

Technical Update - Feed Markets

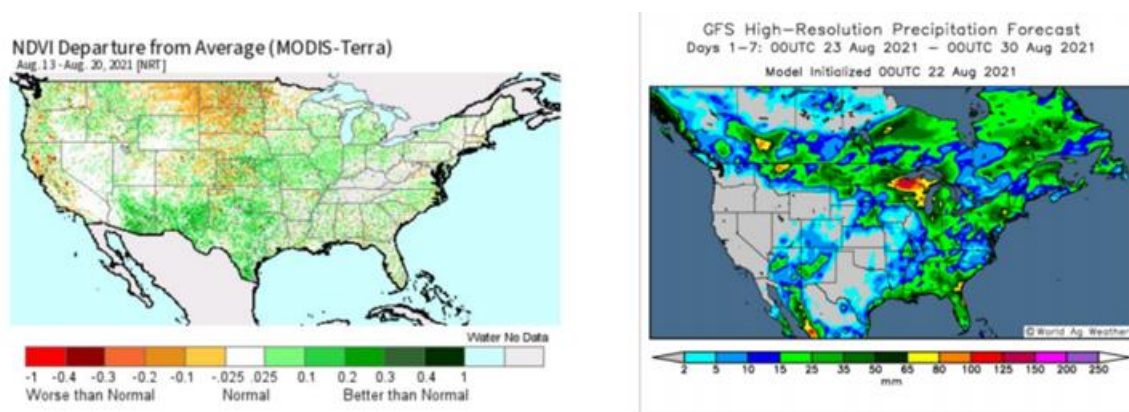
Information correct as at 11:00am on 27.08.2021

- US Maize and Soya harvest prospects are looking good
- Russian and Canadian wheat forecasts downgraded
- Prices remain high as harvest pressure is still to take its full effect and global stocks are tight

Cereals

In general prices have settled at a higher level following the August USDA WASDE report which cut production forecasts for all cereals, particularly Canadian and Russian wheat crops.

Prospects for the US maize crop are improving based on better satellite crop image NDVI (normalised difference vegetation index) data and the Pro Farmer tour which has now started and is forecasting better yields than the USDA figures. More rain is forecast for the key growing areas in the short-term and this will continue to support yield development, so prospects generally are good.



China bought maize heavily in May but since then they have not purchased significant quantities. From satellite images their maize crops are looking good so unless an extreme weather event occurs (like it did last year) then demand from China should continue to be lower.

The forecast for Russian wheat saw a huge drop in the latest WASDE report, from 85MT in July to 72.5MT in August. This is thought to be an over-correction and based on various sources CRM's view is that it will be down, but not by as much as that to around 75-76MT.

Canadian wheat continues to struggle with the prolonged dry weather and the 30% August WASDE cut in production will probably be correct in this instance.

EU and UK harvests continue to be delayed by the damp/wet weather. Prospects for yields are good but quality will be downgraded for some milling wheats, which should bring more into the feed markets.

Wheat prices are closely linked to maize prices so as the wheat harvest progresses and the outlook for US maize continues to improve then prices for wheat should fall back from the current November 2021 prices of around £190-195/t. Exactly how much of the UK wheat crop will end up in Bioethanol is still uncertain but could end up around 500 – 750KT in this first season.

With a 15MT UK crop increasingly likely and high prices there could be significant exports in the autumn. This, coupled with demand from bioethanol in the winter/spring could cause a tight supply in the spring/summer of 2022.

The message is to hold off for now if possible and wait for the prices to ease back, then make sure there is plenty of cover through to harvest 2022.

Oilseeds

There was a 25% reduction in the Canadian canola crop forecast due to the continuing dry weather, but the rest of the August WASDE report was fairly neutral for oilseeds.

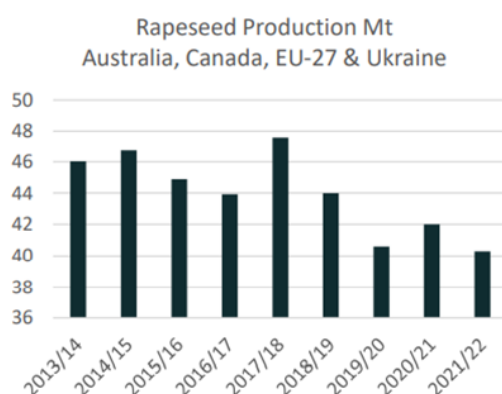
The vegetable oil complex is up around 40% compared to this time last year at around \$1200/t and although crude oil prices have fallen back vegetable oil prices are still high.

With the new supply from northern hemisphere OSR and soya crops still to come we are at the tightest supply point of the year.

Strong crushing is producing a good supply of oilseed meals, although local issues in the supply chain are still causing spikes in prices such as the recent fire at a French OSR crushing plant.

The US soya crop prospects continue to improve with good NDVI images and as with maize more rain forecast in key growing areas. US sales of soyabeans to China have picked up but only to around average levels for this time of year.

EU 27 OSR forecasts have improved a little but only to around 16.9MT compared with an estimated demand of around 23MT. With lower production and tight stocks around 6MT of imports will be required. With a relatively poor crop in Canada world production is also down so the market will remain tight for the next year.



Palm oil prices are also around 40% up on this time last year. India has been importing heavily with reduced tariffs, but that will end in September. The forthcoming palm oil harvest in Indonesia and Malaysia is looking good from NDVI satellite images. However, labour is still somewhat disrupted by COVID effects.

UK soyameal prices have stabilised at around £355 for Nov – April and £330 May – October 2022. Non-Erith rapemeal prices have settled at higher levels of around £250-265/t for Nov – April. Hopefully most have secured cover at previously good prices. If not, then advice from CRM is to keep buying hand to mouth for now and keep looking for better prices in the forward markets.

Soya hulls have also settled at new highs of around £200/t forward, partly due to low river levels in Argentina meaning boats can only be filled to around 2/3 full.