Technical Update - Feed Markets

Information correct as at 11:00am on 04.06.2021

- Fund managers have been selling off long positions
- New crop expectations are still favourable, but there is a long way to go
- Volatility continues as global weather forecasts ebb and flow

Cereals

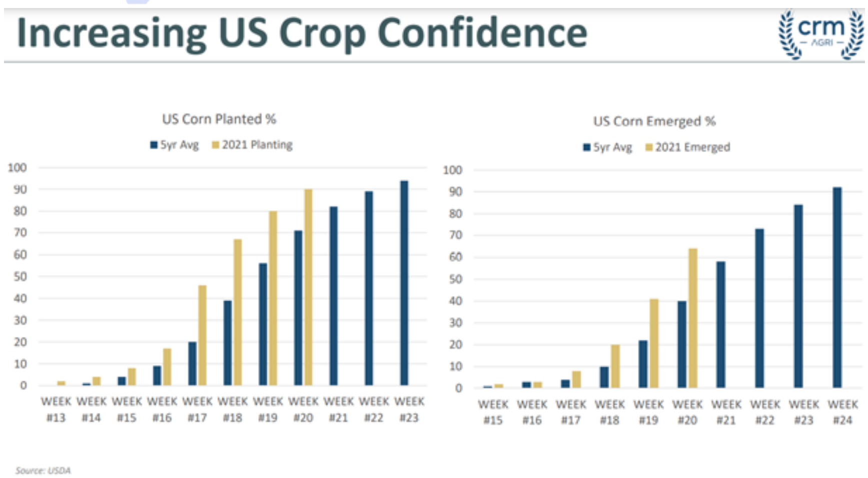
The general trend for managed funds selling off their long positions and prices weakening continues.

However, volatility remains, due in the most part recent large Chinese purchases of US maize, reduced rain in US forecasts and ongoing tight stocks. Prices have therefore bounced back up in the last few days.

The USDA forecast for this year's Chinese purchases of maize is 26MT, the same as last year, of which they have already bought around 10MT. Chinese weather patterns remain favourable for good domestic production and if this continues then their demand could ease off and help reduce prices generally – but this is a big unknown factor.

High Chinese demand has pushed the premium they pay over Chicago prices from around $100-130/t up to around $250/t recently, although this is now reducing.

US maize plantings and emergence have been very good with the improved weather conditions. The first USDA crop condition report shows a very high 76% good/excellent rating, but this is still very early days in the crop cycle (they were similar in 2012 at this stage).



In Brazil, the forecast for their Zafrina maize crop has been cut by around 20MT to 60-65MT due to the drought.

The weather in the Ukraine is very favourable and they are heading for a record maize crop of around 37MT and most of the exports from this crop will come to the EU markets later in the year. Russia is also experiencing excellent weather conditions with good prospects, particularly for new crop wheat, but their government are still interfering with the markets for old crop by imposing export taxes which means they are uncompetitive at present.

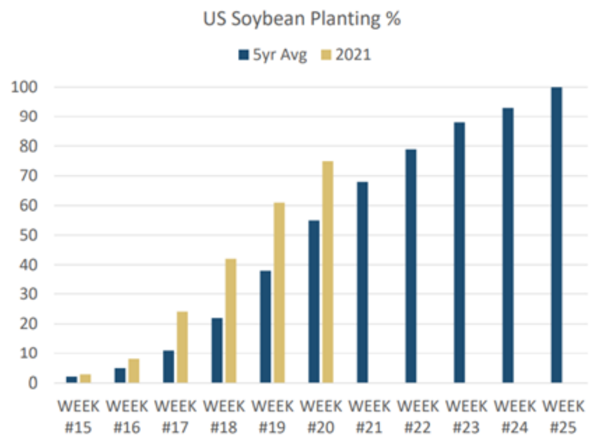
EU cereals are also looking very good generally with potential for a record barley crop to come, but stocks are very low following last year's poor crop, so the position is still precarious.

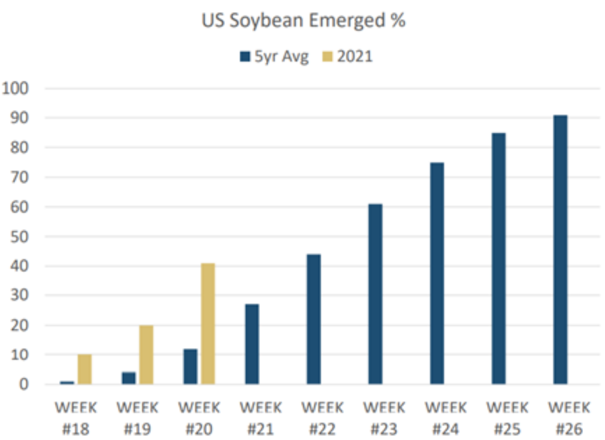
Current UK prices for November wheat are around £177/t and well down from the recent peaks so the CRM advice is to be cautious and take some cover for next winter in the £170's/t due to low stocks and the vulnerability of markets to weather and Chinese buying uncertainty.

Oilseeds

The record Brazilian soya crop is working its way through the markets and the Argentinian crop has ended up better than expected with crushing there going well.

As with maize, the US soya plantings and emergence are both well ahead of the 5-year average, so confidence is improving for new crop from October – but stocks are very low so there is still volatility and pressure on old crop prices.

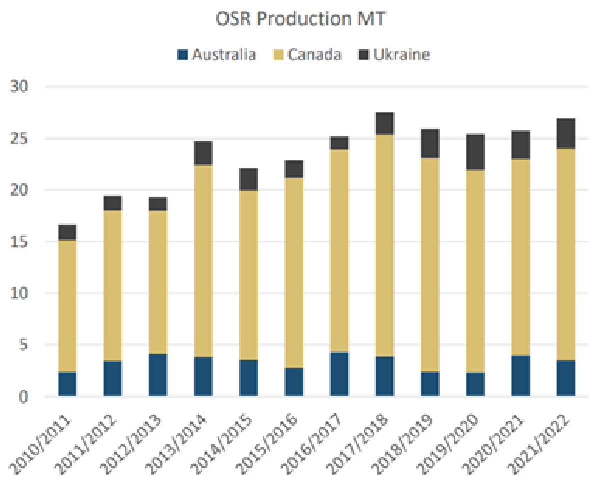


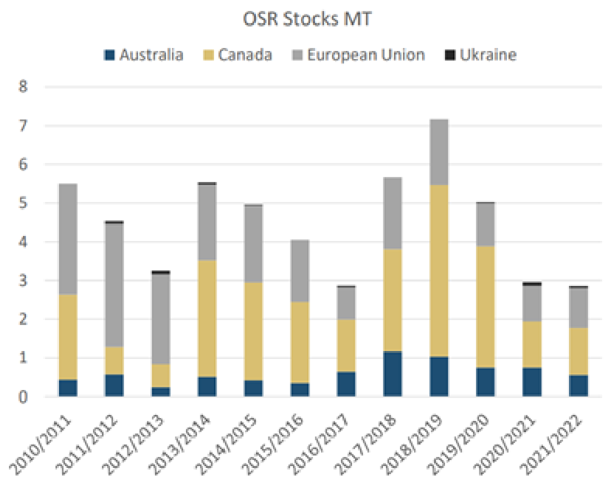


US managed funds have been selling out of their long positions and prices have come back from their peaks for beans and meal, but again recent drier US weather is causing concern and volatility.

Canadian OSR plantings are forecast to be around 5% above last year and the better weather there has improved new crop confidence. Ukrainian OSR production looks more promising too with the better weather they have had over the last few months.

Overall, therefore, the production of the 3 main OSR exporting countries is looking good but stocks, including the EU, are low for this year and next.





UK soyameal prices have bounced back following recent falls to around £355 - 360/t for June to October and £360 - 365/t for November to April. Rapemeal prices have also crept up a little also non- Erith spot prices around £285-290/t falling to around £250/t for Aug – Oct and £240/t for Nov – April.

Maize distillers remain expensive on the spot market at around £295/t, falling back to £265/t for Nov – April on the back of lower maize prices. Soya hulls have stayed around the same price of £180/t, still well under the SBP old season price of around £226/t. Prices for SBP for Nov – April become more competitive at around £190/t compared with soya hulls at around £185/t.

CRM advice is to hold off any further forward purchases of protein meals as they expect prices to ease back with harvest pressure from OSR and later soya, but as ever the unknowns of weather and fund managers make it difficult to be certain on this!

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