

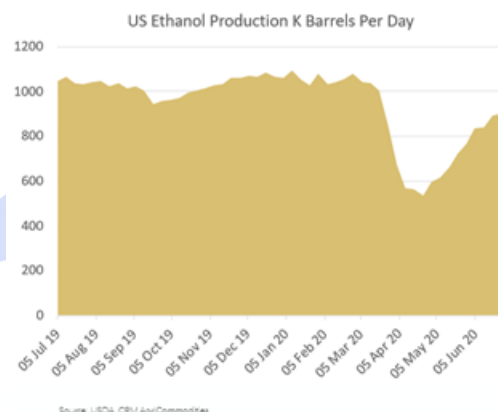
- Northern Hemisphere harvests are now under way so supply side becoming clearer
- Critical phase for US maize and soya crops, but weather forecasts favourable
- Much bigger crops expected from Australia this year

Cereals

The supply side is becoming more certain as harvest is well underway in many northern hemisphere countries. However, global demand is more uncertain as COVID 19 develops in different ways around the world, with high levels in US, Latin America and Asia.

In the US about 30% of the maize crop is reaching the critical pollination stage and the weather forecast is generally favourable so good yields are looking likely. There is also some doubt over the latest USDA estimates of maize area planted with the feeling that the reduction of 5 million acres between the March and June estimates is too big. Even with this reduction in place the US is still on track for near record crop and highest stocks in 30 years.

Although demand remains weak, US ethanol production has recovered from the low point in April and is now back to within 10-15% of pre-COVID levels. This will affect demand for maize, but will also mean that there will be more maize distillers available.



Although China has been buying maize and soya, political tensions remain high and there is uncertainty over how big their demand will be.

Closer to home the French maize crop has an 83% Good/Excellent rating giving a promising outlook for good yields. Cereal harvest is underway in Europe and Black Sea. It is still early days and the first crops through the combine tend to be those which have been most stressed so yields will improve as more normal crops are harvested.

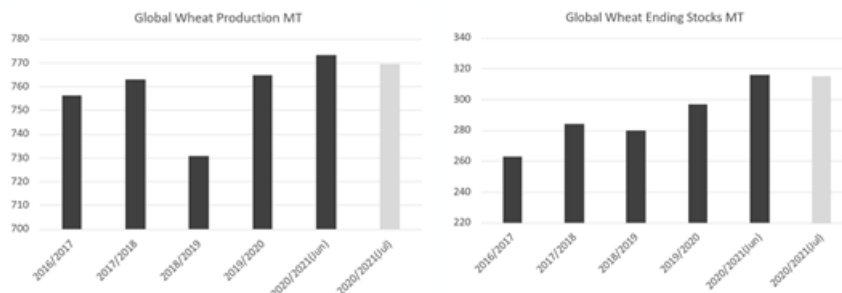
The UK wheat crop is still only likely to be around 10MT + 3MT carryover from last year and remains relatively expensive. Ex farm spot prices are around £163/t, which is about the same as the forward prices for November 2020.

The domestic barley crop is expected to be large, with 47% more spring barley planted this year. However, demand for barley will be lower, with export opportunities to Spain reduced due to good weather/growing conditions there and a 20-25% reduction in demand for UK malting barley due to COVID effects. Current England and Wales average ex farm barley prices are around £126/t spot, so still around £37/t cheaper than wheat.

The outlook for Australian wheat is good with a forecast c.25MT crop and c.17MT exports vs c.15MT crop and c.8MT exports for the last 2 years – this will add to world exports and help to keep prices

under control. Global production and stocks are still on track to be a record, despite some recent lower adjustments to forecasts, as shown in the chart below.

2020 Wheat Outlook



Proteins

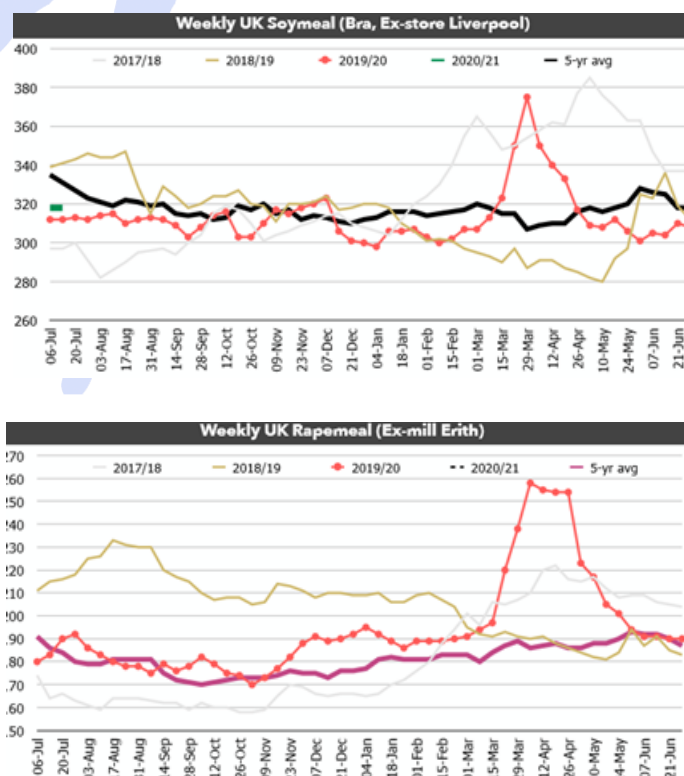
Source: USDA, OPI, AgCommodities

The June USDA estimated plantings showing maize plantings well down did not show the same expected rise in soya plantings. This has caused a price increase, but despite this lower area, the US is in line for another record crop with around 50% now blooming and good weather forecast for most of the main growing areas.

The outlook for soya demand from China and generally around the world is uncertain due to the COVID pandemic as it develops, with consequent knock on effects on demand for meat and on spending power.

EU OSR production set to remain low but Ukraine should be able to make up any shortfall. However, demand has also fallen and EU rapemeal supply is forecast to be around 11.7MT compared with 13.1MT in 2018/19. The Erith crushing plant remains out of action whilst repairs following the explosion are carried out.

UK soyameal has now fallen well below the 5-year average price for this time of year, with rapemeal at around its 5-year average (see charts below).



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