

Wheat prices have fallen a little, but will this continue?

# Feed prices and predictions



What factors have been influencing wheat and soya prices? And what can producers expect to pay for feed later this year and early next? We spoke to two leading analysts to find out more.

text **Rachael Porter**

**T**here's some good news for producers, for the moment at least, going forward with regard to wheat prices. Things are looking good, for now, with some downward pressure on the market due to export levels from Russia and the Ukraine. A turn around compared to 2010, when Russia and the Ukraine declared a freeze on exports due to a poor harvest. This closed door is behind the high prices seen in 2010 and much of 2011. The resumption of exports from these significant growers, coupled with what's expected to be a bumper US harvest, means that dairy producers can relax a little for now, despite the dry spring experienced in many parts of the UK. "But things may be very different in a month or two. Prices may have dropped off, but we're not out of the woods yet," says KW's feed market guru Gregor Black.

Soya is a completely different story, according to Mr Black. "My advice is to finish buying in feed for the summer now. There has been significant pressure on the EU to move its soya and it's been keen to sell it. So prices have been fair. "But this supply is drying up and producers should be looking the buy for the next year – possibly forward buying up until October 2012 while prices are still on the lower side – as I believe that there's going to be upward pressure on prices," says Mr Black. His

reasoning? Well, the US crop isn't looking promising. The major growing areas have been hit by rain and some growers haven't finished planting yet. An extended growing season could leave it susceptible to frost this year. "And some areas have also been hit by flooding," adds Mr Black.

Paul Rooke from the Agricultural Industries Confederation says that there are still a lot of variables that could come into play, particularly at this time of the year.

## Economic crisis

And it's difficult to say for certain which way feed prices will go. "There's always an element of 'who knows'. And there are always world events that come into play," he says.

The economic crisis in Greece, for example, is having an effect on prices at the moment. Most of the world's financial institutions have agricultural commodities as part of their investment portfolios and markets can therefore be affected by non-agricultural issues.

"Global supplies of wheat, maize and soya are still tight, particularly when you compare them to those of a decade ago – global wheat stocks are predicted to be around 15 million tonnes down on two years ago."

Wheat futures have dropped again – buy now for delivery in November and you're looking at £160/tonne. Looking for delivery in January 2012, you'll be paying £165. But both prices are some way off the £200/tonne which was being paid just a couple of months ago. That's quite a drop in just a few weeks.

Mr Rooke's advice for producers is to consider forward buying to reduce the impact that such volatility can have on their costs.

Table 1: Average UK futures feed wheat prices per tonne

price paid in	for delivery in Nov. 2011	for delivery in March 2012
June 2011	£177	£182
May 2011	£187	£190
April 2011	£171	£175
March 2011	£160	£164