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30th March 2022

Wheat markets – volatility and uncertainty

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CEREALS & OILSEEDS

Brief overview

Global fundamentals (old crop)

- Volatility
- Supply & demand
- Weather
- Geo-politics

Global fundamentals (new crop)

- EU
- US
- Black Sea
- Canada

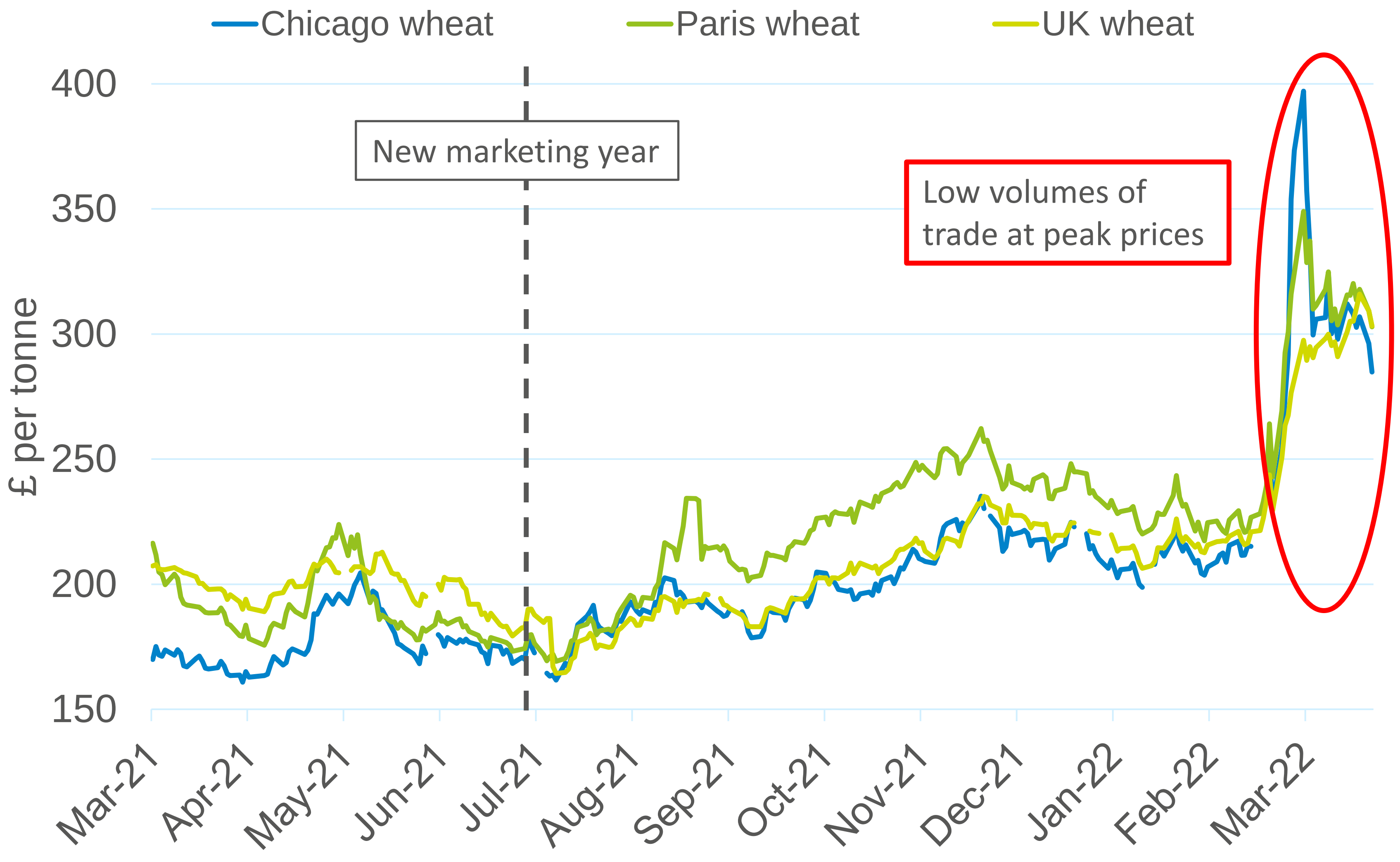
Domestic wheat and the coming harvest

- Supply and demand
- Harvest 2022
- Historic patterns

Old crop global wheat markets

Volatility like never before

Wheat prices trading a record highs

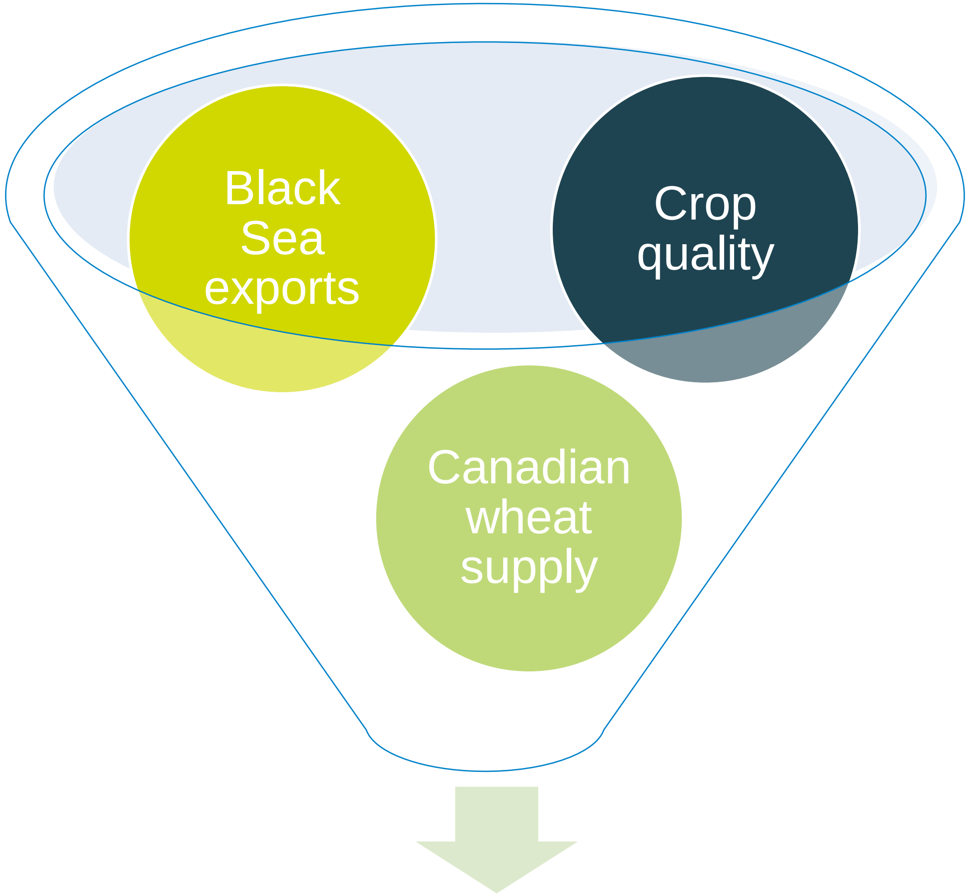


- Nearby prices soaring to record highs on Russian invasion of Ukraine
- Exacerbating already tight global supply
- Volatility set to remain while conflict ensues

Source: ICE, Euronext, CBE Group

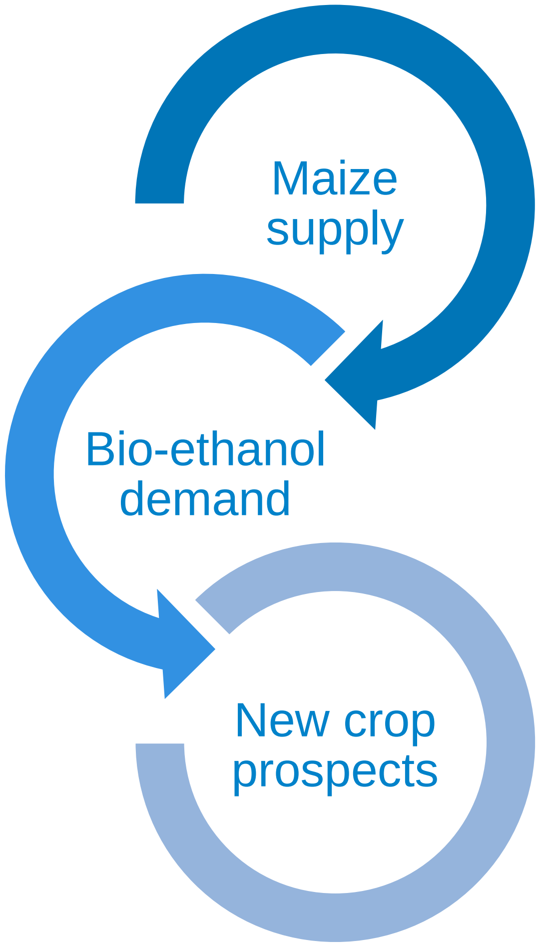
*Nearby contract

Old crop supply concerns – strengthen prices

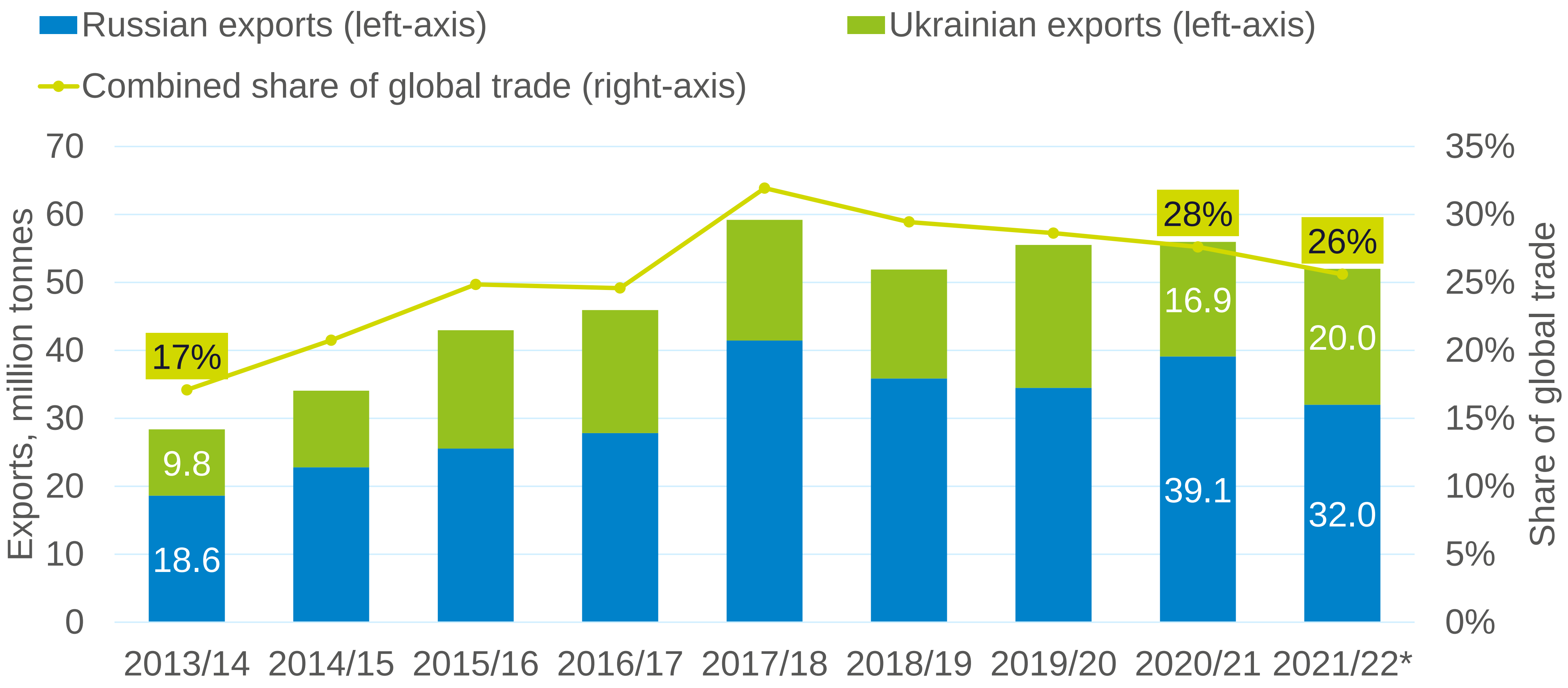


Tight global supply

Other support factors for wheat…



Importance of Russia and Ukraine to the global wheat market has grown since 2013/14



Source: USDA (March 2022) *forecast

Global new crop watch

Volatility continues

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Global new crop fundamentals are uncertain as conflict throws much to the wind

- EU wheat area similar to last year
- Crop condition still “good” but water deficit growing

- Black Sea area remains a large question mark. Winter wheat areas are up, but restricted capacity on labour/inputs for spring fieldwork/planting

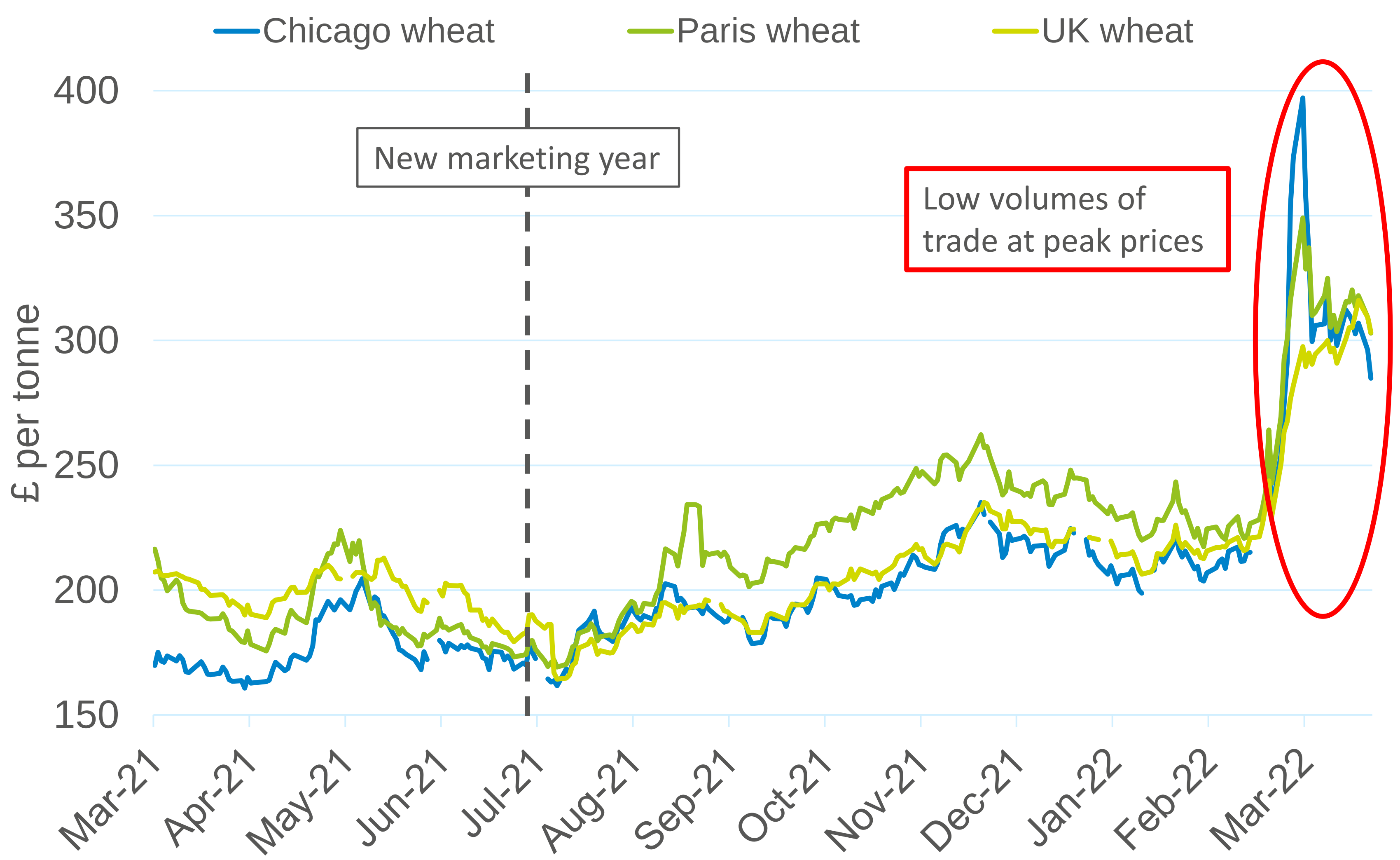
- US winter wheat area up on the year
- Many key growing states have dryness concerns

- First look at area on 26 April
- Strong potential for improvement on 20/21 drought affected crop but is dryness over?

UK focus

Difficult picture for the UK too

Wheat prices trading a record highs



- UK feed wheat futures generally track global market movements closely

Source: ICE, Euronext, CBE Group

Tight old crop supply and demand picture

2021/22	USDA (9 Mar)	Stratégie Grains (16 Mar)	AHDB (24 Mar)
Opening stocks	1,416	1,416	1,416
Production	14,000	13,988	13,988
Imports	2,300	1,478	1,500
Availability	17,716	16,882	16,904
H&I consumption	7,950	7,116	7,119
Animal feed consumption	7,350	7,350	7,273
Seed and other		348	278
Consumption	15,300	15,194	14,740
Exports	700	381	500
Ending stocks	1,716	1,687	1,664
Surplus available for either export or free stock			664

(thousand tonnes)

Wheat area intended to be higher for harvest 2022

Thousand hectares	Defra June Survey 2021	EBS Forecast 2022	% Year-On-Year Change
All wheat	1,790	1,805	1%
Winter barley	405	421	4%
Spring barley	745	687	-8%
Oats	200	187	-6%
Other cereals*	71	68	-4%
OSR	307	359	17%
Other oilseeds**	45	42	-7%
Pulses	249	236	-5%
Arable fallow	265	305	15%
Other crops on arable land***	758	731	-4%
TOTAL	**4,835**	**4,840**	

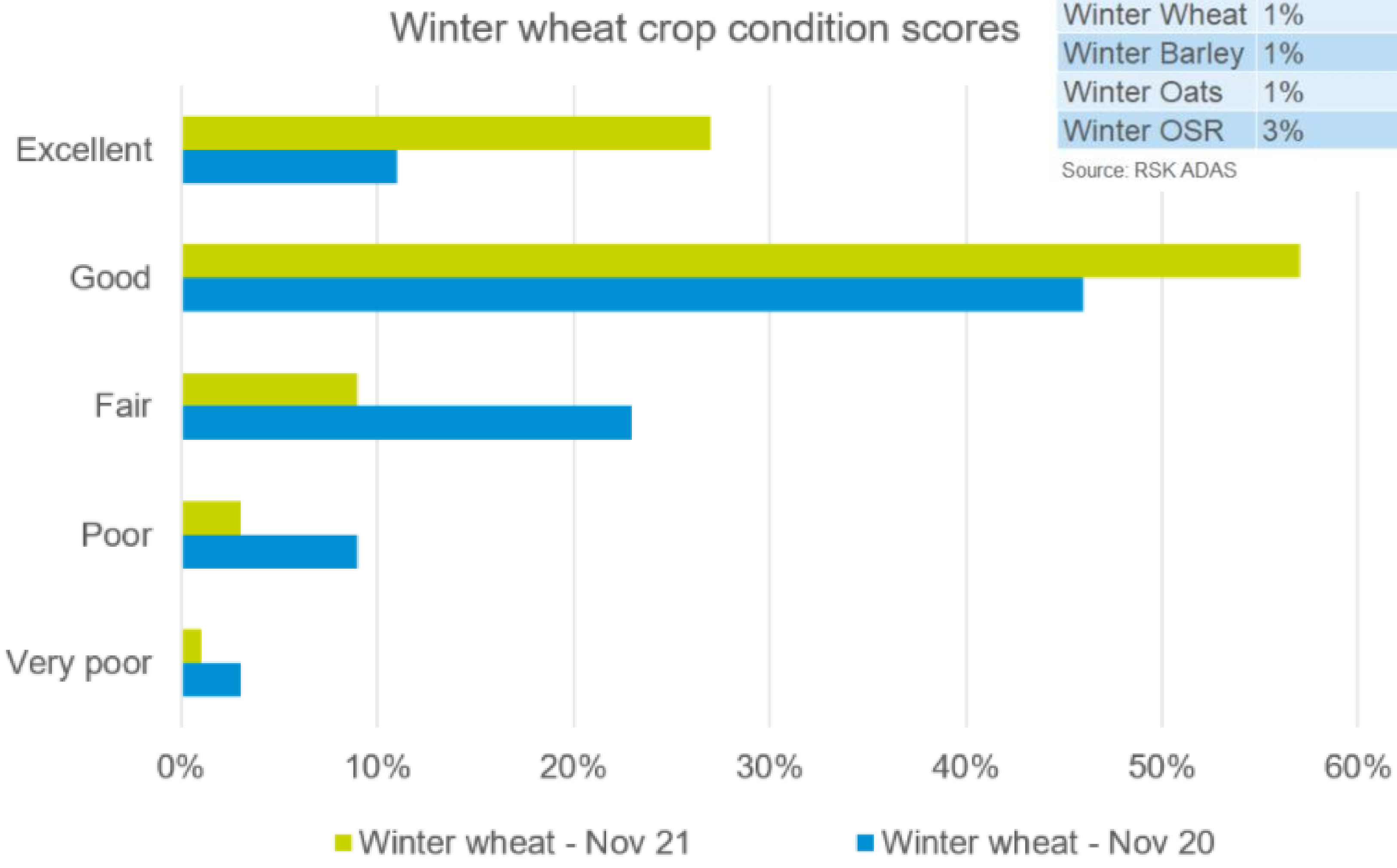
*crops included rye, triticale and mixed grains
**crops included linseed and borage
***crops included sugar beet, potatoes, vegetables, maize (33%) and temporary grass (20%)
Source: Defra, The Andersons Centre for the AHDB

- UK growers planting intentions for 2022 harvest.
- Wheat area is to increase.
- Spring barley area is going to decline.
- Growers switch back to OSR – price incentive.

UK crop development

	Very Poor	Poor	Fair	Good	Excellent	Crops not yet emerged
Winter Wheat	1%	3%	9%	57%	27%	3%
Winter Barley	1%	1%	8%	64%	26%	0%
Winter Oats	1%	2%	13%	62%	17%	6%
Winter OSR	3%	3%	15%	56%	22%	0%

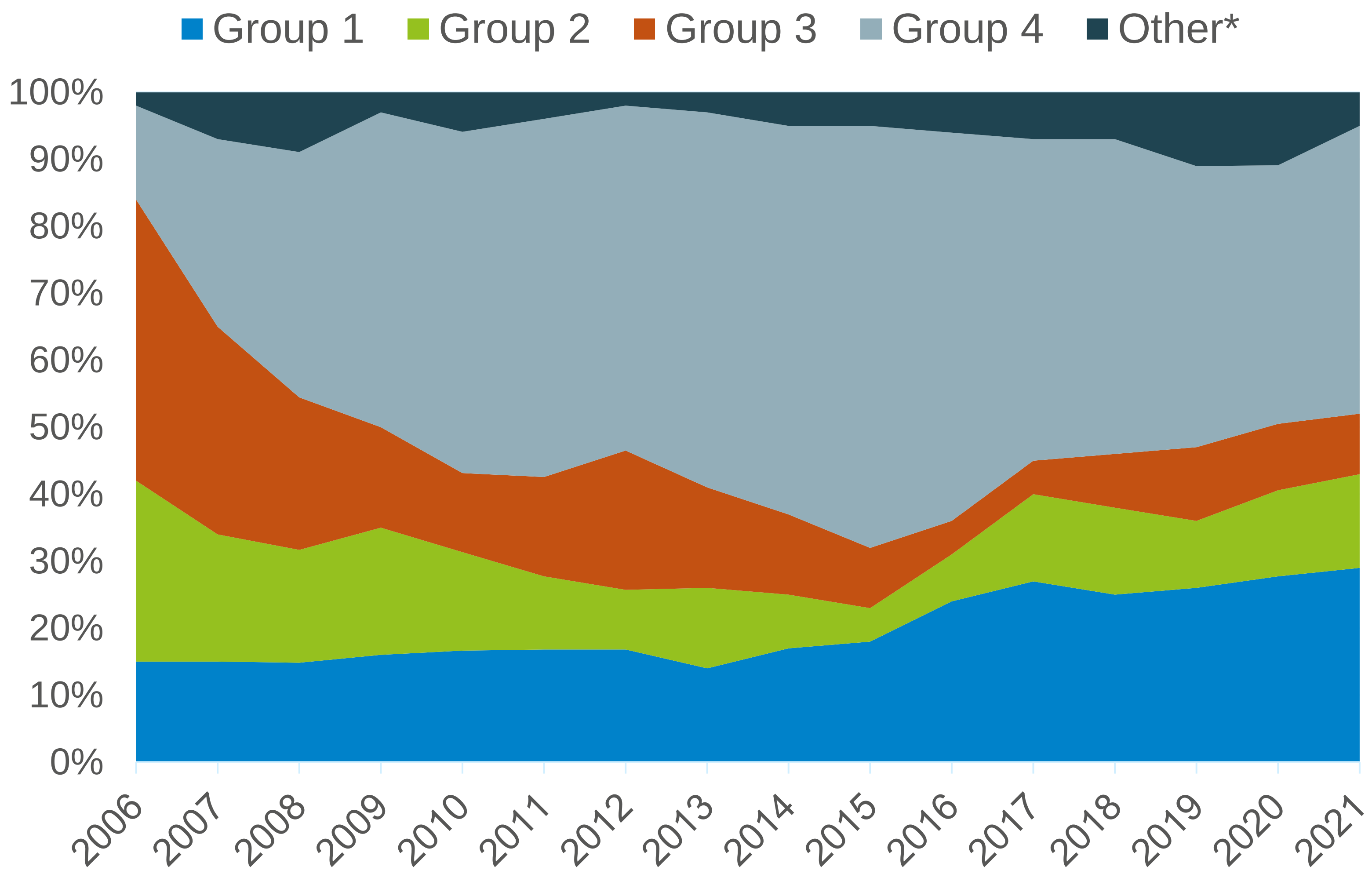
Source: RSK ADAS



Source: RSK ADAS

- Crop conditions are looking better year-on-year
- Next report out this week
- Fertiliser availability may cause yield losses

Group 1 varieties have been gaining ground



- Dominance of group 1 varieties has increased in recent years
- Skyfall is pushing up the group 1 area but is it always grown as a group 1?

Variety	UK Flour group	% of total
Skyfall	1	12%
Gleam	4H	11%
KWS-Zyatt	1	7%
Crusoe	1	7%
KWS-Extase	2	7%
LG Skyscraper	4S	6%
Graham	4H	6%
Other**	-	43%

Source: AHDB

*Other is varieties not with a UK Flour group, as defined by the UK Flour wheat guide for that harvest.

Round up

Global position

- Global wheat supply is tight
- Black Sea disruption exacerbating situation

Domestic position

- Also tight S&D
- Price hikes but still export competitive
- Wheat area increased but is it true group 1?

Watch points

- Global supply
  - Ukraine
  - US
  - Canada
- UK and global milling wheat availability

Thank you for listening

Questions?

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