

The Andersons Centre – Latest News Update

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Combinable Crop Markets - Looking Back, Looking Forwards

Compared with the market movements of the previous 12 months, 2009 was a relatively docile year. November 2009 wheat futures moved by £63 per tonne, but the November 2008 contract moved by more than £100.

Turning to the 2010 crop, the second half of 2009 has seen a tighter trading range, with the November 2010 wheat futures contract remaining within the £110 to £120 band for all but one short period around harvest time. This tighter trading range is reminiscent of parts of the last decade which saw futures contracts move no more than £15 from start to finish (for example the 2000 year).

This is not necessarily a sign of things to come in 2010. It is impossible to tell with any certainty, but fundamentals suggest the supply of grains is ample for the remainder of the old crop (2009 harvest) marketing period, both on a national and global level. It is worth remembering that grain stock levels are not low any longer, regardless of which way they are measured. This is particularly true for wheat. The biggest price movements (volatility) occur during periods of grain shortages i.e. when supply and demand are most finely matched. Thus a smaller trading range seems likely for 2010. Careful marketing will remain paramount; when prices are depressed, making an extra £5 per tonne feels as important as making an extra £15 per tonne when prices are well above the cost of production.

We cannot tell what the new decade will bring to the arable markets. Trends over the last 20 years and forecasts from demographers and geographers suggest there will be big changes. Increasing population, changing consumption habits from rising wealth and emerging resource shortages such as water, land and phosphate might alter the economics of arable farming.

Also the adoption of GM technology, primarily in China where up to now it has not been widely deployed for staple foodstuffs, may change the price matrix of combinable crops and other crops competing for land.

The demands on agriculture for non-food purposes, primarily energy but also to provide raw materials for other industrial processes, could also provide opportunities for the arable sector.

For further information on arable commodity markets, please contact us

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