

Price squeeze to ease

Good news – feed prices could fall a little later in the year



Our update on wheat and soya prices could help you to stay one step ahead when buying in feed during the next few months.

And there's some much-needed good news on the horizon. Two analysts tell us what's in store and why.

text **Rachael Porter**

There is a real fear that dairy feed prices may see a further rise in 2013. "That's on the back of the US drought and the harvest concerns in South America," explains Offre & Demande Agricole UK's Benjamin Bodart. He works for a private, independent consulting firm that helps buyers and sellers of agricultural commodities manage market volatility and price risks.

"With world wheat production for 2012/2013 at around 650mt, about 45mt less than 2011/2012, and consumption relatively static at around 690mt, ending stocks will be 158mt. That's 40mt less than last year, while the stocks-to-use ratio has declined from 28.4% to 23.1%. This is very supportive for prices," he says.

Increased plantings

High prices have resulted in an increased area of plantings, but even with a very early provisional five million hectare (2.3%) increase in the global wheat area (to 224 million hectares) for 2013/2014, harvest is still a long way off and production risks are real, according to Mr Bodart.

"Two countries are already attracting our attention. US crop ratings are the worst they've been for 26 years, while in the south of Russia low rainfall has caused the planted area to be revised down by a million hectares. UK winter wheat plantings are significantly reduced and the 2013 harvest could be another disappointment," he says.

"That said, there is still potential for a large global harvest next year and, therefore, an easing in prices later this year. Our office in the Ukraine says that

things are looking positive for the next harvest and a good harvest means that export prices could come down a little.

"UK producers should feel the benefits of that later in 2013, perhaps in late autumn."

Globally, soya supplies are also still low predominantly as a result of the US drought. "The Brazilian soya harvest was also poor," says BOCM Pauls raw materials director Tony Bell. "Soya stocks are extremely tight at the moment. The biggest consumer of soya at the moment is China and the high price doesn't seem to be slowing it down. This compounds the shortage problem for the rest of the world, including UK producers."

He explains that usually, as the price of a commodity increases demand tends to tail off as buyers and consumers look for less expensive alternatives. "But that rationalisation hasn't kicked in with soya."

Looking ahead

So, what about 2013? "Soya prices should ease a little following the Brazilian harvest in June, provided it's a good crop. But global stocks still need to be substantially replenishing, so prices aren't going to tumble," says Mr Bell.

The good news for BOCM Pauls' customers is that ruminant feed prices have not fully reflected the high replacement prices.

"We forward bought, so not all the price rises seen this winter have filtered through the system. Summer price levels will depend on how the market moves during the next couple of months."