

# Technical Update - Feed Market

Information correct as at 14:00pm on 03.07.2020

- The weather is becoming less of an issue, with recent rains across Europe and the Black Sea plus northern hemisphere harvest now starting
- Increasingly stronger supply and weaker demand makes for a more bearish outlook for cereal and protein markets
- BUT Brexit negotiations/currency and COVID progress around the world are big unknowns in the calculations looking forward

## Cereals

Rains throughout northern Europe and the Black Sea over recent weeks have improved the outlook for spring barley, wheat and maize yields. Harvest is progressing in the northern hemisphere with the US wheat harvest around 41% complete and looking good. Combines are also moving in the UK so “harvest pressure” will come into play. In the southern hemisphere the Australian wheat crop is looking much better than recent years with the latest forecast around 10MT.

French maize is now rated 83% Good/Excellent and the Russian wheat crop estimate has increased to 78-80MT. The latest June USDA report shows US maize planted area is 92 million acres, which is 5 million acres less than the March estimate, but still 3% up on last year. This did cause markets to rise on Wednesday, but currency changes meant that these were not felt on this side of the Atlantic. The US crops now starting to silk and with good weather forecast this should lead to a big crop later in the year, which should go some way to countering the lower area.

Demand for ethanol is still relatively weak and US funds are very short on maize, indicating they feel prices will fall further and with COVID cases continuing to rise in US and South American countries, there is still downward pressure on oil prices.

China now testing all agricultural imports for COVID-19 so could decline to take some products.

The weak demand for malting barley and improved weather in Spain/Portugal both mean reduced demand outlooks for UK barley.

All in all, a bearish outlook for cereal prices in the short-medium term. The LIFFE November 2020 wheat price currently around £165/t and could fall back £10-15/t over the next few months.

BUT the big unknowns are the Brexit negotiations, which could affect currency and how COVID-19 continues to develop in the US and the developing world.

CRM's view is to keep a close eye on everything as things evolve and do not rush to book everything forward but take advantage of price dips. East of England July ex farm wheat = £163/t and barley £123/t.

Looking further ahead the outlook is for increased UK wheat plantings for the 2021 crop and November 2021 future prices are around £145-150/t.

## Proteins

The South American soya harvest earlier in the year was very good and US is set to produce one of the biggest tonnages of soya on record with the latest June US plantings estimate showing 10% increase year on year and 71% Good/Excellent crop rating.

Sales of US soyabeans to China are estimated to be only 19% of 2020 target in the first 5 months (42%) of the year with the consequence being a further increase in end stocks.

The global recession and no COVID vaccine yet mean demand for oilseeds generally will be lower for some time to come. We are seeing increasing cases of COVID-19 in Brazil and Argentina and they have fragile economies so currencies could be further devalued, which would put more downward pressure on prices. On the other hand, if these countries go into serious lockdown this could affect deliveries through ports.

EU OSR forecast production and stocks are low so imports will be needed from Ukraine. The explosion at the Erith crushing plant has contributed to a rise of around £10/t in rapemeal prices for the new season crop.

The table below shows the latest spot and forward prices for a range of commonly used energy, protein and fibre straights (prices are “ex-port” and rolled wheat/barley and ground maize prices have had £10/t added to prices for rolling/grinding).

Rolled barley continues to look excellent value spot and forward with caustic wheat looking very poor value. Ground maize for the winter looking better as a 2nd energy source.

For protein sources, maize distillers along with rapemeal look good value with hipro soya still poor value despite lower physical prices.

	Spot £/t	RFV	November £/t	RFV
<b>Rolled Wheat</b>	172		175	
<b>Rapeseed Meal</b>	210		209	
<b>Rolled Barley</b>	135	167	144	170
<b>Ground maize</b>	184	172	170	175
<b>Caustic Wheat</b>	170	132	170	134
<b>Soya Hulls</b>	155	156	160	159
<b>Sugar Beet Pulp</b>	185	156	171	159
<b>Maize Gluten</b>	180	183	170	185
<b>Hipro Soya</b>	293	260	300	258
<b>Maize Distillers</b>	199	213	193	215
<b>Wheat Distillers</b>	232	217	221	218

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