

Cefetra Market Report: May 2022



Our markets continue to be dominated by the war in Ukraine.

You will not be surprised to hear us say that the war in Ukraine is still a large driver in grain price discovery. The last month has brought no let-up in hostilities, and each news bulletin is painful to watch.

The difficulty faced by the grain trade is in trying to work out how much of the Ukrainian stocks are still accessible for westward export by road and rail for the near-term supply, and whether new sowings have been made and what is the prospect for tending those crops and getting them to safe harvest later in the year. In broad terms, the “war premium” appears to be around £60-£70 in terms of UK wheat, with a good £10 or so each side as the floating volatility that each fresh episode brings when it hits the headlines.

Clearly this situation and the impact on external markets and economic activity is not easy to evaluate on a personal level. We just don't know what happens next, so to second guess these things is akin to trusting to luck, or more brutally – gambling. Stick with what you know – your own farm business and the markets you directly have a stake in.

To that end, we see that the last month has brought a nice continuation of the trend to the upside, with London Wheat futures having gained around £30pmt for November delivery, with only a normal pullback recently on profit-taking and slow news days, and when we look outside and consider the decent local crop and weather conditions. European markets are obviously more immediately affected by the Ukraine situation, but their prices show the same increase (Paris Milling Wheat futures are up almost exactly the same amount as London, given a normalised currency conversion). Chicago wheat, the worlds backstop in terms of grain supply is also well valued, but the big money men – the Funds - are taking a breather there, probably in preparation for the silly season that is the North American Weather market. With such nervousness about exportable supplies (remember the Black Sea Region speaks for 30% of global exports) any perceived issue with new crop production is going to fuel even more price rises. Dryness in southern Europe and North Africa has eased lately but it remains to be seen if there is enough time for recovery in their crops.

There are concerns about slowing demand from China as millions are in Covid-19 lockdown, and also outbreaks of Avian Flu in the EU and US, but although these bearish aspects are not hurting prices at the moment they should not be forgotten.

Output prices are only one side of the equation though, and it is very easy to think that they have to be up in order to counter the wild input costs we must expect to face, though this relationship is really not well linked, particularly in the short term. However, it is with some relief that we have seen a pullback from the spectre of 4-figure fertiliser prices. At the time of writing, Nitram is trading at £760 delivered, and although this is still a 3-fold increase over last year, we advise keeping close to your gross margin calculator, as there will be days where even these big numbers still make for a healthy bottom line, and should be booked in to some degree. In our last note we advocated no more than 30% cover on forward sales, and can see little to change this view any more than some minor tweaking as you become more comfortable with your yield expectations.

Do keep in close discussion with your merchant about likely pricing and your own targets. There will be volatility and change, but that will also give opportunity, so if everyone knows their aims – both financial and logistical – then we can act quickly for everyone's benefit.

If you wish to discuss your grain marketing, please do not hesitate to contact us:

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Bespoke Disease Forecasting to Protect Crops

Arable farmers in the UK can now make use of super-local weather indicators combined with disease forecasting to make more efficient use of control measures like fungicide applications.

Sencrop, which is known for its highly accurate smart local weather stations, has joined forces with the Information System for Integrated Plant production (ISIP) to provide bespoke disease forecasting for farmers based on pooled and individual data.

Taking into account local temperature, humidity and precipitation, the system will predict risk levels for diseases affecting winter wheat, barley, rye, triticale and spring barley between 15 February and 30 June. This will enable farmers to react to times of high disease pressure and protect crop quality and yield.

“Farmers can connect their individual crops to local weather data via their weather station and app, to receive crop-specific information and risk calculations,” says Lucie D'Haene, product manager and agronomist at Sencrop.

Common diseases covered include Septoria tritici, yellow and brown rust, powdery mildew, leaf blotch, net blotch, ramularia and leaf rust. “This will support farmers in assessing the disease infection pressure and assist them in taking the right actions to maximise crop quality.”

Manfred Röhrig, managing director of ISIP adds: “By integrating local weather data, the quality of the model statements is raised to a new level. No other data source can make it more precise.”

Sencrop is now working with farmers, producer groups, agronomists and consultants in 26 countries worldwide to provide ultra-local real-time weather data. By integrating with ISIP it's giving farmers on its PLUS plan an easy and quick overview of which crops require action.

“By seeing the crop risk in real time, farmers can easily drive to the affected fields for on-site inspections, saving time and fuel,” says Harry Atkinson, UK Business Development Manager “Given the soaring cost of inputs, from fuel to fertiliser, farmers want to hone efficiencies as much as possible, and combining individual and pooled data can help them to do that.”

About Sencrop

Sencrop is an innovative ag-tech startup based at Euratechnologies in France, the third-largest startup accelerator in Europe. The company, founded in 2016 by Michael Bruniaux and Martin Ducroquet, became the European leader in 5 years. Sencrop has the biggest ag-weather network of stations in Europe with more than 18,500 growers connected to its solution, and counts on 100 dedicated farmer-servicing members in its European offices. For more information visit www.sencrop.com or call the Orion office on 01865 390011.

Members Section



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**New Supplier to Orion
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Providing Support to
Rural Businesses
Nationwide

Andover - Carmarthen - Chippenham - Gloucester -
Lincoln - Sherborne - Stafford - Yeovil

We welcome The Farm Consultancy Group as a new Supplier to Orion. The Farm Consultancy Group has offices nationally and offers a Rural Compliance Service specializing in three areas:

- Health and Safety Service
- Combined Cross Compliance Service and Assurance Assistance
- Assurance Assistance



**CHOOSE
DEKALB
DIFFERENCE
CHOOSE**

What makes the DEKALB difference? It's our plant breeding programme, the world's most advanced, backed by the biggest investment. It's our proven traits to combat oilseed rape challenges, with maize and wheat solutions in the pipeline. And it's the Bayer expert support you can count on.

#dekalbdifference



For more information please refer to the Orion eNewsletter, call 01249 750151, email whiteavonconsultancy@fcgagric.com, or visit www.fcgagric.com

Feed & Livestock Section

Extra Time

With the price of fuel at unprecedented levels, disruption to the supply chain in certain areas, as well as driver shortages, suppliers and hauliers are continuing to look at ways to make their logistics operation more efficient and cost effective, which may result in lead times for deliveries being extended beyond 5 working days. Suppliers who use their own transport will endeavour to adhere to their lead times, however those suppliers who rely on third party hauliers cannot offer the same guarantee. Please be aware of this when placing orders and ensure you allow a couple of extra days for your delivery to arrive.



Calf Milk Powder

As is the case each year, the Group will again be looking to pool tonnage requirements for milk powders and will be asking suppliers to quote for the bulk of the Group business. The main period during which suppliers will be asked to provide any additional savings will be between July and September. Requirement forms will be sent out to members in June.

Weekly Update

Several members like to keep an eye on how the straights markets are performing, especially at the moment with unprecedented volatility in the markets. To that end, a weekly update is sent via email every Tuesday to Members using straights feeds, with guide prices for all main feed commodities. It tracks price and currency changes to provide information and updates on market changes, as well as a brief market report highlighting how the major commodities are performing globally and any impact that might have on the domestic market. Please contact the office if you would like to be added to the distribution list to receive this information.

And Finally...

Totally irrelevant but quite interesting facts of the month... Loch Ness is deep enough and long enough to contain the entire population of the world ten times over and the average pencil can write 45,000 words, or a single line 35 miles long.

**For more details on any matter raised in the Feed & Livestock section, please contact Joe in the office:
Joe Cobb, Feed & Livestock Manager, 01865 393 139**

Chemicals Section

Please place your AgChem orders

With uncertainty of supply, potential shortages and logistical issues, you are strongly advised to place your agchem requirements **as soon as possible**, with the Orion office, for the following products:

- UNIVOQ
- REVYSTAR XE
- ASCRA XPRO
- AVIATOR 235 XPRO
- ELATUS ERA

For more details please contact Shelley in the office: Shelley Dancy, Chemicals Coordinator, 01865 393135