Technical Update - Feed Markets

Information correct as at 14:00pm on 12.06.2020

- No surprises in the recent USDA supply and demand report
- Recent rains will help, but too little too late for some crops
- Ground maize looking competitive as an energy source for this winter

The USDA produced their latest supply and demand WASDE report yesterday. First impressions are that there are no major surprises, with good outlooks for production and stocks of wheat, maize and soya.

Cereals

The recent/current rainfall across large parts of Europe has been variable and is unlikely to have much effect on winter cereal yields, but it may help some spring crops. Overall though, it has been enough to dampen any bullish sentiment for wheat prices.

It is still very hot and dry in the key Black Sea milling wheat areas, especially Southern Russia, but feed wheat areas are not as badly affected. This is significant as Russia and the Ukraine now represent about 30% of world wheat exports. The Russian Rouble has strengthened which has supported prices and made them less competitive in export markets.

There have been good rains in Spain and Portugal (historically a major export destination for UK barley) so their barley production will be good, thus reducing demand for UK supplies. Although some UK beer brewing is starting in anticipation of eased restrictions for pubs from 4th July, 90% of required malting barley has already been bought in January/February and some could be offloaded into the feed sector.

The US maize crop is rated 75% Good/Excellent, above the 5-year average and on a higher planted area too, so a big crop is expected. Brazil is also on track to produce a very large maize crop and with weak US/global demand and high stocks prices will be under continued downward pressure. Managed money/speculators are slightly short on wheat and very short on maize, i.e. they are expecting further price falls

In the UK 600KT maize was used in compounds during 2018/19 compared with a 5-year average of around 300KT and this trend is continuing with more barley/maize and less wheat being used. The outlook is for good crops of maize in the Top 6 countries we traditionally import from, so prices could fall below the current November – April levels of around £162/t ex dock. This equates to around £182/t ground and on farm giving it a very good relative feed value. The only danger with waiting is the risk of bad weather at harvest, so it would be prudent to take some cover now.

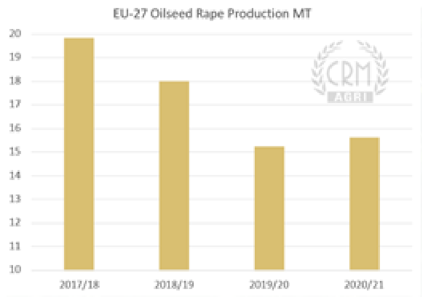
Proteins

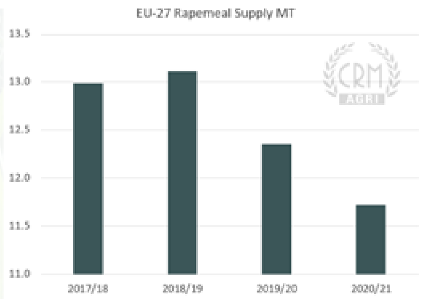
The US soya crop is looking good and ahead of the 5-year average for plantings and emergence with 72% rated Good/Excellent and further good weather forecast for the short/medium term.

The US/China trade tensions continue and although China is still buying some soyabeans from the US they will not hit the targets previously agreed.

Currency changes have recently helped to keep the price of UK imported feeds down, with the £/$ exchange rate currently around 1.27 compared with 1.16 at the end of March (though still well below the pre-Brexit levels of 1.4 – 1.5). UK Soyameal has currently fallen below the 5-year average price and rapemeal has now fallen back to the 5-year average.

The forecast demand for vegetable oils in the EU is falling and could drop further depending on how the economies emerge from the COVID 19 crisis. Rapemeal production forecast for 2020/21 is much lower than previous years (see graphs below)





Other Feed News:

Soya hulls and UK produced wheatfeed are still looking good buys, but for November 2020 - April 2021 soya hulls are creeping up in price as is palm kernel due to rising demand.

Spot maize gluten has fallen back around £13/t in the last week to around £187/t and maize distillers are around £45/t lower now than they were in at their peak in April.

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