

Technical Update – Feed Markets

Information correct as at 11:00am on 09.04.2021

- Last week's USDA report caused a blip in the markets with reduced planting estimates
- Northern hemisphere wheat crops are currently looking well
- Maize market is more bullish
- South American soya harvest making good progress, but US closing stocks are low
- Australian harvest prospects are also good for wheat and rape
- New season rape supplies are looking reasonable with decent crop prospects in the Ukraine

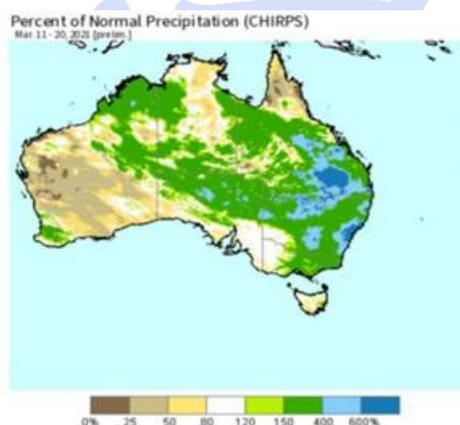
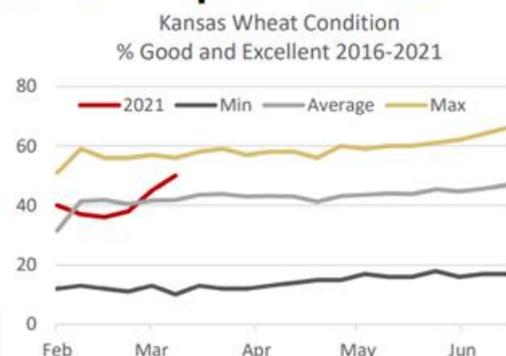
Cereals

The USDA report of last week, with its slightly disappointing forecast for maize and soya plantings in the US, caused prices to rise but generally they have now eased back.

Very strong Australian wheat exports plus good Russian and EU stocks are helping to reduce prices. Combined with this is increasing confidence in the new wheat crop around the world and managed US Funds are reducing their long positions.

US wheat crop conditions are generally improving but there is some concern over very dry conditions in several states, particularly where spring cropping is more prevalent. The Australian weather looks promising for another excellent crop to come there.

New Crop Confidence



The latest vegetation index maps for Russia and Ukraine are also looking positive and indicate a good crop is likely. In addition, the Russian government has stated that they will consider dropping the export tax "when market conditions allow". This is giving Russian farmers more confidence to plant spring wheat.

Wheat across most of the EU is also looking good with 87% of French wheat now Good/Excellent. With all this bearish news, UK prices have fallen back to around £190/t for May forward prices and £164/t for November.

More wheat in 2021/22 means less barley will be used in animal feeds and with demand for feeds now slowing, old crop barley prices should come under pressure during the coming months.

China has continued to buy US maize heavily. With tight stocks plus delays to the South American harvest this is causing prices and fund positions for maize to be less bearish than for wheat. The Argentinian maize crop is only 9% harvested compared with 19% on average but recent rains have been beneficial. The 2nd maize harvest in Brazil (Zafrina) is now planted but is around 1 month late due to previous La Nina weather delays. This could reduce yields but the latest forecasts from Brazil are still optimistic for another record crop.

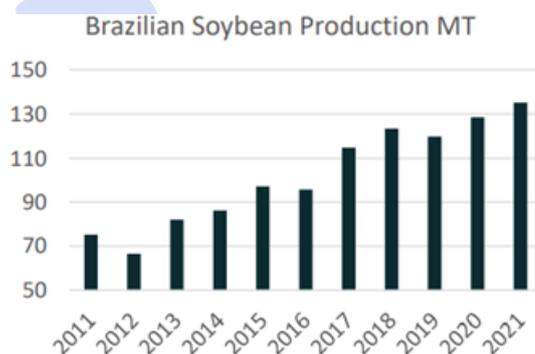
US maize drilling is now under way and although the potential area is slightly down on the original forecasts it is still a big acreage and the outlook is promising with a 360-370MTCrop possible, making it one of the largest ever.

Providing weather conditions remain favourable for South American and US new crops (the La Nina weather pattern is now almost gone), confidence should continue to increase and prices should fall back generally across the cereal sector.

Keep a close eye on weather events in key areas around the world and hold off from buying too much forward into next winter as prices could fall further.

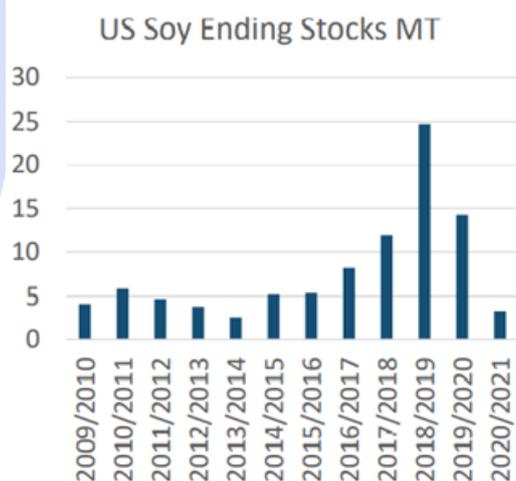
Soya

The Brazilian soya harvest is now virtually complete and is likely to end up at around 135MT, another new record.



The latest forecast for US planted area is down a little from the original one but would still be the 3rd largest area ever planted. This caused a blip in prices last week, but this is now settling back down again. UK Hipro prices are now back to a few £s/t above where they were before the USDA report at around £355/t May-Oct.

Prices should ease as the South American crops come through onto the markets but the very tight US ending stocks mean major price falls are unlikely.



China, as ever, is the big unknown factor in the equation going forward.

Oilseed Rape

Australian imports to the EU have now taken over from the Ukrainian supply earlier in the season and overall levels are creeping above last year to reach new records. The good weather in Australia means that predictions are for another good crop to come next year. The Ukrainian crop will be critical for EU supply later this year. Although the planted area is down yield, predictions are very good so supply should be good if no major catastrophes occur.

UK rapemeal prices followed last week's USDA report bounce but are now settling back to within a few £s of where they were at around £225 August – October for non-Erith supply and £205/t for the same period for Erith.

Vivergo plans are taking shape and for the first time for a while forward wheat distillers are less than maize distillers for Nov – April at around £245/t.

The message is to keep taking some forward cover, but there could be some downward price movements in the short/medium term from South American harvest pressure and US new soya crop confidence (providing the US weather is good and China does not start buying large quantities again!).

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

The logo for Kite Consulting, featuring the word "Kite" in a light blue, stylized, handwritten-style font. The letter 'K' is particularly large and has a long, thin tail extending downwards and to the left. The 'i' has a small dot above it, and the 'e' has a small loop at the end.