

Technical Update - Feed Markets

Information correct as at 09:00am on 11.03.2022



















- The invasion of Ukraine has caused turmoil in the markets
- Prices for most products are now POA
- The fundamentals across the rest of the globe are a little less distressing
- With extreme volatility there may be opportunities to take more cover

Obviously the awful Russian invasion of Ukraine has been the major factor driving the agricultural commodity and other markets over the last 2 weeks. This has caused chaos in the markets which will knock onto production and price issues across a wide range of foods and feedstuffs for some time to come.

Cereals:

As can be seen from the prices and graphs below for Thursday 10th March everything has been rocketing up, although oil has fallen back and other rises have largely levelled off in the last few days.

Daily market movements

Key Markets		Expiry	Last price	Change	% Change	20 Day Chart
Feed Wheat		May-22	293.00	-4.50	-1.5%	
Milling Wheat		May-22	368.50	-3.75	-1.0%	
Wheat SRW		May-22	1114.25	-87.25	-7.3%	
Corn		May-22	759.75	26.75	3.6%	
Rapeseed		May-22	883.00	-8.00	-0.9%	
Soybeans		May-22	1694.75	23.00	1.4%	
WTI Crude Oil		May-22	103.76	-1.29	-1.2%	
GBP EUR		£1 = €	1.19	0.001	0.1%	
USD EUR		\$1 = €	0.91	0.007	0.7%	

The latest USDA WASDE report was published on 9th March and has generally been fairly low key in comparison to events in Ukraine. The report reduced forecast exports for Russia, Ukraine and South America but increased wheat from Australia and maize/corn from the US.

Around 98% of the wheat crop in the Ukraine is winter wheat and so is already in the ground. Before the invasion there was a production forecast of around 26MT, with around 16MT for export. A lot now depends on how the war unfolds and whether the labour and other resources are there to finish growing the crop and to harvest it.

As the crop is already established, there is a chance that there could be a reasonable crop produced in July/August and the WASDE report only reduced the forecast exports by 4MT. The latest export forecast for Russian wheat was for a reduction of 2MT to 35MT.

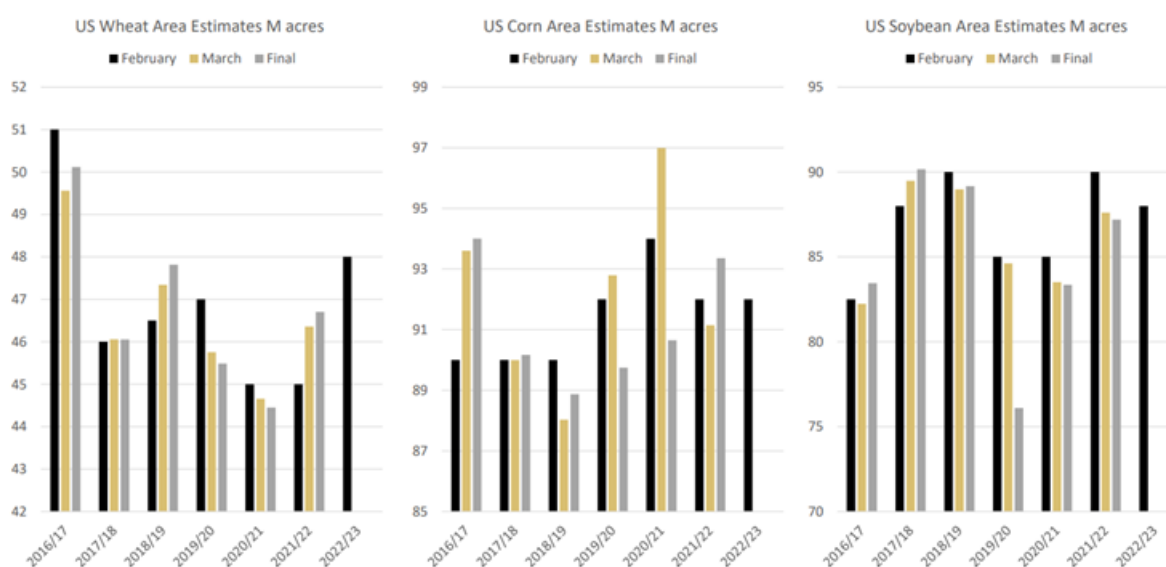
The Ukrainian maize crop is spring planted mainly through April/May so the forecast for this crop is much less clear as it will depend on how much can be planted and how much fertiliser will be

available. Before the invasion the forecast was for production of around 37MT with around 33MT for export. The USDA WASDE report reduced exports by 6MT to 27MT but it is impossible to predict at this stage how much of this will actually materialise.

The other unknown is how the war will affect the Black Sea ports and shipping, adding further uncertainty to the outlook.

Elsewhere, the rains in Argentina have improved the maize crop conditions and production will be better than once feared. The Brazilian first maize crop has had some damage but the 2nd crop, which is the main crop for export, could be a record planted area and should be sown in better conditions, so there is optimism for a good crop in September/October.

The US wheat planted area is the largest in the last 5 years and although many areas have been very dry this has been through the dormant period so influence on yields will have been less, but the weather from now on will be critical. Early indications are that the US is also planning to plant a large area of maize at around 92M acres.



Last year Canada had a disastrous growing season, so the hope is that this spring will be more normal and their wheat crop will be back to at least average. The latest WASDE report increased the Australian wheat crop by 2MT to 36.5MT.

Closer to home the UK and EU winter wheat crops were generally planted in good conditions last autumn and have had a good winter. Lack of fertiliser is the main reason production might not be so good at this stage.

Looking at the fundamentals, it is thought that there could well be enough cereals for next season, but costs will be higher due to transport. But this still depends on what eventually happens to crops in the Ukraine and how much fertiliser is available around the world.

Although very volatile, UK wheat prices for May are around £290-300/t and £240-250/t for November, reflecting the optimism for next year's crops.

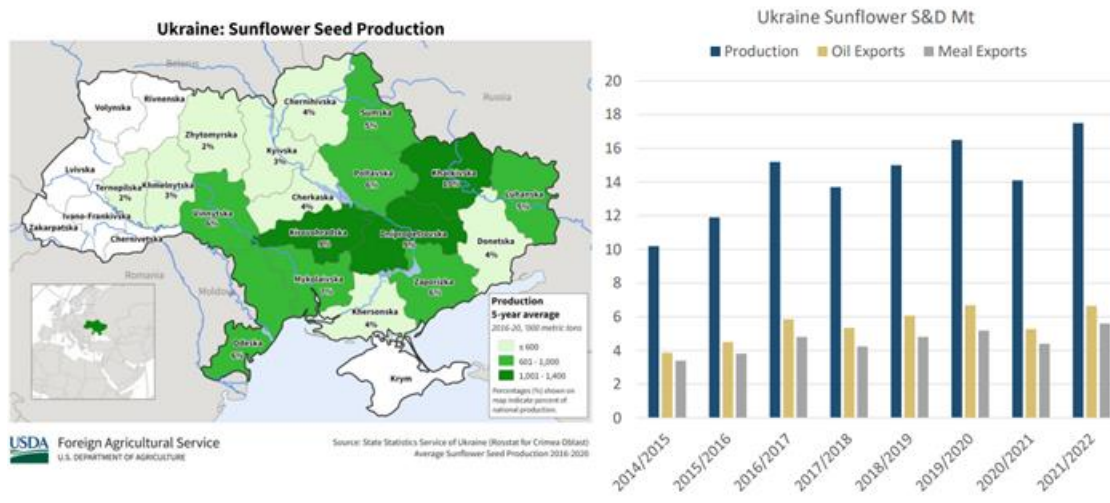
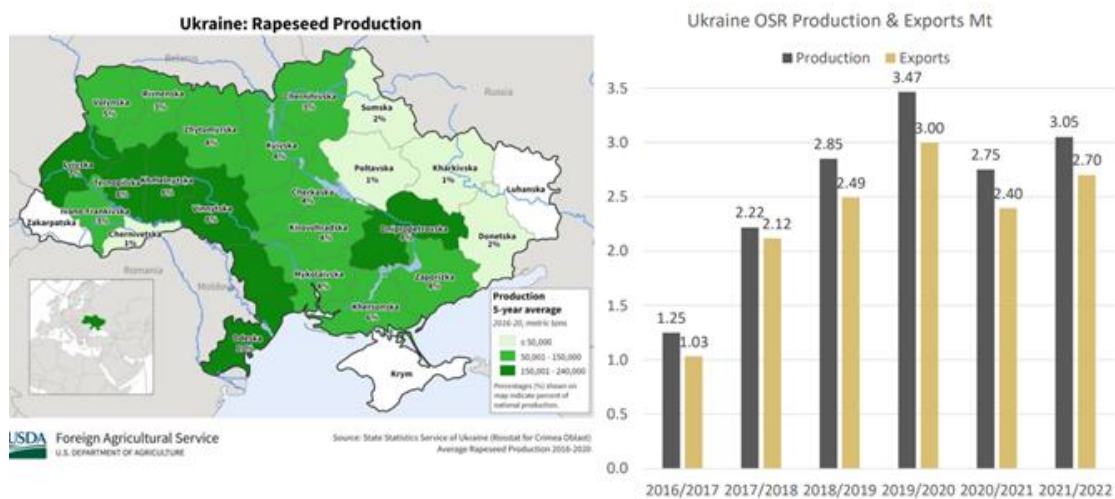
Hopefully most clients have taken cover through until next harvest with some cover beyond that. With the lower forward prices for next autumn/winter the CRM view is to increase cover and to book 50-60% of requirements now.

Oilseeds:

High crude oil prices are driving vegetable oil prices higher and high/volatile gas prices are driving fertiliser prices higher plus making oilseed crushers reluctant to commit as they do not know the cost of their production.

The UAE announced on 9th March that it would release more oil onto world markets and this caused an immediate fall in crude oil prices. We now must wait to see if this is maintained and follows through into lower feed prices.

The situation in Ukraine will obviously have a significant effect on oilseeds and meals with around 2.7MT of rapeseed exported (mainly to the EU) last year and 5.5MT of sunflower meal – used mainly in compound feed.



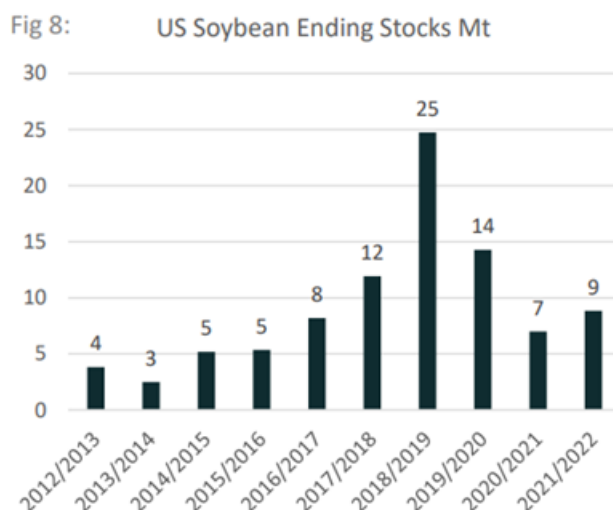
As with maize, the outlook for spring sown rape and sunflower crops in Ukraine is uncertain depending on how much can be sown and how much fertiliser will be available. With a shortage of supply and high crude oil prices driving vegetable oil prices the outlook is for high prices to continue.

Most of the rapeseed from Ukraine is imported to the EU during the autumn/early winter so that is likely to be the time when supplies will be at their tightest, until the Australian crop is harvested in February.

Turning to soya, the south American estimates for soya production continue to fall with around 55-60% of the Brazilian harvest now complete. The latest estimates are for a combined tonnage from Brazil and Argentina of around 170MT according to the WASDE report but local forecasts are nearer 160MT, around 20MT below last year.

US exports have been strong and at around 50MT are now approaching the new USDA target of 57MT with still 6 months to go, so with poorer than expected crops in South America and high crude oil prices soyabean prices will remain high.

In addition, with the strong soya exports, plus the likely reduction in rapeseed and sunflower from Ukraine, the world ending stocks and stocks:use ratio will become even tighter over the coming months.



The price of all straights have gone up significantly since the Russian invasion of Ukraine started and at present many are either withdrawn or unavailable.

Soyameal has increased by around £65/t in the last week to around £510/t ex-port for May to October. Rapemeal has followed and has further been driven by the Ukrainian situation to around £350-360/t for new crop non-Erith meal.

Maize gluten is being quoted at £360/t for the summer period, up around £60/t on the week.

Again, hopefully most clients have already booked cover forward until the autumn, with some further cover through next winter.

CRM's view is to keep a close eye on the markets and continue to take cover as and when opportunities arise so there is around 50% cover for rapemeal through to February 2023.

The fall in oil price on 9th March saw Brent Crude oil to fall back around \$15/barrel to \$115 and if maintained this could follow through into lower feedstuff prices and create opportunities. The biggest problem will be the physical availability of rapemeal, especially during the period when the Ukrainian rape is exported to the EU.

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

