Saltburn Monitor Farm

Meeting title: Markets and marketing

Date: 23 January 2020

Speakers: Cecilia Pryce (Openfield), David Eudall (AHDB)

Developing a marketing strategy

David Eudall

- BPS replaced with ELMS
  - We know this – need to start putting plans in place
  - Planning rotation – so already planning several years ahead
- Can't control prices or subsidies – so what can we control?
  - 3 key considerations:
    - Understand markets
    - Set goals & budgets
    - Benchmark & gather information
- Understand the market
  - Where are prices going next?
    - What is a good price & know your margin
    - Only know if a price is good if you compare it against your COP
  - 3-5 rolling strategy
- Cash flow – 2021 risks
  - What can we start doing now to plan?
    - Less wheat in the ground – tight season – need to pay for inputs for next season

Further information

- Key market prices and trends
- How to use average prices to budget and business plan
- Retail and consumer insight

Markets

Cecilia Pryce

Global trade

- Big surplus of wheat & corn - 32m up year on year
- Prices down
- Corn supply came down due to wet weather (but gone back up?)
- US farmers loosing cash on corn & soya beans
- Expected big US crop

- Amount of corn imported into EU gets bigger each year
- Import tax in Europe against US corn (Trump tax) – 25% tax
- US ethanol heading to China – but rise of electric cars may put dampener on this
- Constant demand for cereals – everyone needs bread etc.
- UK wheat competitors 19/20:
  - Russia
  - EU28 – France then Germany biggest exporters
  - US
  - Canada
  - Ukraine
    - UK export (1.5m (?) – peanuts compared to other countries)
- Main global corn & wheat importers:
  - Egypt
  - Indonesia
  - Brazil
  - Algeria
  - Philippines
- Japan no.1 priority for post Brexit trade deal (but cereals not a priority, more interested in cheese)

UK trade

- Somewhere between 14-16m tonnes of wheat in UK
- Spain biggest importer of barley this year
- EU biggest producer of barley in the world
- Better off selling barley domestically than exporting it
- Little wheat imported in UK this year – millers using domestically grown wheat
- GB compound feed down due to domestic demand

Brexit & trade deals

- Who do we need a trade with?
  - UK – 2% of world wheat crop, we are 11.8% of EU wheat crop
  - 5% of world barley market, 13% of EU barley
    - Importers are China & S. Arabia, some to N Africa
- UK is 1.26% of world's grain trade
  - Can't compete with other grain producers – not good negotiating position
  - Domestic demand is bigger (than world demand?)
  - Quality makes trade deals difficult
  - Logistics would find it difficult to export 400k a month
- Leave EU – third country – non-tariff barriers – farmers bear brunt of the cost
- Difference between trade assurance & farm assurance – important for people to know the difference between the two
- 11 month transition – 1 Jan 2021
  - Will we get an extension?

Take-home messages

- Fundamental point – no certainty about what will happen, only what could/should happen.
- More grain than demand, right price, right quality
  - Keep lid on grain price – struggle to get a price from last years' harvest
  - Impact on ex farms price – timing, location, next year's harvest
  - Price up to restrict demand

- Next years' US maize crop will affect UK wheat crop
  - US largest exporter – will affect global grain prices, people eat maize if can't get grain
  - A big maize crop (if it happens) will place lid on the price UK farmers get for grain
- EU 25% import tax – affects US maize into UK
  - If 25% tax on exporting to Europe, UK could go to South America instead for maize
  - Uncertainty of US maize into UK (does this depend on a US-UK trade deal?)
  - It's up to farmers to be aware of what import taxes are in price at any one time
- Unless UK grain can compete on quality
  - UK is a market follower rather than a market maker (e.g. Russia & US)
  - An importer will want to know
    - Is it price competitive?
    - Is the quality there?
    - Does it say what it does on the tin?
- Australia feeds Japan grain – if the UK wants to export to Japan it needs to differentiate in some way
  - Japan imports maize
  - If we want to export to Japan we need to consider
    - Price
    - Quality
    - Tender terms
- We export what we don't consume domestically
  - Less than 10% of grain production goes on a ship to be exported (compared with France where it's 50%)
  - We consume most grain we produce domestically
- Spain – biggest importer of barley last year due to a drought
  - We shouldn't focus on exporting to Spain as we need to be dynamic – prepared to export where we need to export
  - 'Rule book' says if we've got some left over – we export it
- Barley – majority of stuff that leaves Europe goes non-EU
  - Can compete non-EU
  - <u>BUT</u> UK's infrastructure at breaking point if we have a good harvest – how are we going to cope with exporting to far flung destinations?
  - 30 mins. for farmer to load a lorry – 50mph, 50 miles away
  - Costs borne by the farmers – 50 tonnes a day per lorry
  - Physically aren't enough lorries in this country
  - Road infrastructure doesn't work
  - Infrastructure isn't designed for us to be a major exporter all the time
- Not enough domestic demand to support barley grown
  - (NB: barley grown for black-grass primarily – nothing to do with demand)
- Millers – price & quality – will use as much UK grain as possible, mills not next to port
- Farmers will have to pick up bill for non-tariff barriers
- Red Tractor – won't mean anything outside to EU
- Phytosanitary – free from weed seed, GMO, bugs – this is an issue for exporting to China
- Farm assurance – Red Tractor, trade assurance is e.g. AIC regulated Openfield
  - Without trade assurance can't stand by farm excellence
  - When we buy imported grain - we buy trade assurance grain

Further information

- Cereals and oilseeds market information
  David Eudall, Head of Market Specialists – Arable: David.Eudall@ahdb.org.uk

AHDB resources

- Understand your business costs with AHDB's benchmarking tool Farmbench at ahdb.org.uk/farmbench
- Monitoring tools are available at ahdb.org.uk/tools
- Sign up to market information and research newsletters at ahdb.org.uk/keeping-in-touch
- Find out what's going on at other Monitor Farms and Strategic Farms at ahdb.org.uk/farm-excellence
- All AHDB events can be found at ahdb.org.uk/events
- For guidance on how Brexit will impact your business, see ahdb.org.uk/brexit

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