Fengrain

Weekly Market Report
26/02/2010

Currency:	Today	Last Week
£ / €	1.11	1.14
£ / $	1.520	1.540
€ / $	1.36	1.36

Futures		Today	Last Week
LIFFE Wheat	May-10	£96.00	£95.25
MATIF Wheat	May-10	£111	£110
CBOT Wheat	May-10	£121.35	£117.62
MATIF OSR	May-10	£260.00	£253.25

Ex Farm Values:	Feed Wheat	Milling Wheat 13% Gp 1	Feed Barley	OSR
May-10	£90	£101	£74	£245
Aug-10	£90	£113	£74	£239
Nov-10	£96	£119	£79	£248

Market Outlook

Once more we are looking to the currency to provide much needed support into the markets in the absence of any other great change across the majority of the markets. Much has been made of the perceived threats against Sterling should an incoming UK government tackle our national deficit in an aggressive fashion. Speculative levels quoted have been below parity with Euro, good news in parts for our export competitiveness, but we would still need to match up against cheap Russian wheat on an oversupplied market (IGC have added a further 6 million tonnes to the predicted 2010 global wheat harvest putting production at 659 million tonnes) . Offset this against the reduction in wheat usage from the UK balance sheet due to the slow burn start of the Ensus Bio ethanol facility and we still have significant wheat tonnage yet to move for this current crop..

Currency influenced price can only do so much against fundamentals, therefore opportunities to sell to a market rally need to be taken as and when they are available.

World Market Activity:

- US export data showed falls in the sales of both corn and wheat over the last week, assisted by a price bounce in the US markets. Soybean exports remained slow as Chinese buying interest switches to cheaper South American production.
- UN food and Agriculture Organisation put 2010 ending stocks for cereals at a predicted 8 year high. Putting the stock to usage ratio at 23.4 % for 2009/10 up 3% on previous years.
- Feed Barley supplies continue to be plentiful, this would indicate further offers into the EU intervention system will be made, but at some stage all this will have to come out, and we are just delaying the inevitable price implications. Export markets continue to be lacklustre on an international basis.
- South Africa is expecting to harvest its largest maize crop for 29 years, good weather and higher plantings are seen as supporting factors.

- **HGC Milling Wheat Conference:**
- Jack Watts Chief economist of the HGCA reported Black Sea Wheat opening stocks for 2010 /11 as being 18 million tonnes based on USDA figures. Considering that 2007 / 08 levels were 5 million tonnes this significant increase goes some way to explaining the continued presence of black sea wheat on the export markets at a time of year when they are normally expected to have completed their export programs.
- Howard Leland of Allied Mills speaking to the HGCA milling wheat conference on Thursday identified a 10% over capacity in the UK milling sector. Bread demand volumes are seen to have fallen by 1.7% year on year.

Reminder that Grain Pool Returns should be back with this office by 1st April

Please speak to your Fengrain buyer if you require help and assistance in completing this.

Fengrain pools represent an excellent way of risk managing your crop marketing during these volatile trading conditions.

GRAIN MARKETING & STORAGE SPECIALISTS

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