Technical Update – Feed Markets

Information correct as at 10:00am on 12.03.2021

- The weather over the next month will be critical for global supplies as we are at crucial stages of the crop cycle in both Northern and Southern hemispheres.
- Currency has settled at higher levels
- Oil prices have risen
- Vivergo to open later in the year- good for mid-proteins, but will pressure wheat supplies
- Some clarity appearing on new season forward prices and opportunities arising

Overview:

The latest USDA WASDE report on 9th March showed limited changes to supply and demand estimates for wheat, soya and maize. This is regarded as being slightly bearish and prices have fallen back as a result. Prices had generally levelled off over the last month or so for these 3 commodities with little new bullish news, but there are still enough concerns to cause the funds not to sell off their long positions just yet.

Oil has risen to around $68/barrel and this is putting upward pressure on vegetable oil prices. OPEC are still maintaining their production cuts, but at this level US shale production will come back into play so the feeling is prices should ease back in the medium term.

The £ has levelled off at around 1.39 and 1.17 to the $ and Euro respectively.

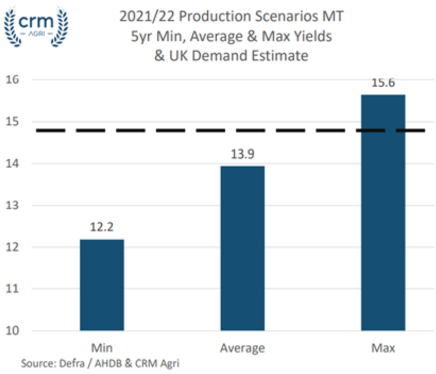
Cereals:

The Australian wheat crop has been revised upwards again to around 33MT, but the latest world consumption estimate has also been increased due to continued Chinese demand.

There is still uncertainty about the effect of Russian export taxes on ending stocks and likely spring wheat planted area, but the winter crops are looking better with only average winter kill expected. The US winter wheat winter kill is also not expected to be as bad as first thought.

UK demand is likely to be around 15MT, with Vivergo opening adding around 5-600kt to the total for this year, but with surplus barley around they could use some of this.

The UK crop would have to be close to maximum yields to achieve this. This is unlikely, so imports will be needed which should keep prices up.



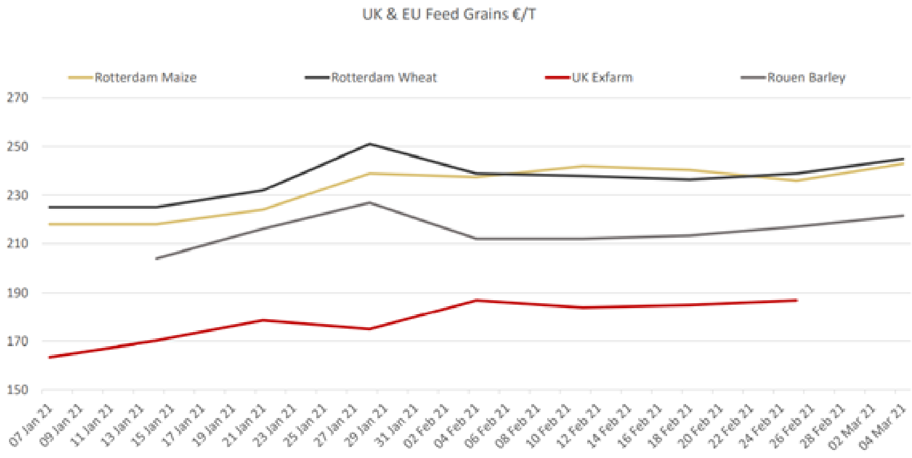
November 2021 prices still around £170/t and not far above long-term average.

Argentina still very dry and the vegetation indexes, which were looking OK until recently, are now deteriorating, but the crop harvest is underway so only limited further damage is expected. On the other hand, in Brazil, the rains in the north have been continuous and heavy, delaying harvest and delaying planting of 60% of the 2nd Zafrina maize crop beyond the ideal date which is likely to reduce this crop later in the year.

Planting intentions in the US show an increased maize area, but much depends on the spring weather as to how much is actually planted and how it performs.

China has slowed its imports generally and is thought to have plenty of cereals and soya in stock.

In the UK barley price has increased a little, but still represents the best value for money cereal for animal feed.

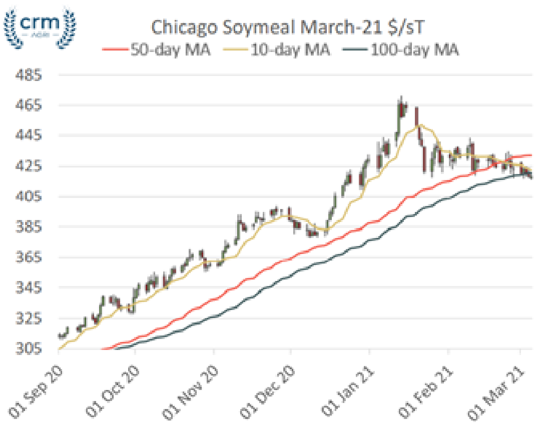


We are coming up to a very important time with weather in South America now and in the US and Black Sea over the next month or so absolutely critical. If all goes well and the weather is favourable cereal prices should ease back over the summer but if not, they could go the other way.

The advice at this stage is to take some forward cover for cereals, but then keep a close eye on how things develop over the next month or so before going further.

Oilseeds:

The delayed harvest in Brazil due to the very dry early season and now very wet weather has delayed the harvest pressure on prices for soyabeans. However, Chicago soyameal prices have dropped back somewhat and are now below the 100-day average for the first time for a long time, partly due to lack of Chinese buying.



The strikes in Argentina have ended and better crush margins mean improved supply. UK prices ex-port are down from the highs of around £430/t 2 months ago to around £380/t in the short term and £355/t for May-October.

Soya hulls are following a similar trend with forward prices back to around £170/t from May onwards and represent an opportunity for some further cover.

US soya planting intentions are for an 8% increase in planted area but as with maize the weather over the next 1-2 months will be critical in terms of how much actually goes in and how it performs.

EU OSR prices have increased dramatically recently on the back of rising oil prices and delays to imports from Australia. Paris rapeseed price hit a record high but has eased back again over the last few days.

The good news is that the Australian OSR crop is now coming through and prices should ease back further in the next 4-5 weeks. Another plus is that the Ukranian 2021 crop is looking a lot better than previously thought, but it still needs more rain. EU crops are looking reasonable so If this trend continues supplies should be adequate for the 2021/22 year.

Rapemeal prices have fallen back to around £210/t Erith/East from August and £230 elsewhere partly due to stronger Sterling and partly due to the falls in soyameal prices.

Although the Vivergo reopening will put more pressure on UK wheat prices, it will produce useful quantities of wheat distillers' grains later in the year and into 2022. As lockdowns ease and travel increases so demand for biofuels will increase, which should also improve supplies of distillers later in the year.

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