Technical Update - Feed Markets

Information correct as at 09:00am on 02.07.2021

- Markets spooked by smaller than expected increases in planted areas for US maize and soya
- Recent rains have yet to influence crop ratings
- Extreme heat and dryness in Canada causing concerns for wheat and rape crops

Cereals

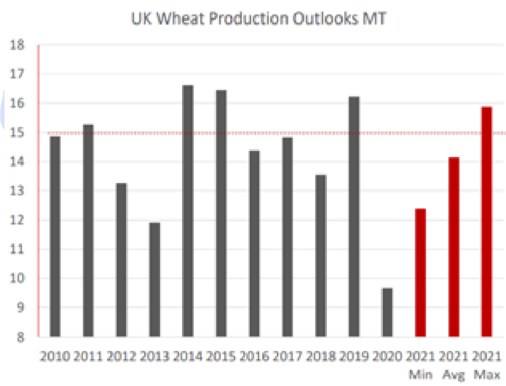
Two major reports were released by the USDA on 30th June covering crop acreages planted and latest stock positions.

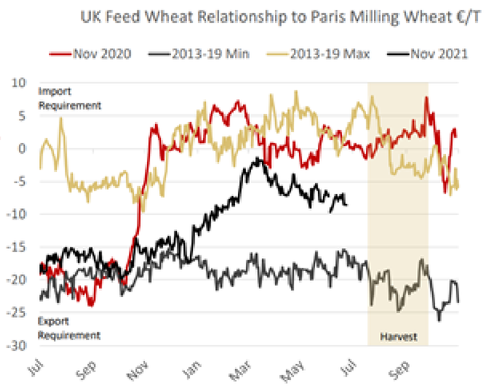
Although maize plantings were revised upwards by nearly 2% from around 91 MA in March to nearly 93 MA in June, markets were "disappointed" this was not higher. Maize and wheat stocks were also confirmed as being around 18% lower than in June 2020.

The latest USDA crop progress report released on 29th June shows maize crop rating down 1% to 64% good/excellent and spring wheat down another 7% to only 20% good/excellent. Good rains have come to many key growing areas so crop conditions should start to improve when this takes effect. However, not much rain has fallen in the northern states and Canada, which is also experiencing temperatures near to 50C in some areas and very low sub surface soil moisture levels, so spring wheat will continue to struggle.

As a result of all this cereals prices went "limit up" in the US and this dragged EU and UK prices up. CRM view this as an over-reaction as crop ratings should improve over the next few weeks. The Black Sea, EU and UK harvests are still looking good so prices should come back into balance.

The latest estimates show the UK wheat crop could exceed 15MT. If this is achieved, then the UK would have surplus to export and prices would then fall closer to the Paris milling wheat price.





Two weeks ago, CRM advice was to take some cover for the coming winter/spring with wheat in the low £170s to guard against unexpected events and this seems good advice given what has happened. However, the markets could be overreacting and with harvest pressure to come soon in the EU/UK prices could fall back again in the coming weeks/months.

Oilseeds

The 30th June USDA report put soyabeans acreage at a similar level to the March estimates of around 87.6 MA and 5% up on last year. Again, the markets found this "disappointing".

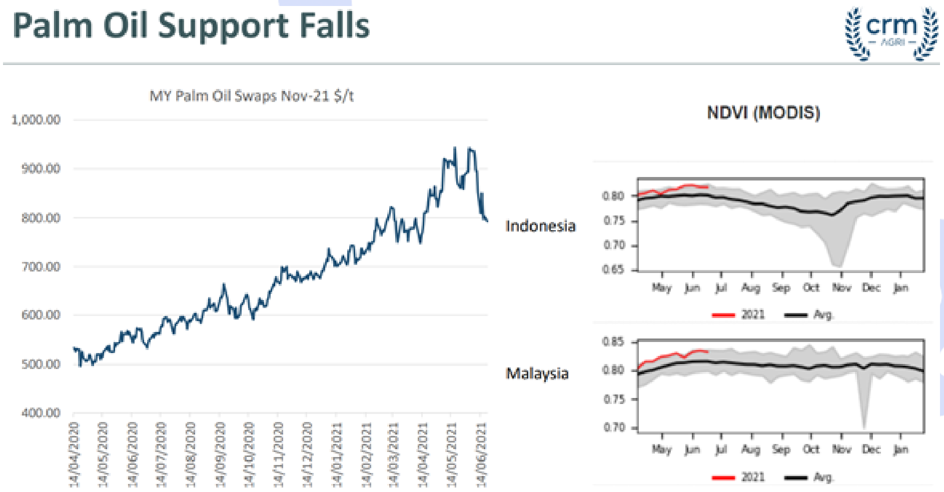
Stocks were confirmed at around 44% lower than in 2020 and very tight at around 5MT. Soyabeans jumped nearly 6% on the back of this, but again CRM think this is an overreaction. There are growing concerns over the effect the hot and dry weather in Canada is having on their canola crops and this could contribute to upward pressure to vegetable oil prices if it continues.

UK soyameal prices had settled at around £350/t through to April 2022 and rapemeal around £218/t Erith and £235/t non-Erith for the autumn/winter period. Maize distillers had also fallen back to around £224/t for November to April 2022.

Sugar beet pulp prices for the winter are coming back into line with soya hulls in the £180s/t so could come back into consideration for inclusion in diets.

With a few more bullish factors in the equation now, on balance the feeling is to continue to take some forward cover into next year at these prices.

Palm oil prices have fallen recently with good vegetation indices (NDVI) for both Indonesia and Malaysia. The main harvest is about to start and the labour shortages due to Covid last year have eased. The main issue affecting supplies of palm products to the UK are transport availability and cost.



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