Technical Update - Feed Markets

Information correct as at 9:00am on 18.06.2021

- Fund managers continue to exit long positions for agricultural commodities
- New crop prospects are generally good, but the rain that is forecast will need to fall

General:

The prices for most major agricultural commodities have been continuing to fall recently, but all markets are subject to volatility driven by low stocks (particularly for maize and soya), unpredictable Chinese buying patterns, funds influence and changing weather patterns.

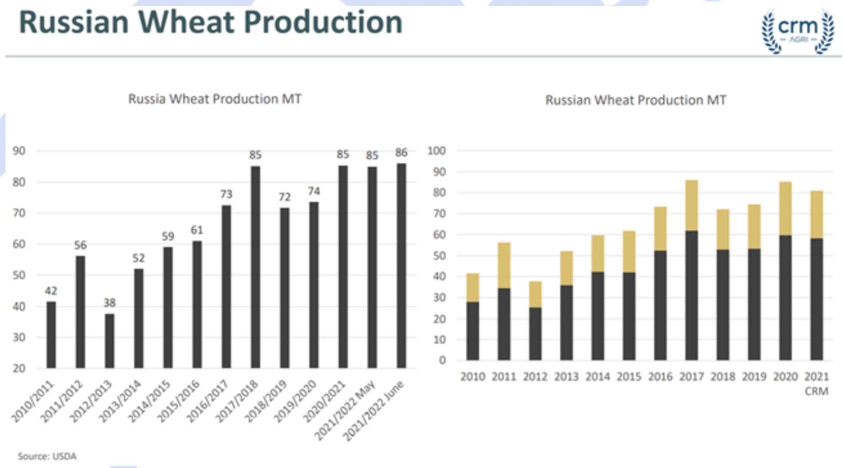
The overall view is cautiously bearish and providing forecast rain arrives in in North America, prices should continue to fall.

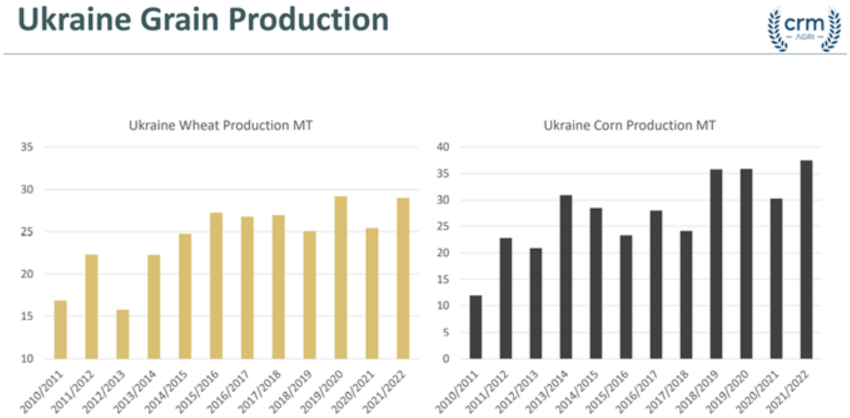
Cereals:

US funds have continued to come out of their long positions for wheat, meaning they are anticipating lower prices. This movement is based on improving crop forecasts for most northern hemisphere harvests.

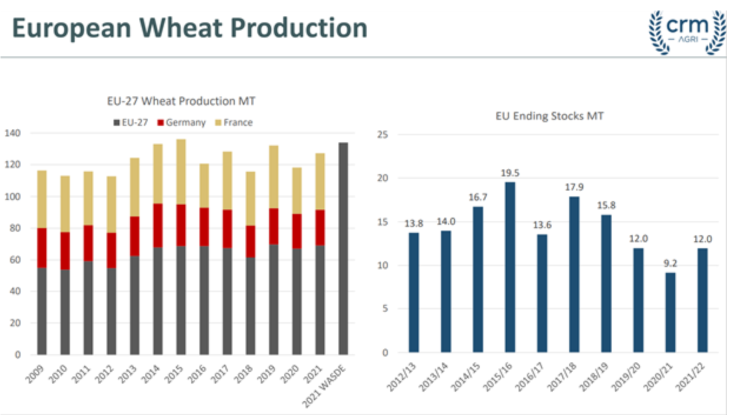
The Russian wheat crop forecast is now at a record level of around 86MT according to the USDA although CRM are more cautious at around 80-82MT. They also have large ending stocks of around 12MT, meaning they will have to become more aggressive on prices once the new crop comes in.

Ukrainian conditions have also continued to be very good, with excellent prospects for record crops of wheat and maize (most of which will be exported to the EU).





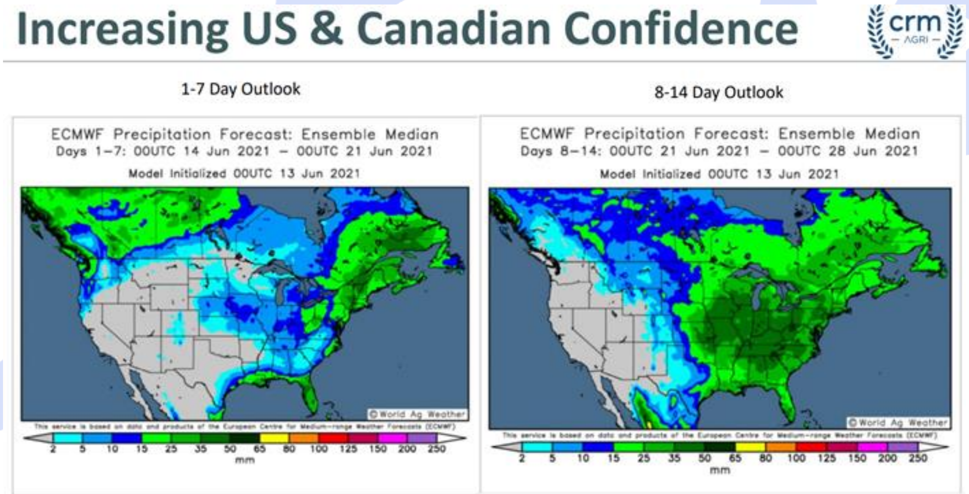
The latest forecasts for the EU 27 are also looking good with a record 134MT crop, but again stocks are only moderate.



The prospects for a good cereal crops in the UK are also improving and we could see a 15MT + wheat crop, which would put further downward pressure on prices.

US maize emergence is now 96%, vs 92% 5-year average but the good/excellent rating has fallen from 72% to 68% in the last week as dry weather has continued. The latest June USDA report has their ending stocks falling by around 4MT in the last month.

Although the moisture levels across many key areas are marginal, the latest weather forecasts for North America are for more rain across most of the critical areas for maize, soya and Canadian canola.



If these rains come then prospects will improve and prices will fall, but they are only forecasts and if the rain does not arrive then the reverse will be true.

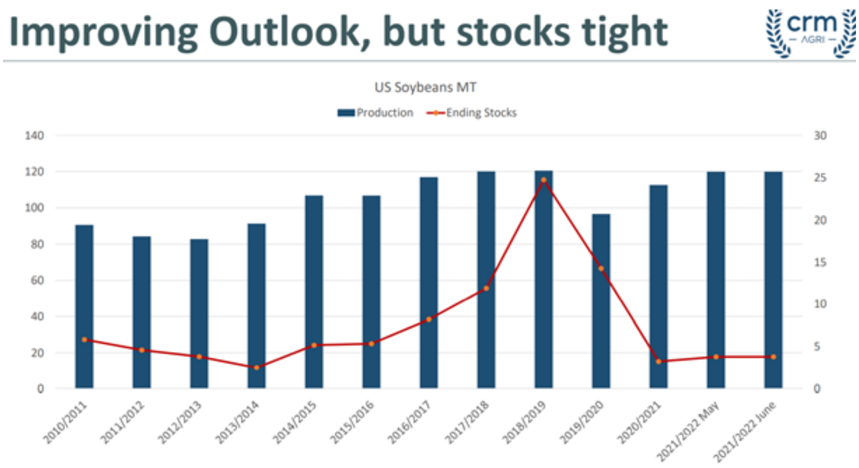
China has stopped buying US maize for the last 3-4 weeks and although nobody knows exactly what is going on there, the satellite weather patterns are looking promising, so they may not be going to buy as much as last year.

On the cereal side the view is "cautiously bearish" but with risks still present. Prices should fall further, but the CRM view is to take some forward cover for autumn/winter with wheat in the low £170's/t just in case unexpected events occur.

Oilseeds:

As with cereals, the key to the oilseed markets is confidence in new crops given the very tight stocks.

US soyabeans are now 94% planted, but the recent dry weather has caused the good/excellent rating to fall back 5% in the last week to 62% vs 72% for the 5-year average. The June USDA report shows a production forecast of around 120MT, but 7-year low ending stocks of around 5MT, so the potential for volatility remains and the weather over the next few weeks will be critical.



With stronger crude oil markets global vegetable oil markets are generally improving and this is encouraging more crushing and hence more meal.

Rapemeal prices have eased recently, partly due to a fall in demand with good grass growth and partly due to falling soyameal prices.

Canadian canola crop prospects have improved recently with more rain falling in critical areas and the Ukraine crop continues to look good.

In the UK, soyameal prices have fallen a little further and are now around £345-350/t for the autumn/winter run. Rapemeal has also dropped further, with Erith rapemeal around £215 – 220/t for the autumn/winter and non-Erith rapemeal around £230-240/t. Soya and rapemeal prices could come back more yet, particularly if the US soya crop gets the forecast rain to improve crop prospects there.

Forward US maize distillers have also fallen back by around £30/t in the last month to around £240/t for next winter on the back of falling maize prices and increasing supply.

CRM remain cautiously bearish, and their view is to hold off and await further falls in price but with volatility still in the air taking some forward cover at these prices would not be wrong, especially for more risk averse clients.

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