

Technical Update – Feed Markets

Information correct as at 09:00am on 28.01.2022

- The tensions in Ukraine are adding further pressure to markets
- Some rain has arrived in South America but may be too little too late
- It is looking prudent to take some cover for next season

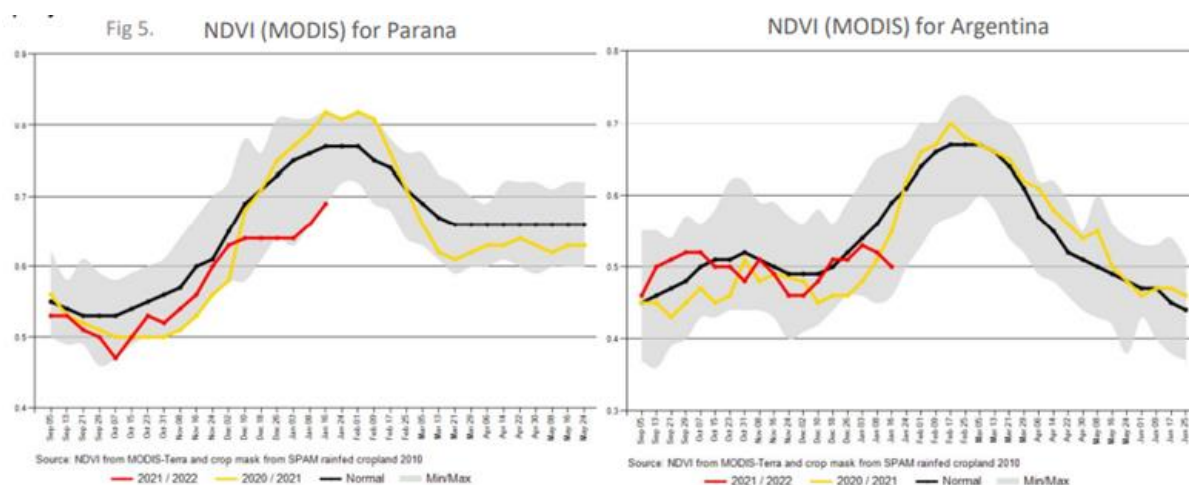
In addition to the usual supply and demand issues affecting cereal markets the Russia/Ukraine conflict has made markets nervous and May Brent Crude has hit a 7 year high of \$90/barrel which will influence the vegetable oil markets.

Cereals

Russia and Ukraine account for about 30% of world wheat exports so disruption to supply chains and potential embargoes on Russian exports in retaliation by the West will disrupt the markets. Ukraine is also a major exporter of maize and rapeseed so the conflict would knock on into these commodities as well, causing further disruption and price increases.

Quite a lot of the exportable tonnages have already been delivered for this season, so the impact would be greater for next season if the conflict develops further and for longer.

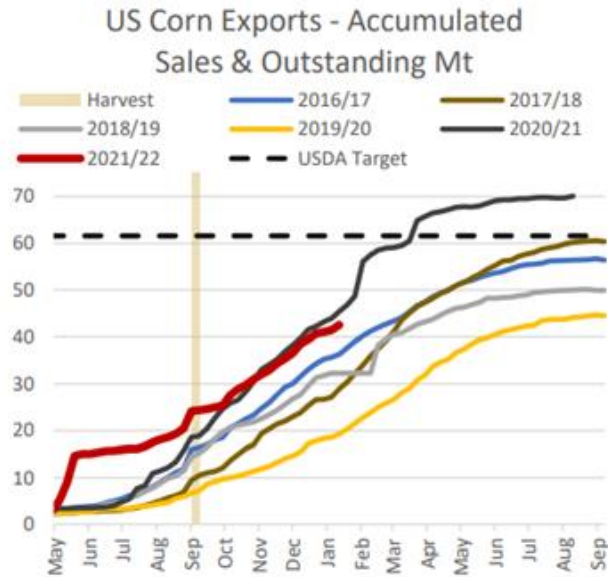
The drought in large parts of the key growing areas in Brazil and Argentina has continued through December and the first weeks of January. NDVI scores show many areas at record low levels, indicating very poor crop health.



There has been some rain recently in some key areas and more is forecast, but it is not yet known whether these have come soon enough or will be great enough to improve matters significantly.

Chicago maize prices fell back last summer but have increased steadily since October 2021 and are now at around c\$620/Bsh. UK maize prices have settled at around £250/t ex-port.

Demand around the world is very strong and US exports have been at record levels throughout the current season. The big unknown here is whether the Chinese will start buying. If they come back into the market for significant quantities, this could push prices up as they did around this time last year.



US Funds had been coming out of their long positions through the summer and autumn of 2021 but with the weather issues, strong demand and tight stocks they have gone long again.

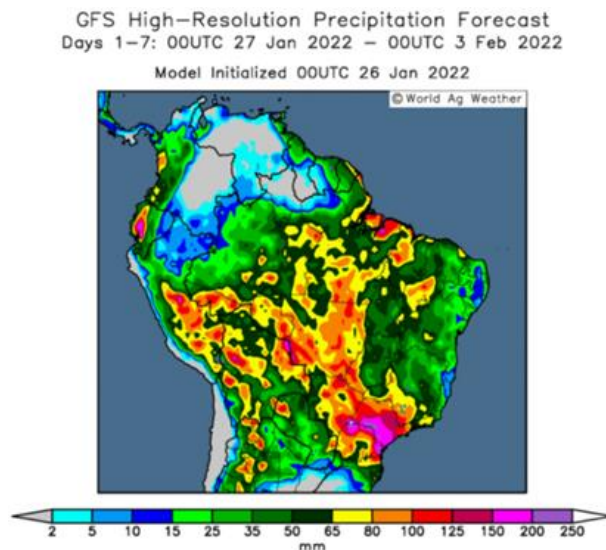
In the UK wheat prices are still very volatile, with May futures falling back from their November peak of £245/t to £213/t but are now back up to £222/t with November 2022 around £200/t. These prices are still below the EU wheat prices so a further rise is expected over the next few months.

The outlook is uncertain, with the potential for China to start buying maize again, the weather in South America and the situation in Ukraine the big unknowns. How these situations develop will determine price moves going forward.

Forward prices for next season are a lot lower than this season and with all the uncertainty the view is that it would be worth taking 20-30% cover for next winter.

Oilseeds

The weather in South America is again key to the future direction of soya markets. As with maize there has been a severe drought in many key growing areas over the last 2 months, but some rain has arrived and more is on its way in the latest forecast.



It is unclear at this stage whether the damage that has already been done to crops will be changed by this rain.

The US managed funds had been coming out of the long positions on soya during the autumn and early winter as record crops were being forecast, but they have recently gone back to longer positions as the drought took hold. The next few weeks will be critical.

Brent Crude oil has recovered from its fall to around \$70/barrel when the Omicron variant was first discovered to around \$90/barrel now and this should push vegetable oil markets up.

The outlook for rapeseed and rapemeal is that with tight stocks and strong demand prices will remain high until next harvest at least.

With a 10% increase in UK and EU crops good conditions so far and a likely recovery for the Canadian crop things could ease next season. However, again the Ukrainian situation could also have a big effect on supplies and carryover will be negligible.

UK non-Erith rapemeal prices have dropped back in the last week or so to around £304/t for February to July and remain around £250/t for August-October.

Given everything going on in the world the view is to cover 30-40% of requirements for next season if you have not already done so.

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

