Technical Update – Feed Markets

Information correct as at 10:00am on 26.03.2021

- Markets continue to ease as Northern Hemisphere harvest prospects improve
- Rapemeal for next autumn/winter looks a good buy
- Cereal prices have more scope to drop so hold off on forward purchase

General

Oil had been steadily rising to $70/barrel, but then started to fall back towards $60/barrel, before jumping to $64/barrel earlier in the week with the Suez Canal blocked - 'volatile'

The £ had also been strengthening but has also slipped back towards $1.37 and Euro 1.16 with the Suez blockage, lockdowns around Europe and continuing friction with the EU Commission.

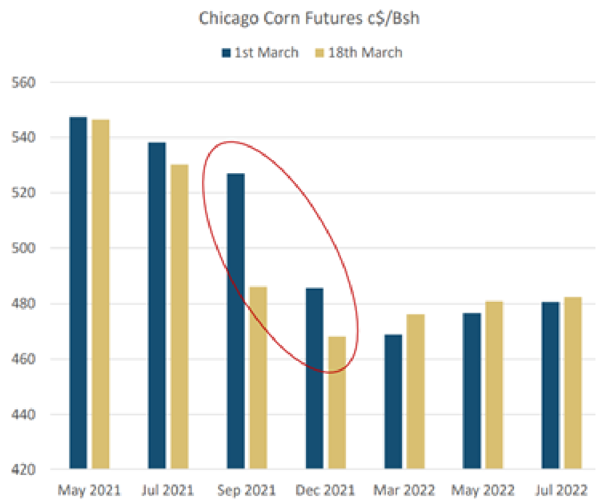
Cereals

China bought a further 3.9MT of maize from the US last week and with tight old crop stocks this has put upward pressure on prices and funds' long positions again. The Chinese move is thought to be due to their domestic crop doing much worse than they have so far admitted, as this does not fit with the stories of another African Swine Fever outbreak resulting in 20% of their pig breeding herd being culled.

Some rain has fallen in Argentina, which will help both their maize and soya crops as harvest proceeds over the next few months. In Brazil, the maize prospects are improving and the 2nd maize (Zafrina) crop is now 90% planted vs 96% last year. However, much has been planted recently and beyond the normal planting window, which could cause issues with pollination later depending on the weather.

The larger planted area and reducing La Nina weather effects in Brazil mean their maize crop forecast is now around 83MT, up from 75MT last year. This, plus higher forecast plantings in the US mean that futures prices for maize for the autumn/winter are now well down – see below.

A lot now depends on the US weather this spring – 2 years ago it was exceptionally wet and their maize crop suffered badly as a result, but if they have good weather and crops look good then prices could fall further.



Wheat prices have generally eased back around the world with reasonable stocks and more Black Sea and Australian wheat coming onto export markets. US winter wheat conditions are improving with Kansas now up to 45% Good/Excellent and approaching average. Good rains are forecast for the US which will help with dry soils.

Black Sea vegetation indices are looking good and better than average with concerns over winter kill fading and the Russian crop forecast approaching 80MT again.

French wheat is now 88% Good/Excellent and this should result in good yields, so total production could be back up to around 40MT compared to less than 30MT in 2020.

In the UK, May wheat price has fallen back to £197/t from January peaks of around £215/t (see below) November prices also back to around £165/t.

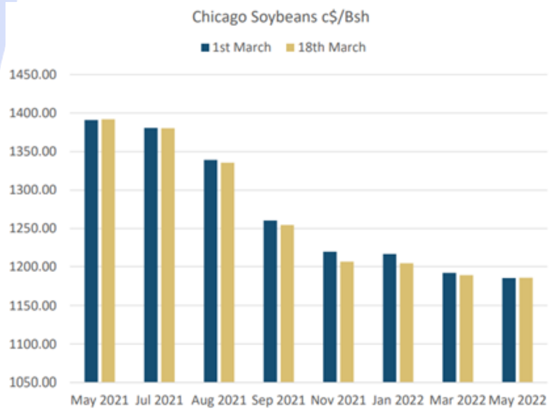
Despite the tight maize stocks and continuing Chinese buying, the overall outlook for maize is for prices to fall back later in the year.

Wheat is looking even more bearish with decent stocks and improving weather conditions through the northern hemisphere. The Funds could start selling off their long positions if everything continues to move in the right direction, which would amplify a fall in prices.

Although weather events could change all this, the feeling at present is not to commit to too much cover for next harvest year just yet.

Oilseeds

Recent crude oil highs of up to $70/barrel have generally encouraged higher vegetable oil prices. Good progress is now being made with the South American soya harvest and higher plantings to come in the US means futures prices are falling back from late summer – see below.



If the spring weather in the US means the forecast planting increases of +8-10% are achieved and the crop gets off to a good start, then the Funds could again start selling off their long positions, which would reduce prices further. UK soyameal prices continue to fall back to around £350-360/t for the summer and slightly less for the winter.

EU OSR imports are now approaching record levels, mainly from Australia now and Paris prices have dropped suddenly from their recent record highs. The outlook for the EU OSR crop is reasonable and with average yields it would come in at a similar level to the last 2 years at around 16MT. Ukraine is the key to next seasons outlook for OSR and the size of their harvest will be the biggest factor affecting supplies next autumn.

Rapemeal prices continue around low £200s/t ex plant/port for Erith/East and around £220-230/t further west.

With cows going out and sheep feeding slowing, the demand for straights and compounds is falling resulting in better prices for the summer.

The feeling is to keep covering rapemeal forward through next autumn winter at these prices. If the Ukranian crop comes good, then they could ease further, but if not, there would be real problems with supply. Wheat distillers from the UK bioethanol plants should increasingly come through next winter and this should help supply of decent quality mid-proteins, but nothing is guaranteed here.

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