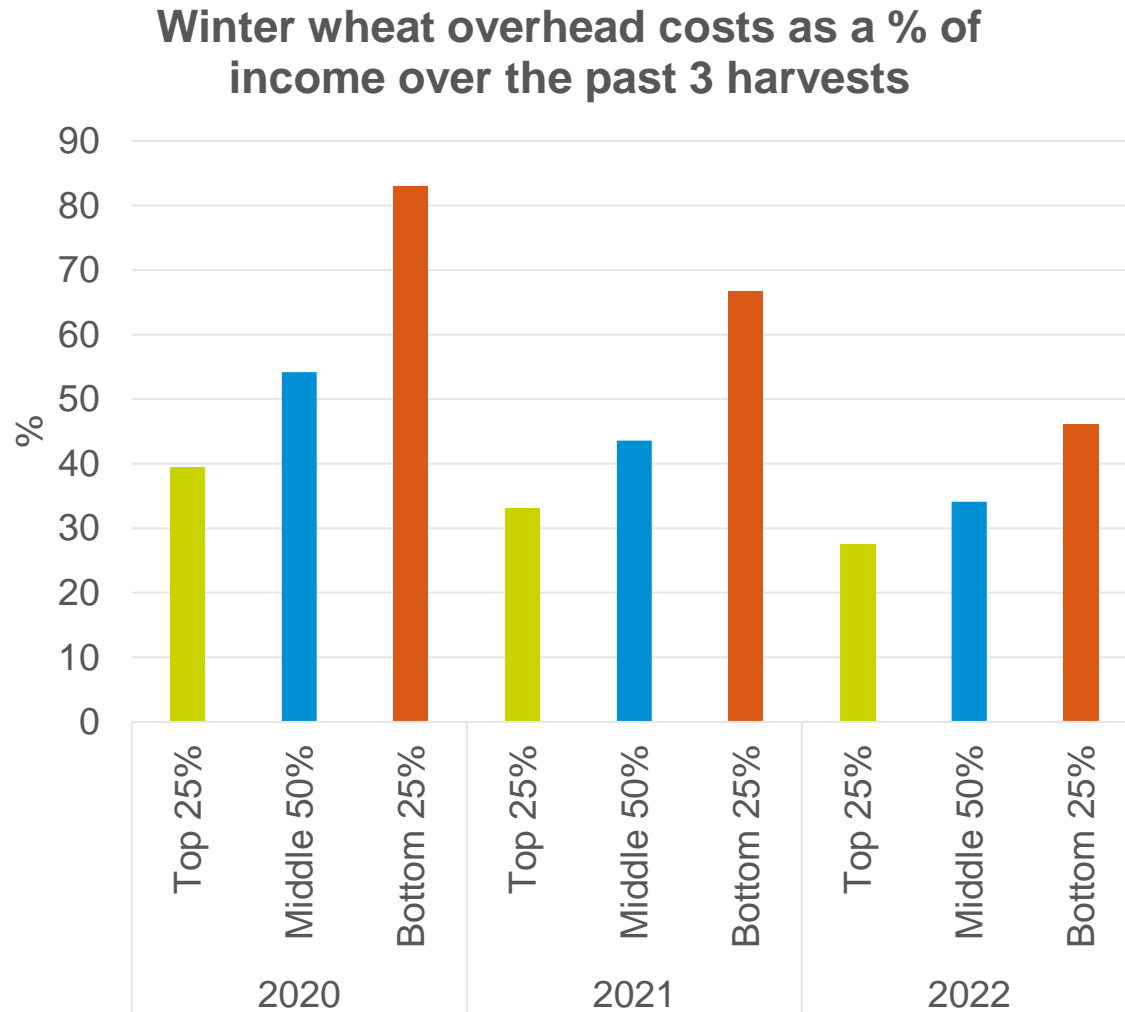


Middle 50% average cost per hectare



- High interest rates
- What does this mean for your business?
- High land prices
- Does this impact how you utilise it?

Top 25% minimise overhead costs



Pressured prices add to margin challenge

Average prices (£/t) for middle 50%

Average crop price middle 50%	2022 (Farmbench results)	2023	2024
Feed wheat	£250	£184	£199
Feed barley	£265	£165	£176
Oilseed rape	£576	£374	£390

Source: ICE, LSEG

- Price calculated using a season to date average of UK feed wheat futures/Paris rapeseed futures, adjusted to an ex-farm price. Nearby and Nov-24 used for 2023 and 2024, respectively.
- For 2023, the grain price has been adjusted using a calculated season to date average discount of nearby UK feed wheat futures to UK ex-farm feed wheat prices (AHDB Corn Returns). For 2024, an average of this discount of UK feed wheat futures to ex-farm UK feed wheat is used, taken from the past five seasons.

Average yields for middle 50%

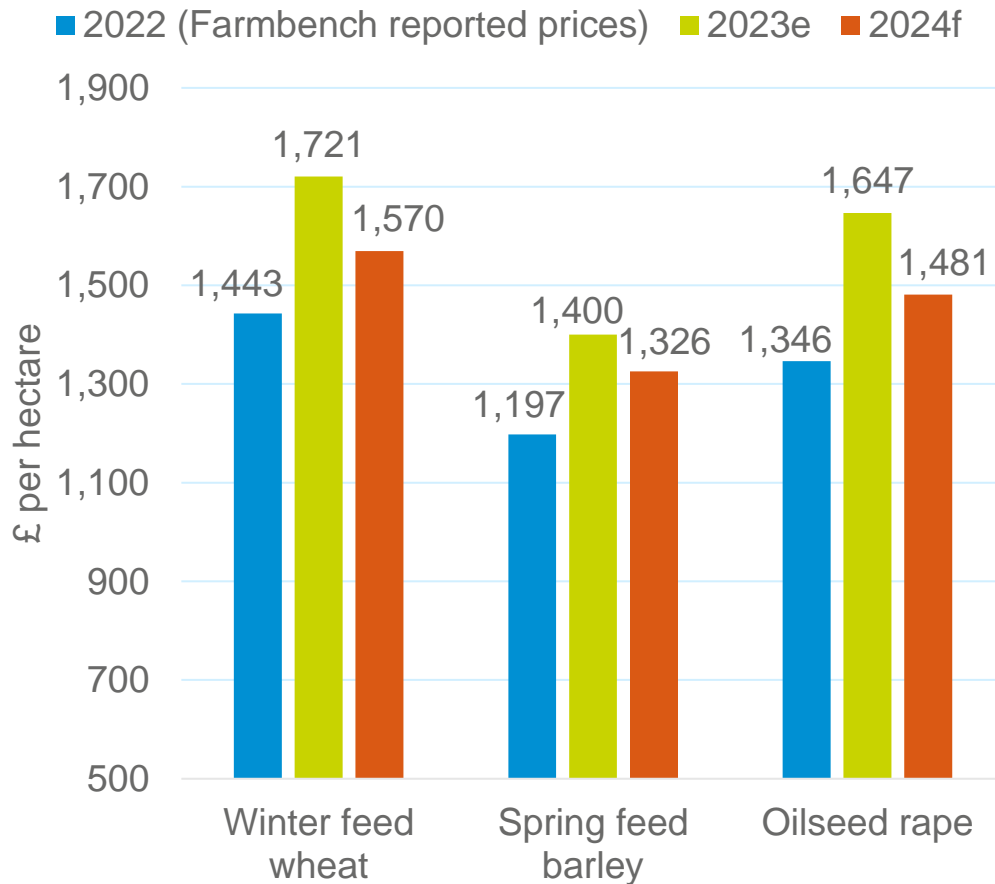
Average crop yield middle 50%	2022 (Farmbench results)	2023	2024
Winter wheat	9.8	9.3	9.2
Spring barley	7.1	5.8	6.6
Oilseed rape	4.0	3.2	3.6

Source: Defra, Farmbench

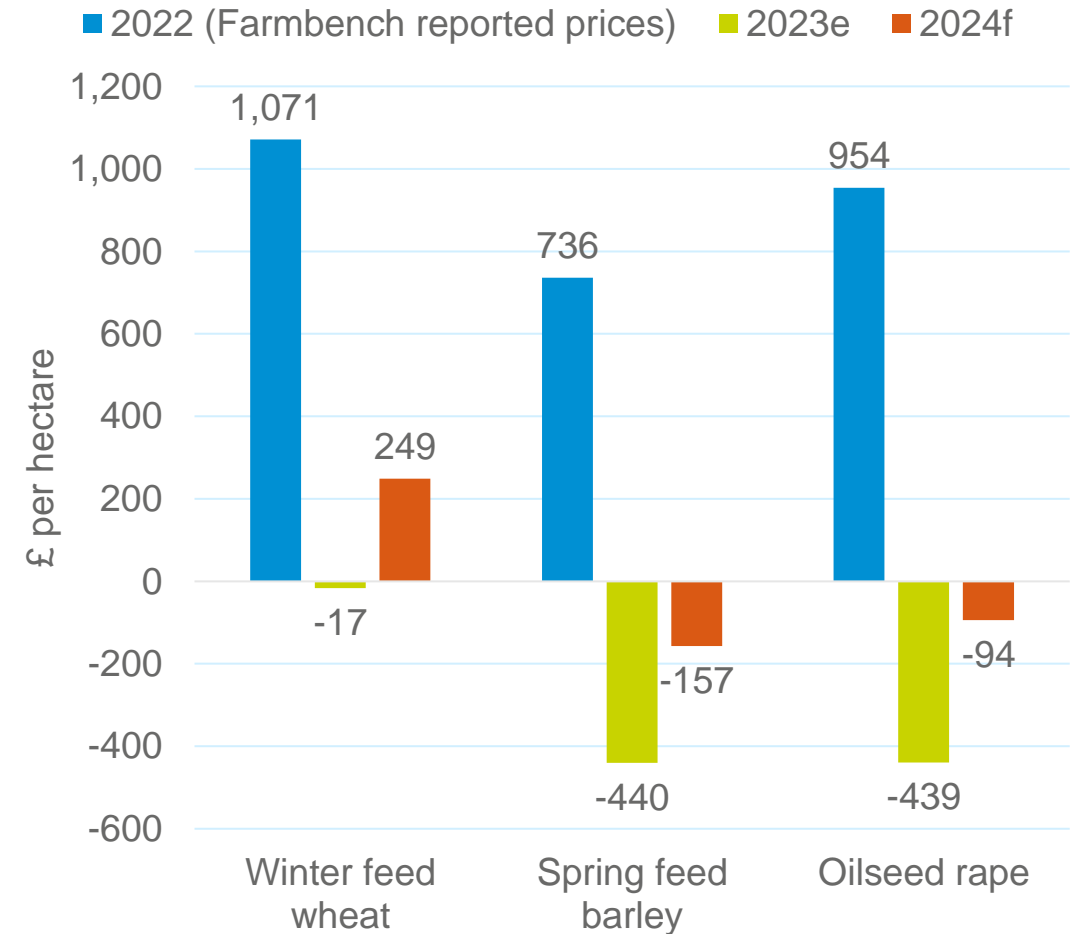
- Yields calculated using Defra yield data, adjusted for Farmbench results in line with Farmbench yield data achieved in previous seasons.

Middle 50% feeling a profitability hit in 2023

**Full economic cost of production
£ per hectare**



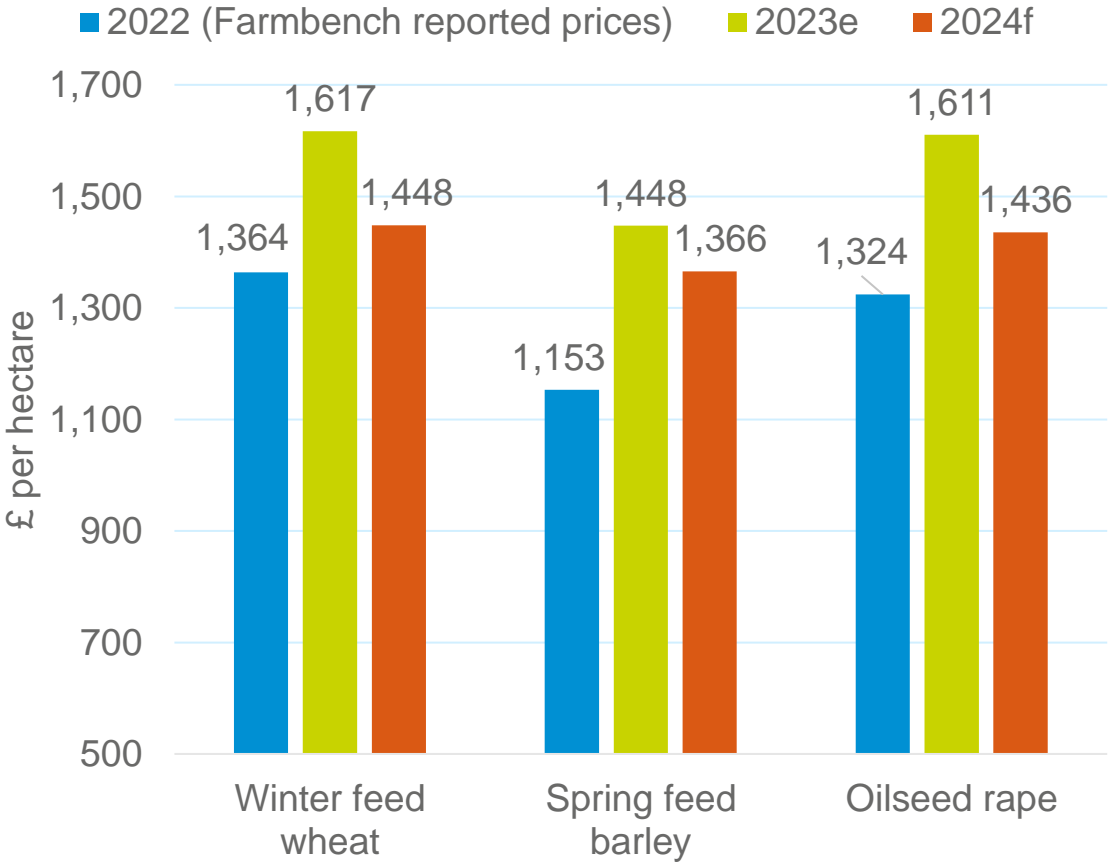
Net margin calculation £ per hectare



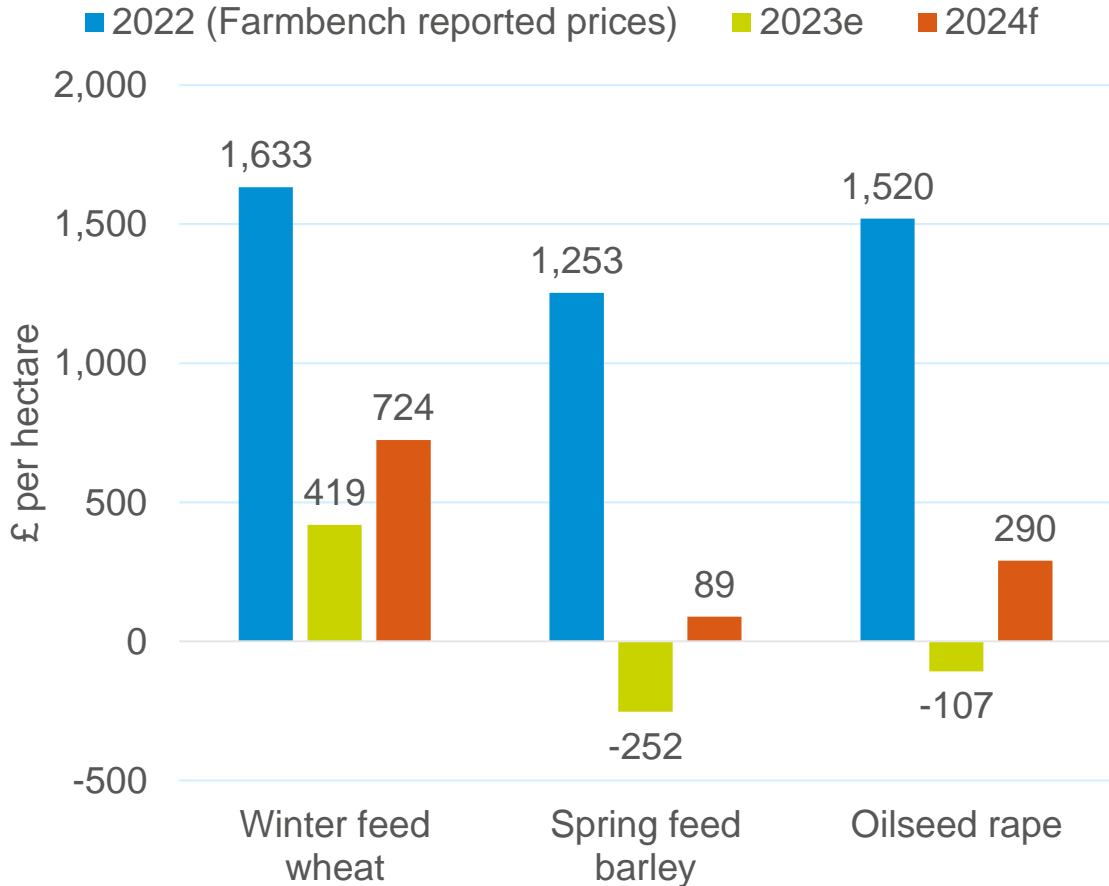
Net margin includes rent/imputed rent on owned land. Income includes only crop income and not straw sales.

Top 25% also feeling a squeeze in 2023

Full economic cost of production
£ per hectare

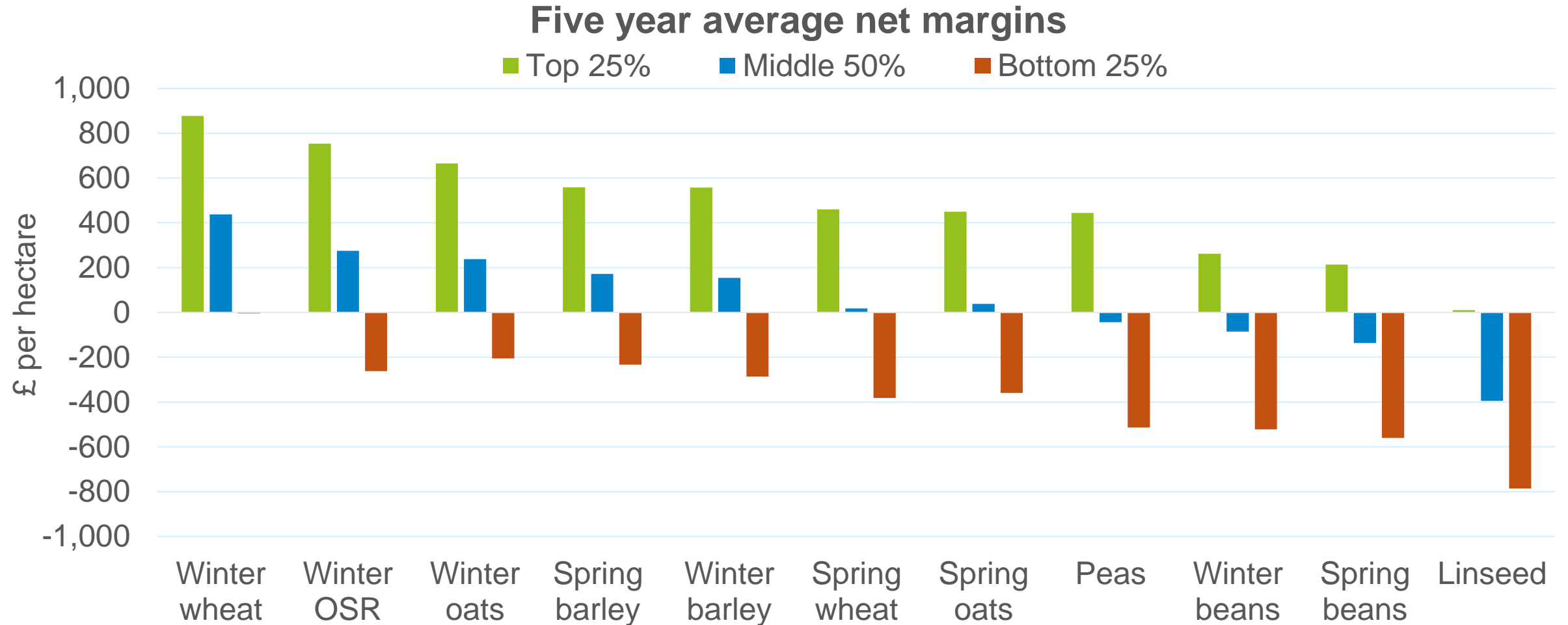


Net margin calculation
£ per hectare



Net margin includes rent/imputed rent on owned land. Income includes only crop income and not straw sales.

It's never been so important to be a top 25% performer



Five-year average includes 2018 to 2022

Sustainable Farming Incentive Stacking Analysis

Amandeep Kaur Purewal - Senior Economist



AHDB virtual farms

Arable farm (1325 ha), East of England

Arable farm (375 ha), South West

Arable farm (455 ha), East of England

Mixed farm (220 ha), Yorkshire & the Humber

Beef & sheep farm (150 ha), South West

Beef & sheep farm (400 ha), North West

Dairy farm (105 ha), East Midlands

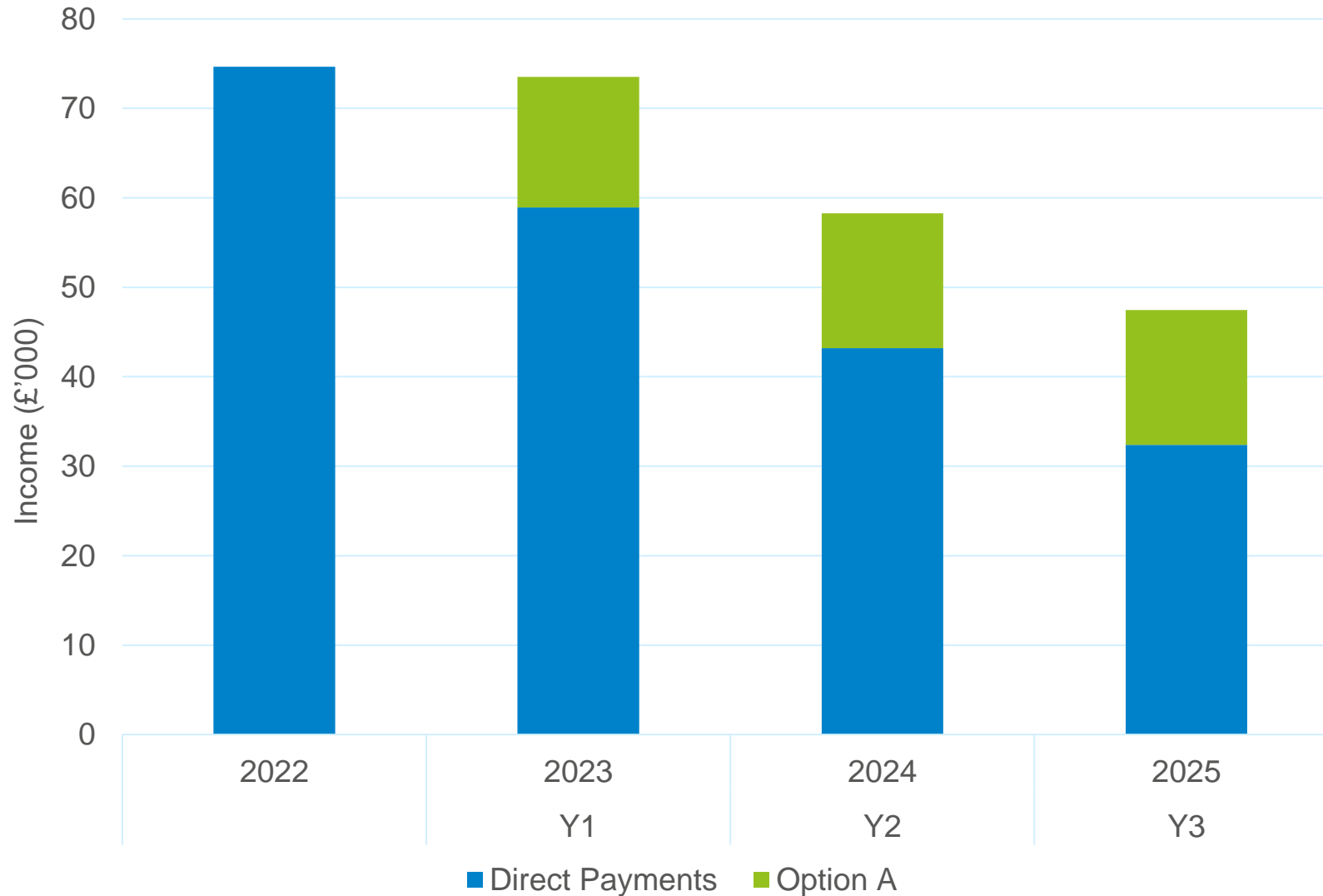
- Middle 50%
- Physical performance comparable to national/regional averages
- Costs tend to be higher than would be seen on top 25% performing farms

Option A - 'SFI lite'

SFI management payment - £20/ha for first 50 ha

	Code	Action	Payment	Area or length
Option A	SAM1	Assess soil, test soil organic matter (SOM) produce soil management plan	£5.80/ha plus £95 per agreement	107 ha
	SAM2	Multi-species winter cover crop	£129/ha	21.4 ha
	HRW1	Assess and record hedgerow condition	£3 per 100m – one side	23,200 m
	HRW2	Manage hedgerows	£10 per 100m – one side	23,200 m
	HRW3	Maintain or establish hedgerow trees	£10 per 100m – both sides	23,200 m
	IPM1	Assess integrated pest management and produce a plan	£989 per year	n/a
	IPM3	Companion crop on arable land	£55/ha	20 ha
	IPM4	No use of insecticide on arable crops and permanent crops	£45/ha	67.5 ha
	NUM1	Assess nutrient management and produce a plan	£589 per year	n/a

Income from Direct Payments and SFI option A



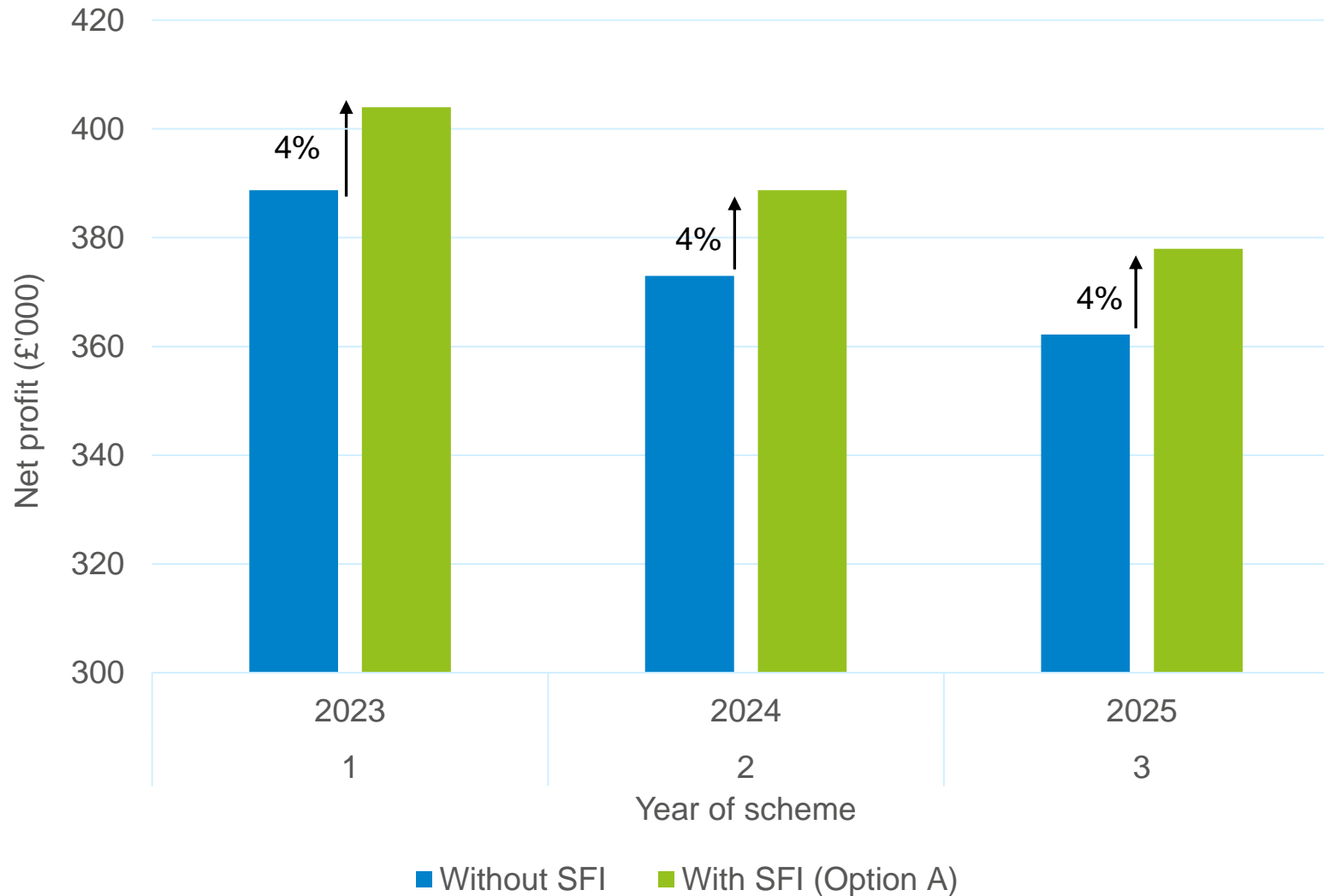
455 ha arable farm,
East of England

2022 baseline year used

Effect on net profit of arable farm

455 ha arable farm,
East of England

2022 baseline year used

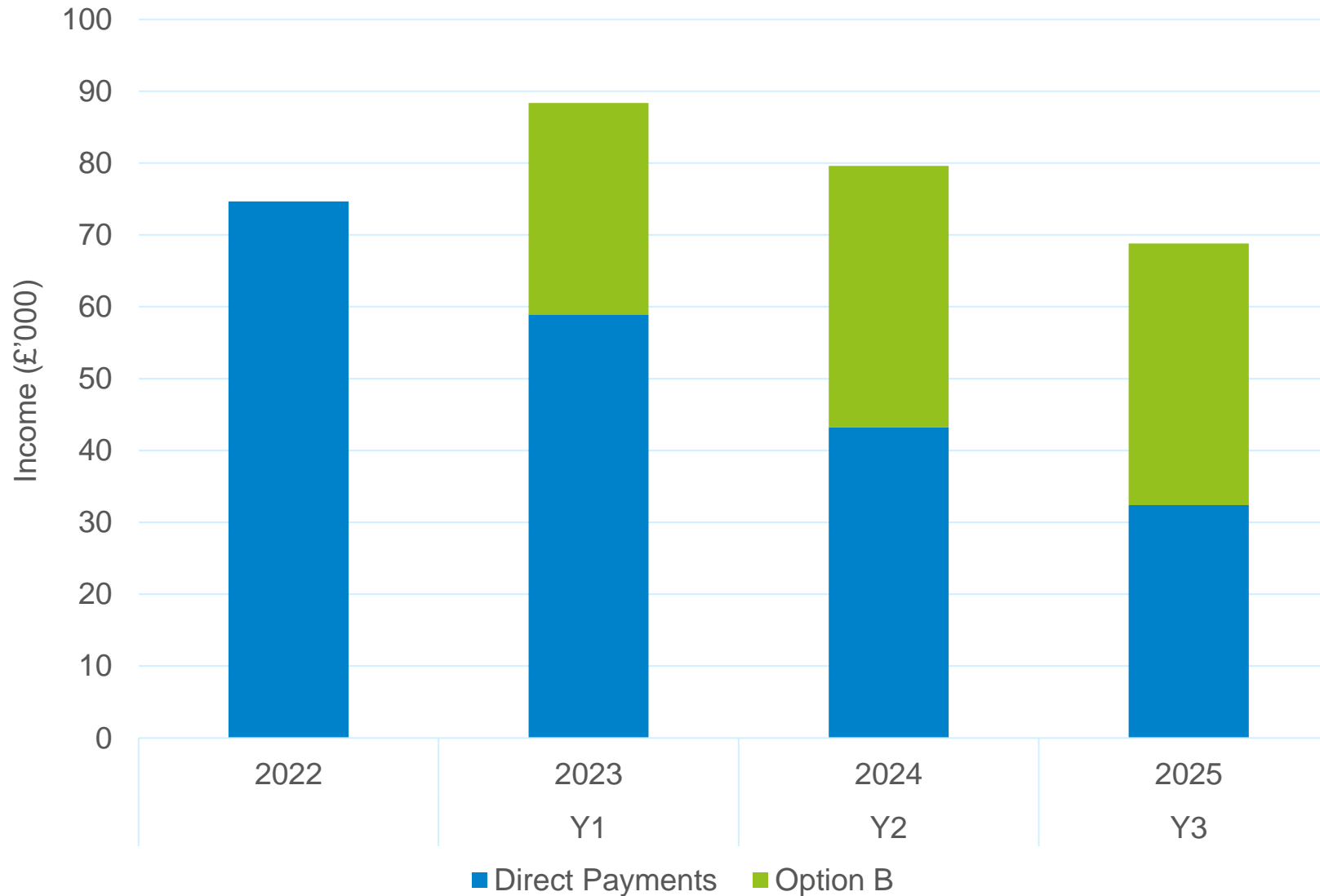


Option B - SFI 'ambitious'

SFI management payment - £20/ha for first 50 ha

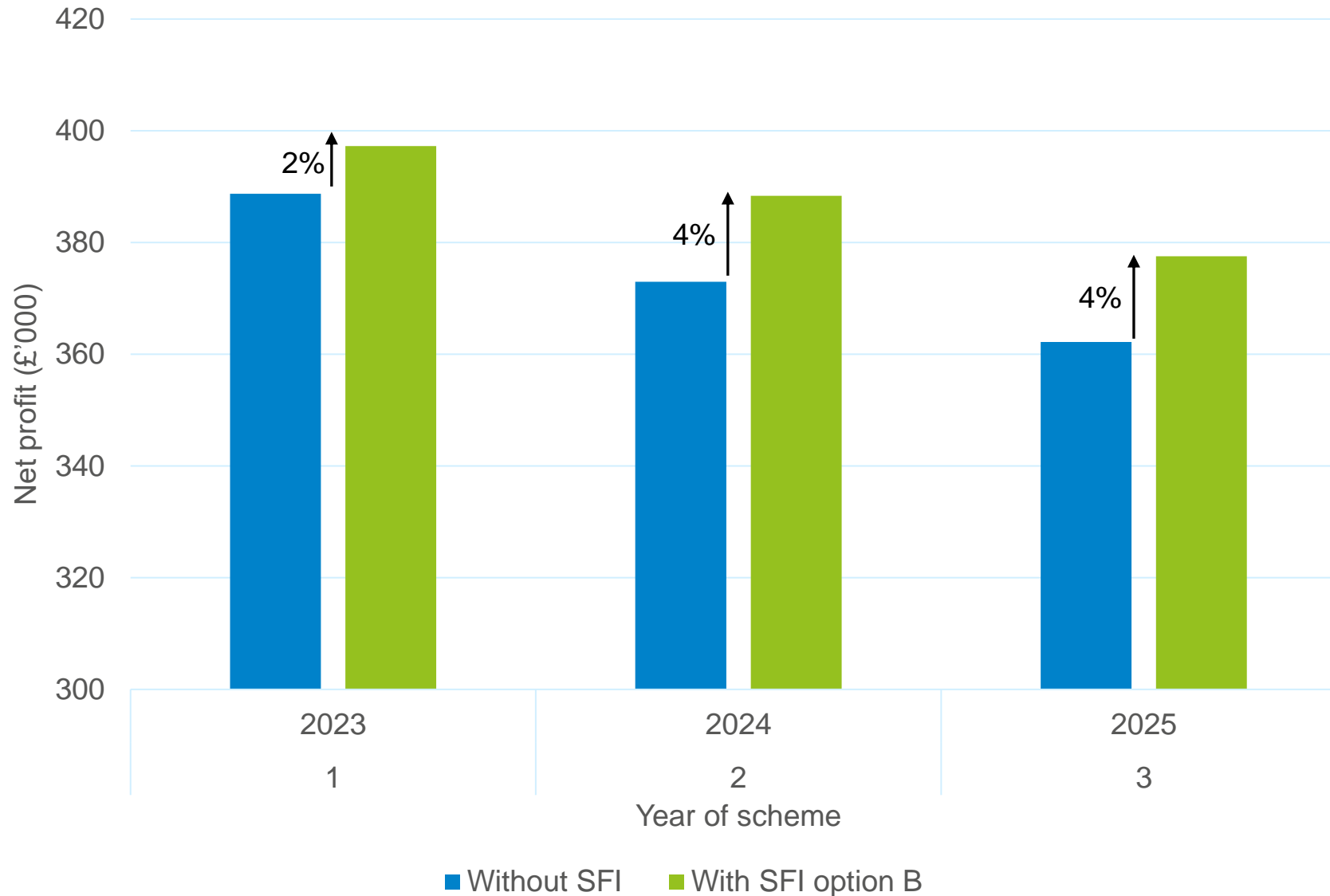
	Code	Action	Payment	Area or length
Option B All actions listed for option A, plus:	IPM2	Flower-rich grass margins, blocks or in-field strips	£673/ha	10 ha
	NUM3	Legume fallow	£593/ha	5 ha
	AHL1	Pollen and nectar flower mix	£614/ha	5 ha
	AHL2	Winter bird food on arable and horticultural land	£732/ha	10 ha
	AHL3	Grassy field corners and blocks	£590/ha	5 ha
	AHL4	4m to 12m grass buffer strip on arable and horticultural land	£451/ha	0.9 ha

Income from Direct Payments and SFI option B



455 ha arable farm,
East of England

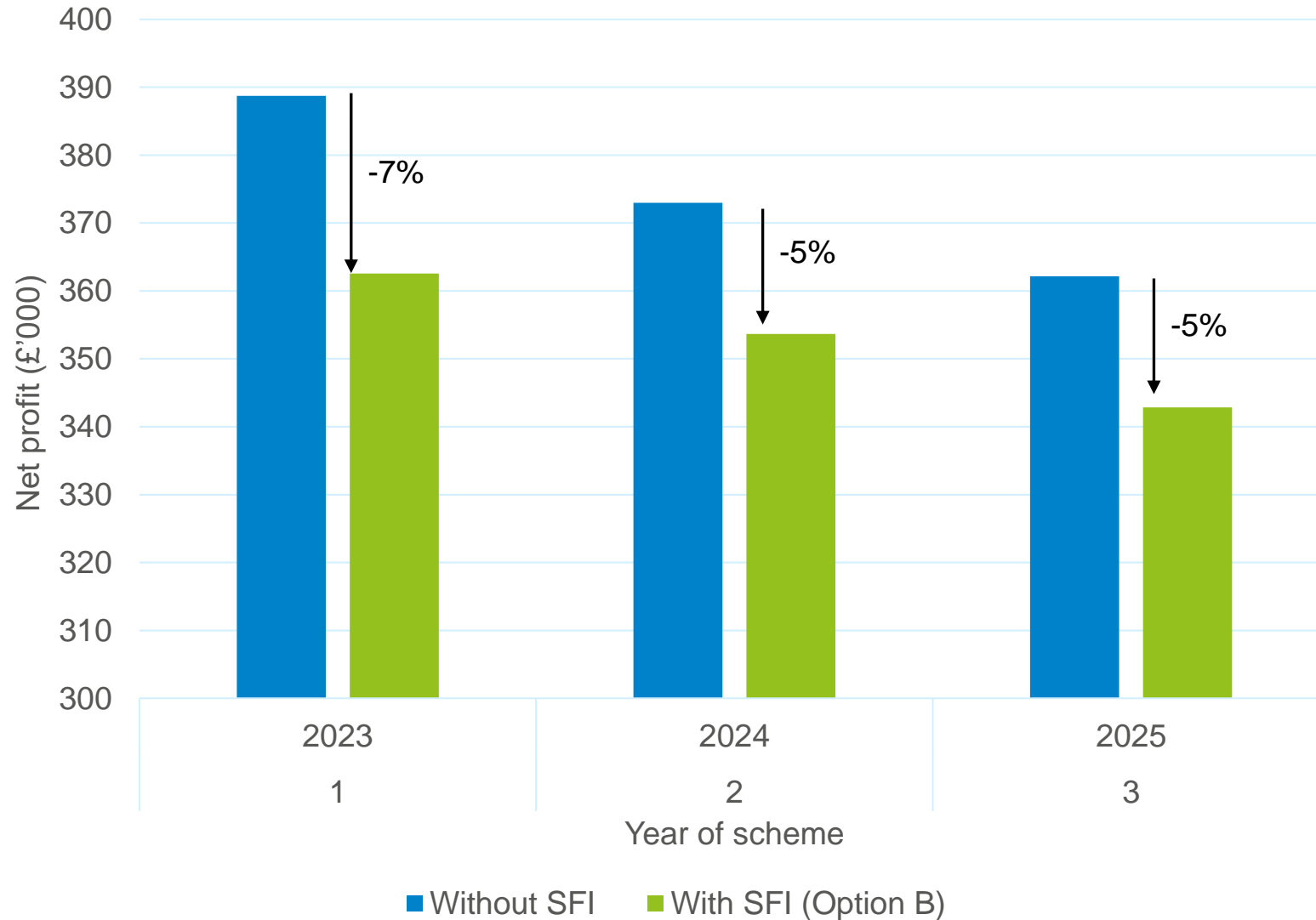
Effect on net profit of arable farm



455 ha arable farm,
East of England

2022 baseline year used

Worst case scenario...



455 ha arable farm,
East of England

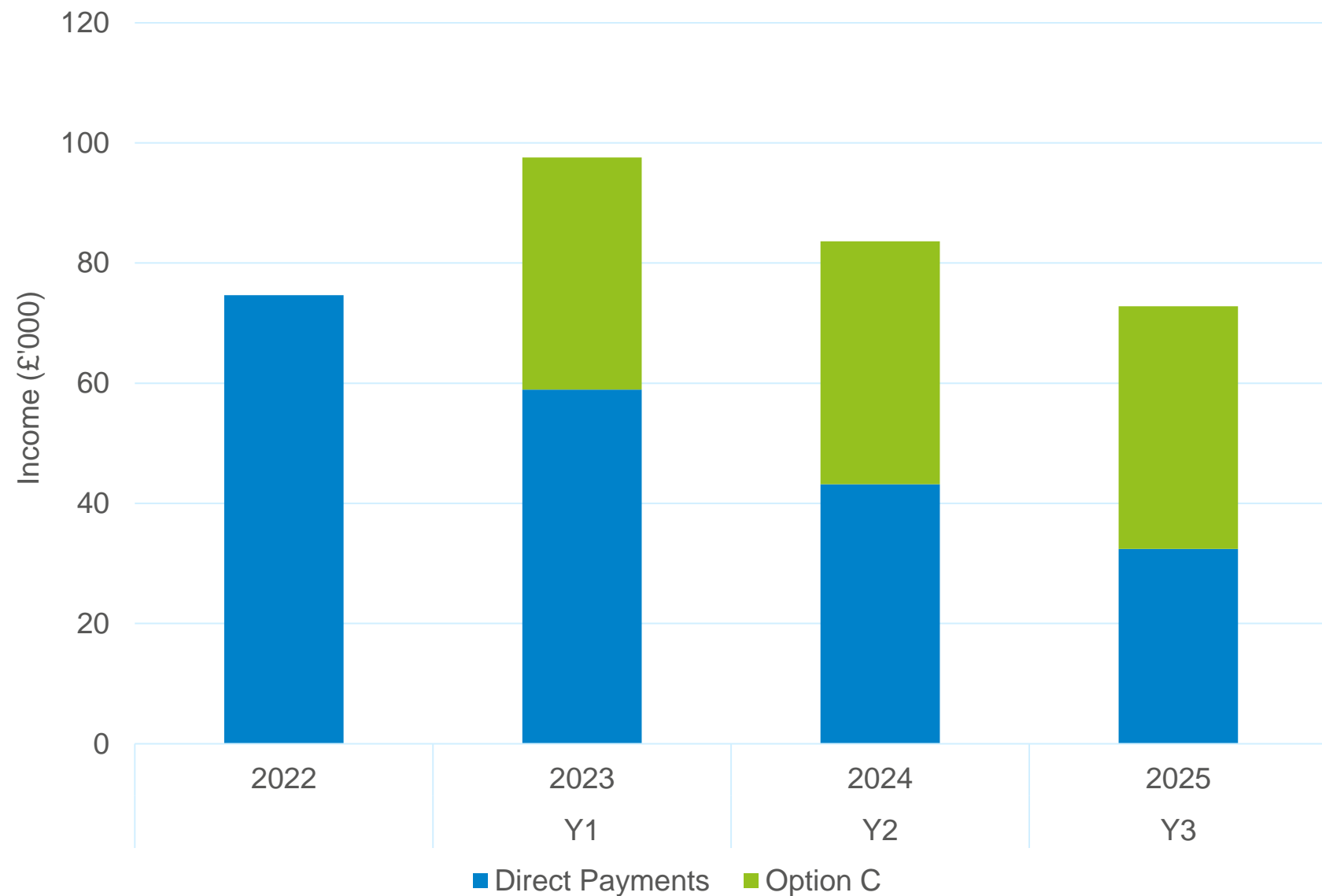
2022 baseline year used

Option C – includes Countryside Stewardship (CS) options

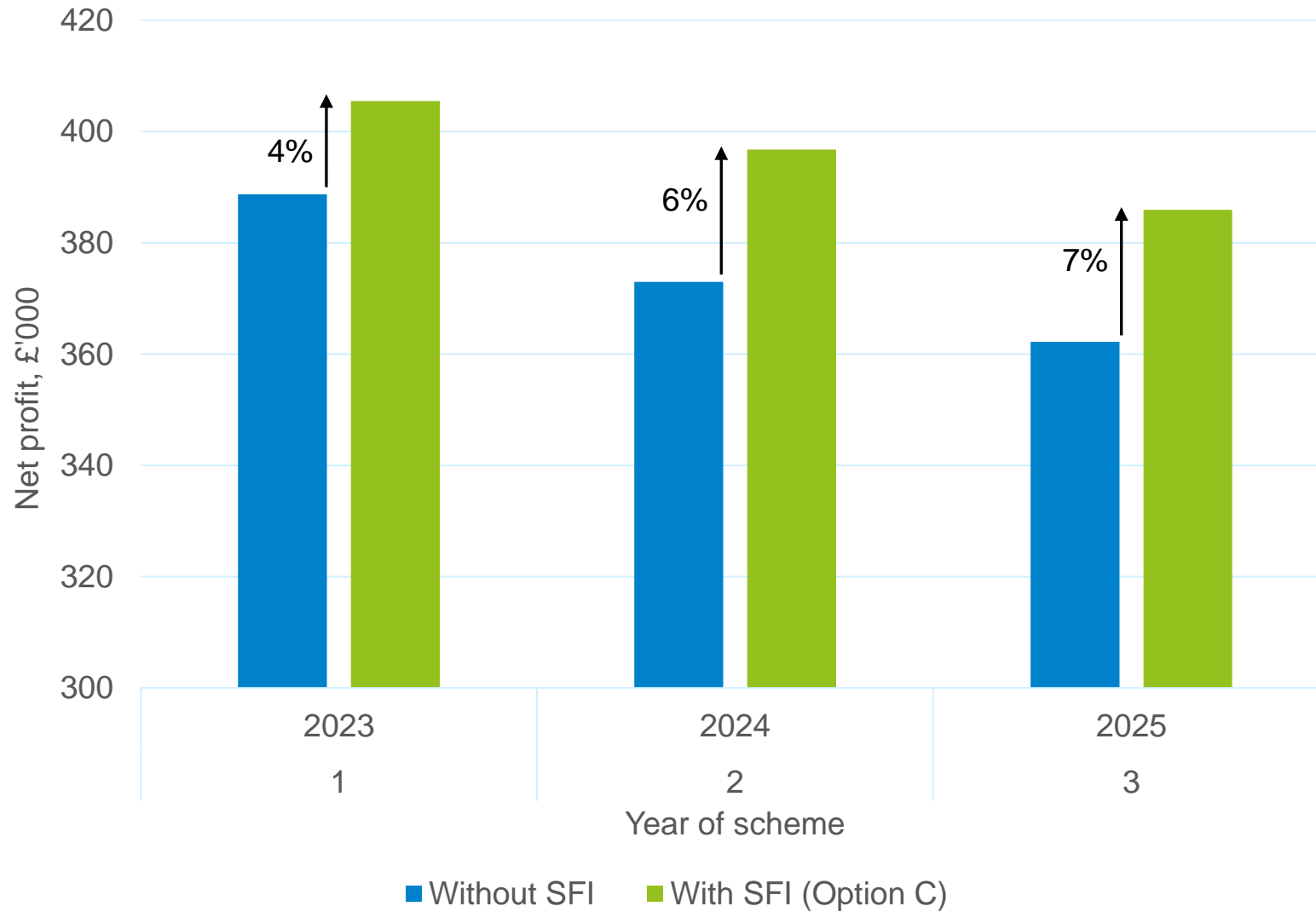
SFI management payment - £20/ha for first 50 ha

	Code	Action	Payment	Area or length
Option C All actions listed for options A and B, plus:	AB7	Whole crop cereals	£584/ha	15 ha
	WD3	Woodland edges on arable land	£402/ha	1 ha
	BE1	Protection of in-field trees on arable land	£503/ha	0.12 ha

Income from Direct Payments and SFI option C



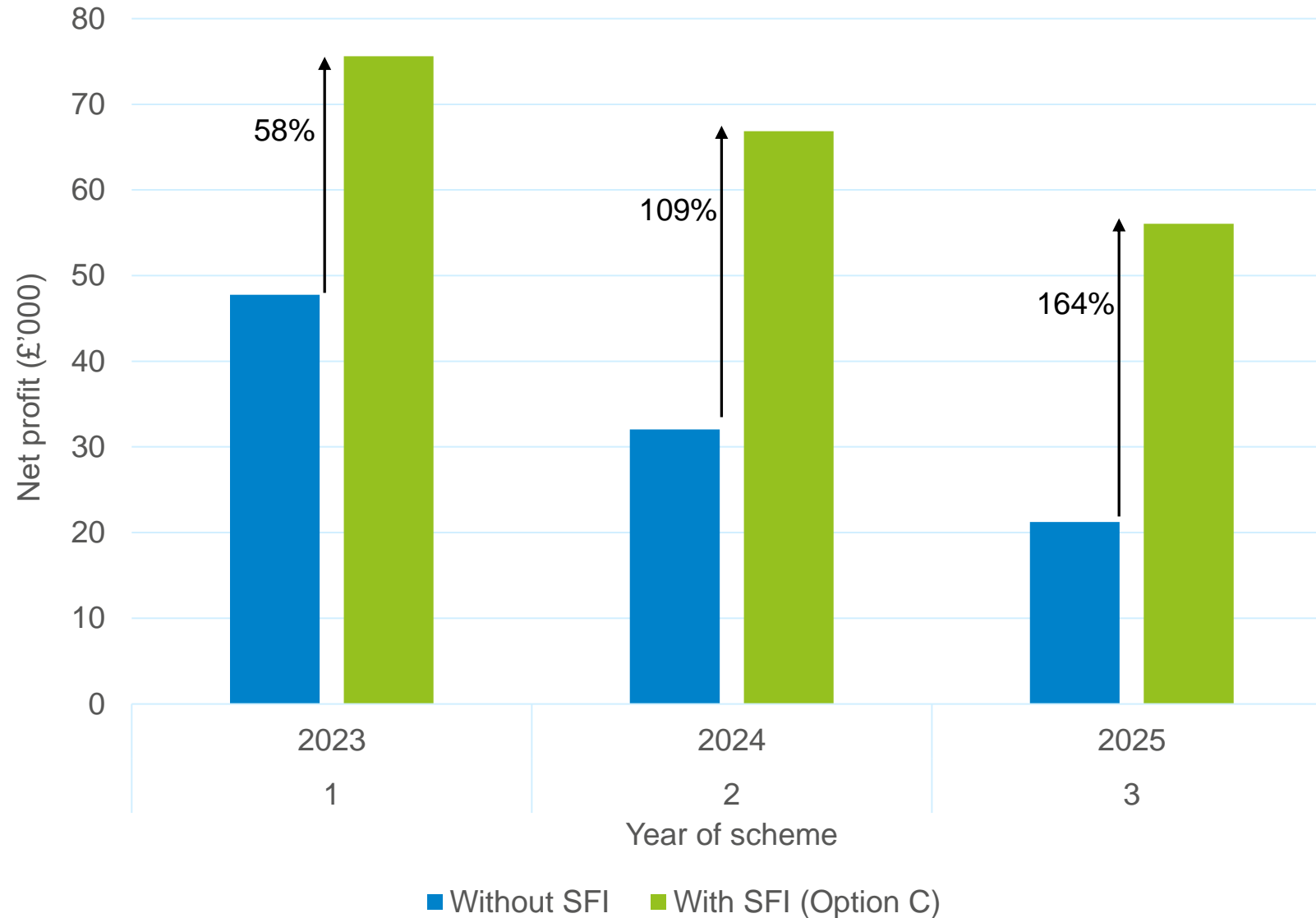
Effect on net profit



455 ha arable farm,
East of England

2022 baseline year used

Effect of market prices



- **The SFI is not going to be enough to mitigate the loss of Direct Payments**, but the **right combination of actions** could go a long way to make up some of the shortfall.
- If you carefully select SFI actions **that are right for your farm**, you can boost the farm's net profit level
- Opportunity to maximise the potential of every hectare of land on your farm
- The SFI has a greater impact on farms with low gross profit margins compared with those that have high gross profit margins
- For all farms, the financial benefit of taking part in the SFI is most likely to be felt in years where market prices are average or below average: it can act as buffer in lean years
- Looking ahead, the SFI can play a role in stabilising farm business incomes

A vibrant landscape of a green field at sunset. A path leads from the foreground towards the horizon where the sun is setting, casting a warm glow. The sky is filled with colorful clouds. The text is overlaid in the center of the image.

**‘Inspiring our farmers, growers
and industry to succeed in a
rapidly changing world’**

Independent analysis and
insight you can trust



The small print

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Thank you

