

GRAIN & FEED INSIGHT

Key Points

- Spot trade all going to dairy
- Maize planting slowly getting underway
- Better season for Canterbury
- Conditions driving Australian prices

 CANTERBURY FEED WHEAT (\$/TONNE)	 ASW WHEAT LANDED AUCK. (\$/TONNE)	 PKE NZ AVERAGE (\$/TONNE)	 CBOT CORN (USD/BU)	 NZD:USD	 NZD:AUD
379	391	265	3.50	0.714	0.911

GRAIN MARKET SCENE



Amy Castleton

Dairy driving spot grain prices

Prices have moved very little over the past few weeks, as there isn't any significant volumes of grain trading. Prices have softened just a dollar or two per tonne. Canterbury feed wheat is averaging \$379/t and feed barley is averaging \$386/t this week.

There are no large users that openly need feed right now, so most of the spot trading activity at present is coming from the dairy sector. While there is good demand from dairy farmers, they are generally buying lots of small loads as they need it. There doesn't seem to be a lot of appetite to buy more than this or make many forward commitments in case dairy commodity prices fall (and thus the milk price gets revised down).

There is a feeling from some traders that some supplementary feeding is being foregone by dairy farmers. Milk production was poor through August and September, and thoughts from the grain sector are that milk would be performing okay if dairy farmers were feeding more grain than they are. In some instances dairy farmers have lifted their grain inputs but this has been more than offset by the poor pasture production hence there is no visible response in milk production.

There are also some grain stocks around still, although there are mixed views on the quantities. Southland is one area that is certainly short on grain. Some grain is being shipped down from Canterbury, but this does add the cost of freight. On the other hand barley has now been starting to turn up in Canterbury, as growers have become more willing to sell what remains in storage. The next survey from the Arable Industry Marketing Initiative - due out in about a month's time - should confirm how much stock is left around the country.

Wet conditions affecting milk production

NZ milk production has performed poorly due to the wet conditions through spring so far. It was down 1.5% on a milksolids basis in August. Fonterra's September production was down 2%. NZ data is yet to be released, but total NZ milk production for September is expected to be down but not by as much as Fonterra. Fonterra has also revised its milk production forecast down. It now expects a 1% increase in NZ milk this season. Its previous forecast was for a 3% increase.

The poor start to the NZ milk production season should be providing support to dairy commodity prices - particularly whole milk powder (WMP) - but this is yet to play out. WMP prices are expected to lift 2.6% at this week's Global Dairy

Trade event, based on the price for the October WMP futures contract which trades on the NZX Dairy Derivatives market. However Fonterra did also lift its WMP offer volumes for this event, so the market is receiving mixed messages. Prices for other commodities are expected to come back this week.

Any decline in dairy commodity prices will put pressure on milk price forecasts. The AgriHQ milk price forecast is currently \$6.60/kg of milksolids, 15 cents behind Fonterra's forecast. The September 2018 milk price futures contract is also at this level.

Maize a struggle to get in

Maize planting in the North Island is struggling. Some growers are yet to get into their paddocks as conditions haven't been good enough, though most have at least ploughed even if they haven't

Regional feed prices - week ending October 21

Free Prices	Last week			2 weeks ago	1 year ago
	Low	High	Average		
Wheat-Milling					
Canterbury	330	380	353	353	333
Wheat-Feed					
Canterbury	360	390	379	381	274
Southland	350	410	400	400	310
Manawatu	380	475	406	406	365
Barley-Feed					
Canterbury	360	400	386	388	256
Southland	370	410	403	403	305
Manawatu	385	475	423	418	345
Oats-Feed					
Southland	385	410	380	380	400
Canterbury	300	350	318	318	383
Maize-Grain					
Manawatu	400	485	427	422	345
Waikato	400	445	423	428	360

GRAIN MARKET SCENE

sown anything yet. These growers are starting to consider changing varieties so that they are able to plant later. In other areas, such as the east coast where conditions are drier, contractors are flat out planting. Most of the planting to date is in Gisborne, though planting is getting underway in Waikato as well. A little has gone in in Manawatu, but this region is likely to be quite far behind, as so far the rain has not stopped.

Cereal crops have been planted in the North Island or are underway – only just in some areas. Wheat is expected to be short as there hasn't been enough planted, but there will likely be plenty of barley. Some lines of barley seed have sold out, particularly for later planted varieties. Quite a bit more malting barley has been planted this season.

More settled weather is forecast over the next few days. It has also been quite windy over much of the North Island, which should help to dry soils out. Soil moisture has improved to more normal levels in the north of the North Island and along the east coast (including Gisborne and more northern areas of Wairarapa). Soils along the west coast continue to be largely at field capacity. Growers really only need a few days of drier conditions to get their planting done, as they are able to catch up relatively quickly if they have the right equipment.

South Island planting still going

In the South Island, wheat planting is pretty much complete. There was lots of late wheat planted (due to wet weather holding things up). It has been wetter in south Canterbury than in mid-Canterbury, so it has been more of a struggle to get crops planted there. There

GLOBAL MARKET

Domestic demand driving Australian grain prices

Australian markets have been largely driven by domestic demand over the past few weeks. Australia's large exports from last season combined with domestic shortages have seen Australian values gather some support. Australian values have rallied compared to what's been seen overseas.

However, over the past fortnight this has been offset by strong rainfall in the northern part of Australia. Southern Queensland and northern New South Wales are expecting dramatically reduced yields for their summer harvested crops this season, which is also where a lot of feedlots are. These concerns extended into the planting of sorghum (commencing in early October), where dry soil conditions caused concerns for supply in this part of Australia.

Strong rainfall both in the past fortnight and

seems to have been a bit more wheat planted than was expected, but the cereal crop in Canterbury is mostly playing out as expected – that is, a little less wheat this season and lots more barley. The extra volume of wheat may just be due to being planted late. Growers have increased their volume as later planted varieties typically have lower yields. Barley is still going in – there is plenty of momentum for this crop.

It looks to be a favourable growing season for Canterbury at this stage. Soil moisture levels are good enough that even it turns quite dry, crops will be able to keep going. More heat and sunshine hours are needed at the moment.

Growers are waiting to see how the growing season plays out before signing too many forward contracts, though 2018 contracts are slowly coming together. They are reasonably optimistic that prices will hold, so don't feel too much urgency. Many in the grain market also feel that dairy seems steady enough that dairy farmers will remain in the market and keep prices up.

Little movement in palm kernel

Palm kernel is reasonably quiet at the moment as well. Production is still not performing as expected in South East Asia; that is, less than expected has been produced for a few months now. The supply situation and relatively steady demand is keeping prices in NZ at about \$260/t or so. It is difficult to get dairy farmers to make forward commitments, which may bite in a few months' time. Contracts for anything needed over summer need to be being done now, as shipping usually takes about three months.

forecast for coming weeks has seen optimism about sorghum plantings grow, and values drop. This has had a flow on effect to southern markets, which were expected to potentially have to send some grain north to meet this demand.

Some harvesting has commenced in northern parts of Australia, with harvest in southern Australia expected to begin in mid-November. Southern parts of Australia are expected to record decent yields, but will be hoping for a light rainfall in coming weeks.

In international news, there has not been dramatic changes of late as the USDA WASDE report fell in line with expectations with just a few exceptions.

South America is the major harvester the market keeps its eyes on at this time of year, with mixed conditions in Brazil and Argentina such as dryness and excess rainfall still yet to be determined in terms of their effect.

Palm Kernel Expeller (PKE)

	Last week	2 weeks ago	1 year ago
Canterbury	256	253	223
Manawatu	289	289	267
Waikato	257	251	225
Southland	257	252	226

International Prices

	Last week	2 weeks ago	1 year ago
US Grain - NZD/t			
Wheat Dec 2017	225	226	206
Wheat Jul 2018	248	248	232
Corn Dec 2017	193	191	191

Source: CME

Australian Grain - NZD/t*			
Wheat APW	408	406	310
Wheat AH	429	434	338
Wheat ASW	391	393	291
Feed Wheat	268	265	216
Feed Barley	364	366	248
Sorghum	364	344	284

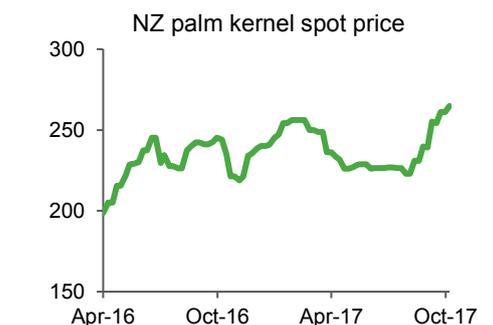
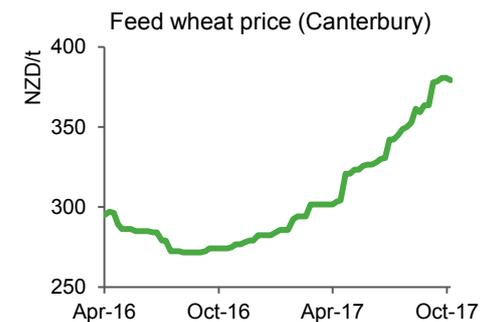
*Landed Auckland, Source: Profarmer Australia

PKE - USD/t			
Ex Malaysia	111	107	94

Source: MPOB

Fertiliser			
Urea Gulf Coast	237	228	195
DAP Tampa	345	338	335

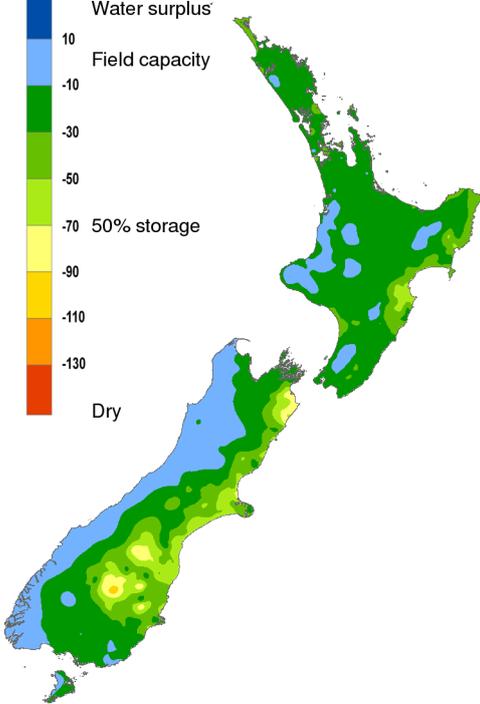
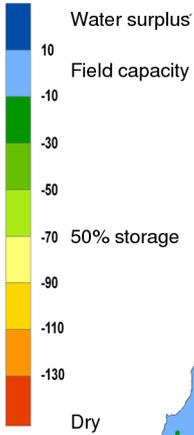
Freight			
Baltic-Dry Index	1433	1429	872



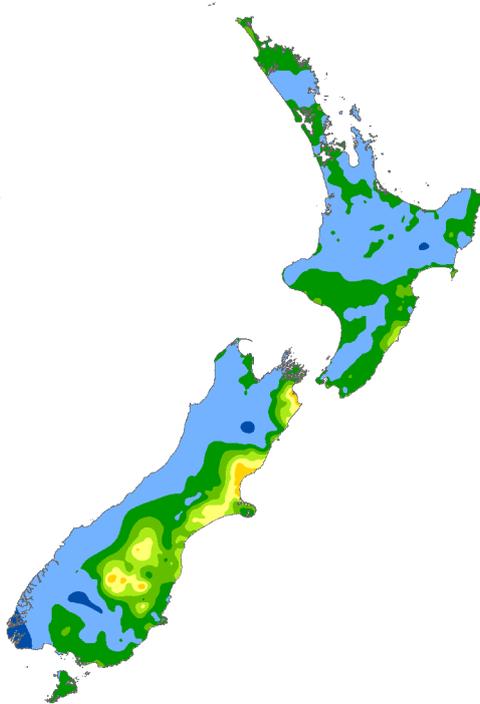
WEATHER WATCH

Soil Moisture Deficit

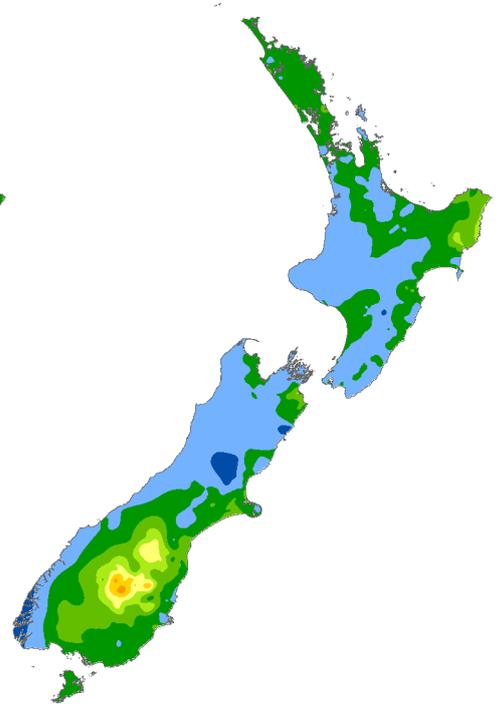
Soil moisture deficit (mm) at 9am on 16/10/2017



Historical average deficit at 9am on 16 Oct

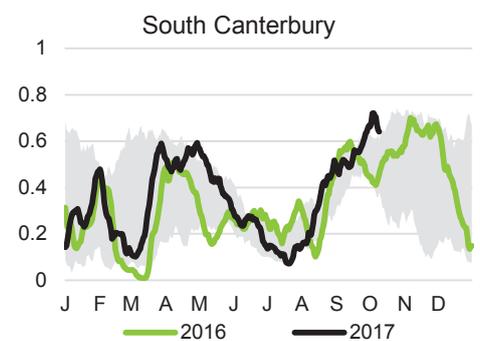
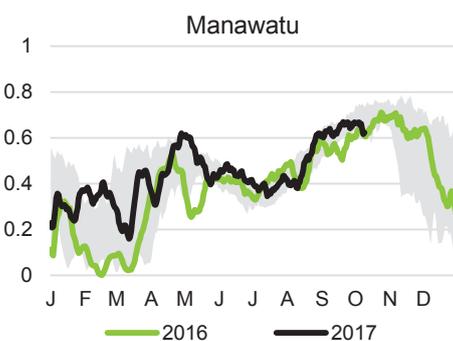
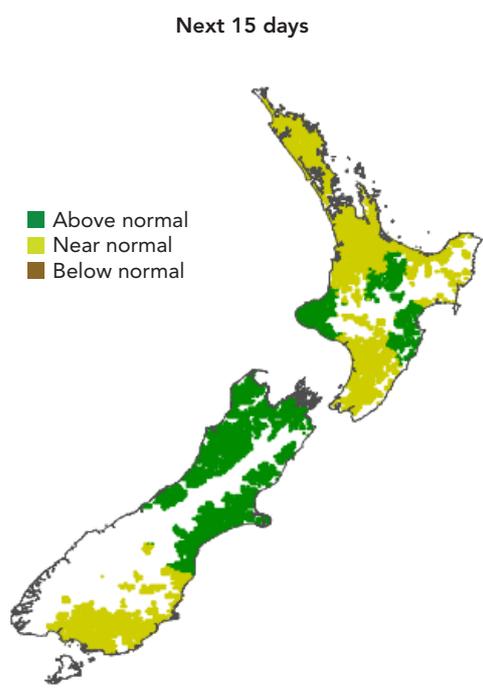
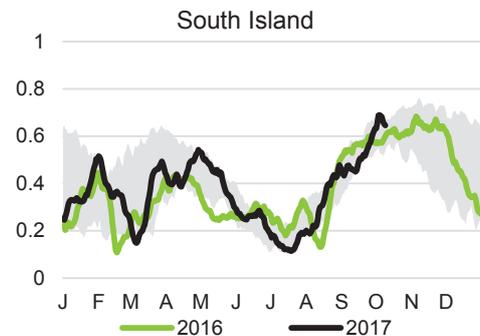
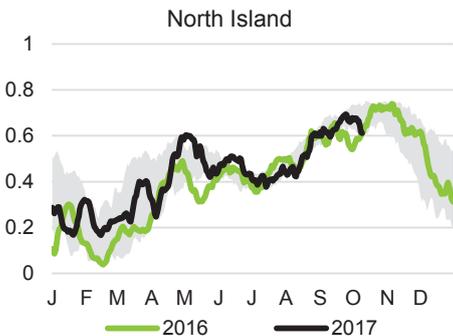


Deficit at 9am on 16/10/2016



Deficit at 9am on 16/10/2017

AgriHQ Pasture Growth Index



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