

9 March 2021

Spring Grain Market Outlook - Where do we go from here?



Introduction

Housekeeping



REC ●

Session 1 – Where are markets going next?

- What are the risk factors for global supply and demand going into the new crop?
- How tight is the domestic supply and demand going to be in 2021/22?
- What is the direction of travel for prices?
- Questions

Session 2 – A look at business performance in 2021/22

- What is the direction of travel for input prices?
- What changes in policy are on the horizon?
- Managing price risk in 2021/22
- Questions

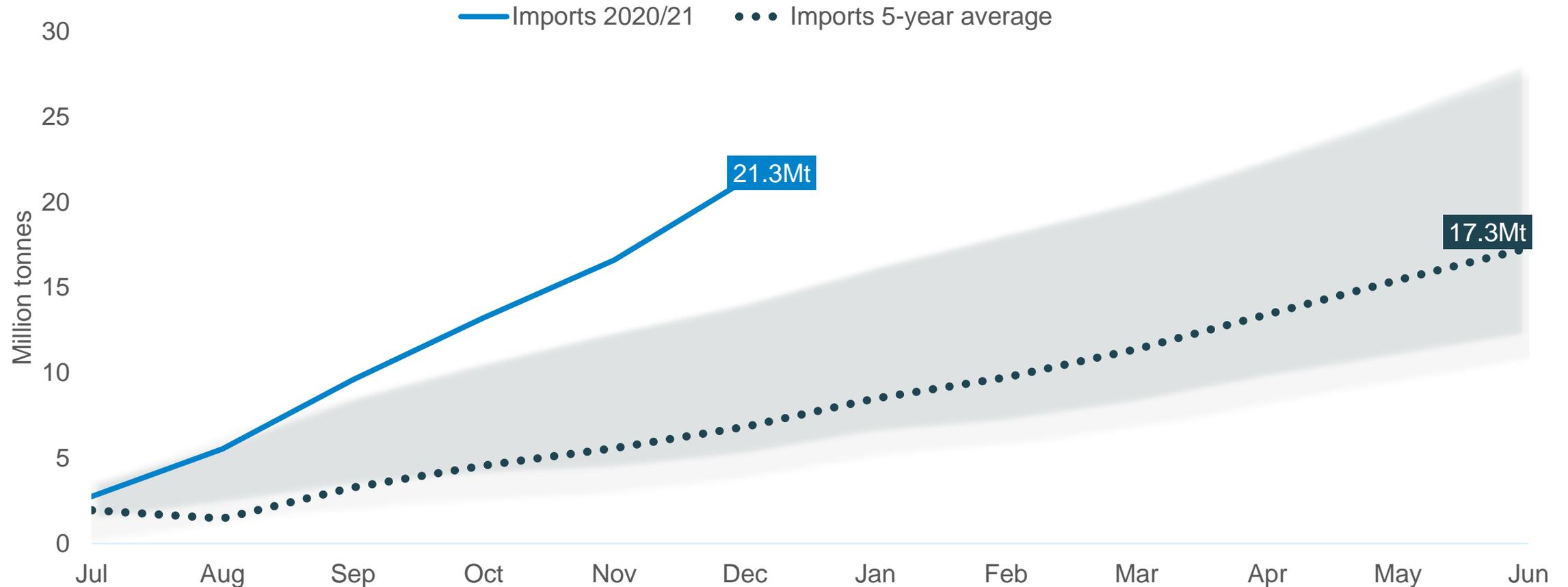
Market Outlook

Anthony Speight, Helen Plant & Thomma Shepherd



Chinese imports of grains and oilseeds are supporting prices

China's hunger for grains*

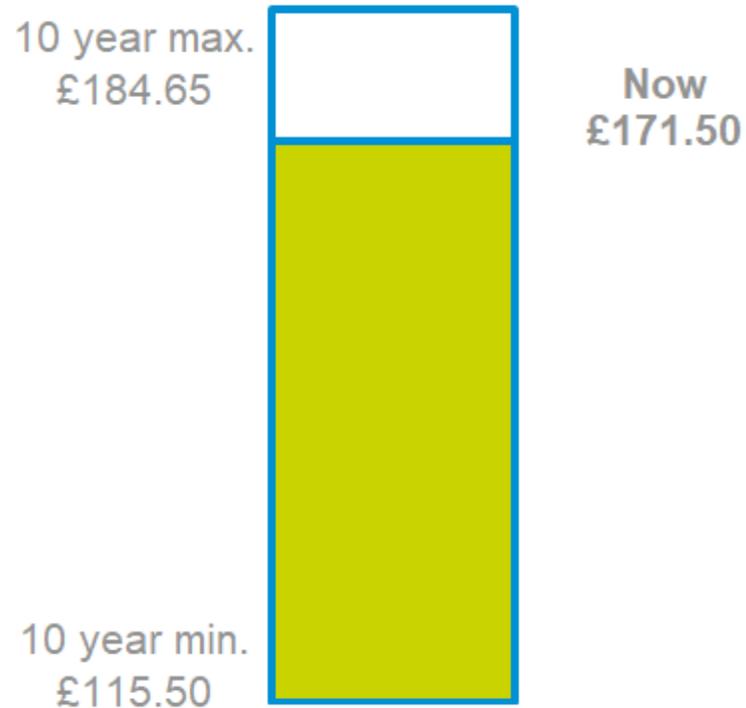


Source: IHS Maritime & Trade—Global Trade Atlas ®

*wheat, maize, barley and sorghum

New crop prices - grains

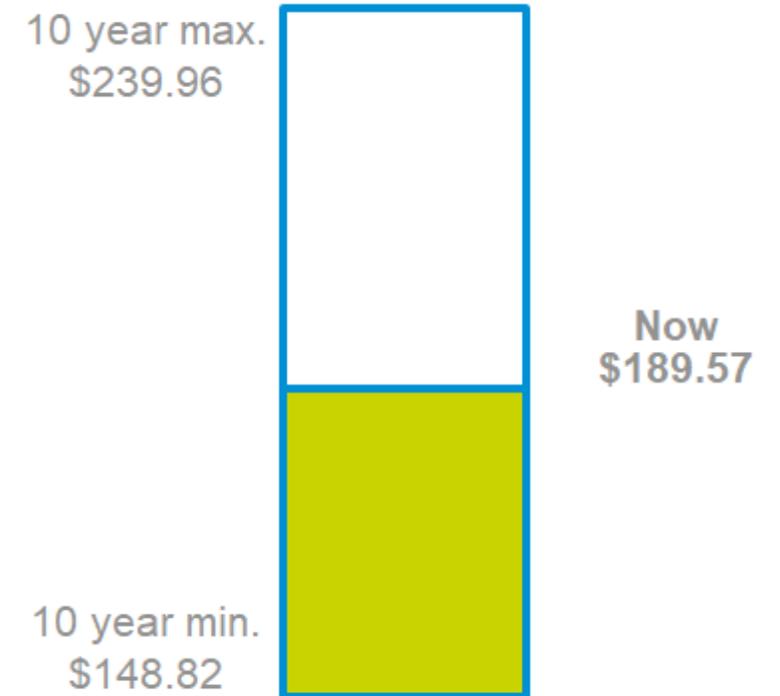
UK feed wheat futures*
as at 05 March



Paris milling wheat futures^
as at 05 March

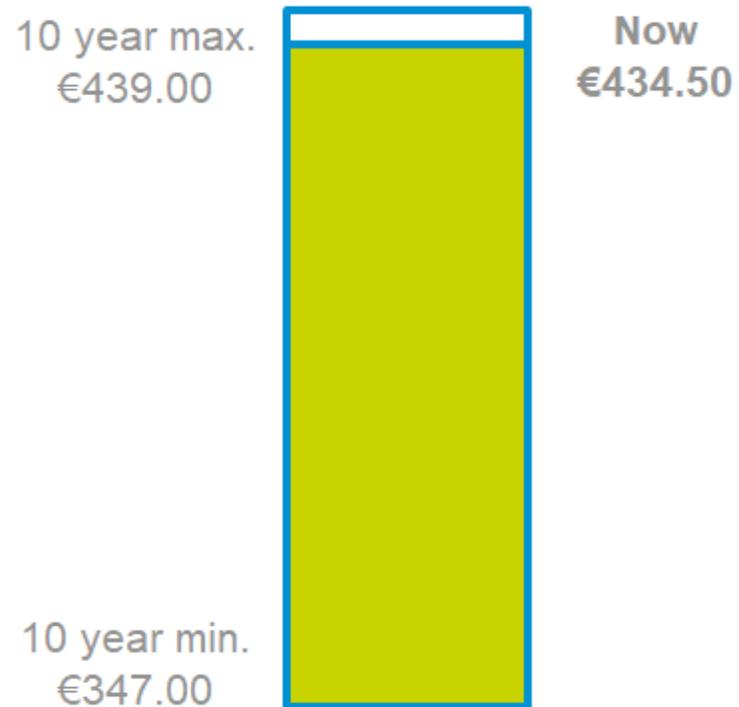


Chicago maize futures**
as at 05 March

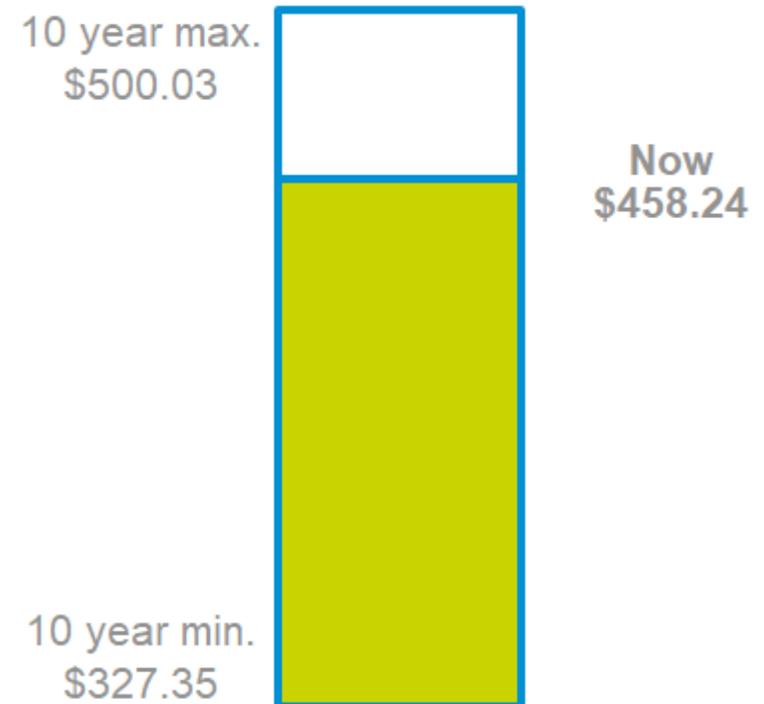


New crop prices - oilseeds

Paris rapeseed futures*
as at 05 March

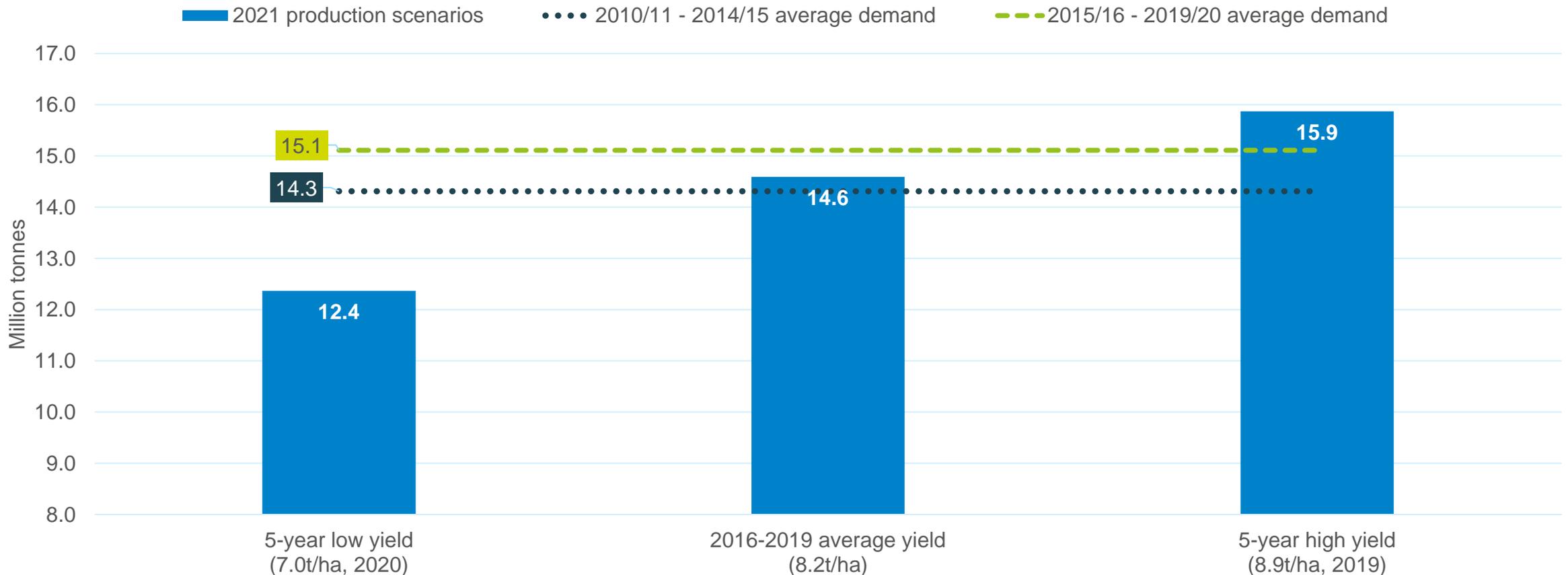


Chicago soyabean futures*
as at 05 March



Potential for UK supply and demand to remain tight next season

2021 production scenarios based on planting intentions as at mid-November*



Source: Defra, AHDB

*from AHDB's Early Bird Survey

Key points

- Stocks held by major exporters are set to fall this season – for wheat, maize, soyabeans and rapeseed.
- All signs currently that China's appetite for imports will continue next season.
- Together these could keep prices supported, even if world production increases.
- Similar situation for the UK – tight old crop supplies and signs this tightness could continue into next season.

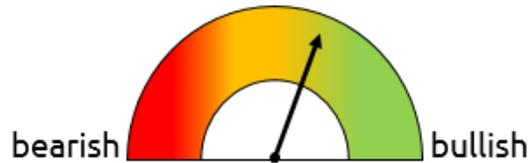
How does this impact business decisions?

James Webster, Vikki Campbell, Alex Cook and
Megan Hesketh



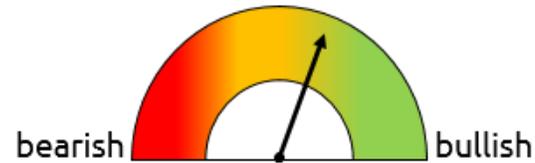
Where are domestic prices going next?

Wheat



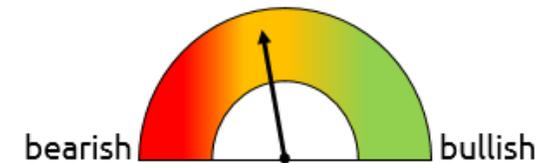
- Very little carry-out from this season.
- New crop unlikely to be huge.
- New crop concerns globally.
- Increased ethanol demand in the UK?

Rapeseed



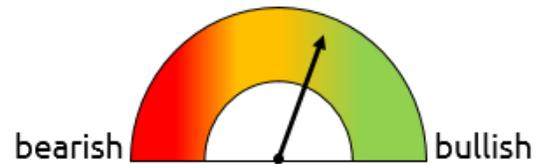
- Continued pressure in the UK from CSFB.
- Another year of below average EU crops.
- Continued strong demand globally.

Barley



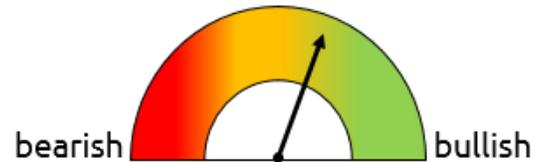
- Another large crop on the horizon
- What will demand from brewers look like (Covid)?
- Reduced feed demand versus 2020

Fuel



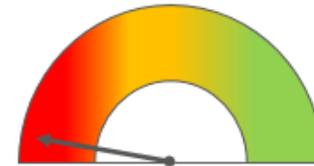
- Values coming from a low base in 2020/21
- Crude oil prices firmer.

Fertiliser



- Large global crop areas, particularly in the US.
- Strong global grain prices.
- Increased cost of energy, with crude and gas price up.

Interest rates



- Commercial banks told to prepare for negative interest rates.
- Reduced cost of borrowing.
- Reduced incentive to save, makes carrying grain slightly more attractive.
- Potential for reduced exchange rate.

	Gross margin	yield	£ output per £ VC*	Rank	Change on 2021/22
Winter milling wheat	875	8.40	2.61	1	Unchanged
Winter feed wheat	820	8.40	2.61	2	Up 1
Spring malting barley	615	5.70	2.85	3	Up 1
Winter OSR	595	3.30	2.15	4	Down 2
Winter linseed	593	2.70	2.67	5	New entry
Winter milling oats	591	6.32	2.73	6	Unchanged
Winter feed barley	550	7.00	2.30	7	Down 2
Spring milling oats	476	5.40	2.48	8	Unchanged
Spring feed barley	458	5.70	2.38	9	Down 2
Winter feed beans	449	4.00	2.61	10	Down 1
Spring feed beans	445	4.00	2.56	11	Down 1
Spring linseed	400	2.00	2.33	12	New entry
Spring feed oats	351	5.40	2.09	13	Down 1

*£ of output (yield x price) for every £1 of variable cost

Source: AHDB Analysis, The Agricultural Budgeting and Costing book, Industry contacts, Defra

Life after the Basic Payment Scheme

Total average FBI (past 5 seasons) <i>WITH</i> BPS	£54.6k
Total average FBI (past 5 seasons) <i>WITHOUT</i> BPS	£18.4k
Difference	£36.2k

Payment band	2021 reduction	2022 reduction	2023 reduction	2024 reduction
<=£30k	5%	20%	35%	50%
£30-£50k	10%	25%	40%	55%
£50-£150k	20%	35%	50%	65%
>£150k	25%	40%	55%	70%

- **ELMS**

- Trialling between 2021-24
- Launching late-2024



Sustainable farming initiative



Local nature recovery



Landscape recovery

- **Other considerations**



Net zero targets and “30 by 30”



Ammonia emissions



National food strategy

- Potential for high prices and high costs in 2021/22, increases the need to focus on CoP in marketing plan.
- Incentive to store increased marginally, need to consider tools available to help manage risk.
- Shift away from BPS will impact bottom line, need to look at options for ELMS and consider impact of other policy shifts.

Thank you



A vibrant landscape of a green field at sunset. The sun is low on the horizon, casting a warm glow over the scene. The sky is filled with colorful clouds, and the field is lush and green. A path leads from the foreground towards the horizon. In the foreground, there are several thin, white, wavy lines that appear to be part of a design or graphic element.

**‘Inspiring our farmers, growers
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rapidly changing world’**

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