

MANAGING DIRECTOR'S MESSAGE



Simon Wilcox

As we move towards spring the markets are doing us no favours, with both old and new crop prices falling away. Whilst there is continued volatility, the trend has been very much

downward. The United States Department of Agriculture issued a very bearish report early in January, stating that end of season grain stocks would be significantly increased by approximately 20 million tonnes - the equivalent of the total UK harvest. There is no doubt that grain supplies worldwide are plentiful, and that demand is static. Full market reports are included within the newsletter.

The harvest last summer was perhaps more normal, if there is such a thing. However, the majority of the crops delivered into the store still needed drying (albeit not from the exceptionally high levels seen the year before). This kept all our dryers busy, and justified the investment in our new 60 tonne per hour dryer, which was commissioned just prior to harvest. We also used the new dryer for drying grain maize at the back end of the year.

The store was completely filled at harvest, and included a tonnage of ex-futures wheat carried over from the previous year, which was stored on behalf of third parties. Opportunities like this generate additional income for the store and it is important that the store has the flexibility to be able to handle such opportunities. In the last few weeks we have taken in Intervention Barley, utilising space freed up as a result of exports that we have shipped out of Poole. We have exported both Malting Barley and Feed Barley into Europe, and continue to look to further develop our export markets.

We also saw a strong uptake on new storage space under our three-year storage contracts. This has been both by existing members wanting to increase their space, and new members wanting to try a central store. We will continue to offer this option, as this gives people a chance to try out our facilities without having to commit permanently. We are confident they will want to convert to permanent storage at the end of the period.

The company AGM took place on 25th February. The Auditors completed their Audit in January, and we are pleased to report another strong set of results at operating level. However in the light of the continuing lack of Government support for the biofuels industry, and the continuing difficult financial marketplace, the Board took the decision to provide fully for the investment made previously in Green Spirit Fuels. This extraordinary cost has adversely impacted on the year-end results, but as a one-off cost it does draw a line under that project, and allows the profitable core business to continue to progress.

We attended a number of shows during the year including the Gillingham & Shaftesbury, The Dorset County Show, The Berkshire Show (Newbury) and the Tillage event at Cirencester. We are always pleased to meet up with our growers and offer them a seat and some hospitality.



In February we also held our farmer conference entitled "UK Agriculture: Tackling the Challenge of Today's Economy" at Salisbury racecourse. We were very pleased with the excellent response we received, with over 150 farmers attending, including some who travelled from Devon and Oxfordshire, to listen to three excellent speakers.

We continue to work to develop the business for the benefit of our growers. We have applied for an RDPE grant in order to be able to increase both flat store and silo storage totalling 16,000 tonnes, together with an upgrading of the control systems and conveyors to improve the throughput of the store. This will enable us to offer further storage contracts and will enhance the throughput of grain, particularly at harvest. It will also increase the ability of the store to add value to specific commodities. Assuming the application is successful the development will be implemented during 2010 and 2011.

Trading Report

– Edd Britton



Edd Britton

Sentiment is everything in the market, and recent events have demonstrated that rational thought is not always to the forefront. The mood since the turn of the

year has been firmly with the Bears. Although expectations for firmer markets were high around Christmas, it did rather beg the question – ‘Why would they buy something that is in abundance?’ To be fair to the Bulls, the market has ignored fundamentals all autumn.

Demand has not been great since harvest, but we have seen a gradual rise since the traditional post-harvest collapse. This is mainly due to the state of the dollar. The weak dollar has been good for UK farming and has made a huge difference in recent times. It makes US exports more competitive, pushing up the value of US commodities, most importantly Corn, Wheat and Crude Oil.

Sterling has also had a torrid time, and has frequently flirted with parity to the Euro. Our markets have all been about currency recently, but will this continue to be the case? Sterling has been in its current range for a year now and I fear people have got a little too used to it being weak.

Theories abound on where it is going in the

future. The UK Government wants steady growth, we have just peeped over the trench of recession, but a 0.1% growth figure did not set us alight. Sterling will continue its wobbly path as we head to the next election and beyond.

The Euro could really cause problems for us, Greece is teetering on financial crisis, and Portugal and Spain could be dragged down. If we see some fundamental questions being asked of the Eurozone’s combined ability to react to recession, we will see Euros being sold heavily and Sterling back in favour - good for your holidays abroad, but not good for our markets.

Until last year it had all been about stocks, it was stocks (or the lack of them) that pushed wheat up to near £200, making it too expensive to use, and it has been the stock issues that have caused several big bull runs in recent years. We now have ample stocks once again with a 50% increase on the lowest levels we experienced, although demand is growing steadily.

The 2010 world harvest looks good again, although forecasts are a little subdued due to lower plantings in the US. Even American farmers have problems with harvests, in this case a late Corn harvest limiting drilling of winter wheat.

It is difficult to know which market dynamic will dominate going forward. Will it be a crop problem this spring, perhaps the US Corn crop struggling with drought, or even European wheat eroding our stocks again? Or will the Eurozone deal with its problems, and show it to be the force it wants to be, knocking the dollar and raising the value of US wheat?

Whatever happens, always remember volatility is our friend and volatile markets will constantly create profitable opportunities.

Stocks are a lot better but we still need things to go well, crops need to grow and need to be harvested. Ultimately we might have another good world harvest, but events, however big or trivial, in between planting and harvesting, will attract speculators and thus create market opportunities. Farmers always need to look at the global economic scenario; sales should be made against a possibly resurgent pound and healthy stocks.

The most important thing is to remember the adage, ‘you don’t go bust by making a profit’. Nobody knows what wheat values will be next November, but a policy of knowing your breakeven point, keeping in regular contact with your Wessex grain trader, and selling some whenever profits are achievable will hold you in good stead.

Exports

We continue to play our part in moving grain onto the export markets. To date since September we have loaded seven boats out of Poole, primarily Feed Barley, Malting Barley (including one vessel to Turkey) and Oats.



Oilseed Rape Report – Kim Bartlett



Kim Bartlett

With record soya crops throughout the world, pressure will continue to weigh on oilseed rape prices. A threat of decreasing demand from China for US supplies remains a bearish feature. Brazil and Argentina's conditions are looking favourable, and many think both crops are likely to be even larger than was first suggested in the USDA report last month.

Seed is plentiful in the EU and third country origins; combine this with strengthening sterling and weak crude oil and this reflects a bearish outlook. The only upside could come from a prolonged freeze across Europe which could cause concern for the crop, but currently there is no indication of this.

We have a storage contract with ADM Erith and due to the location of our store, hauliers

prioritise this work during harvest. We can offer two different contracts to aid your harvest and optimise returns:

Book the home and ease your mind – commit your crop on an un-priced basis and price it when you wish. With this we can offer movement within 3 working days (OSR must be dry) and full FOSFA terms.

Or

Book the home and let us do the marketing – We have had a number of successful pools this year and this year's OSR harvest pool paid out at £40.00 over the lowest traded harvest price. The OSR market is volatile and pool marketing reduces the risks.

To book your oilseed rape or if you have any queries please call the Wessex Grain trading team on 01963 362989.

Pools and Structured Marketing – Robin Webb



Robin Webb

With an uncertain market facing us in the short term now is the time to place your grain in one of our marketing pools. It takes a certain amount of courage to make the necessary 'sell' decisions in the current climate and, human nature being what it is, those decisions are often delayed and as a consequence the value suffers.

By knowing the tonnage, quality and location of grain in the pools we are often able to take advantage of any market blips which occur, and therefore maximise the return to the farmer. We watch the markets daily, and remove the time and worry issues associated with marketing grain. When a buyer is in the market to fill a certain requirement, we can

instantly satisfy that need if we think it is advantageous to do so. Pool members also benefit by having a known structured advance payment schedule that greatly assists cashflow and avoids the need for 'knee jerk' selling.

This season has proven how effective this strategy has worked in practice and The Wessex Grain Pools outperformed the competition. The Wessex Pools are both simple and effective, and now is the time to let us 'take the strain'.



Show Results

The winner of the Barley Cup at last summer's Gillingham & Shaftesbury show was Lower Almer Farm, near Blandford - The picture shows Clive Tory receiving the cup from Robin Webb. The winner of the Wheat Cup was Herringston Estates Ltd, near Dorchester.



Farmer Conference 2010 "UK Agriculture: Tackling the Challenge of Today's Economy"



Over 150 farmers attended our conference on 4th February filling the conference room at Salisbury racecourse. We had three excellent speakers in Mark Berrisford-Smith, Senior Economist at HSBC, Peter Kendall, President of the NFU, and Jack Watts, Senior Analyst at the HGCA. This was followed by a sit-down lunch which gave delegates a chance to discuss their views on some thought-provoking points made by the speakers. Judging by the number of e-mails, letters and phone calls we have had, the day was very well received.

Malting Barley Report – from our marketing partners **Gowlett Grain**

The outlook for the malting barley market is very difficult at the moment with November 2010 prices at £100 ex farm, but there may be a glimmer of hope for those that take the long view. As economic growth improves across the world, we may see demand start to pick up towards the end of this year, or the beginning of next. In the meantime, EU Malting barley old crop stocks still weigh heavily on new crop markets and plantings are forecast to be significantly down in France (-20%), Germany (-20%) and the UK (-20 to -25%).

Feed barley markets have also remained under considerable pressure over the last few months, and EU offers are not competitive, as they are supported by intervention levels. However, these are much better values than the world market prices.

The overall annual EU requirements are likely to be reduced from 9 million down to 6 million due to carry over and malt production capacity only running at 85%.

The carry-over stocks from this year are estimated to supply the market until November, although there are still other factors that could influence this market: such as poor growing conditions or

adverse harvesting weather. We could also see a slight increase in beer sales.

The malting barley crop in Australia survived some drought conditions in NSW and Victoria. Australia normally supplies about 900,000 tonnes of barley to China, and probably has a supply of 700,000 tonnes, but the balance will be easily covered by Canada and France.

Therefore, opportunities in the market are really for the long holder as we expect that from January 2011 onwards the market will become more volatile and maltsters will be looking to secure supplies for 2011–2012.



Wessex strengthens trading team

While trader Richard Tory is returning to farming on a mixed farm in Wiltshire, Wessex has welcomed two new recruits to its trading team.

Richard says: "During my time with Wessex Grain I have met some fantastic people, both on farms and in the trade, and generally had a very good time. I don't think there is another industry where people remain so optimistic year after year. The market proves to have many false dawns, regularly disappointing and causing heartache for growers, but still the optimist shines through. I have certainly seen firsthand the advantage of selling little and often, with the majority of farmers that do this ending up better off. There has also been a big swing in popularity of various break crops that are in favour."

At the same time Wessex has two new recruits. Both Matt Cooke and Tom Taylor join as Farm Grain Buyers.

Matt worked for three years in London with the world's leading sports marketing company IMG. Matt graduated from the University of Leeds with a BA Honours degree in Environmental Management. For Matt the decision to return to his farming routes was an easy one.

He says: "Leaving the bright lights of London was an easy decision, given my strong family farming connections in my home county of East Sussex, and an interest in pursuing a career in the grain trade. I am a keen country and farming enthusiast, I am looking forward to meeting as many farmers as possible, and discussing the finer points of rural life, both grain related and otherwise."

Peas & Beans – Dave Mattison

Bean prices continue to remain firm compared to the downward trend in most other crop commodities. The spread between beans and wheat is unusually high, and is persuading growers to release more on to the market. Prices range between £135-£140 ex farm. With compounders buying hand-to-mouth this situation should continue for the next few weeks, but demand will drop once the cattle go out to grass.

Small cargoes of UK beans are still being exported to Spain and Italy despite strong sterling. With feed Bean prices being so strong the Human consumption Premium has dropped to £4/5 per tonne, with very little demand and the main buyer, Egypt, being well covered.

It is still very difficult to find any firm bids on new crop Peas or Beans at the moment, with buyers showing concern over the increase in production from France, and the resulting competition for our traditional North African markets. Price indication £120 ex Sept 2010 plus £1 per month carry. Also the recent announcement that the Birds Eye Plant at Lowestoft has lost a very large contract for vining peas means the growers are looking for alternative crops, putting further pressure on the market.



Matt Cooke



Tom Taylor

Tom Taylor, who recently graduated from Newcastle University with a degree in Agriculture with Honours in Agronomy, is also from a farming background, and has been actively involved in the family's arable farm in Blandford, Dorset. In addition to Tom's experience of farming in this country he spent six months working on farms in Australia.

Tom says: "I have always been fascinated with farming, and I am really looking forward to fully exploring the grain trade, understanding the intricacies of the markets, and working with farmers to maximise their profits!"