

Technical Update – Feed Markets

09.04.2020

- Volatility in the feed markets continues, but has settled somewhat since the spike in prices during late March.
- No major disruption has yet been reported to the feed supply chain in the short term.
- Currency has recovered to a degree which has helped prices for imported goods
- Rain needed soon across Europe and Russia to prevent reduction in 2020 cereal crop production
- UK barley forward prices at £120/t ex farm at harvest = £35/t discount to wheat and worth considering
- Low crude oil prices mean no demand for bioethanol so more wheat and maize available but no distillers grains by products
- Outlook for UK and EU 2020 rapeseed crop is poor and combined with lack of demand for biodiesel some crushing plants have partially or fully closed so less rapemeal production
- Still opportunities to book rapemeal forward at good prices for autumn/winter 2020/21
- UK ex-port Soyameal prices have fallen back about £40/t from the late March spike to around £345/t. It could fall further and may come back into the equation for dairy diets as supply of other protein feeds reduces.

Cereals:

- After the extremely wet winter across the UK and much of Europe, there is concern that unless the current dry spell breaks soon then the 2020 harvest will be further reduced. EU wheat production forecast for 2020 is 136MT, down 10MT on last year at this stage.
- Mid-April is a critical time and the longer the dry spell continues beyond that point the worse the outcome will be. Some cereal farmers in France are now irrigating crops.
- Russia is now a big player in global the wheat market. They have had a very good planting and growing period over winter, but also now need rain or their wheat production will also fall back. The current forecast wheat crop is around 78MT, down from 80MT last month but still slightly up on last year.
- Ukraine is also very dry, but some rain is forecast.
- The US winter wheat crop is in good condition but over the smallest planted area since 1919.
- Indian and Australian wheat crops are also looking promising.
- Around 40% of US maize production now goes into biofuel, but demand has crashed so more US maize will be available. Crops in South America are generally very good, and more maize will be planted in Europe this spring so supplies should be reasonable which would help to cap any cereal price rally.
- For some UK farmers, particularly in the south, with no or poor winter cereals coming through, planting maize for crimped grain/ground ear maize may be an option.

Proteins

- The knock on effect of the major fall in bioethanol production around the world is that the production of wheat and maize distillers grains will also be affected, so supplies of these crucial mid-range protein feeds will become limited or non-existent as we go forward. At present they are around £40/t higher than pre crisis levels.

- In addition, biodiesel demand has also fallen so oilseed crushing has reduced and rapemeal production will also be significantly less going forward. At present quoted spot prices are up to and over £300/t (if available), up around £100/t since pre crisis levels. Forward prices are still being quoted for this autumn ex Erith at around £195/t rising to £200/t for spring 2021. Assuming the supplies will actually be available this represents a major opportunity to lock into good forward prices now.
- Rapeseed crops in the UK and throughout much of Europe are poor, with France reducing their latest estimate of plantings to 1.1MHa, the lowest since 2002 and the GB crop rating only 26% good/excellent.
- A combination of shortage of supplies of rapeseed and lack of demand with low prices means that some crushing plants have closed and more could follow with consequential effects on the supply of by-products to the animal feed industry.
- Soya harvest in South America is going well with a near record crop forecast.
- The US is likely to plant significantly more acres with soya this spring as maize prices have plummeted.
- Chinese demand in the medium term likely to be strong, so world ending stocks could still come under pressure.

For further discussion or to help with any questions that you may have, please contact Consultant Support on consultantsupport@kiteconsulting.com or 01902 851007 / 07542 403225

