

The Andersons Centre – Latest News Update

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CAP Reform 2012

The combines are rolling in many parts of England eagerly harvesting oilseed rape, barley and oats. However, the showery weather has made the harvest a very stop-start affair so far. Progress is well behind the average for this point in the summer.

The first indications from the barley harvest are that quality from winter crops is generally good. Yields, however, are mixed with some crops reportedly yielding well and others disappointing. Spring crops are still generally some days away from harvest. *Even for those that make the malting quality thresholds, there may be little in the way of premiums. We have reported previously on the collapse in malt demand as global beer and spirits sales have slumped. Maltsters still have large stocks in store, and are reluctant to enter the market for any more. The situation is not being helped by good quality barley crops in other European countries such as France and Denmark. Those that do have quality samples are advised to ensure that it is stored well (for example drying down to at least 14.5%) to ensure that it is acceptable to maltsters if the market subsequently picks up.* Prices for feed barley are trading at a substantial discount to wheat as concerns about the quantity of feed grains on the world market weighs heavily on prices.

Oilseed rape crops are yielding much better than expected, considering how poor many of them looked after establishment in the autumn. However, there is a view that the better crops are being harvested first, with the more patchy ones being left to later. Good yields are also being reported on the continent. The prospect of a larger EU crop has depressed prices.

Although almost no wheat has been cut in the UK, prices have continued to slide as markets come under harvest pressure as the northern hemisphere harvest progresses. US futures have fallen due to excellent growing conditions for the US corn (maize) crop. This raises the prospect of there being ample feed grains (and grain for ethanol) after the 2009 harvest, and is pulling down all cereals prices including wheat. As the rains continue right across northern Europe, concerns about the quality of the wheat crop are growing. A higher proportion of feed quality grain will further depress prices in that market. A larger milling premium is starting to open up.

One further factor influencing the global market is a sell-off of positions on the Chicago exchange by commodity traders. Some of this is in response to market fundamentals – i.e. the prospects for a large global crop. However, there is increasing political pressure in the US to restrict the size of the positions that commodity funds can hold. The funds are accused of making the market more volatile, and less useful as a hedging tool for those actually involved in the physical market. Although no new rules have been enacted, some traders are taking action in anticipation.

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