

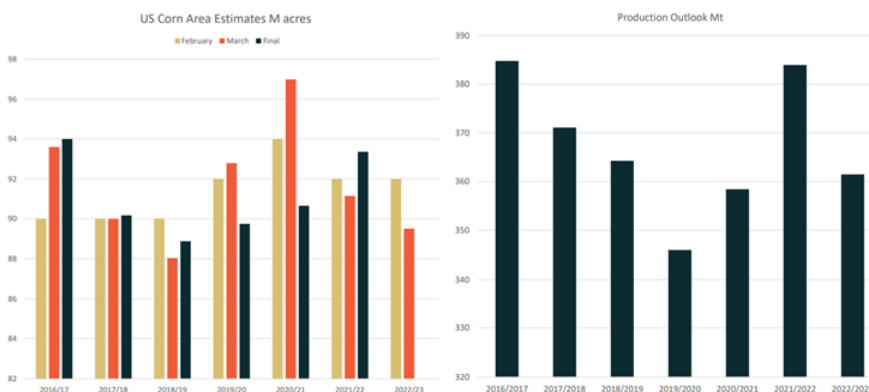
- US wheat prospects look poor
- Soya up, maize down in US planting intention survey
- Brazilian 2nd crop maize prospects looking good
- Ending stock:use ratios forecast to be low for soya due to high US exports
- EU cereals looking good

Cereals

The outlook for winter wheat and spring sown maize production in the Ukraine is still very uncertain. Although the withdrawal of Russian troops in parts of Ukraine means that some spring crops may be drilled, or winter sown crops managed through to harvest there are still major problems with labour, fuel, fertiliser and logistics.

The latest US planting intentions report shows maize/corn planting down 4% on last year while soya is 4% up, thought to be due to higher input costs for maize/corn (maize fertiliser is 5 times that of soya). However, as can be seen in the chart below left from previous years, the February and March intentions can be quite different from the actual plantings. The production outlook, below right, assumes average yields and is well down on last year but around the 5-year average, although we are at a very early stage.

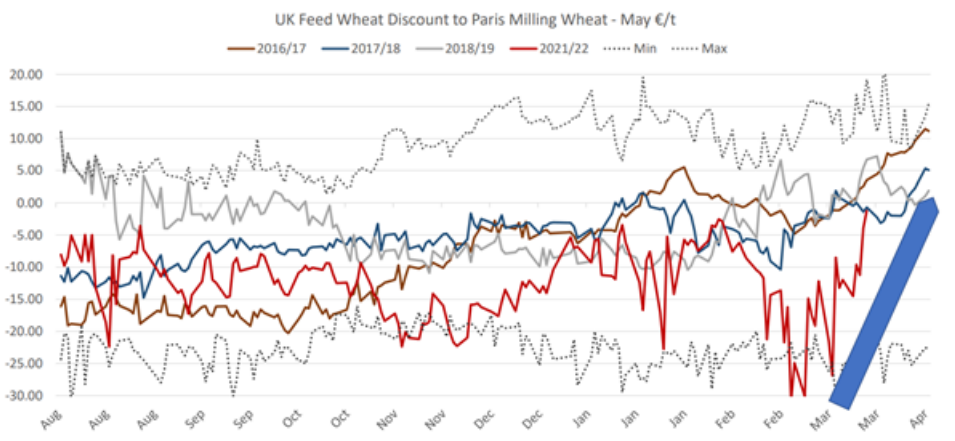
US Planting Outlook



A combination of the loss in planted area, the deteriorating situation in the Ukraine and now China buying over 1MT of US maize in the last week has sustained upward pressure on maize/corn. The good news is that the weather conditions in Brazil are much improved and NDVI scores (crop health from satellite imagery) are back to normal levels so this will help the 2nd maize crop which is expected to be around 85-90MT and mainly for export.

For wheat, the USDA crop progress reports have started to be produced again following the usual winter break. The first indicates that US winter wheat condition has declined to only 30% good/excellent and 36% poor/very poor, with ongoing drought in many areas. The last poor year was 2018 when at this stage the good/excellent rating was 32% and although the crop recovered in the run up to harvest it ended up being below average. A comparison with 2018 indicates that at this stage the crop condition is worse than it was then and little rain is forecast at present.

The French wheat crop is currently rated at 92% good/excellent, the highest for 5 years. NDVI scores for crops across the UK, Europe and Russia are all looking very good. In the UK, wheat had been valued at up to 30 Euros/t below EU/Paris milling wheat but recently has caught up, as indicated by the red line in the chart below.



May future wheat prices are still around £300/t and November around £250-260/t which is around £10/t back from recent peak values.

Most maize used in the UK and EU is from Ukraine, so if there is a reduced amount to export then buyers will look to change to wheat which would increase pressure on prices next winter. There is still a possibility that governments could relax bioethanol mandates for fuel, which would increase supply for feeding and reduce pressure on prices and the EU have recently said they will prioritise food security over ethanol.

Generally, a complicated and uncertain picture with much bad news but also some good news and a lot of unknowns at this stage.

CRM advice is to maintain 60% cover for next winter and monitor what happens in the Ukraine and weather conditions in key areas around the world during the critical spring crop planting/growing season.

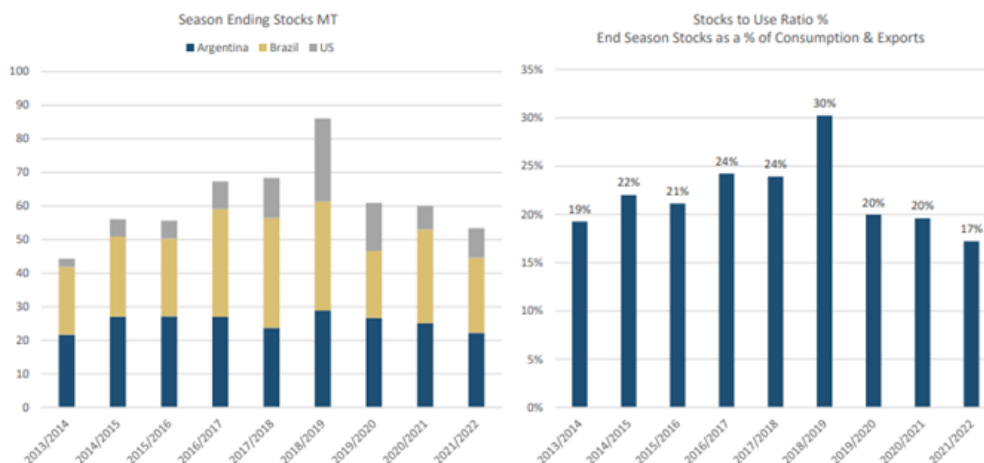
Oilseeds

The recently released USDA planting intentions report showed a 4% increase in soyabean area, but with the same caveats as for maize/corn regarding whether this will be the situation when the crop is planted. If achieved and assuming average yields this could produce a record US crop of over 120MT.

However, exports remain very strong and are already virtually at the USDA forecast for the whole year to September. The next WASDE report is due out on 8th April, so we assume they will revise their forecast at that stage.

Overall North and south American ending stocks and stocks:use ratios are set to end the year at low levels.

US & South America Soy Stock Concern



The withdrawal of Russian troops from parts of the Ukraine means that some oilseed production could occur, but as with the cereals there are still major problems to be overcome. Much of the sunflower production is in the east of the country where the fighting is still ongoing and possibly intensifying so any significant production of sunflowers is looking unlikely.

In total, Ukraine normally exports around 3MT rapeseed (around 1.7MT meal) and around 5.5MT sunflower meal, mainly to the EU.

May 2023 EU rapeseed is still trading at around 750 Euros/t compared with this season's price for May 2022 at around 960 Euros/t. Although Canadian canola may recover from last year's disastrous drought the outlook for rapeseed and meal still remains very uncertain and it is difficult to see why the new crop/2023 prices should be so low.

Rapemeal prices reflect this difference in rapeseed prices, with old crop non-Erith meal around £440-450/t ex-port compared with new crop at around £330-340/t from August through to April 2023. Soyameal prices have eased recently, partly on the back of increased US planting intentions and a potential record US soya crop, to around £480/t spot and £460/t for November to April 2023. Maize distillers have also eased to around £370/t for June and £360/t for November to April 2023.

CRM advice is to cover rapemeal requirements well into 2023 as prices are likely to increase further and availability could be an issue.

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

