

Information correct as at 07:00am on 07.05.2021.

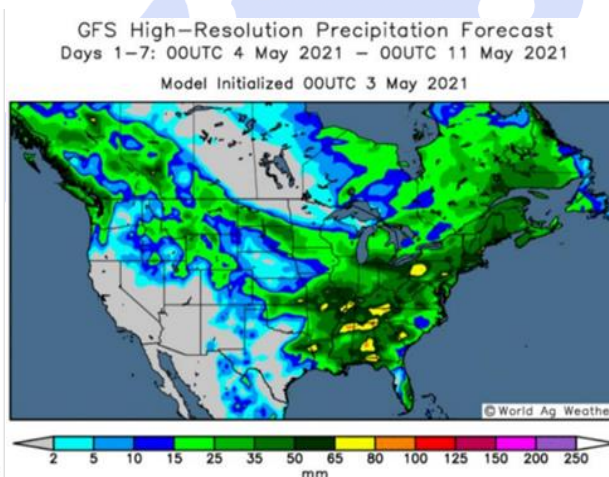
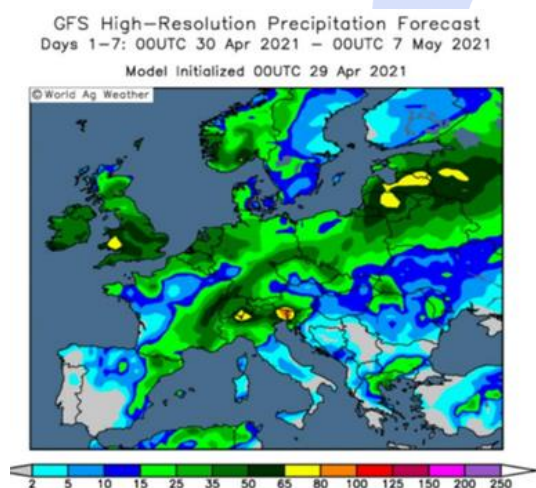
- Rain across Europe and the US has brought some relief from increasing prices.
- Drilling of maize and soya in US is well ahead of average.
- Old crop situation is still very tight, the prospects for new crop are looking better, but the weather still has a huge hand to play.
- For both cereals and proteins, the advice is to buy as required for old season and watch new season prices for dips in the market.

Cereals:

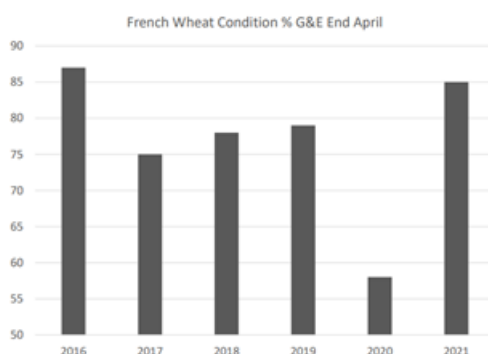
Volatility continues on the back of changing weather in key growing areas around the world.

The price of wheat was falling back nicely until 3 weeks or so ago, with good stocks and an optimistic outlook, but the very dry conditions which were building up around US and EU caused a sudden spike. Rain has now arrived in large parts of the US and across the EU/Black Sea so prices should come back now as confidence in new crop increases again.

More rain is forecast in most key growing areas although Canada is still dry and no significant rain is expected in the short term, which is causing concerns.



US spring wheat planting is now 50% complete, ahead of average, Ukraine and the Black Sea areas are also looking optimistic with good conditions for spring plantings. Russia has experienced some winter kill, but these areas can be re-drilled with spring crops now, so the forecast is still for a crop of around 80MT. Wheat stocks are also good in Eastern Europe and the Black Sea. With the rain and a larger planted area French wheat is looking likely to recover from last year's poor season to a near record crop (see below).



UK wheat prices have jumped recently in line with others but are now starting to ease back with May wheat around £207/t and November around £185/t.



UK barley prices have followed wheat with the discount for new crop now only around £20/t compared with £35-40/t last year.

The outlook for maize is less positive and this will put pressure the other way. Prices have risen here too, largely due to the dry weather in key growing areas of the US and particularly Brazil. Plantings in the US are now around 50% vs 35% average, and the rain means that optimism is increasing for the 2021 crop, but 2020 stocks remain very tight.

In Brazil, however, most of the southern states are very dry and with no rain forecast around 70% of the Zafrina maize crop is suffering. The original forecast of around 82MT has been reduced to around 75MT.

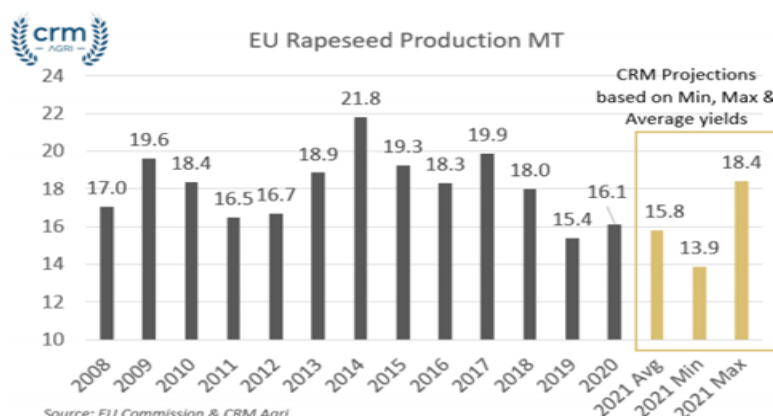
This means that the situations with Brazilian maize and Canadian wheat are critical. If rain comes, then all cereal prices should fall but otherwise they will remain high for the next few months. The advice is to target new season wheat at around £170/t and if it falls to around this level or below then more cover should be taken.

Oilseeds:

Soybeans prices have remained volatile but have not increased significantly. The record Brazilian crop of around 133MT is now harvested and the Argentinian crop is improving at around 33% complete (vs around 56% average), so supply is reasonably good and increasing.

Soya planting in the US is now around 25% complete vs 11% average and the rains have improved the optimism for a good crop. Interestingly the weather in China is good, so they should have better crops of maize and soya this year and their buying demand may not be as strong, but it is early days and there is no hard reliable data.

In the EU Oilseed Rape has benefited from the recent rains but the French crop has suffered from flea beetle and frost damage earlier in the year. The chart below shows the updated EU forecast with Maximum, Minimum and Average scenarios for 2021.



UK Hipro soya prices are around £370/t and have not been as volatile as rapemeal. Short term rapemeal is around £280/t ex Erith moving down to around £235/t for Aug – Jan and £255/t further west.

Maize distillers have also jumped on the back of high demand and other raw material movements and is around £290/t May-Oct and £272/t Nov-April. Maize gluten has followed the same pattern and is around £270/t May-Oct and £255/t for Nov – April.

Soya hulls continue to look very good value against sugar beet pulp at around £172/t May-Oct and £178/t Nov-April.

With more rain in the UK increasing grass growth, demand for concentrates/straights should reduce and take some pressure off a tight supply.

The advice for now is to buy as needed in the short term and hold off any more forward buying.

The next USDA WASDE report is due out on May 12th.

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.

