Technical Update – Feed Market

Information correct as at 12:00pm on 11.09.2020

- Weakening currency, trade speculation and lowered crop ratings in the US have caused prices to increase.
- Big Russian harvest is nearing completion and Australian crop looking good
- Trade talks with the EU are looking difficult and the prospect of "No Deal" is increasing which could cause currency to weaken further
- If you have not covered stocks for the winter, then look at options to spread risk as discussed in previous notes

Cereals

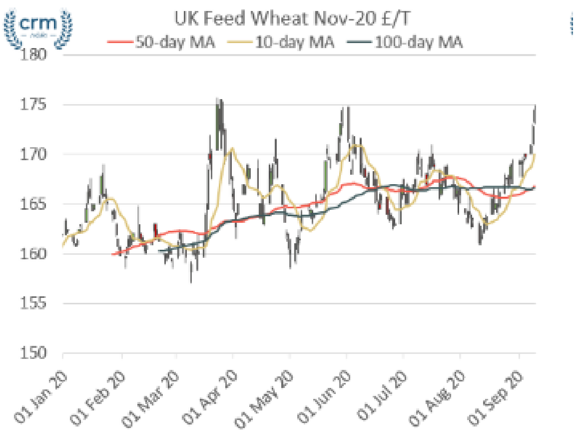
After several months of a strengthening £, peaking at around 1.34 to the $, it has now slipped back to around 1.29 due to negative feelings on the Brexit negotiations. There is a similar story against the Euro, now at around Euro 1.09 and the volatility is likely to continue.

In addition, US managed funds have entered the commodity markets and have invested heavily, taking long positions, which has put further upward pressure on prices. All this has increased the price of cereals and imported straights.

US production estimates for maize are down due to bad weather with good/excellent ratings now around 62% and below the 5-year average. Although low US demand for ethanol is balancing this to an extent, sales of US maize to China are strong at present.

The wheat harvest in the UK has been slowed by wet weather which is bringing uncertainty to quality in some areas and affecting market sentiment. On the other hand, the Russian wheat harvest estimate has been increased to around 81-82MT and an excellent Australian wheat crop will come onto world markets which should put downward pressure on prices again in due course.

The combination of factors has pushed the price of UK November 2020 LIFFE wheat to around £175/t. Ex farm wheat around £170/t spot and forward and barley around £126/t spot and £130/t forward.



CRM feel that the fundamentals are still bearish overall, but not as much as previously. Market sentiment has changed but they still feel that the rally will be short lived.

Proteins

The US Soya crop rated good/excellent has fallen back to around 66% from 74% a month ago due to the storms and bad weather. Sales to China have continued to be strong, partly to meet stage 1 US/China trade deal targets and managed funds in the US have invested heavily and increased their long positions. All of this has put upward pressure on prices for both soya beans and soya meal.

Looking further forward, the weak Real in Brazil, plus general profitability is causing an increase in planned soya plantings and early forecasts are for another record crop for early 2021.

Rapemeal has also increased in price, partly due to the limited supply in UK and Europe, partly due to currency and partly due to soyameal price pressure, up around £10/t on the week to around £225/t.

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