Optimising economic wheat options

Better buying, better selling

So far, the 2023/24 season has been one many might want to forget, but a global tightening of wheat supplies could help drive up prices. *CPM* examines the current market, its future prospects and what growers should consider going into the coming season.

By Melanie Jenkins

Taking a look at the domestic and global crop markets, it's clear that volatility is likely to continue, but there might be opportunities for growers to take advantage of, and with the next season fast approaching, it's important to select varieties to help spread risk and push for premiums.

External markets, as well as economic and fundamental factors play a significant part in grain markets today, explains Openfield's head of sales and trading (wheat), David Brown. So what does the current situation look like, what's influencing it and where next?

"The evolution of the Nov 24 contract saw lows in February and March of this year, then through April and May the market saw a turn towards a more optimistic outlook only to see a reversal again in June losing £25 on the back of better maize plantings in the US and greater stock carry outs in the US.

"In terms of the bigger picture, the 2023 Harvest saw a crop size of 14M tonnes versus 15.5M tonnes from Harvest 2022, imports are continuing to arrive into the UK, be it milling or feed, and I expect it to carry on into next year.

"We've seen new territory in the futures markets this year where we've seen a spread from May 24 to Nov 24, trading at between £25-£30. Lower crop production expected next year versus concerns about burdensome stocks has given the incentive in the UK to carry stocks to next year – the market was paying that price for the farmer and grain traders to do so," he explains.

"This illustrates how reactive the UK market is and the bigger picture is now driven by a lot of fund activity and algorithms, which affects markets going up and down. Funds covered the short position taken during the past 18-24 months going long EU futures in May."

Imported impacts

UK prices have been capped because of imported Ukrainian and Polish maize and feed grain. "Black Sea prices were relatively cheap, pushing our markets down. They've now risen during the past few months, but we've also seen a lot of cheaper Brazilian maize which fundamentally dictates the base price for feed wheat," adds David.

Russian prices have been competitive with the EU with a large crop initially expected, but IKAR (a Russian analyst) has declared a drop in the anticipated 90M tonne crop to 83.5M tonnes, he says. "We're seeing major global milling wheat stocks continuing to look tight and all eyes are on new crop now."

So what lies ahead? David sees the war in Ukraine continuing, with wheat and maize production forecast down 6-6.5M tonnes. "The war in the Middle East continues which will keep affecting crude oil, ethanol and maize as all of these are interlinked, as too are logistics."

EU winter wheat planting forecasts are lower due to the heavy rains and flooding seen not just in the UK, but also in France, Germany and Baltic states. Whereas in Spain, Italy and the Balkan states there's been adverse dry weather conditions, he says.

Due to the managed funds covering their wheat and maize shorts (buying back borrowed stock to return it to a lender/close out an open short position) market action across the board in April and May saw values rise £50 from the Nov 24 contract lows seen on 6 March 2023, so there

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Although the UK will likely see a smaller wheat crop this harvest, the price will be dictated by what it can be imported at, explains David Brown.

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was certainly a spike, explains David.

"In terms of the 2023/24 ending stocks, which were perceived as burdensome and bearish for the market, it did pay a carry due to the forecast lower production this coming harvest, with the EU Commission estimating wheat ending stocks dropping from 20M tonnes (2023/24) to around 13M tonnes (2024/25).

"It looks as though the worldwide supply of wheat will be down, especially in exporting nations, which is partly why everyone is looking at new crop and the wheat markets have had a fundamental bullish move."

All other eyes are on maize, particularly production levels and the weather in South America, because maize will dictate feed wheat prices around the world, says David.

Closer to home, UK wheat production is going to be down to yield, due to less hectarage having been planted, with estimates ranging from 9M tonnes up to 11M tonnes, he adds. "Ultimately, with a lower crop number, the UK will be required to import and therefore our prices will be capped at the import parity.

"Both the macroeconomic environment and inflation will continue to drive the narrative in the second half of the year," he adds.

What does this mean for the hard feed market? "Because there's a smaller planted area, the expectation is that we'll be importing, but it's very much dependent on yield for the UK and the quality profile of the crop which we'll only know once we start harvesting.

"All-in-all, the UK markets have been more volatile during the past few years, but since the lows seen in March this year, there's been a fundamental reason for wheat to increase and the funds exiting their positions of buying in and going long in the derivative has certainly helped push the markets along. I think the UK will be moving into a smaller wheat crop, but the price will be dictated by what we can import wheat at," he concludes.

LG Beowulf has a strong disease profile, is consistent, stiff strawed, has a wide drilling window and is the highest yielding wheat on the RL at 106% of control.

Varietal selection

For growers gearing up for their 2024/25 plantings, there's a balance between marketing the current harvest and planning ahead for the future, with one of the key areas within their control being the selection of which varieties to grow to help meet their desired outcome, says Openfield's arable technical manager, Duncan Durno. "Selecting the right variety on farm and for your end market goals can play a big part in performance during the coming season and there are a few new varieties that warrant a good look at."

Considering Group 1 options, some growers may be deterred by the extra management required to meet specification, but according to Duncan, the economics still stack up. "Although we know the agronomic problems of some Group 1 varieties in terms of yellow rust, the economics of premiums at present – and for Harvest 2025 at the moment – are still very viable regardless of the extra cost required for disease control."

Digging into the different variety options, Duncan believes Crusoe still offers a more manageable option which is easier to achieve specified protein levels than other varieties.

SY Cheer (97% of control on AHDB's Recommended List) is a new Group 1 variety that brings improved disease resistance much needed in this Group, highlights Duncan. "UK millers want to look at small scale samples from Harvest 2024 before hopefully giving full approval in September, giving milling wheat growers time to assess the situation before scaling up for 2025 plantings."

Duncan sees the Group 2 market as somewhat split into two camps at present, with KWS Extase (101%) and KWS Palladium (100%) potentially attracting larger premiums than the others in the Group. "Both varieties have very sound agronomics, particularly around septoria (scoring 7.4 and 7.3, respectively). Although there are indications that Extase is becoming more susceptible to yellow rust (scoring 7 on the RL), it's still at very manageable levels.

When considering erratic seasonal weather conditions, Ron Granger points out that the varieties that tend to cope best are those with higher specific weight.

"It's a less risky Group than the Group 1s, and it suits those who still want to grow quality wheats that'll attract a good premium, especially on lower to medium yield potential sites," he adds.

The area of Group 3s grown has fallen to an almost non-existent level, accounting for about 3% of plantings, says Duncan. "But one of the key varieties to come through this year is Elsoms' Bamford, a new addition to the Group that offers growers various opportunities.

"It's important to not pigeonhole Bamford into this Group because its yield is up there with the highest yielding feed wheats at 106%. Its disease resistance and agronomic package are as sound as virtually anything we have in the feed wheat sector, and if you have the capacity to store softs separate to hards then there's potential to attract a premium. But if you don't achieve this, then there's nothing lost."

According to Elsoms' George Goodwin, Bamford has come through as having some of the widest marketing options available. "It's approved for biscuit making, distilling and for export, but on top of that it's an out-and-out high yielding wheat and so can be grown as a feed.

"We believe it could bring a resurgence to the Group 3s and boost their profile, which is something the market requires to keep it competitive. I also think it could help change some mindsets, where people have perceived softs as being lower yielding than hards."

Looking at the soft Group 4 sector, Duncan believes Bamford almost overrides it. "But there's still some LG Skyscraper being grown, especially on lighter soils or in second wheat situations, but it comes with the cost of septoria management."

Duncan sees Dawsum (103%) and Champion (106%) taking a significant percentage of the hard Group 4 market. "I think Dawsum's disease resistance has held up well and doesn't seem to have had issues with yellow or brown rust (9 and 7), and it's septoria almost looks better than it has in the past (6.3). Champion complements Dawsum and also has strong disease characteristics including orange wheat blossom midge resistance."

But for any large hard feed wheat growers, Duncan argues that they should be looking at LG Beowulf. "Not only does it have a strong disease profile, but it's very consistent, stiff strawed, has a wide drilling window and is the highest yielding wheat on the RL."

Yield potential

Beowulf sits 0.5% above its closest competitors on the RL at 106% of control, says Limagrain's Ron Granger. "The key thing about this variety is its yield potential across all regions, including the North, and it also has a high untreated yield to back that up at 91%."

A further vital attribute is consistency across different seasons, which is especially important given the erratic conditions that have been experienced in the UK during the past number of years, says Ron.

In terms of rotation, the variety achieves 106% as both a first and second wheat, and in the early drilled slot it yields 105%, while in the normal drilled position it 106% and then late drilled it sits at 108%.

"Gleam was very successful because it also had this wide drilling window opportunity so it's really useful that Beowulf is capable of this as well."

Both treated and untreated, Beowulf scores 8 for lodging, with or without a PGR. "This is a great attribute to have in any variety and is at the top end of varieties on the RL," adds Ron.

Beowulf scores a 9 against yellow rust and a 6.7 for septoria and it has orange wheat blossom midge resistance. "All growers and agronomists want at least a 6 against septoria now, and a lot of growers in the South East won't grow a variety without OWBM resistance," adds Ron.

In terms of grain quality, Ron points out that the varieties that tend to cope best with erratic seasonal weather conditions are those with higher specific weight. "Beowulf has a specific weight of 78.3kg/hl, as well as a high Hagberg at 253, and good protein at 11.1%," he says.

"From our portfolio, it ticks more boxes than most varieties we've had and it has the traits growers are looking for on farm to provide security. I feel that Beowulf is Gleam but with better characteristics and the potential for higher yields on farm." ■

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Through this series of articles, *CPM* is working with Openfield to provide a market insight and help farmers to focus on these major business decisions to ensure better buying of inputs, and better selling of the produce.

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