Technical Update – Feed Markets

Information correct as at 09:00am on 12.02.2021

- The £ continues to strengthen against the $ and Euro
- This week's WASDE report was neutral/bearish so markets have eased
- Buying opportunity for rapemeal for next autumn and winter

Currency

The £ has been strengthening against the $ and Euro – now around 1.38 and 1.14 respectively.

Cereals

The latest USDA WASDE report published on 9th February is seen as neutral to bearish overall with no major shocks – wheat production estimates are slightly up and maize/soya virtually the same as last month, leading to some easing of prices.

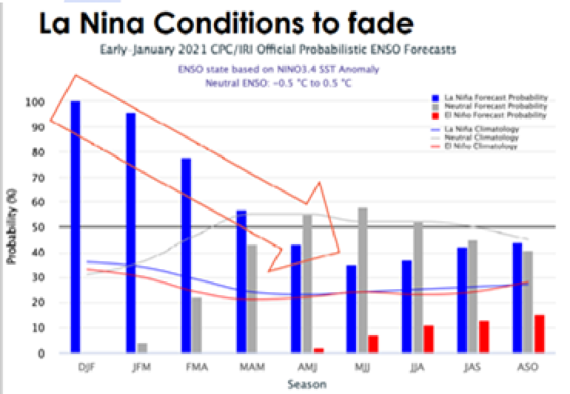
China is still a huge unknown in the balance of world supply and demand. As a massive state buying power, they have recently bought another 6MT of maize in a week and the latest USDA estimate is that they will import 24MT this year, way above any previous years.

BUT

Just to confuse things, a lot of what they have bought has not been taken physically, so they could resell and again distort the markets, but this would be unusual.

US maize ending stocks are at a 7-year low so US funds are still maintaining their long positions, although they are pulling back a bit.

The La Nina weather pattern in South America continues to weaken and good rains mean a better outlook for the coming Brazilian and Argentinian maize crops which should cause prices to ease in the next few months.



The better rainfall will also help the 2nd Brazilian maize crop (Zafrina) at planting, so the prospects for the medium-term outlook period are improving all the time, providing no major unexpected event happens.

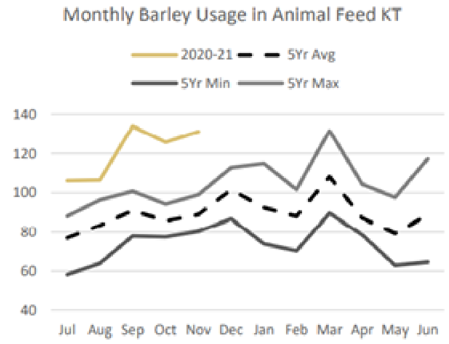
EU and UK winter cereal acreage and crop condition are well ahead of last year so output prospects are better for the 2021 season.

Russia

As is often the case, political interference in the markets does not always have the results expected and it seems that the Russian export taxes are a case in point – rather than slowing exports Russian farmers are keen to carry on exporting to beat any taxes later in the season so volumes continue to be good.

One possible negative consequence of the Russian taxes is that farmers there could decide against planting as much spring wheat, which represents around 20% of their total output. This needs to be watched over the next few months.

UK Wheat prices have followed maize prices down recently with UK May wheat back down to around £200/t from the recent peak of around £215/t and November wheat is back to around £165/t. UK barley prices have followed maize and wheat up and now back down. They have been at record levels for animal feed use this year and exports have increased but supply is still good.



Overall, there has been an easing of prices recently and the outlook is more bearish, but there is still a long way to go before 2021 harvest and many positive and negative things could happen. Our feeling is to cover between 20-30% of new season cereal requirements depending on your attitude to risk then wait and see how prices evolve over the next few months.

Oilseeds

The delay to the Brazilian soya harvest due to previous dry conditions is holding prices up at present, although the funds are starting to ease back on their long positions in anticipation of greater supplies coming to the market. As the harvest progresses through March, April and May downward pressure is expected on soya prices and this should continue through the summer at least

The profitability ratio of prices for soya vs maize at 2.6 suggests that a large area should be planted in the US in the spring for their autumn harvest so soya and soyameal prices are expected to fall further unless something unexpected occurs.

Rapeseed supply is in the tightest position of the year, with a poor EU harvest to start with, Ukraine imports having now come to an end, stronger Chinese demand and the Australian crop still on its way. The biggest concern for the 2021/22 year is the very dry conditions in the Ukraine (the biggest source of EU imports) which has reduced the planted area and crop condition is poorer. The crops in the EU and UK will need to perform at their best to produce enough supply to meet demand so the outlook for rapemeal supply is uncertain at this stage.

UK soyameal prices have eased back over the last few weeks to around £410/t ex port. Forward prices have also come back to around £380/t for May-October and should come back further as the South American supply increases.

UK rapemeal supply is still very tight in the short term and prices are high with non-Erith prices over £310/t ex-port. Again, prices are much lower through the summer and autumn at around £215-£220/t delivered in the East. Expect to pay £10+ more for supplies ex Liverpool and the Southern ports, but given the issues around rapemeal supply that is worth covering.
Soya hulls still look good value against Sugar Beet Pulp for the May-Oct period at around £175/t ex-port if you are looking for fibre feeds.