

Technical Update - Feed Markets





















Information correct as at 10:00am on 25.03.2022

- The war in Ukraine continues to dominate markets
- Global wheat supplies could reach last year's levels if Canadian production recovers
- Maize supplies could also be maintained if the 2nd crop in Brazil does well
- Oilseeds are much tighter with low yields in S America and severe doubts over the Ukrainian rape and sunflower crops.

Overview:

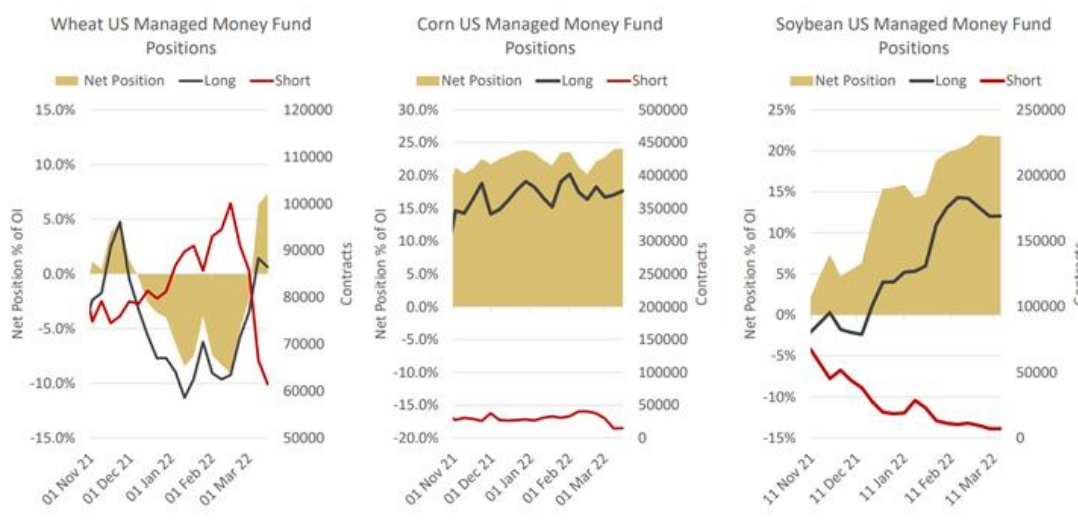
Volatility remains in all agricultural commodity markets as the war in the Ukraine continues, as can be seen in the charts below (for 24th March). However, significantly lower weekly export figures from the US announced yesterday caused a dip in everything apart from rapeseed.

Key Markets	Expiry	Last price	Change	% Change	20 Day Chart
Feed Wheat 	May-22	310.40	-0.60	-0.2%	
Milling Wheat 	May-22	376.50	-8.00	-2.1%	
Wheat SRW 	May-22	1093.75	-12.00	-1.1%	
Corn 	May-22	748.25	-9.50	-1.3%	
Rapeseed 	May-22	978.00	51.50	5.6%	
Soybeans 	May-22	1702.50	-16.25	-0.9%	
WTI Crude Oil 	May-22	113.05	-1.88	-1.6%	
GBP EUR 	£1 = €	1.20	-0.002	-0.2%	
USD EUR 	\$1 = €	0.91	0.001	0.1%	

Cereals:

The latest moves have generally been up (UK feed wheat for May up 32% on the month), but this could change quickly if there are meaningful talks to end the war in Ukraine.

US managed funds have become more bullish, especially for wheat, where they have sold out of their previously increasing short positions (red line below left) and bought heavily into long positions (blue line below left). This sudden change in position added to the spike in wheat prices following the initial shock of the invasion, although there are signs that things are settling down again now, but at a higher level. Funds have remained long for maize/corn and soya.



The latest estimates for world wheat production for 2022/23 show that even assuming a much smaller Ukrainian crop production should be similar to recent averages providing the Canadian spring crop is back to normal.

It is thought that Russian wheat will still be bought by Egypt and other African countries as well as India and China.

The La Nina weather pattern in the Americas is easing and there have been good rains in Brazil and southern/central US which has improved the prospects for their winter wheat crop, although it is still early days.

Prospects for the Brazilian 2nd maize/corn crop have improved significantly with recent good rains. The latest forecast is for a 26MT increase in production compared with last year's drought damaged crop. If this forecast was to come about it would go a long way to balancing the expected significant reduction in the Ukrainian maize production.

EU and UK wheat crops have come out of the winter looking good and despite the hike in fertiliser prices there is optimism for a good crop overall. However, even with a good UK wheat crop the reduction in Ukrainian wheat and maize production means that the UK will not be a net exporter and this will support wheat and barley prices.

Taking everything into account, and assuming reasonable weather in the key growing areas of the world the overall outlook for cereals is not too bad.

UK May 2022 wheat is around £310/t and November wheat is around £250-260/t.

The CRM advice is to keep at around 50% cover for next season and keep a close eye on weather in north and south America particularly over the next few months.

Oilseeds:

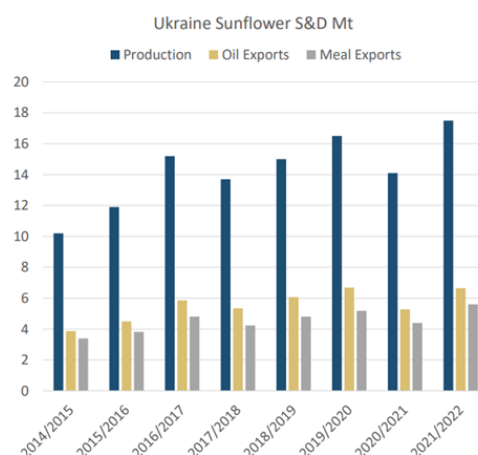
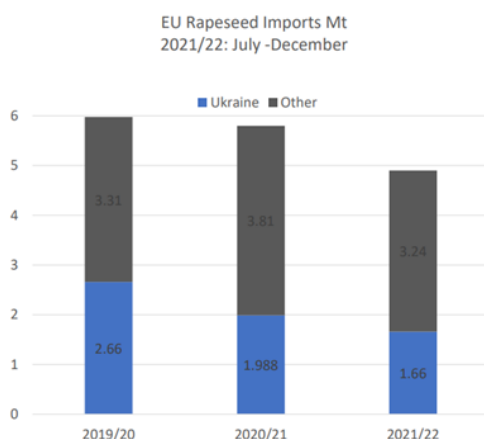
High crude oil prices are still driving the vegetable oil markets. Brent Crude for May went to almost \$140/barrel as the Russian invasion of the Ukraine started, then dropped back but has now increased to \$122/barrel again.

The harvest in Brazil is around 70% complete and much lower yields are being reported, reducing overall output and causing further demand for US soyabeans, particularly from China. Argentina had temporarily stopped exporting soya beans so they could increase export taxes from 31% to 33%. Having done so they are now exporting again.

US exports are still rising and are close to the already revised USDA forecast of around 57MT for the season and there is still around 6 months to go. All this means that soyabean ending stocks are getting tighter with the latest forecast for US to be the lowest since 2013/14.

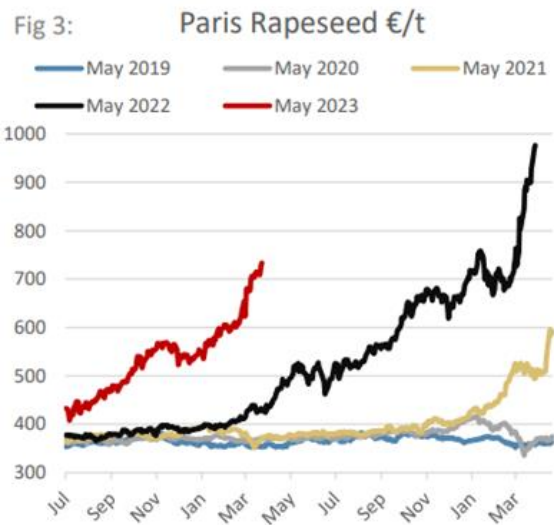
Until now the other main factor affecting markets for the current season was the severe reduction in the 2021 Canadian canola crop. Now the likely reduction in OSR and sunflower oil and meal from the Ukraine is driving prices higher for this year and next.

EU imports of rapeseed from the Ukraine are around 1.5-2MT/yr, usually during the autumn/early winter. It is looking increasingly likely that this year's supply will be significantly down, if there is any at all.



This, plus the likely loss of most of the Ukrainian sunflower oil and meal means further upward pressure on prices for the foreseeable future.

EU/Paris rapeseed touched Euros 1000/t briefly for May 2022 before falling back slightly in the last few days. May 2023 is around 75% of this price but rising rapidly – see below.



The Canadian canola crop should recover this year and replace some of the lost production from the Ukraine, but it is GM, so unless there is a derogation it cannot be used in the EU.

Distillers' grains supply is tight with Vivergo not fully operating yet and likely to be producing less dried grains and more moist feed due to the costs of drying.

Wheat distillers' grains around £430-440/t, whilst US maize distillers' grains are around £390-400/t

Feed grade urea is reportedly around £2000/t and therefore becoming too expensive to be competitive.

Rapemeal is around £440-450/t for old crop through the summer and around £350/t for new crop through until spring 2023, whilst some companies are starting to look around for alternative protein supplies such as groundnut meal

CRM's view is that taking everything into account, it would be worth taking 100% cover on rapemeal through until at least February/March 2023, when Australian rapeseed will become available again.

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

