Wheat Genetic Improvement Network: 16/11/18

Wheat market update

Daniel Rooney – MI Arable analyst

CEREALS & OILSEEDS

Outline

Global outlook – what is moving world wheat markets

UK picture – Looking at the domestic factors

What to watch

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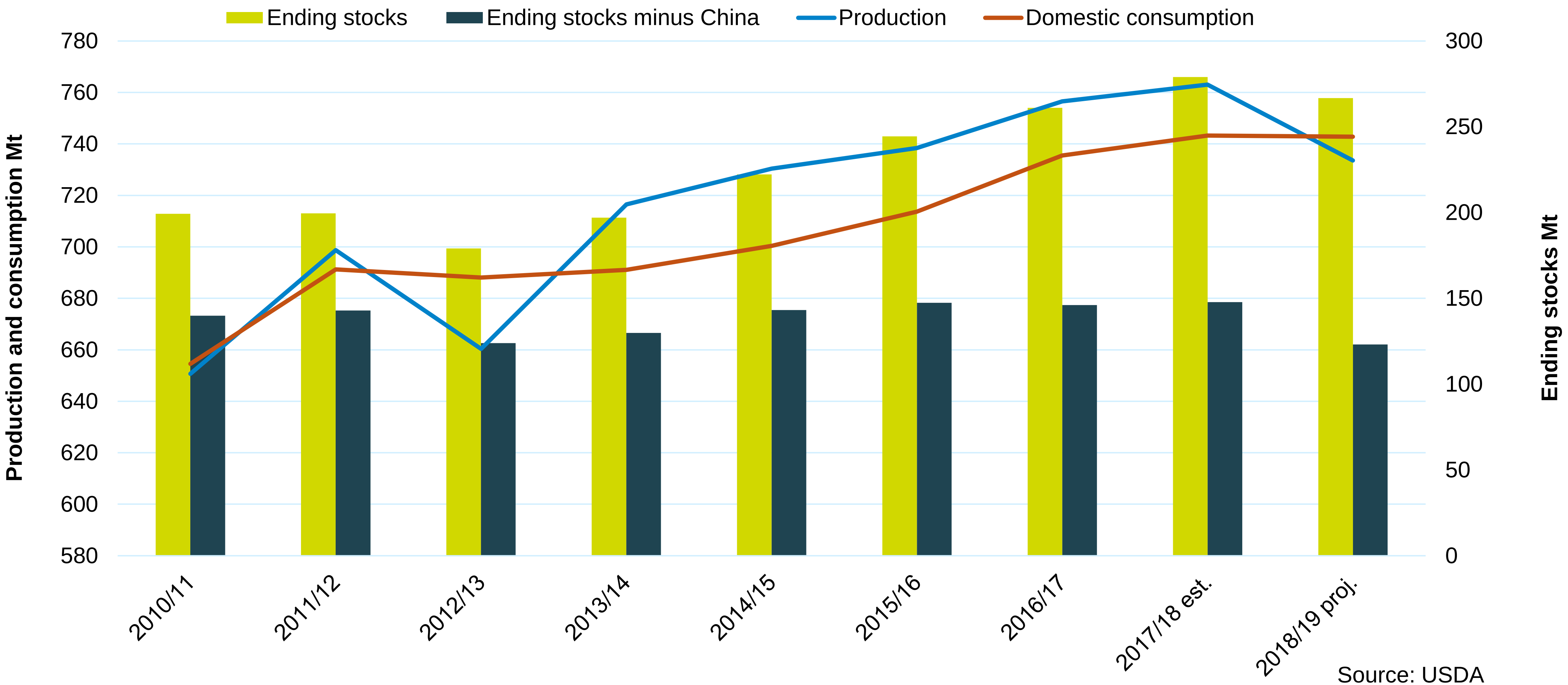
Global outlook

World wheat deficit in 2018/19

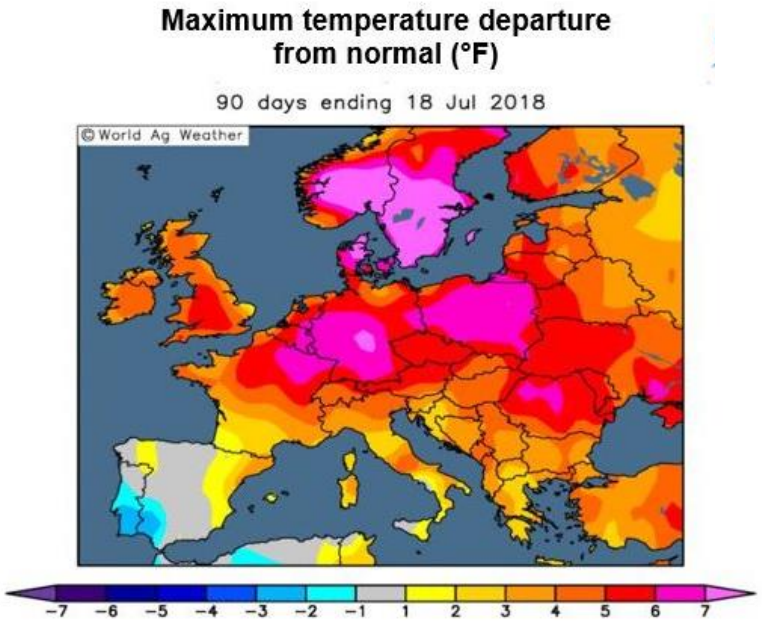


Source: USDA

Dry difficult conditions for many

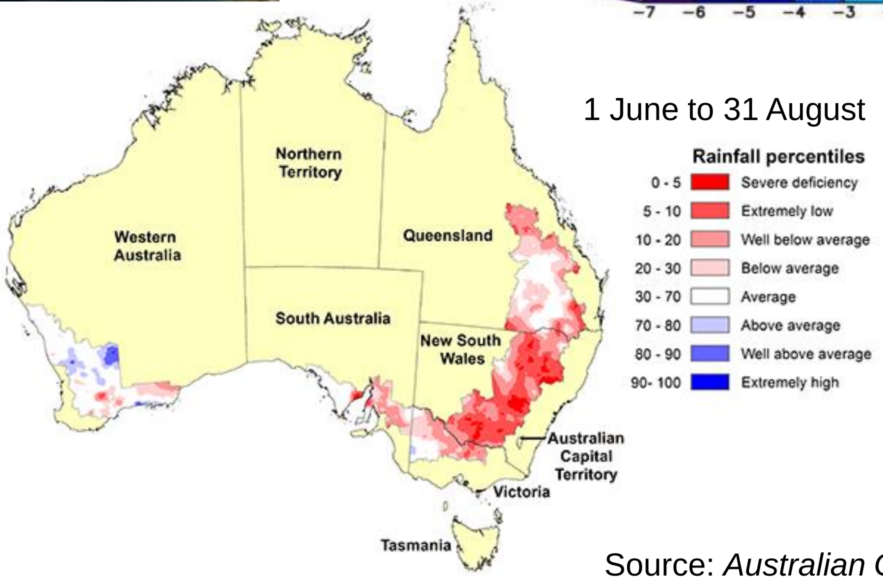
May July

Source: *Met Office*



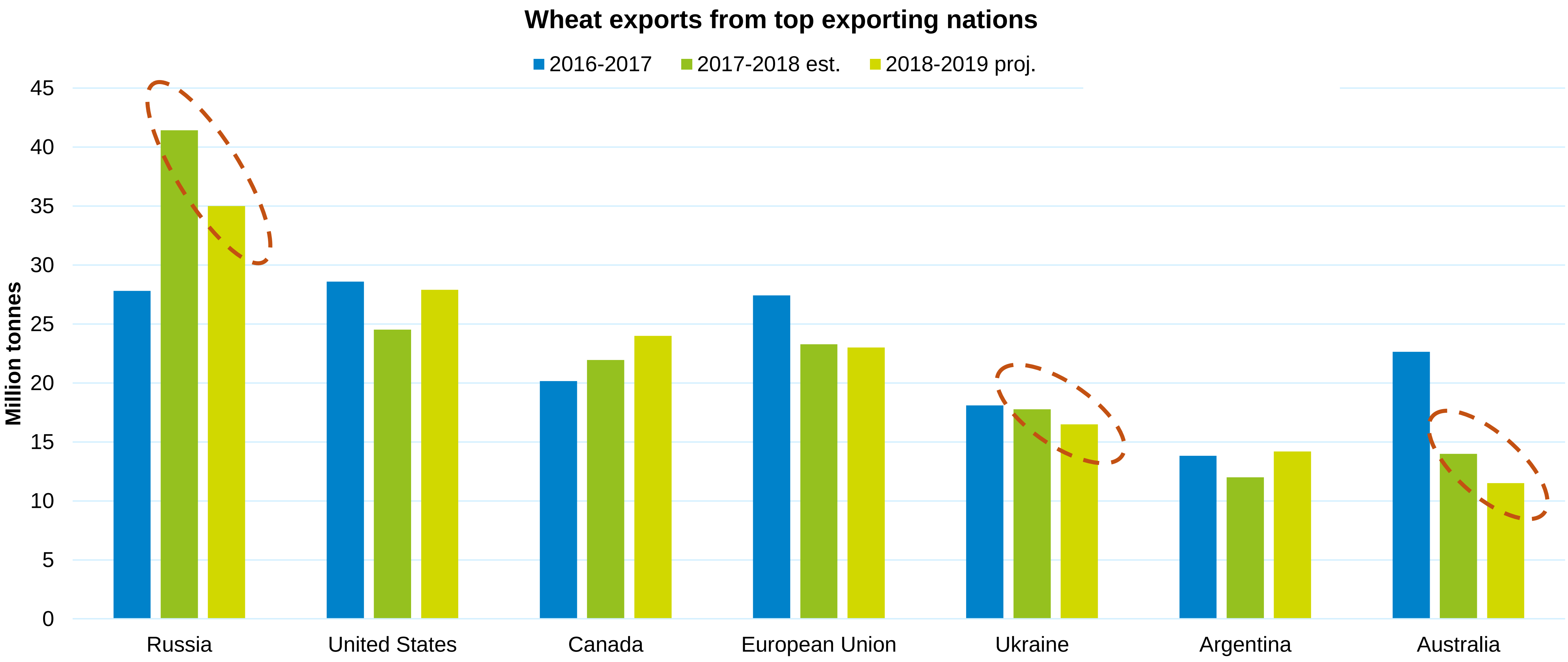
Source: *World Ag weather*

1 June to 31 August



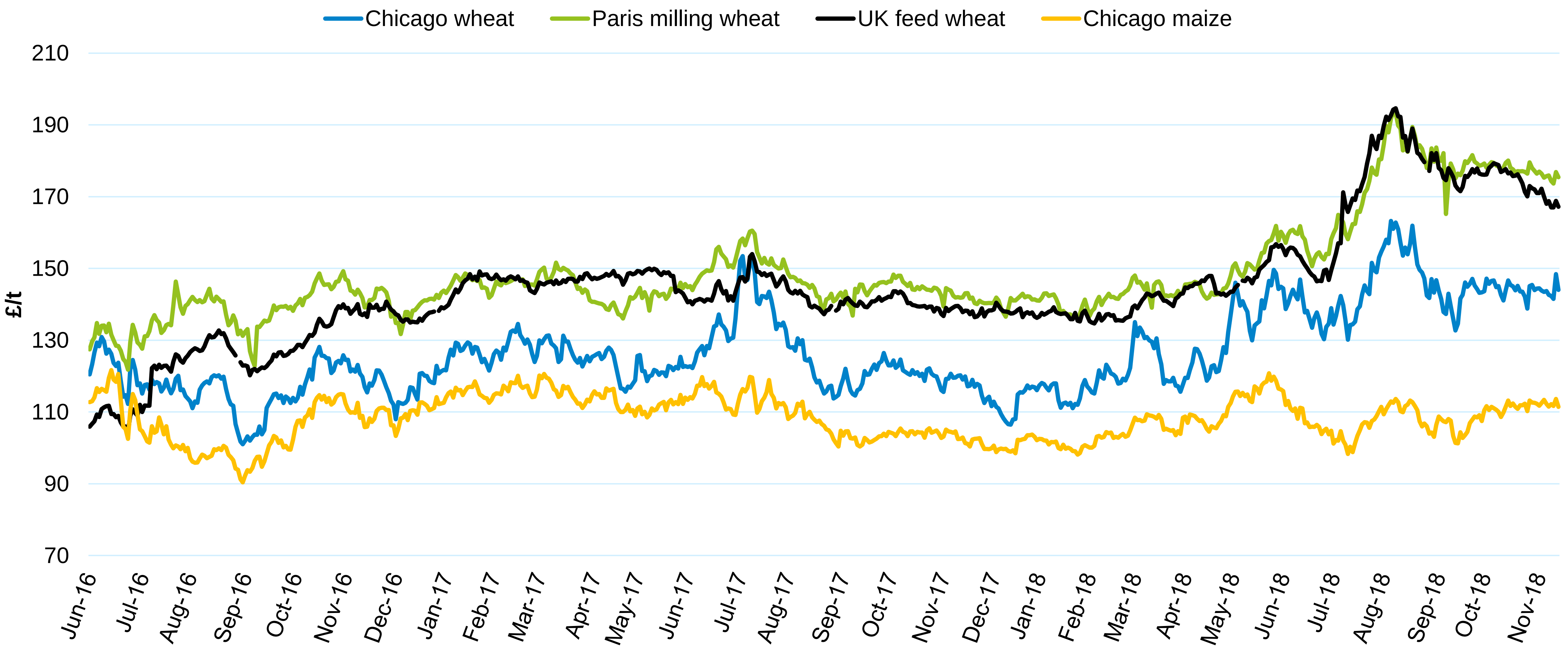
Source: *Australian Government*

Reduced wheat export availability



Source: USDA

Wheat price* up and spread to maize widens



*nearby futures contracts

Source: ECB, ICE, Euronext and CME Group

UK picture

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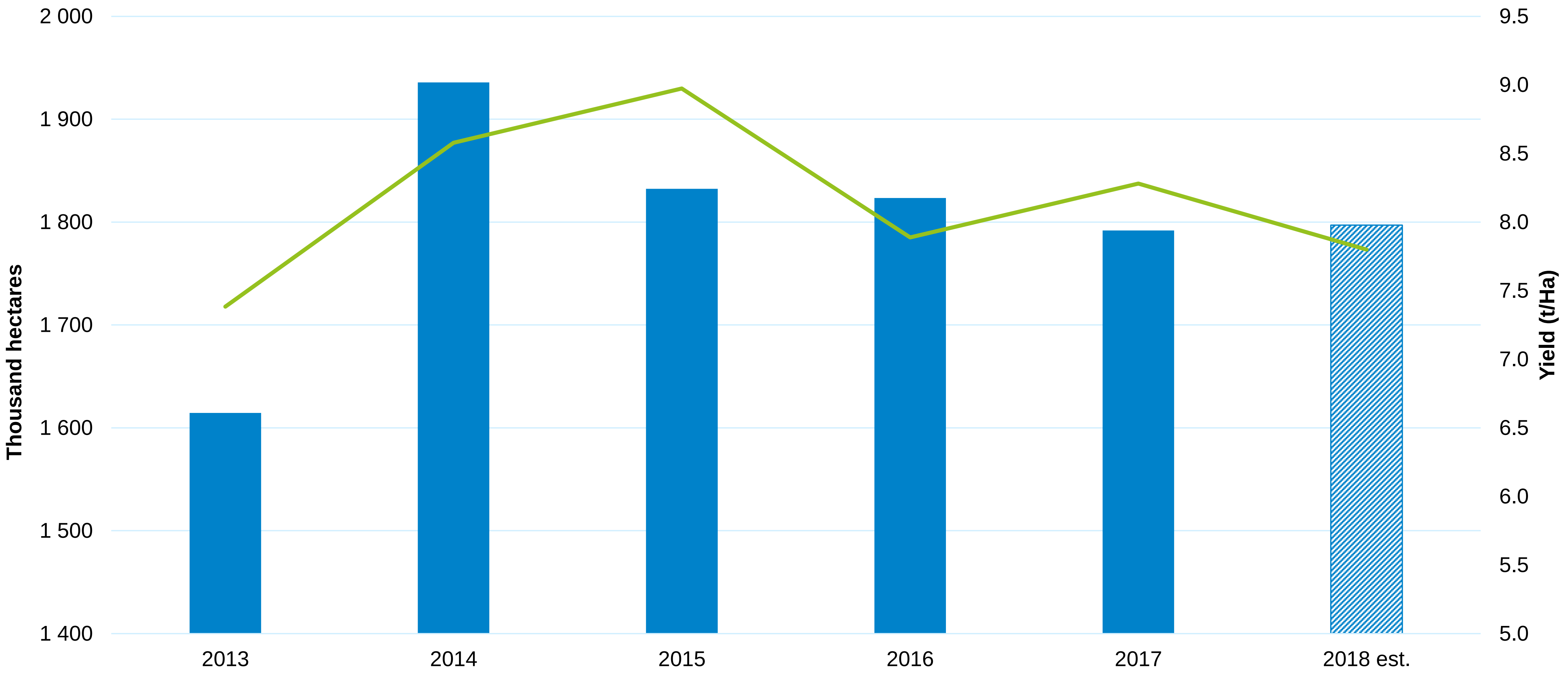
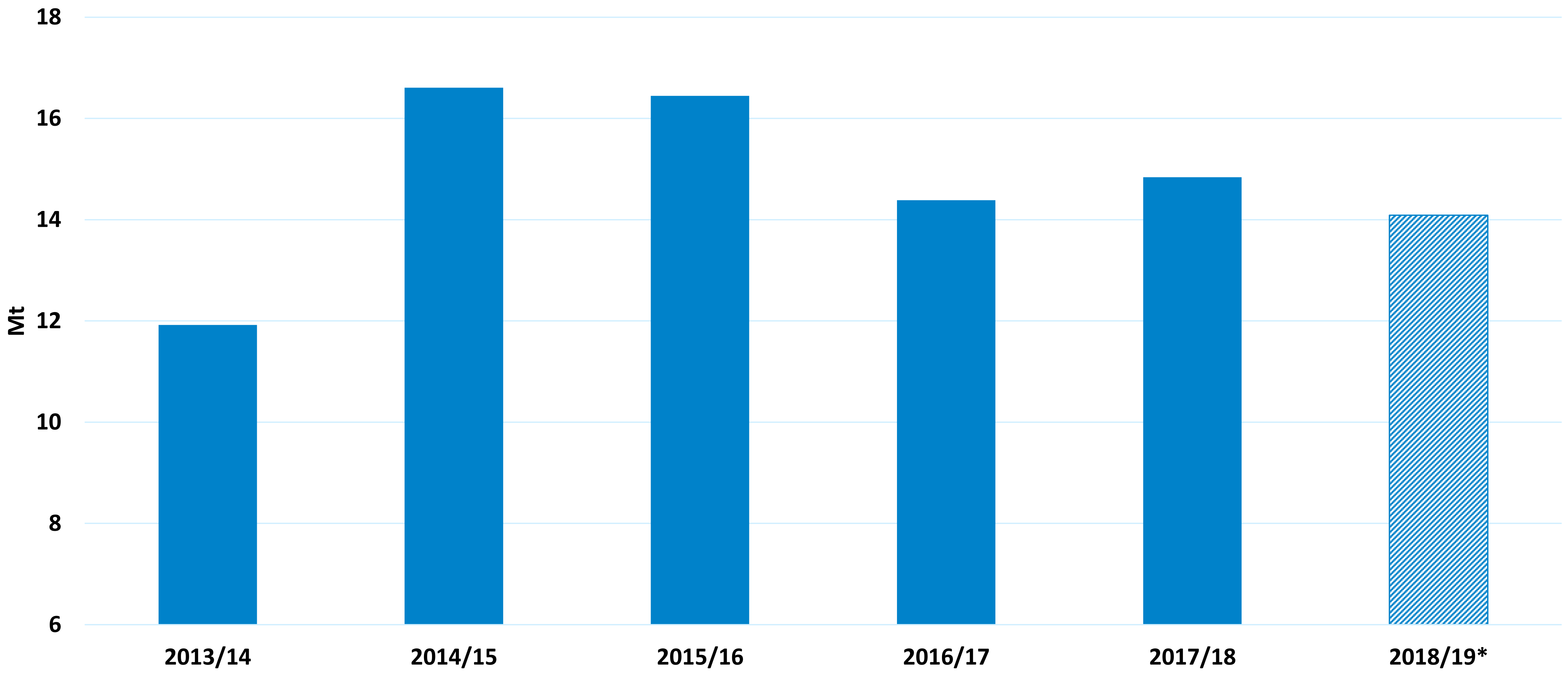
UK wheat area flat



Source: Defra

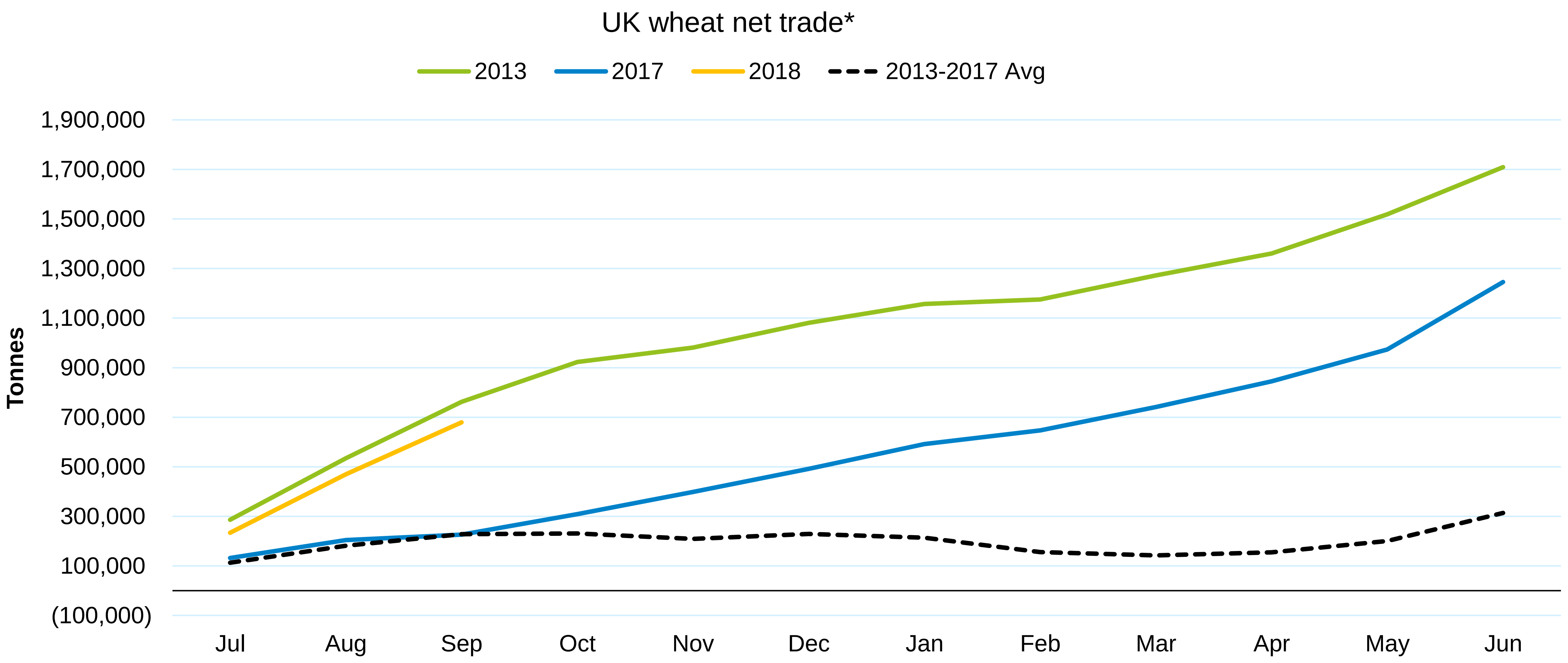
Lowest domestic wheat production since 2013/14



*Defra provisional estimates

Source: AHDB & Defra

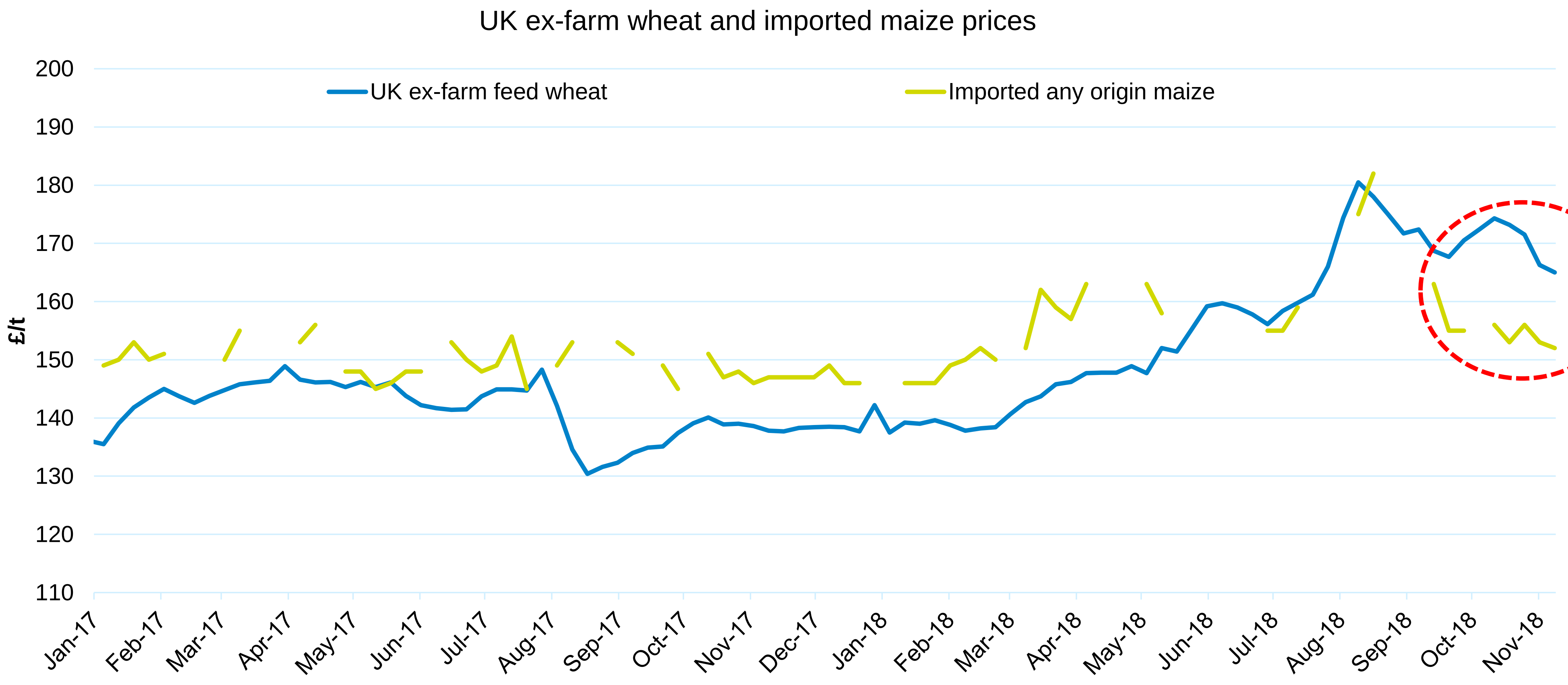
UK looks set to be net importer again…



*Net trade = Total imports – Total exports

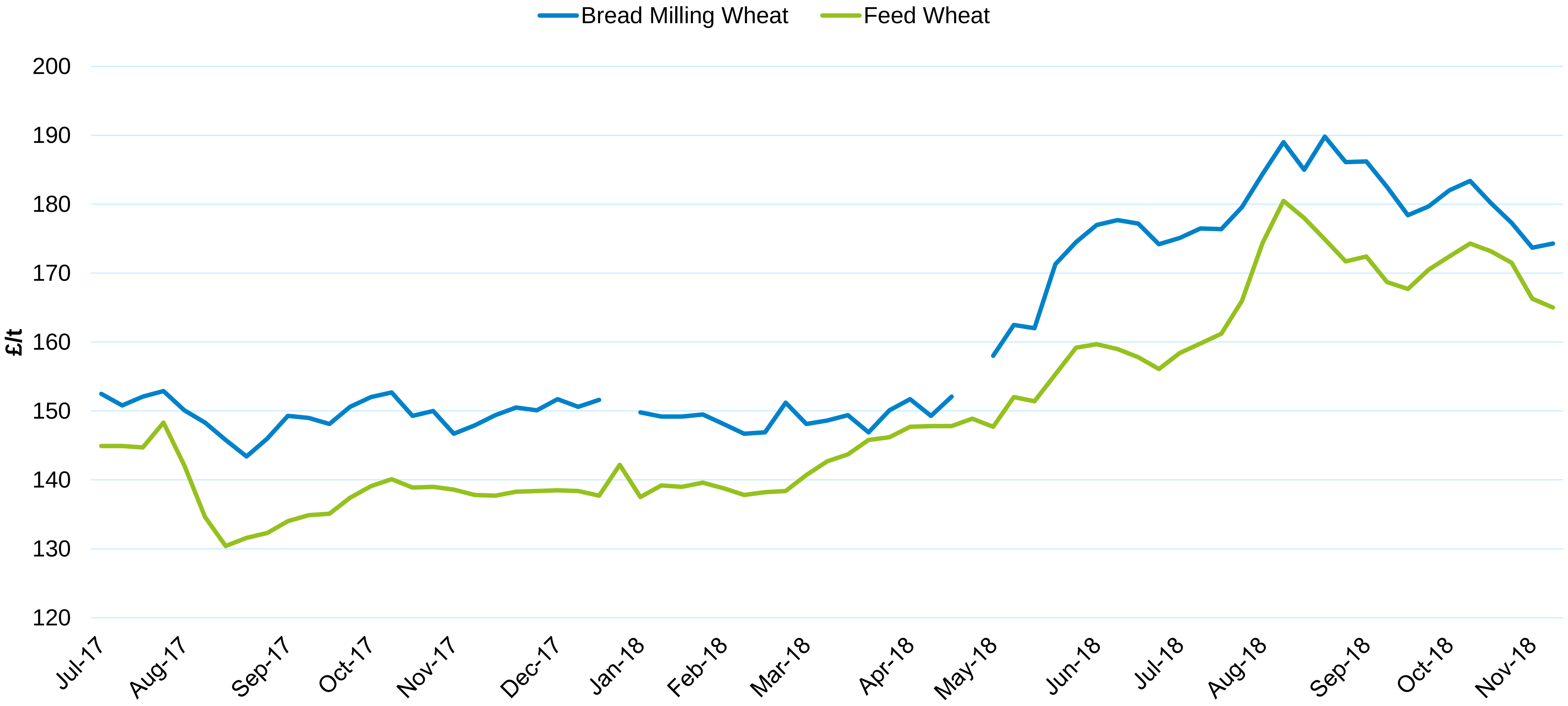
Source: *HMRC*

Strong wheat imports unlikely to last



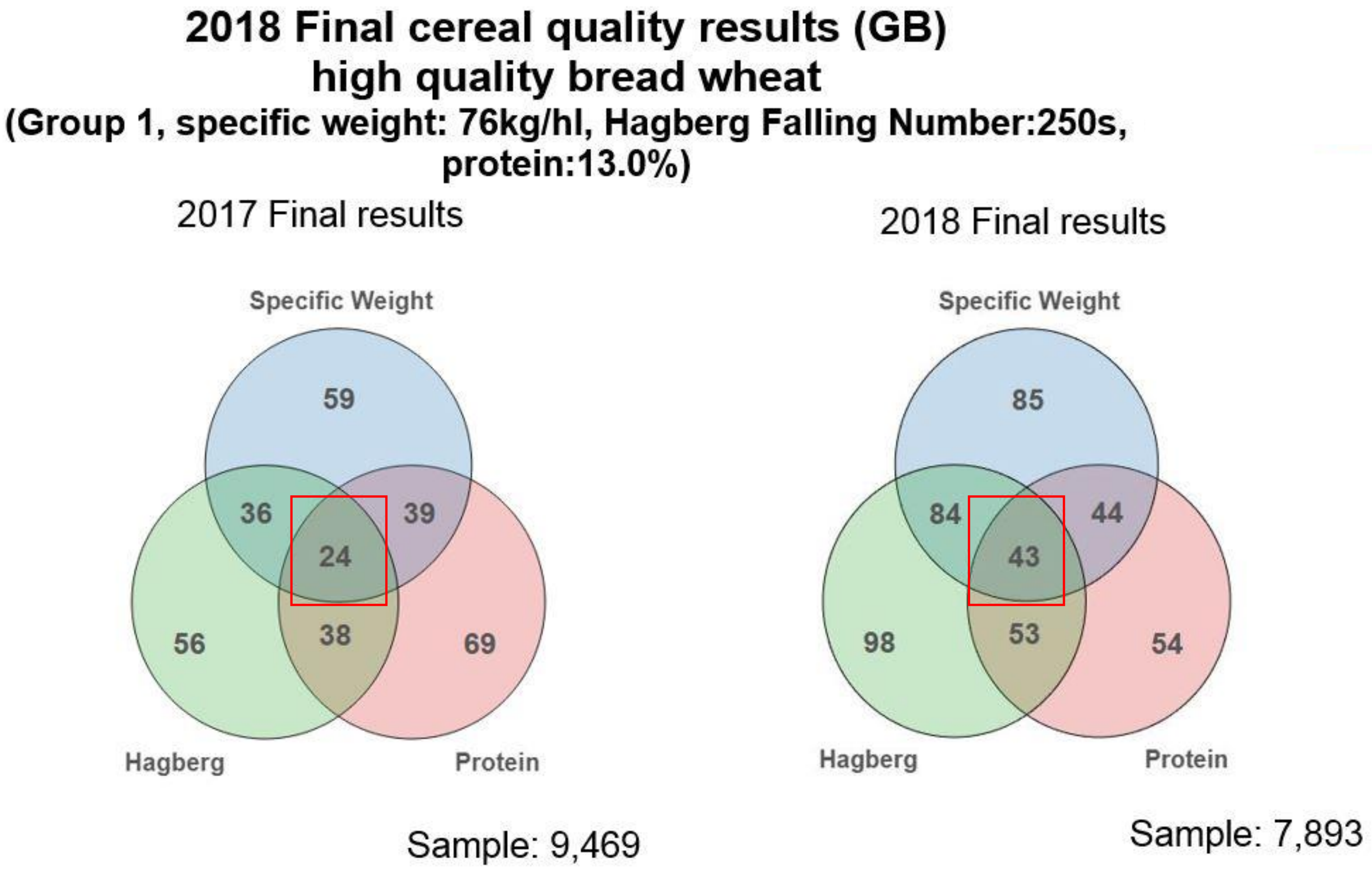
Source: AHDB

UK ex-farm wheat prices (spot)



Source: AHDB

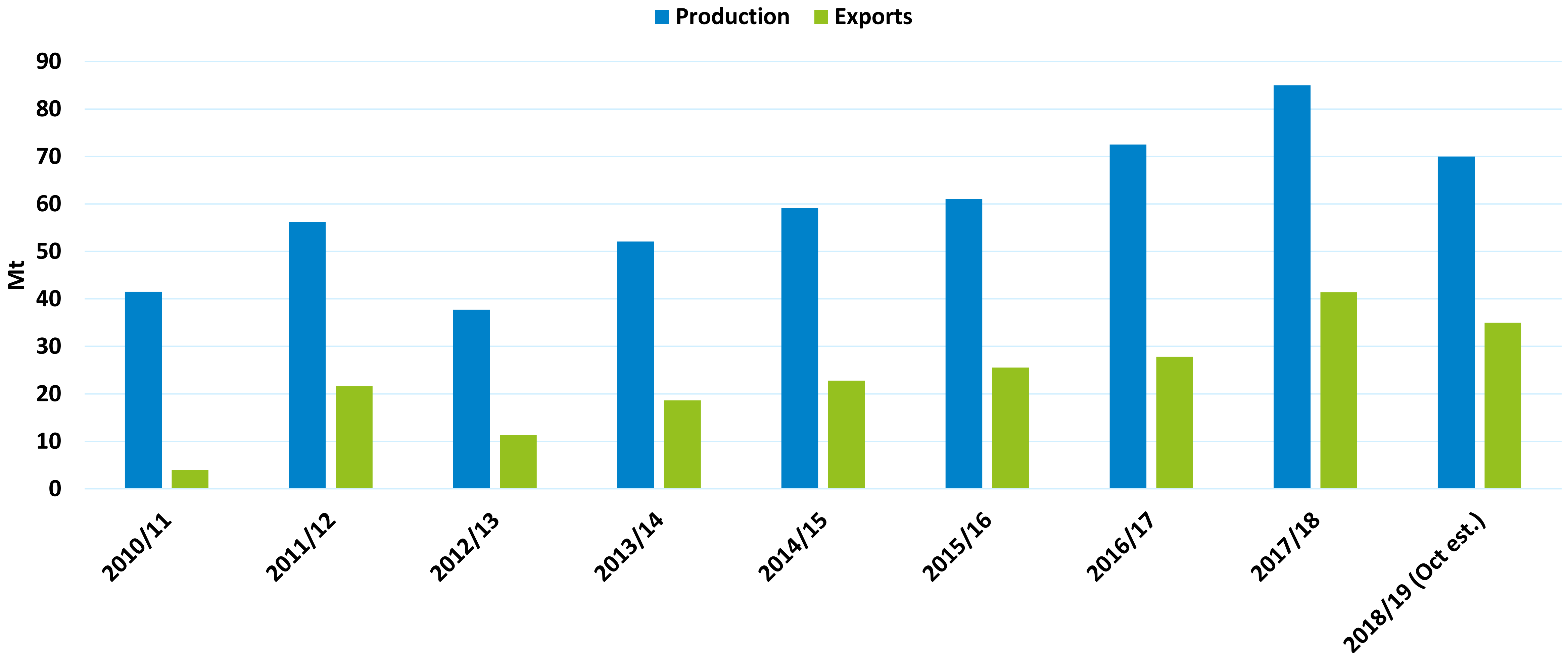
Proportion of **nabim** Group 1 samples hitting a high milling specification



Source: AHDB

What to watch

Can Russia keep export pace up?



Source: USDA

Other factors to keep an eye on

- South American plantings
- UK Planting – AHDB Early Bird Survey (out later this month)
- BREXIT – Currency and trade uncertainties?

Expected timelines if deal reached

25 November
Emergency EU summit
December
Last EC

January 19
Ratify process

29 March 19
Last day of EU membership

30 March 19
Transition period begins

December 2020
End of transition period

January 2021
UK stands on its own

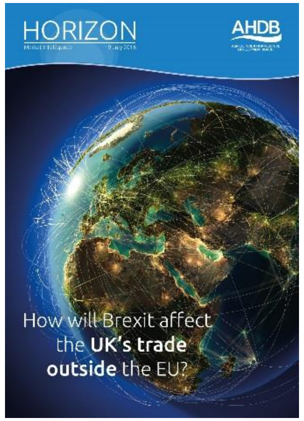
No deal timelines

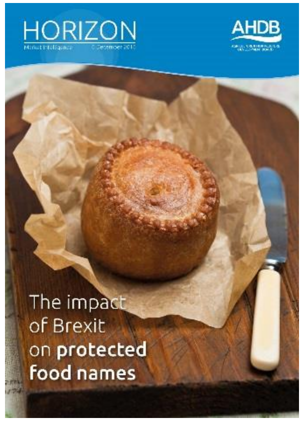
18-19 Nov
EU summit

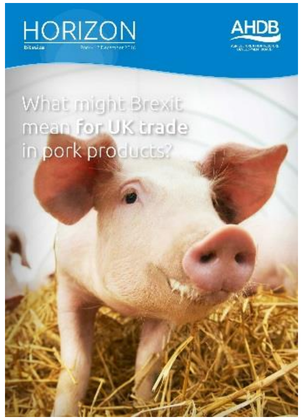
29 March 19
Last day of EU membership

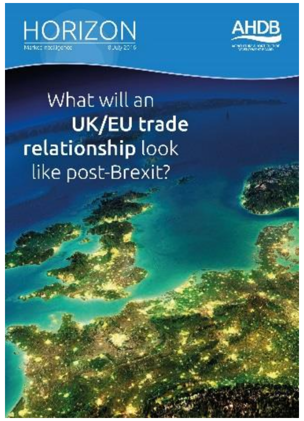
30 March 19
UK stands on its own

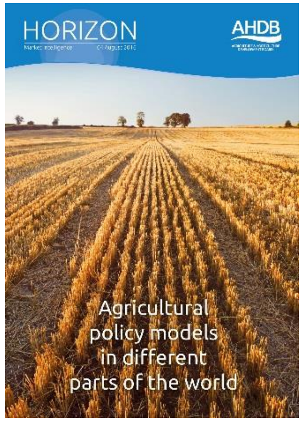
Further support and information











www.ahdb.org.uk/brexit-fit-for-the-future

Take home messages

- World and UK production projected down in 2018/19
- Wheat prices have firmed compared to last year
- Future UK market direction will hinge on outcome of Brexit deal/no deal

Thank you and Keep in touch

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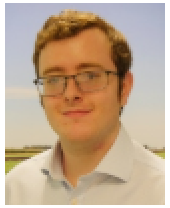
Grain Market Daily

13 November 2018



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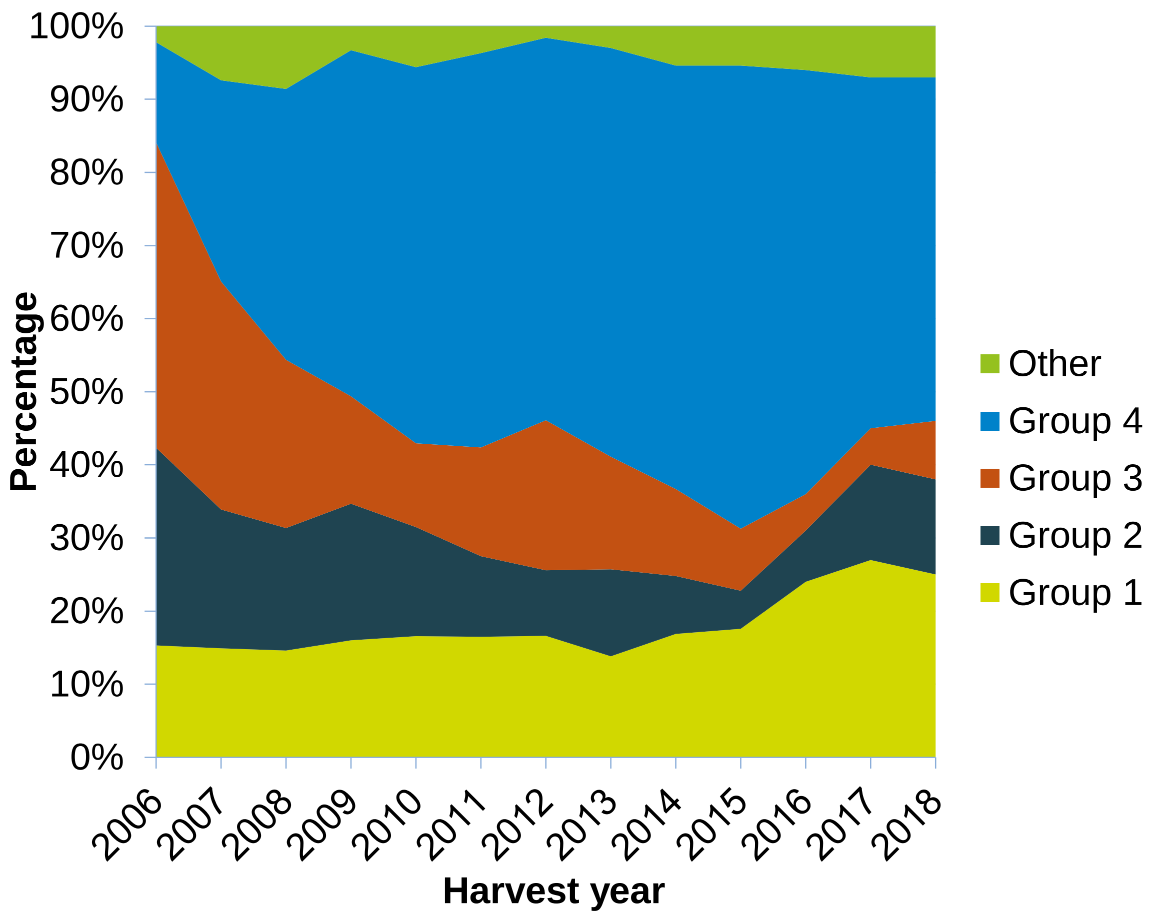
Fast paced maize imports continue

UK maize imports reached 544Kt in this season to date (Jul-Sep 2018), according to the latest HMRC data. This is the fastest import pace in recent years and is significantly above the five year average (2013-17) of 370Kt for these months.

Higher imports are likely a result of increased domestic demand for maize, due to imported maize pricing competitively against domestic feed grains. In the first three months of this season (2018/19), we've seen increasing inclusions of maize in compound animal feed production (read more here).

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

Estimated GB wheat area by nabim Group



Source: AHDB Planting and Variety Survey

Brexit – what is the deal?

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Impact scenarios

Evolution

- Free Trade Agreement made with EU
- Agriculture support, labour costs and regulation unchanged

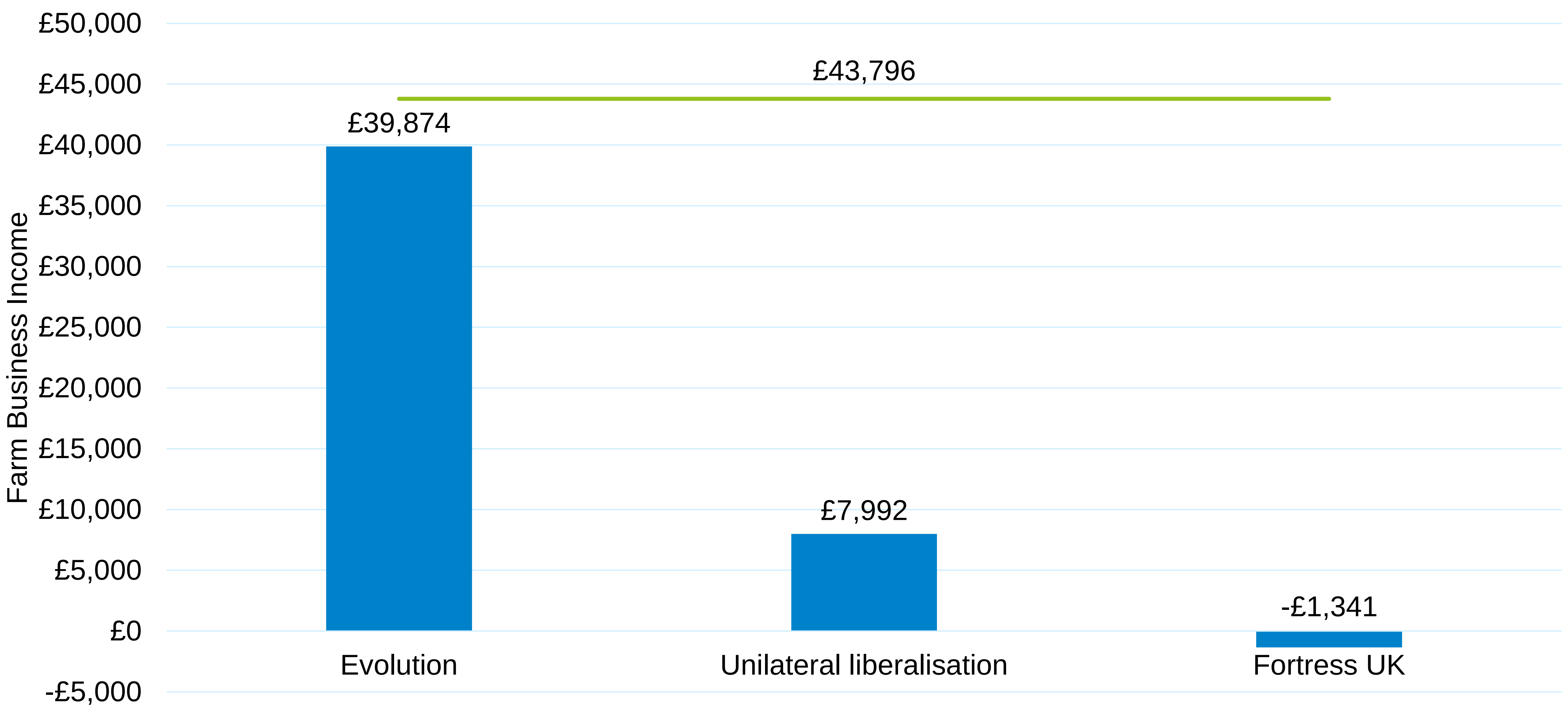
Unilateral liberalisation

- No trade deal with EU, but UK unilaterally lowers all tariffs to zero
- 50% reduction in agricultural support
- Permanent labour costs rise

Fortress UK

- No deal with EU
- WTO tariffs apply
- 75% reduction in agriculture support
- Labour (permanent and seasonal) costs rise

Average cereals farm income under scenarios



Important considerations for a hard Brexit

- Trade
  - Border control – Does the infrastructure exist?
  - Third countries and TRQ’s – Split, duplicate or remove tariffs?
  - Haulage issues
- Labour
  - Labour costs to rise – An available workforce?
  - The supply chain – Multiple levels of labour market impact.
- Currency – Has a hard Brexit been factored in?