Technical Update - Feed Markets

Information correct as at 14:00pm on 19.06.2020

- Supplies relatively buoyant on a global scale and demand sluggish
- Rain across the EU and Black Sea has improved prospects for spring crops
- Biggest global maize harvest on record being forecast
- Energy prices could still fall back further as we approach harvest

There are generally plentiful supplies of agricultural commodities and demand is sluggish following the effects of the coronavirus pandemic on spending habits and economies around the world.

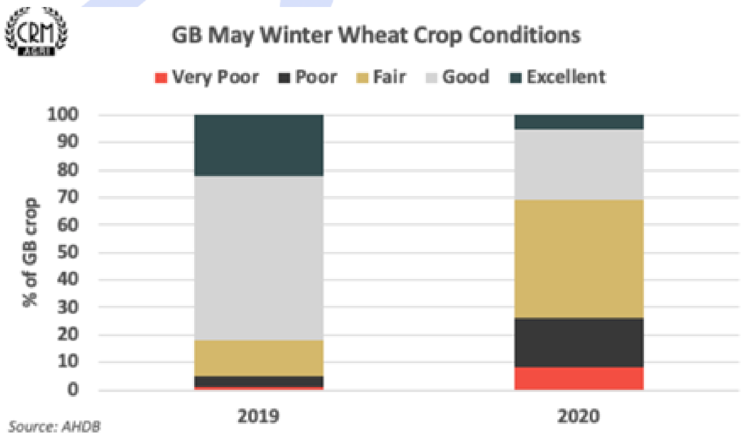
Cereals

There have been further rains over large parts of Europe and the Black Sea which have improved the prospects for cereals, especially spring sown, and this has dampened prices. Rain continues to fall across the barley growing areas of Spain and Portugal so the prospects for UK barley exports have weakened further. An early start to harvest on lighter land will put further downward "harvest pressure" on prices over the next few weeks.

The forecast for world maize production has increased to a new record of around 1200MT and with a good start to the US crop and favourable weather forecasts this could creep even higher. Ending stocks are growing and likely to increase further with weak demand forecasts and low oil prices.

A lot more maize is being used in UK diets, mainly imported from France and Ukraine. Forward winter prices have fallen over the last few months and now stable around £163/t ex-port, before grinding and could fall further.

UK winter wheat crop condition is only 30% Good/Excellent this year compared with 80% at this stage last year meaning a much smaller crop. Eastern England ex-farm feed wheat prices are rising from around £160/t spot to £165/t by July for old crop, then falling at harvest to £158/t and back to £165/t for November.



Eastern England ex-farm feed barley prices are stable at around £125/t spot and for the next few months, rising to £130/t by November, so still a £35-40/t gap compared to wheat, making maize and barley the favoured options.

Proteins

Brent Crude is stuck at around $40/barrel and this is not encouraging increased demand for vegetable oils.

The Coronavirus pandemic has also caused global demand for meat and to fall, with a knock-on effect on demand for animal protein feeds. The Chinese demand is key to everything, especially for soya. Recent reports suggest the major African Swine Fever outbreak in the Chinese pig herd is coming under control, which would help to increase demand.

The outlook for US soya crop is good and more US soya is now being sold to China.

Price Updates

Most forward straights prices are little changed from last week, but higher usage of maize distillers in US diets has pushed up the forward prices from July onwards.

Rapemeal forward prices are unchanged and still represent an opportunity to buy non-Erith forward at around £200/t August/September/October and £208/t November-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