unicorn INGREDIENTS

Market report

November 2017

Currency update:

A fairly stable month on the FX market, some ups and downs, but generally currencies have settled to where they started the month. In the UK strong growth figures bring an interest rate rise closer, whist Brexit negotiations, or lack of, add nervousness. Unsettlement in the EU zone, dampens any sign of strengthening for this currency. Certainly, the ECB is not giving positive signs that it sees the EU economic recovery as particularly strong. For the US dollar signals are generally more positive and the dollar has consequently fared the best of all G 10 currencies of late.

FX Monthly movement

– US$/ £ 1.31 from 1.33
– US$/ €1.17 unchanged
– £/€ 1.13 unchanged

General news

Diwali, Chinese Autumn holiday and Anuga are all behind us, as we head to Christmas. General tightness in supply, shipping problems, delays and strong demand are putting pressures on the supply chains of some items, whereas others such as pumpkin, where buyers took early advantage of cheap prices, are confusing demand and increasing inventory costs of some wholesalers, who have contracts on call contracts, that are consequently being delayed. So a slightly confused picture.

The increased focus on chemical residues in crops that challenge the default MRL's set by the EU are also impacting significantly on many crops, where the limits are unreasonably low, and this is making the EU countries a less favoured destination and creating higher prices. There is nothing that can be done, but it should be remembered when there is too big a differential in quotes from importers.

Pumpkinseed kernels:

There is some concern in China over the quietness of the market. After the lows of last year, many processors are recovering from big losses. Meanwhile EU companies hold good inventory bought cheaply, and thus remain away from the market slowing demand. In China, the government is tackling their air pollution, and this is closing factories, such as seed roasters. The modifications are expensive and take time so, these is reduced demand from here too. As far as the crop is concerned, the GWS volume is probably less than 50% of normal. This is an export led product, and with perhaps only 8000mt, it is not enough for normal demand. The Shine skin quantity is probably only 60% of last season. Normally 70% of the crop will go to domestic roasters, so without this demand, and low exports, it is not surprising prices are stable. Ultimately demand will return within a few weeks, and prices could increase, but we do not anticipate the heights of a few years ago. The current trading range is comfortable for pumpkin growers and producers, so hopefully the market will stay in the range.

Linseed:

brown linseed supplies look generally ok from Russia/Kazakhstan and we do not see any challenges this season. Golden linseed however is a different story. Many origins are already completely sold out, although stocks are in the supply chain still. Moldova, Poland are both gone. UK is very small and at premium prices already. We see problems all season in availability.

Sesame seed:

The crop is going to be quite small for white natural sesame, perhaps 250,000mt, and the expectation is that the carryover is around 50,000mt. So, this quantity will not satisfy demand, which domestically is probably 200,000mt alone. So India will import from Africa where the bumper crop of 1.3Million tonnes will more than cover the expected Chinese demand of -1.1M tonnes. The preference is for Sudanese Gadaref seed along with some Sudanese red, or mixed, which is suitable to produce a good hulled sesame, whilst Indian red/double skinned is most not, but is still used by unscrupulous processors to cheapen the seed. As always therefore, know your processor, and remember cheap offers not reflecting the market, will mean a lower quality. The market is also struggling with the Modi governments anti 'black economy' changes. This makes cash transactions, a tradition of the local markets, impossible, thus challenging the supply chain and forcing some local traders out of the equation. Hopefully this will settle down in due course. We predict a fairly stable pricing structure this year. Generally, demand has been poor for 2017 and premium processors are looking to fill their capacity. Diwali is just past us too, which interferes with shipments, so we are concerned there might be an inventory squeeze in EU due to this occurring at the same time as we switch from old crop to new product.

In Central America, availability of good quality seed is limited until the new crop in December, until then, shippers are struggling and delays frequent. It is hard to forecast the crop at this stage, but the poor prices will surely have encouraged farmers to look at alternatives as is the normal situation at these times.

Hulled millet:

Grown generally in Ukraine/Poland as a spring crop to replace failed winter sowings of Oilseed rape and others. This is a common issue in these regions, where winter weather can cause crops to fail, so the ground is re sown with a spring option. This past year, firstly the winter was mild so little needed replanting and then what was replanted was caught by a late frost in May, killing the plants. So, the availability of material is very limited. Prices are moving fast, up 30% already, and supplies very tight. It is quite likely they will exceed USA prices for the first time in many years.

Sunflower:

Crop availability is fine, and hulling companies compete with oil crushers for the crop, raw material prices creep upwards, but the fight for market share keeps the hulled market weak and fairly stable. Capacity is ever increasing, and demand keeps growing globally for the kernels. Where will it end? However, at these prices sunflower is very good value, and as a perfect seed for bread and other uses, we can easily see demand continuing to grow. There is little to be concerned about on this market at this time.

Poppy seed:

Well the only people with good availability is the Czech Republic, and as we all know the Poppy grower’s association control the release of material thus forcing up the price. They are very successful at this, as history shows. Elsewhere the picture is gloomy, of reduced yields, poor crops and further reducing planting areas as the morphine manufacturers are overstocked with their raw material. We are beginning to feel poppy is going to remain firm for a couple of years at least. If the EU decides to impose an 10ppm alkaloid level, this will further rally the market prices since there is not enough de-morphing capacity to meet EU demand, and since the remainder of the world has no such issue, sellers will probably prefer operating in these regions.

Chia:

The crops in Bolivia & Paraguay are very short, down 60%, and a large percentage of the crop has been acquired by USA importers who have strong demand and paid cash. They also do not have the same demands on MRL’s of herbicides as the EU, so can take all material. For the EU, it is a challenge since often chia is desiccated pre-harvest, and this raises glyphosate levels. The difference in price now for EU/non-EU material is around $6-700/mt. Of course, if you don’t test, you don’t know, so we are sure some importers buy these cheaper goods without realising the issue. In Argentina where the crop is also smaller, about 50%, the conditions are drier, so we should see less Glyphosate material, but it is still an issue in some lots. This year is going to be difficult, but hopefully as prices increase farmers will be encouraged to plant more for the coming season.

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