

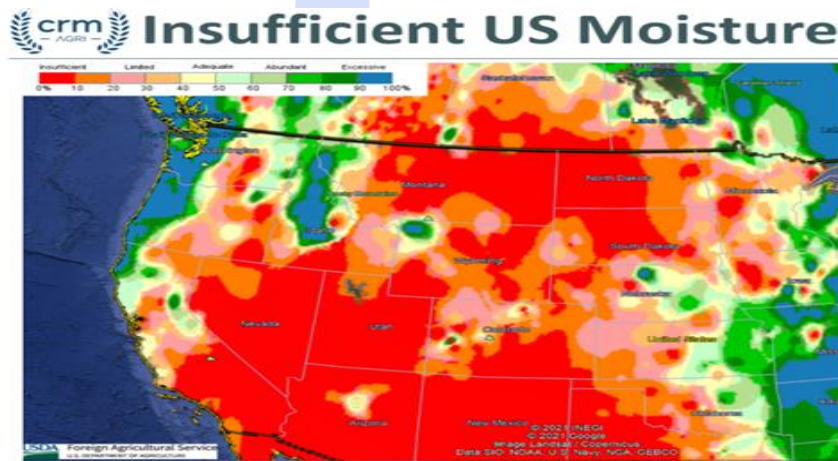
Information correct as at 11:00am on 23.04.2021

- The cold, dry weather across much of the Northern hemisphere has caused prices to spike
- Although still early in the season, fund managers have taken fright and increased positions
- Take cover for old season requirements
- Review the market regularly and reduce risk by buying for new season crop when opportunities arise

Cereals

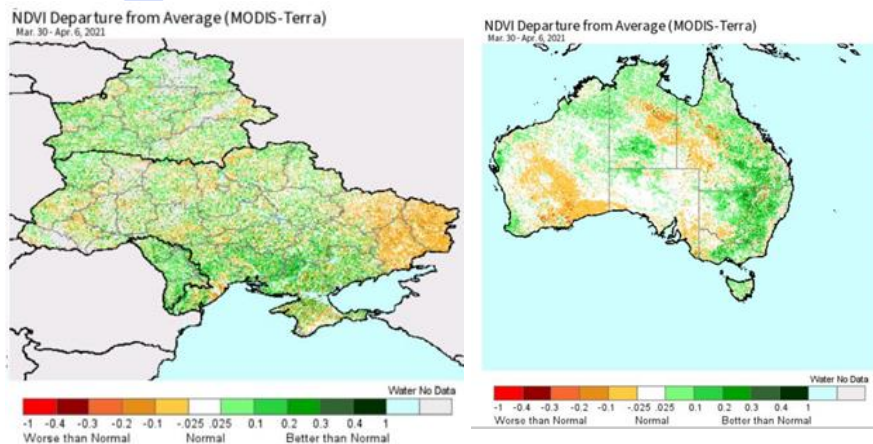
Weather has become increasingly dry over recent weeks in Canada, northern US, southern Europe and 50% of the key Zafrina 2nd maize growing areas in Brazil.

The chart below shows large areas of north America with insufficient moisture. In addition, many regions are also suffering from sub-zero temperatures.



This is causing concerns over winter wheat prospects and, although very early in the new season, is affecting the planting and early development of spring wheat, maize and soya. On the back of this the US managed funds have changed their positions, which were starting to look more bearish, back to a more bullish outlook, particularly for maize with high Chinese demand and low stocks.

On a more positive note, the Black Sea and Australia are currently enjoying good conditions in the key growing areas, as shown by the most recent Vegetation Indices (see below).



Although it is still not too late to make up the lost ground, rains need to come in the next few weeks. The position will get worse if dry conditions persist.

The ENSO forecast (based on ocean temperature oscillations) for longer term weather is for a return to more normal patterns, but there is no significant rain forecast for the immediate future in any forecast.

In the UK, the concerns about the world weather issues plus a cold, dry spring causing increased demand for compound feeds and some straights means that prices have jumped up recently. May wheat is now back over £200 at around £205/t and November wheat around £180/t.



UK barley prices have mirrored wheat with a £15-20/t discount for new crop.

On balance, the view at present is to take out the risk and cover any remaining cereal requirements for this season's crop to July/August. Thereafter, keep a close eye on how the weather around the world develops for next season's requirements. It is still early and if the temperatures rise in Canada and the US and rains come here and in Brazil then prices could come back again.

Oilseeds

Although the Argentinian harvest is well behind average, the soya market has harvest pressure from the record Brazilian crop which is now coming through the system. However, as with maize, although it is early in the season and US planting is only just starting, there are increasing concerns over the sub-zero temperatures and very dry conditions in many key US soya growing areas.

With the US managed funds feeding on the cold and dry weather concerns, the position is volatile and whereas prices have been easing recently they are now increasing again. UK soyameal prices have increased recently by around £10/t to c.£360/t for April – October and £366/t for November – April 2022.

France, Germany and Poland have also had prolonged periods of dry weather and sub-zero temperatures recently. This has coincided with oilseed rape flowering and this is giving cause for concern over yields. In the short-term Paris rapeseed for May has jumped by around £20/t on the back of the weather conditions.

As with the cereals, the very good weather in Ukraine and Australia is helping prospects for oilseed rape later this year and into spring 2022.

UK rapemeal has jumped around £20/t recently on tight supplies, increased short term demand and broader concerns over the weather events. Other mid proteins have also been increasing, but not by as much at this stage. Maize distillers are still around £250/t for May – October and just below for November – April 2022 due to increased US ethanol production. Maize gluten is at similar levels to previous prices at around £230/t forward, whilst soya hulls are only slightly up at around £165-170/t.

With a potential high upside, depending on how the weather events develop, it makes sense to keep reducing some risk by taking forward cover on key diet ingredients.