

- Weather situation is becoming more critical by the day with rain badly needed
- Oil prices drop further
- Mid protein supply under severe pressure due to bioethanol plant closures

Following one of the wettest winters on record, there is now serious concern throughout Northern Europe, Russia and the Black Sea over the continuing very dry weather which will affect yields unless significant rain arrives in the next few weeks. All the major cereal producing areas above have either had difficulties with plantings and/or crop conditions and are now reducing production forecasts.

France, the largest EU producer, is now 24 points below its 5-year average for “Good/Excellent” crop rating. Russia is now one of the major exporters of wheat onto the world market, so their output is critical. They desperately need significant rains soon, otherwise they will be reducing their forecast production further. Their export policy is also very important to the supply of wheat and they could stop exports in the months up to next harvest.

Oil prices are very volatile but well down on previous levels at c.\$15/ barrel in the US. Roughly 40% of US maize is now grown for bioethanol production and with oil prices on the floor there is little demand for this. This means around 50-60MT of maize is coming back onto the market in the US, causing prices to fall to \$3/bushel, the equivalent of £100/t

Although world stocks of wheat and maize are good around 50% of wheat and 60% of maize is held in China, so without access to these stocks are tighter (but world demand generally has also fallen)

UK barley still very cheap compared with wheat with ex farm prices around £126/t currently, £120/t at harvest and £133/t for November (compared with wheat at £145/t, £157/t and £167/t for the same points in time)

Soyabean meal prices have continued to fall back from their recent peak of £375/t in late March to around £320/t spot and £305/t for the autumn/winter due to improved supply outlook and reduced demand. The OSR crops in the UK and Europe continue to be downgraded and the UK crop is now forecast to be around 1MT, the lowest in 30 years

## Outlook for Mid Proteins:

Following the oil price crash the lack of demand for bioethanol in the US has caused 30% of plants to fully close and 50% to partially close. Similarly, in Europe bioethanol plants are either closing or only partially working. This means that the supply of maize and wheat distillers’ grains in the UK will fall significantly in the short/medium term.

Current prices are around £235-240/t for maize distillers’ spot and forward (slightly higher for wheat distillers) which puts them around £40/t up year on year. Maize gluten is also up around £20/t year on year at £210/t as demand is strong, but wheat gluten is around similar levels to last year at £174/t spot and forward.

Around 85% of EU rapeseed is crushed for industrial use and with crude oil prices on the floor there is no demand for biodiesel. However, there is good demand for rapemeal so some crushing will continue but no new supplies will be around until the 2020 crop comes in.

Spot rapemeal is unavailable or very expensive from secondary sellers but prices for new crop August onwards are around £200/t ex Erith and well worth booking.