

Technical Update – Feed Markets



Information correct as at 09:00am on 29.01.2021

- Currency strengthening against Euro
- Bull runs on commodities have eased this week
- Rain in South America has increased potential of maize and soya crops
- Increased areas of wheat sown for 2021 global harvest and crop conditions better than 2020

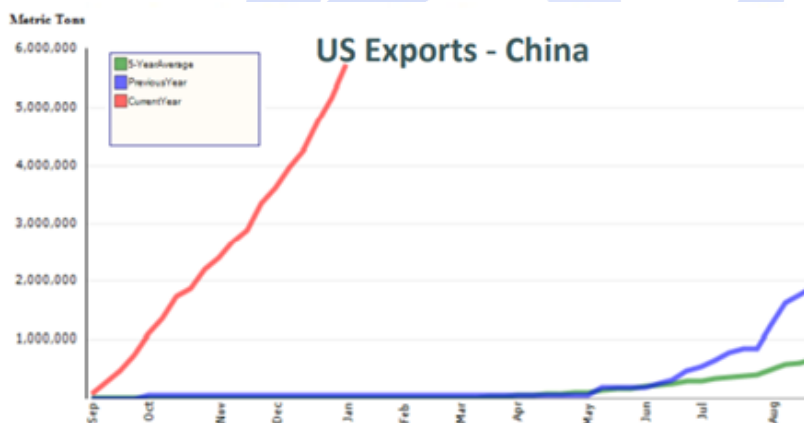
Currency

At around 1.13 to the Euro the £ is still relatively weak compared to the period before the Brexit vote in 2016. Compared to the US\$ at 1.37 it is close to the 5-year average. Sterling has been strengthening recently and could go further if the vaccine programme continues to make good progress and the economy bounces back later in the year.

Cereals

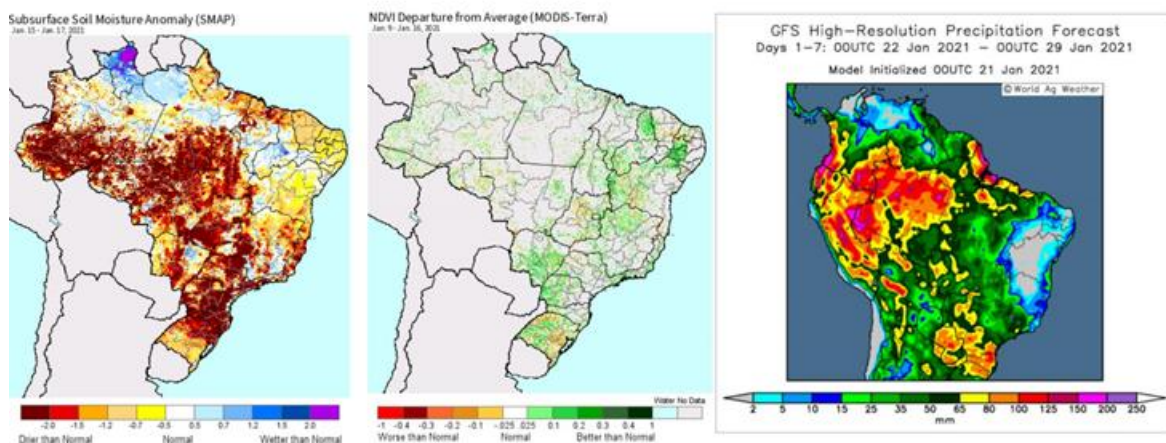
The seemingly never-ending surge in prices for the main commodities over the last 5 months finally stopped last week as no more bad news appeared and fund managers sold off some of their long positions.

However, prices remain volatile with stocks still tight and China still buying large quantities of US maize (1.36MT and 1.7MT booked on 2 separate days this week alone) plus 200 million gallons of ethanol.



Export restrictions on maize from the Ukraine limiting sales to 24MT between now and the end of June have also been announced. In reality, this is not a huge cut and therefore should not affect prices too much.

The good news is that the La Nina weather pattern in South America seems to be weakening. This will help the Brazilian and Argentinian maize crops which, in the main, will be harvested in February/March. The charts below show dry soil conditions in Southern Brazil (left), but they have had good rains and more are forecast (right) so the vegetation index (centre) does not look too bad. Argentina has had similar beneficial rains.



The hope is that harvest pressure coming through in March/April plus better conditions for the 2nd Brazilian maize crop (Zafrina, mainly for export later in the year) will help to ease price pressure into Q2 and beyond.

The current high prices should also encourage more acres to be planted in the northern hemisphere in the spring, although in the US the ratios currently still favour soya over maize.

Although there is plenty of wheat in the world, prices have followed maize upwards over recent months but dropped sharply last week bringing UK May wheat back to around £205/t.



UK November 2021 wheat is still around £40/t lower than old season crop. Increased plantings in the US, Russia and Europe and better winter conditions giving more optimism for a better crop in 2021.

With low oil prices the Russian economy has been struggling. The value of the Rouble is low and inflation is high, so their Government has just announced that it is going to restrict exports of cereals by imposing an export tax of 25 Euro/t from 15th February, increasing to 50 Euro/t from 1st March to 30th June. They are also going to impose taxes on maize and barley, but we have yet to see what effect this will have on prices.

Although barley prices have increased in line with wheat and exports are now increasing it remains the best VFM cereal/energy ingredient.

Oilseeds

The rains in South America have changed the outlook for soya crops and again US fund managers sold off long positions last week with a consequent fall in soya and meal prices.

The South American soya harvest coming in the next few months should cause prices to ease further into Q2 and beyond, then the US plantings and new crop will become critical from spring onwards.

Much will also again depend on China and how much soya they buy in the coming year. They have been building stocks to protect against potential disruption from the pandemic and to support their pig herd which is growing rapidly again after the African Swine Fever outbreak.

OSR and rapemeal have been following soya and soyameal higher over recent months, so as soya and meal prices eased last week OSR followed suit. Supplies of rapeseed from Ukraine have now come to an end, but product from Australia and Canada should start to come in over the next few months.

Demand for rapeseed is still relatively weak and several large EU crushing plants are set to close down in the near future so supplies of rapemeal will continue to be limited. Non-Erith rapemeal prices are around £320/t spot and £240/t May – October

UK soyameal prices have eased back recently by around £10/t in the short term to around £435/t export and £390/t for May to October.

Soya hulls are also back to around £175/t for May – October compared with SBP at around £230/t so maybe worth booking some for those who need this type of feed.