

Information correct as at 17:00 on 15/07/2021

- Tight world stocks mean markets are reacting very quickly to any shortfalls in production.
- Wheat and barley have gone up by £5 and £2 respectively this week.
- Wheat prices may relax once the harvest gets underway, but it is unlikely to fall by much
- As the winter progresses, low carry-over stocks are likely to see prices up again.
- Now seems to be a sensible time to look at taking cover for the winter, to guard against unexpected events, particularly for ingredients such as wheat and rapeseed meal.
- While booking feed for this winter, look at opportunities for next year summer and autumn.

## Overall Harvest Prospects

On Monday morning this week the feed markets had settled back down from the spike in maize, soya and wheat prices triggered by the USDA report on the 30th of June. This had disappointed traders because the increase in maize and soya plantings reported was less than markets were expecting.

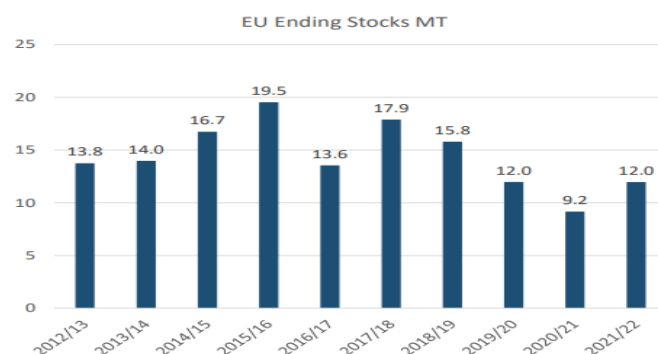
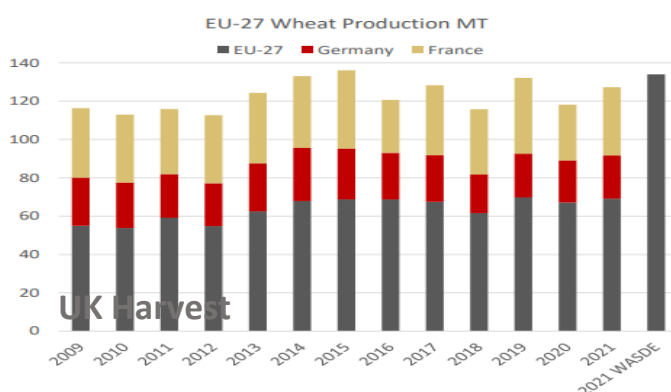
Monday night saw a WASDE report published which raised concerns about the drought and heatwave in Canada and the likely damage to the spring wheat and rapeseed crops. The potential shortages of vegetable oil triggered soya bean prices to firm, pushing soya meal prices up by £5 per tonne.

On Wednesday, the Russian Department of Agriculture trimmed the size of their wheat harvest from a record 84.6MT to 82.3MT. This has now caused feed wheat prices to increase from £164 to £170 on the futures market for November'21.

There are big crop harvest forecasts for the next four months, but low world carryover stocks and concerns about the dry conditions in Canada and northern US states mean that the world cannot afford poor yields and small crops in the major exportable countries. Therefore, the markets are reacting very quickly to any perceived shortfalls in production.

## EU Harvest

- EU27 forecast 134-135 MT crop and the current outlook is good.
- Ending stocks going into 2022 are still likely to be tight at around 12 MT as high maize grain prices are causing compounders to switch back to feed wheat, combined with concerns about flooding in Germany, Poland and the Netherlands.
- As stocks tighten in the spring of 2022, we could see old crop prices rising sharply again as they did in 2021.

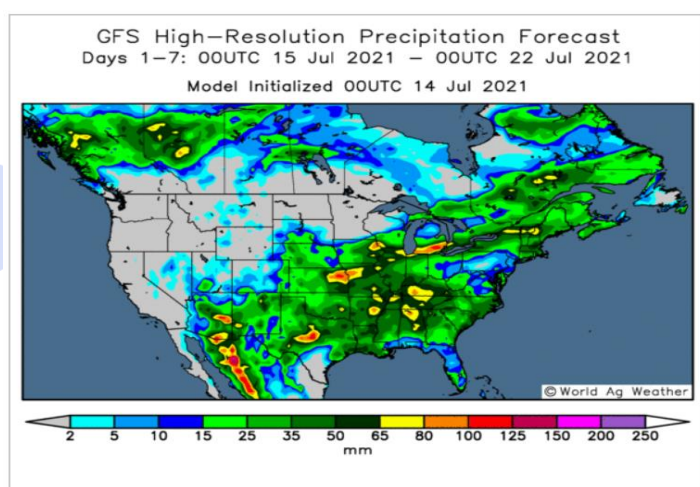
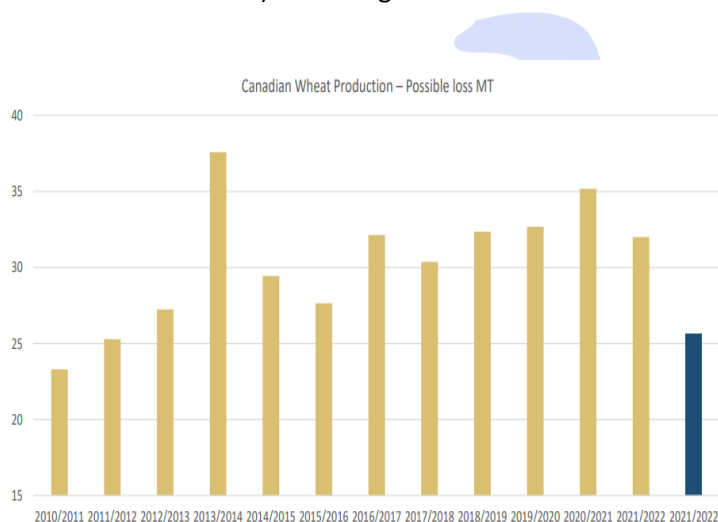


UK Harvest

- UK wheat is looking good and could result in a 15MT plus crop in the next month, which means that the UK will be exporting wheat at the start of the new crop season, prices could ease back towards £165.
- However, UK carryover stocks are forecast to be around 1 MT as opposed to 1.7-2.0 MT (AHDB & Defra).
- With over confidence and tight stocks could see us move back into import requirements in the Spring which will push prices ex store back towards £180.

## Canadian/US Wheat

- Very hot, dry conditions in Canada and the US – could result in a 26 MT crop (see blue bar below) according to CRM's estimates.



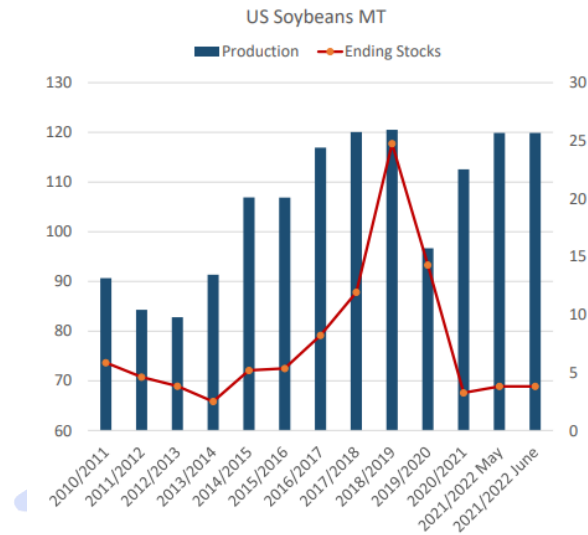
- We are likely to see more cuts to US wheat estimates which may result in an upside risk to maize prices.
- Chicago wheat prices are not trading at a premium above maize prices as yet.
- Lots of risk here – with NO buffer stocks.

## US Maize grain

The US is provisionally set to produce a 385 MT crop this year, which is a good, but with the US economy recovering from Covid, bioethanol production is being ramped up to take 40% of US maize crop. However, the extent of drought damage is still unknown, and with downward revisions of the Brazilian June maize crop and low global carryover stocks, prices are likely to increase.

## Oilseeds

- Soya markets had settled to year low for 2021 at the start of the week but prices have since firmed as the crop enters its key pod filling stage.
- Rapemeal prices are highly correlated with soyabean meal and have also risen.
- We could see a fall in rapeseed and soyabeans in Nov-Dec as more vegetable oil comes to market, but this could trigger an increase in meal prices as crushers try to maintain their margins.
- There is a good buying opportunity at present, with soya bean meal at around £363 Nov-Apr'22, and rapeseed meal at £233 Nov-Apr'22 ex store (Erith).
- US Stocks are tight - but production is good.



- The market could tighten throughout the season.
- Last year downward harvest pressure was overtaken by China buying and weather events.
- There are concerns about a shortage of vegetable oil as Indonesia and Malaysia struggle with their palm harvest due to staff shortages caused by Covid and shipping costs are high.

## China

- China’s main production area for maize is the North-East and Central Belt, but they are experiencing very dry conditions here.
- Chinese maize futures are trading well above Chicago prices making US imports very attractive.
- There has been no serious Chinese buying since May.
- Last year China commenced rapid buying of US maize and soya in August, which is 2 weeks away

Guide prices, ex store	Sept'21	Aug-Oct'21	Nov-Apr'22
<b>Wheat</b>	<b>£170</b>		
<b>Barley</b>	<b>£154</b>		
<b>Rapeseed meal (Erith)</b>		<b>£226</b>	<b>£233</b>
<b>Hipro soya meal</b>		<b>£365</b>	<b>£363</b>

## Other Feeds

- More bioethanol production in US will result in more maize distillers coming to the market.
- Feed grade urea prices have jumped £60/t following natural gas prices
- Milk powders are up due to Skim and Whey price, but should come back in Q4

For further discussion or to help with any questions that you may have, please contact Consultant Support on [consultantsupport@kiteconsulting.com](mailto:consultantsupport@kiteconsulting.com) or 01902 851007 / 07542 403225