

# Viewpoint



## ADM Agriculture Ltd

At the beginning of April this year the new business of ADM Agriculture was formed.

ADM Agriculture comprises the former ADM Arkady business, which is one of the UK's leading importers and distributors of feedstuffs and biomass products, operating in around 20 ports across the UK and in France; ADM Direct, the specialist origination business; Gleadell Agriculture Ltd, one of the UK's leading agricultural merchants and Dunns (Long Sutton) Ltd, our major seed and pulse processing business.

Operating from six offices and employing nearly 180 people, the new company is up and running and ready to meet the obvious, and not so obvious, challenges in our industry and to provide commercially effective solutions for all participants in the supply chain.

The new business is one of the largest in the sector and will offer farmers and end users a range of products and services whilst benefitting from the global reach, strength and scale of ADM.

The business will naturally source wheat and rapeseed for ADM's UK assets in the form of ADM

Milling and the UK's largest oilseed crushing plant at ADM Erith, but at the same time we will be able to supply the full range of combinable crops and feed ingredients to a wide range of end users on a nationwide basis, alongside the distribution of high-quality seed and fertiliser products.

ADM is also a significant player in the wider UK economy. ADM employs nearly 1300 people in total in the UK across a range of businesses such as Wild Flavours & Speciality Ingredients [WFSI], oilseed crushing and refining at Erith and Purfleet, and ADM Protexin, which produces unique, innovative, high-quality probiotic supplements for human and animal use. ADM Milling is one of the leading UK flour millers, operating out of seven mills whilst ADM Investor Services International Ltd is part of one of the world's leading clearers in the Exchange traded Futures and Options markets.

Taken as a whole, the ADM UK team is ready for business and aimed at supporting our customers' businesses in all the sectors in which we participate.



David Sheppard,  
joint managing director



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A strategic partnership with liquid nitrogen specialist Brineflow is helping to meet increasing demand for this type of fertiliser from growers across the country.

# Market Outlook

## Spring 2019



2018 gave us one of the hottest summers in recent memory. The impact on yields resulted in a sharp market rally and we still hear of plenty of growers trading this memory. However, there are some considerable differences between seasonal prospects.

Global wheat production in 2019 is expected to increase by about 30m t. Weather in Russia and Ukraine is near ideal. In Canada, the forecast is for an 18-year high in wheat plantings and US winter crops look good so far.

There is still time for a market-moving weather event, but growers need to manage market risk. This starts by trading the prospects that are in front of us.

Jonathan Lane, head of grain trading



### Feed Grains

As this marketing season draws to a close, the likelihood of rising stocks and a rebound in global production for 2019/20 has started to weigh on prices.



turn more favourable. However, inclement weather in the US may provide some delays in spring plantings, although any potential area losses will be more than negated by higher inventories.

Forecasts for larger southern hemisphere wheat crops, albeit dependent on weather, together with a bigger wheat area for Canada, have turned the overall market view more bearish, as all major exchanges traded down to or near contract lows.

Weather remains the major unknown. This, together with markets at contract lows and fund managers holding a record total short position, could provide underlying support.

However, given the increase in global stocks, unless any weather issue results in major production losses, the expectation is that prices will remain on the defensive, re-testing or even breaking through the current lows.

David Woodland, trader – statistics and economics

Sluggish US grain exports, lower-than-anticipated EU/Black Sea exports and lacklustre demand for wheat, mainly due to more cost-effective alternatives like barley and maize, have combined to propel stocks higher than initially envisaged.

Talk of increased trade emanating from recent US/China discussions has not yet materialised into any substantial additional buying. As the weeks pass with no final confirmation, the trade has become less optimistic and less friendly to markets.

Looking forward to the 2019/20 season, the prospects of better harvests in the EU and Black Sea region are increasing as weather conditions

### Oilseeds

Since our autumn report, global politics have continued to change traditional trade flows within the oilseeds complex.



As we enter the final months of the old-crop marketing season, it looks unlikely that a US/China trade deal will be signed before June. African swine fever gripped China's pork industry for the best part of this season, which is leaving that country's soybean demand questionable.

US ending stocks for this season are estimated to be a record 24.4m t. South American crop estimates are also improving. It's hard to see what will create the necessary demand to lower global ending stocks, and weather will remain a key driver.

Extreme wet weather across the US could also see corn replaced with additional soybeans.

Canadian canola prices are close to contract lows due to the trade dispute with China, leading to estimates of a 10% fall in area. Australian farmers may switch to winter wheat due to below-average soil moisture and a lack of rain.

Meanwhile across much of Europe, below-average rainfall is taking its toll on crop conditions. Crop estimates for next season have reached a 12-year low of approximately 18.3m t, outweighing the bearish European old-crop carryout and supporting nearby prices.

Ongoing Brexit uncertainty means sterling will continue to have a significant influence on farm prices.

Will Ringrose, trader – oilseeds



### Malting Barley

As we head towards harvest 2019, weather is yet again the hot topic of conversation for the malting industry.



On paper we have a good EU area of both winter and spring malting barley. Until recently, the sentiment had been for a big surplus with prices gradually drifting down from the highs set last harvest. But, after a hot 2018, another dry warm winter has led to very low groundwater levels throughout most of the EU.

Although not a problem today, the threat to yield and quality is again on everyone's minds. As with any weather market, prices could become very volatile over the coming weeks.

In the UK, most believe that we may have 500,000t to export, which in a normal year would not be a problem. The issue for crop 2019 is still Brexit uncertainty.

Time is ticking by and EU buyers have so far bought next to no UK malting barley, turning to other origins instead, unwilling to take the risk of a UK tariff or an execution problem.

If the situation is not resolved soon, most of the Oct/Dec shipping market could be covered elsewhere.

On a positive note, many of our growers have already marketed their malting barley, choosing one or more of our buyback contracts. Our malting pool has again been very popular, with tonnages up nearly 20% year on year.

Stuart Shand, head of malting barley/projects



### Pulses

The pulse area for harvest 2019 is expected to decline for the second year running, driven by the poor yields of last harvest and the resultant lack of seed.



Nevertheless, the planted area is higher than expected six months ago as growers turn to spring pulses to replace fields of abandoned OSR. As a result, the pea and winter bean area is expected to be broadly unchanged, although the spring bean area is 15% lower year on year.

Winter beans look well and spring pulse crops got off to a good start, sown in a timely fashion into significantly better conditions than last year. A lack of rainfall since has slowed crop development and timely rains are required from here on in. If received, we are unlikely to see the very high pulse prices of harvest 2018/19.

Lewis Cottey, trader – pulses and IP maize



### Organics

After a quick start to the season with all products finding homes early on, things seem to have come to a bit of a standstill since the turn of the year.

Feed wheat and barley prices have steadied recently, while movement has been an issue with some mills running up to two months behind on intakes. Having said that, premiums over conventional prices remain healthy.

Malting barley has had another good year and any parcels left should still find a home, although probably not at the same level as earlier in the year.

The same can be said for milling oats. Those of decent quality need to be looked at sooner rather than later.

Home-grown pulses have been in demand after losing out to imports earlier in the season.

Imports have been expensive again due to sterling being weak. This has helped keep UK prices high.

Tony Kenny, trader – organics

### Oats

The 2018 harvest year has proved a challenging season for oats. Adverse weather through the growing period caused a sharp reduction in global yields and very poor domestic quality, particularly in spring varieties.



Domestic ex-farm values have reached five-year highs, with decent-quality milling oats making peak prices.

Overall oats for harvest 2019 are looking well. Concerns over dry weather have been reduced to some extent by recent rains, but the market will continue to keep a close watch.

Brexit negotiations will play a major role in price action for the 2019 harvest, as uncertainties beyond October and the potential of export tariffs into the EU will drive domestic values until we have more clarity.

Jeremy Pope, trader – oats and milling wheat

### Milling Wheat

Firming UK premiums in February 2019 primarily stemmed from an overall lack of availability of domestic full-specification Group 1s and 2s due to high screenings caused by hot weather during grain fill.



Additional direction came from the 8m t (19%) drop in production in the Baltic states, which increased the price ceiling of German wheat. The threat of import tariffs also caused some flour buyers to take cover ahead of the original Brexit deadline.

Overall, the UK milling market looks reliant on imports to cover demand for the last few months

of this season, with a repeat of last season's 160,000t of German imports during March to June looking likely. Prices should therefore remain supported at import parity unless there is an unforeseen drop in flour demand.

Looking forward to new crop, there has been a notable increase in the UK's wheat area. Estimates suggest farmers have sown 4-10% more this season, therefore we should see adequate supplies of milling wheat despite some farmers switching into feed. Early premium indications are about £15/t over feed subject to location.

As growers will be aware, the key will be the weather during June to August. Time will tell.

James Forster, trader – northern milling wheat

# Creating a closer relationship between farmer, miller and customer



Tim Cook, managing director  
ADM Milling Limited UK



ADM Milling takes pride in its 'field to flour' supply chain that connects directly with farmers who supply its mills, ensuring a traceable and secure supply of quality milling wheat for its flour customers.



Archer Daniels Midland (ADM) established its UK milling operation in 1999. ADM Milling has wheat flour mills strategically located around the UK, at Avonmouth, Corby, Edinburgh, Knottingley, Liverpool, Seaforth and Tilbury. The company also has a technical centre in Avonmouth, near Bristol.

manufacturers to in-store bakeries, caterers and craft bakers.

Our product range includes white, wholemeal, cake and speciality flours, bakery mixes and concentrates, improvers and complementary products.

Our dedication to perfection is underlined by our product quality, technical support and customer service, ensuring the functional performance of our products always meets our customers' needs.

National sales coverage via our own distribution fleet serves all sectors of the bakery and food manufacturing industry, from multi-national



## A sustainable integrated supply chain

Several years ago we noticed a trend among British arable farmers to change their wheat cropping choices. Growing for yield, as opposed to quality, led to almost two-thirds of the UK wheat crop consisting of feed wheat varieties. Therefore, to face the challenge of meeting consumer demand for quality wheat, ADM Milling and ADM Agriculture implemented fresh initiatives to help increase the acreage of quality milling wheat grown in the UK.

### Growing for quality

As part of this initiative, ADM Milling is working with the 'field to flour' supply chain to create better relationships with farmers, which will ensure that we have access to quality milling wheat for our flour customers. This initiative, ADM Connect, means that farmers can have more confidence to grow milling wheat, as it guarantees final purchase of the crop, thereby reducing some of the risks associated with growing milling wheat.

Growing milling wheat in preference to feed wheat will have additional advantages for 'Connect Growers'. Joining the ADM Connect programme creates a closer relationship between farmer and miller. Working with a leading UK independent miller, farmers will benefit from ADM's global awareness of key market forces while, closer to home, farmers will be included in initiatives evolving through key strategic alliances between UK wheat breeders, ADM Milling and our customers.

At ADM Milling we recognise that flour customers are also looking for closer links to growers and, through the ADM Connect scheme, we can facilitate this by creating a better understanding of the whole process of wheat production from 'field to flour'. The importance of continuity of quality supply from farm to flour mill, and from flour mill to a food manufacturing process, is complex, so our trading and commercial teams work closely with customers to ensure that they also gain long-term benefits from the ADM Connect programme.



### Sustainable farming

Sustainability continues to be a key trend for consumers. UK flour millers are wise to tap into this trend as consumers are increasingly looking to buy locally sourced British produce. According to a report on green buying behaviour, a large proportion of UK survey respondents are willing to pay a premium for locally sourced products. The study also states that "locally sourced" labels were deemed trustworthy by the highest percentage of respondents.

However, a decline in the acreage of milling wheat grown would mean that consumer demand for sustainable UK wheat would not be met if millers had to buy quality wheat from overseas. Fewer farmers growing quality milling wheat in the UK could lead to higher premiums for UK milling wheat, and if the UK food producers are not able to absorb these costs, UK flour millers could have to look overseas for a more competitive source of supply.



### ADM Agriculture

The ADM Connect programme is operated by ADM Agriculture, one of the UK's largest on-farm trading businesses. By supplying additional market information, ADM Connect can help both farmers and buyers understand the wheat pricing situation and gain real benefit. Pricing is competitive, helped by sourcing wheat direct from farm to mill of supply. Offering direct payment to farmers either at harvest time or through strategic storage schemes also helps to increase the efficiency of the supply chain and improves cropping confidence.

### ADM Investor Services International Ltd

The close relationship between ADM Milling's Trading team, ADM Agriculture and ADM Investor Services (ADMISI) provides the ADM Connect programme with access to the world's premier exchanges, including CBOT, ICE, Euronext Matif and LIFFE. The ADMISI Grains team draws on decades of experience in both physical and derivative grain trading to provide a premium service to those wishing to mitigate or assume price risk in these markets.



## Technical Support

Staffed by scientists, bakers and food technologists, the ADM Milling Technical Centre gathers excellence and expertise for milling and baking. Its facilities are some of the best in the industry. These enable research and development into all aspects of the "field to flour" supply chain from wheat breeding to finished product assessment.

Based throughout the UK, our team of technical experts provides advice and assistance to customers at their sites. All are qualified bakers with a wealth of experience in all bakery products and processes. Additionally, our technical centre-based staff ensure we are up to date with the ever-changing requirements of the food industry.

### Wheat variety assessment

At ADM Milling, we believe it is essential to understand the properties of new varieties before they arrive on the market. This allows us to identify their best use; understand their baking properties; maintain the high quality of our flour; meet the wide-ranging needs of our customers and encourage growers to supply the type of wheat needed to meet demand.

Here we take a big-picture approach. We assess varieties for consistency of performance across growing areas and crop years. We work closely with UK wheat breeders throughout wheat-breeding cycles by evaluating promising varieties and helping to guide them on wheat quality.

### Consumer trends

Our involvement in the development of new varieties helps us engage with the changing trends of the modern consumer. In turn, this can drive food innovation with our flour customers.

Fibre and vegetable protein are currently a hot topic and of high interest to customers looking to advance in this space. By partnering with our colleagues in ADM Nutrition we advise our customers on how products, such as ADM VegeFull and ADM Fibersol, can enhance the fibre content of baked goods.

# The Fertiliser Report

## Head of fertiliser Calum Findlay highlights how ADM Agriculture is working with key partners to supply top-quality products that meet increasingly stringent environmental demands.

There may be plenty of uncertainties ahead for UK farmers, but the need to reduce ammonia emissions and use fertilisers in a way that achieves economic, social and environmental goals has never been clearer.

The publication of the Code of Good Agricultural Practice has started the ball rolling and all greenhouse gas (GHG) emissions from farming practices are under review.

From February 2020, the use of straight urea in Germany will be banned unless applied with a urease inhibitor. Environmentalists there now have urea plus sulphur under watch and many are also asking questions about UAN liquids.

Here in the UK, we have entered a period of review on urea. Ports around the country are installing inhibitor units on bagging lines so I think we will be following Germany's lead, perhaps a year later in 2021.

With that in mind, we at ADM Agriculture must continue to work with the right partners. If, or when, straight urea is banned in the UK, we will see



an uptake in the sale of urea inhibitors and straight ammonium nitrate.

Strategically, CF Fertilisers remains key to our business in the UK. GHG emissions related to fertiliser use is CF's top priority. Understanding the efficiency with which crops use different types of CF fertiliser is becoming increasingly important for CF production management.

Terms on trend such as NUE (Nitrogen Use Efficiency) and NfUE (Nitrogen Fertiliser Use Efficiency) are creeping in to everyday farming vocabulary. ADM Agriculture will be working closely with CF Fertilisers and our farming customers to promote CF's range of quality products, which are AN based and remain the most efficient form of fertiliser.

SKW Piesteritz in Germany is at the forefront of innovation. The company's products, combined with best fertiliser management practices, continue to show tremendous results in terms of yield and limited environmental impact.

ADM Agriculture is SKW Piesteritz's partner in the UK, giving farmers access to the largest producer of urea in Europe and product technology that has achieved global recognition.

This autumn ADM Agriculture will be launching Piagran Pro to the UK market. This will be the only urea with an integrated urease inhibitor on offer, which virtually removes the risk of ammonia emissions. Our ADM Agriculture fertiliser business is built around partnerships, so we look forward to working closely with farmers on this product here in the UK.



Calum Findlay, head of fertiliser

## Getting closer to growers

ADM has been a consistent supplier in the wholesale fertiliser business since 2004. With multiple consolidations and increased volatility in the fertiliser distribution business, ADM felt it was time for some diversification in its portfolio.

In late 2016, ADM started a new initiative in the US called ADM Farm Direct Fertiliser, focusing on a closer connection with the US grower. Given the relationships built by the grain origination group, along with an extensive transportation and warehousing network, ADM has been able to procure fertiliser direct from the source and offer it straight to its farming partners across North America.

This direct path reduces various costs and inefficiencies of traditional fertiliser retail channels, saving the grower time and money without compromising quality.

ADM is committed to doing right by the farmer with high-quality crop nutrition solutions, competitive direct-to-farm pricing, and expert guidance the farmer can trust. ADM has even gone a step further and recently has installed multiple blenders across its warehousing network to give farmers specifically what they need.

ADM believes this strategy and thought process will only help all of us succeed. Working with partners, as in the UK, will be key to the future.

Jordan Barry, ADM North America Fertiliser



# The Seed Report

## The Importance of Genetics



Chris Guest, head of seed



## Head of seed Chris Guest looks at the increasingly important role of plant breeding and highlights some recent advances in the field.

At a time when challenging legislation and increasing pest, weed and disease resistance are combining to undermine the effectiveness of our agrochemical armoury, it is vital that plant breeders have access to the largest possible toolbox to sustain and build on recent advances in crop genetics.

This is crucial, not only to our farmer customers, but also our end-user processing customers and, ultimately, the wider public.

Changes to UK agricultural policy will no doubt place more focus on "productivity" along with "public money for public good". One of the most important methods to improve productivity is through genetics, as the development of modern plant breeding over the past century has demonstrated.

During the past decade we have seen further gains through conventional breeding techniques and some whole plant forms of mutagenesis and gene editing. The former has driven genetic resistance to important plant diseases as well as yield, while the latter has

seen the introduction of specialist traits such as Clearfield oilseed rape.

We have seen a real game change in new varieties coming forward over the past three years, reflecting the fact that disease resistance, in particular to Septoria tritici, has been a key breeding target.

A number of new wheat varieties with exceptional resistance to this disease hit the AHDB Recommended List this year, and they couldn't have come at a more important time.

KWS Extase is the first variety to break the 8 barrier and has looked outstanding in the field over the past three years. KWS Firefly, a NABIM group 3 variety, also has outstanding resistance to Septoria tritici, along with an excellent broader package.

We are also seeing more varieties in the candidate table featuring high resistance levels, including RGT Saki from breeder RAGT and Theodore from DSV, better known for its OSR breeding.

When looking at varietal selection, we have long been urging growers to look at the level of yield "at risk" of disease by taking into account the difference between treated and untreated yield. These varieties illustrate the value of this exercise.

Plant breeders have also solved the problem of orange wheat blossom midge by introducing resistant wheat varieties. This is now something of a prerequisite for many new varieties.

Plant breeders have also been busy improving their oilseed rape offerings.

Lack of resistance to turnip yellows virus (TuYV) came to light when neonicotinoid seed treatments were restricted and then banned. Many growers had not witnessed TuYV symptoms before as the active ingredients in the seed treatments had controlled the disease's aphid vector.

We now see breeders bringing material forward with TuYV tolerance/resistance, which we are sure will become a standard offering. There are some excellent new additions with levels of tolerance/resistance, including Aurelia from Limagrain, Temptation from DSV and RGT Quizz from RAGT.

When it comes to OSR varietal selection, yield stability and disease resistance as well as additional traits such as TuYV resistance, pod shatter resistance and autumn and spring vigour, all important targets for plant breeders, should be key drivers.



Keeping pace with the modern plant breeder is now somewhat of a challenge, albeit a welcome one, given the wide array of traits being worked upon and developed.

All this work is funded by the breeders' investment in research and development, which in turn is driven by royalty payments. It is a real success story, and one that must continue to develop at pace to ensure crop production remains profitable in the years ahead.

As such, we would urge our customers to continue this investment so they can reap the rewards that modern plant breeding techniques will bring.

# Tapping into demand for top quality liquid N



## ADM Agriculture's strategic partnership with Great Yarmouth-based Brineflow for the supply of liquid nitrogen fertilisers is going from strength to strength.

The agreement is helping meet increasing demand for liquid nitrogen from farmers across the country.

Brineflow is a new standalone company with a long pedigree, having been demerged from former fertiliser giant Bunn in 2011 to focus on liquid fertilisers.

Its triple-filtered Nitrasol fertiliser range is produced in Great Yarmouth from a new multi-million-pound storage and distribution terminal.

The company has years of on-farm and production expertise, with friendly customer service and a focus on trouble-free fertilisation right up to the nozzle.

Over 20,000t of tank-based storage is complemented by a dedicated pipeline directly to the quayside. This allows fast replenishment by ship tanker throughout the season from strategic global supply partners located in low-cost nitrogen production areas in Europe and beyond.

Ian Ferris, Brineflow commercial director, says: "We are proud of our investment in the first purpose-built liquid fertiliser terminal built in England for many years.

"Designed to the latest environmental standards, it adds significant supply capacity and affords security of supply to farmers who are increasingly appreciating the benefits of liquid nitrogen fertilisation."

Rob Buck, ADM Agriculture's wholesale fertiliser manager, says the agronomic benefits of liquid nitrogen are becoming more widely understood and rated.

"Quickly absorbed by the plant, the nitrogen allows crops to get a head start in cooler or adverse ground conditions so they reach their full potential.

"Being able to work reliably at wider bouts with fewer tramline widths makes better use of land. More accurate application to headlands and margins can also help lift yields. In addition, switching to liquid N frees up storage for other uses.

"This year in particular we have noticed that growers using liquids value the fact there is significantly less waste generated on their farms. This will help respond to concerns about single-use plastic waste, which has dominated the media and ultimately purchasers of farm-gate products."

Brineflow has refreshed its market positioning with much stronger branding and a revamped product range.

Nearly two-thirds of Nitrasol production is shipped with sulphur included, whilst straight liquid nitrogen is supplied at 18% to 30% concentration depending on customer requirements and nitrogen source.

Brineflow works closely with ADM Agriculture to help farmers make a trouble-free switch to Nitrasol liquids and to quantify the benefits. It also works with ADM Agriculture field staff to assist with surveying potential tank locations.

The company also organises the purchase and delivery of tanks to the farm and supervises the installation in a turnkey operation that allows the farmer to concentrate on agronomy with all other practical details managed by ADM Agriculture and the Brineflow team.



Sir Richard Sutton Ltd is a large successful farming business operating in West Berkshire and Lincolnshire. The company is a discerning customer, with high expectations of its suppliers.

Brineflow has established enough tank space to allow storage of one-third of the requirement out of season. The company's significant logistical capability ensures it can

service the in-season peak demand of the other two-thirds requirement.

It's an arrangement that pleases Chris Baylis, director of farming at Sir Richard Sutton Ltd, who says: "The estate has received excellent service over the past seasons through ADM Agriculture's Tim Cahalin and the Brineflow partnership."



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