

Technical Update – Feed Markets

Information correct as at 09:00am on 17.04.2020

- Despite recent OPEC meeting oil supply significantly exceeds demand
- World grain stocks high, but large amounts held in China
- EU and Russia need rain soon
- Soya plentiful but other proteins in short supply
- Barley supply likely to be up and prices competitive against other cereals

The recent OPEC meeting agreed to cut world oil production by around 10 million barrels/day, but the COVID 19 pandemic is thought to be reducing world demand by nearly 30 million barrels/day and Saudi Arabia is continuing to supply plenty of cheap oil. Oil prices remains volatile but depressed at around \$30/barrel or below.

Bioethanol production has fallen off the edge of a cliff with plants shutting down rapidly and storage facilities full. This has freed up some cereals which would have gone into fuel production but has caused a similar drop off in the supply of distillers' grains, which will soon become unavailable.

World grain stocks are high but around 50% of wheat and 60% of maize is held in China so for the rest of the world stock:use ratios are tight at around 25% for wheat and 15% for maize, the lowest since 2012/13.

Very dry conditions continue across western Europe and southern Russia so if we see no rain before early May then production forecasts will fall and prices could go up fast, particularly if Russia brings in export limits.

The EU oil seed rape crop will be at least as bad as last year and possibly worse and OSR crushing has also seen the biggest drop off for 30 years so supplies of rapemeal are very limited.

World soya production and stocks are at nearly record high levels, but demand from China is rising. UK Soyameal prices have fallen back since the panic of late March but with much reduced distillers' grains and rapemeal supplies prices could rise going forward.

Palm oil: Malaysia (one of the biggest producers) and India (one of the biggest consumers) are both in lockdown so with low world oil prices palm oil prices are down.

Outlook for UK Barley:

The current estimate for UK barley is that the overall planted area is up 18% on last year at c. 1.4Mha. Winter barley is down 23% vs 2019 but spring barley plantings are up around 47%. Yields for 2020 are forecast to be down 13% to just over 6T/ha, due to exceptionally wet conditions for winter crops.

Overall production is forecast to be up 6% at around 8.6MT. Spring plantings have gone well so everything now depends on the weather – if good we could see the largest crop since 1988, but if it stays dry, yields will be lower.

With pubs and restaurants closed and major summer sporting events cancelled the demand for malting barley has plummeted. Some barley intended for malting will come into the feed market and some barley stocks will be carried over into the 2020/21 year, which will increase the oversupply and add more downward pressure to forward prices.

Ex farm East Anglia prices for harvest are currently c.£120/t for barley and £157/t for wheat. This differential of c.£35-40/t is double what it was last year and represents an opportunity to lock into some good value energy concentrate for next winter. **BUT** this may not last as feed compounders will tend to use more barley than wheat. November prices on the same basis are £133/t for barley vs £165/t for wheat.

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

