# Technical Update- Feed Markets

*Information correct as at 2pm on 24.09.2020*

- Large price rises seen over the last 4-6 weeks due to weakening currency, politics and COVID
- Fundamentals are still strong and good ending stocks of grain and oilseeds are expected
- CRM are recommending that buyers sit tight and wait for prices to come back later in the season

## Overview:

The combination of a weak £, Brexit/trade deal uncertainty, increasing COVID cases, Chinese buying of maize and soya and US fund movements is putting upward pressure on most agricultural commodities at present. However, the fundamentals are generally good for wheat, barley, maize and soya in terms of supply and demand, so the feeling is to sit tight, if possible, and wait for the rally to end.

## Cereals:

The Russian wheat harvest is now nearly complete and the forecast yield has been increased again to around 82-83MT. Near perfect conditions in Australia mean that the forecast for this crop has also been increased to around 29MT (harvested around November). The Canadian crop is also looking very good and maybe the 2nd largest ever. As all these crops come onto the export markets this should put downward pressure on prices.

On the negative side large parts of the Black Sea and Europe are still very dry. This has adversely affected the current Ukraine maize and OSR crops and is now also affecting planting and prospects for the 2021 wheat and OSR crops.

In the southern hemisphere, the chance of La Nina has risen to around 80% for the October – January period, which would mean poor/dry conditions in Argentina and southern Brazil and good/wet conditions in northern Brazil and Australia.

Although the US maize crop forecasts have declined, largely due to storm damage in and around Iowa, a big crop is still on its way and the outlook for the Brazilian crop is good. US ethanol production remains subdued due to COVID and cheap world oil prices. However, China continues to buy large quantities of US corn and the US fund managers are still increasing their long positions which is encouraging higher prices.

The UK cereal harvest is about finished with widely varying yields (from 4-10t/ha) and qualities, with some sprouting/chitting grain in delayed crops and generally poor straw yields. The weak £, Brexit trade deal uncertainty and US funds activity are keeping prices up, with November 2020 LIFFE wheat now around £180/t, up around £20/t in the last 6 weeks

The England and Wales average ex farm wheat prices are around £171/t spot and £173/t for November, compared with barley prices around £128/t spot and £130/t for November, so still a huge discount for barley. With better planting conditions in prospect for this year the markets are expecting a much bigger crop for 2021 harvest with LIFFE November 2021 prices around £150-155/t.

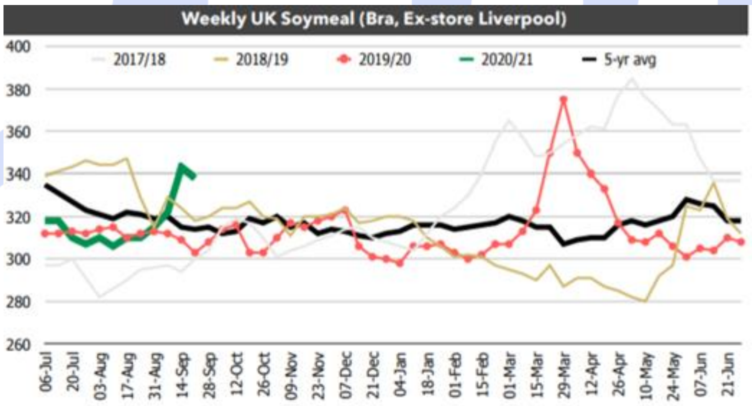
## Oilseeds:

Despite some storm damage, the US soya crop is still 63% good/excellent, which is around the 5-year average. The crop is maturing well and good weather is forecast so with harvest just starting a large crop is forecast. China continues to buy large quantities of US soyabeans, but the feeling is that this will ease off soon.

Brazil is expected to plant a record 38MHa of soya this season, which should produce another record crop, but this depends on what effect La Nina has in different parts of the country.

Argentina is expected to remain dry as the effects of La Nina increasingly affect wheat, maize and soya crops there. Argentinian farmers are reluctant to sell beans due to the local financial situation and crushing has generally been lower than last year, so supplies of soyameal and soya hulls have been lower.

US funds have again had a big effect on soyabean and soyameal prices as they have changed from recently being net short to net long now. In the UK soyameal prices have increased by around £50/t since early September jumping again in the last week to around £355/t for September/October and £325/t for November to April 2021.




OSR supply in the EU and Ukraine is poor this year, but there are good supplies to come from Australia and Canada. In the UK, apart from the currency and trade deal uncertainties, the partial closure of Erith continues to make short-term availability poor. This, combined with the rise in soyameal prices, has pushed prices up further to around £250-260/t for October (from under £200/t a few weeks ago)

Maize distillers also jumped on the back of these movements and a tightening of supply from the US.