Technical Update – Feed Market

Information correct as at 12:00pm on 14.08.2020

- Overall supply side is looking positive with big harvests and closing stocks likely for cereals and proteins.
- Currency fluctuations during trade negotiations will need monitoring and may present buying opportunities.
- Closure of Erith crushing plant is putting pressure on short-term rapemeal supplies.
- Covid and currency issues in Argentina affecting availability of soya hulls.

Although COVID has been the biggest feature in the news for the last 6 months, the strength of the £ is a big factor in the prices of feed raw materials, so the trade negotiations with the EU and others are critical. If there is no deal or a poor deal the £ is likely to weaken and in general cause prices to rise. The converse is also true, so keep a close eye on how things progress.

Cereals

The Northern hemisphere harvest is now well underway and average yields across most areas are improving as the better, later harvested crops come in.

Latest figure from the Russian Ag Ministry for their wheat area is surprisingly about 2 million hectares higher than previous estimates, so the likely harvest total is now up to 78-80MT. Australian wheat forecasts continue to be good with more rain forecast for key growing areas and globally wheat still on track for record production of around 770MT and ending stocks just under 320MT.

UK barley usage for human and industrial purposes is running around 30% below normal with weak demand and some malting barley is coming onto the feed market. Forecast barley ending stocks are over 770kT compared with around 560kT last year.

In the US, maize is classed 72% Good/Excellent, so well above 2019 levels and the 5-year average. With the weather outlook still good there is a big crop on the way. Chicago prices are under pressure at around $3.20/bushel. French and Ukrainian maize crops are suffering from prolonged dry periods and as a result French maize rated Good/Excellent has fallen from 81% on 20th July to 74% on 3rd August.

Ethanol demand is still relatively weak due to the high number of COVID 19 cases in North and South America plus regional/local lockdowns in Europe and elsewhere.

Barley is still around £35-40/t cheaper than wheat ex farm, but with harvest pressure wheat has come back down to around £160/t ex farm for November so worth covering some if this is the cereal of choice. Imported maize is still around £178/t but forward prices show better value from November at round £165/t.

Proteins

Large sales of soyabeans to China from US have continued, but this maybe just to meet short term Trade Deal target. In general demand for soya meal has remained weak and slightly stronger £/$ exchange rate has meant prices have eased back a little in UK to under £300/t spot and forward.

The current US soya crop continues to develop well ahead of 2019 and slightly ahead of the 5-year average. With good weather forecast in the immediate outlook period there is potentially a record US crop in the autumn, plus another big crop likely in South America later. Combined with weak demand for vegetable oils means price pressures will continue.

Continuing labour shortages and Covid related issues in Indonesia and Malaysia are causing problems with palm oil harvest which has caused soyaoil price to increase a little in the short term.

Covid and currency issues in Argentina are slowing crushing, which could affect supplies of soya hulls if they continue, so worth covering more forward if needed.

Erith still closed and no date yet for reopening. This is causing tighter supplies through September/October, so again worth covering any further requirements now.

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