

Technical Update - Feed Markets

Information correct as at 09:00am on 22.04.2022

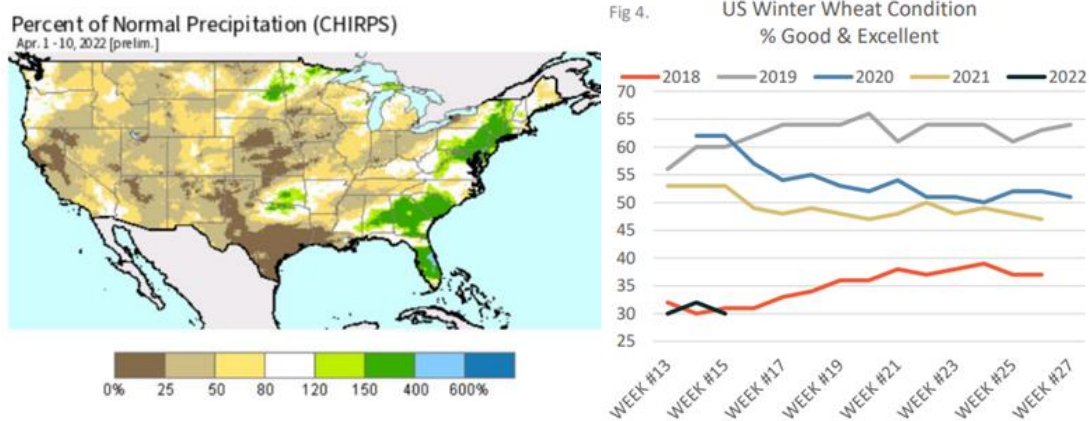
- War in Ukraine concentrating in the East is improving winter crop prospects
- Majority of sunflowers are grown in the East so these will be seriously compromised
- Dry weather in the US wheat belt is causing concern
- Drought conditions spreading North into Canada could affect spring sown crops
- Brazil starting to dry up putting pressure on the second maize crop

Cereals

The war in Ukraine continues but has entered a new phase, with most of the fighting now confined to the east of the country. This has increased the optimism that winter wheat and oilseed rape crops that are in the ground can be managed and harvested and that some maize can be planted this spring. However, sunflowers are mainly grown in the east and so the outlook for these remain poor.

Despite this improved outlook for crops, there are still major problems for supplies of fuel, fertiliser and labour plus the threat of land mines and unexploded shells in fields. Whatever is harvested will then have to be exported and unless things change quickly, without access to Black Sea ports and the usual 60,000t ships this will be very slow and difficult by train through Poland, etc. Although the Ukrainian Agriculture Ministry now thinks that up to 70-80% of the normal crops may be grown it is still uncertain how much will be able to be exported.

In the US, the winter wheat crop is still suffering from drought (below left) with only around 30% rated good/excellent, similar to 2018 (below right). In that year some rains did come, but it was a poor harvest overall so although things could change if the rain arrives the current outlook is not good.



A further worry is that the weather is also dry in southern Canada where rain is needed for spring wheat and oilseed rape crops which are due to be planted in the next few weeks.

US wheat remains at a premium to maize/corn of around \$120/t compared with the average of around \$40/t, but this has levelled off as prices start to limit exports.

French, UK, EU and Russian wheat crops are generally looking very good, but uncertainty over the effects of the war in Ukraine on production and prices plus the weather in North America mean that UK wheat futures remain high with May around £320/t and November increasing to around

£280-290/t. At present an early resolution of the war in Ukraine looks unlikely so prices are expected to stay high for the foreseeable future.

There is some rain forecast for the main US Corn belt where planting is just getting underway, but large areas of Brazil have now turned dry. The outlook for the large Brazilian second maize crop is now looking less certain although the NDVI scores indicate crops are still in good condition at present. Big crops in Brazil and the US are needed to satisfy world demand, given the likely reduction in the Ukraine harvest.

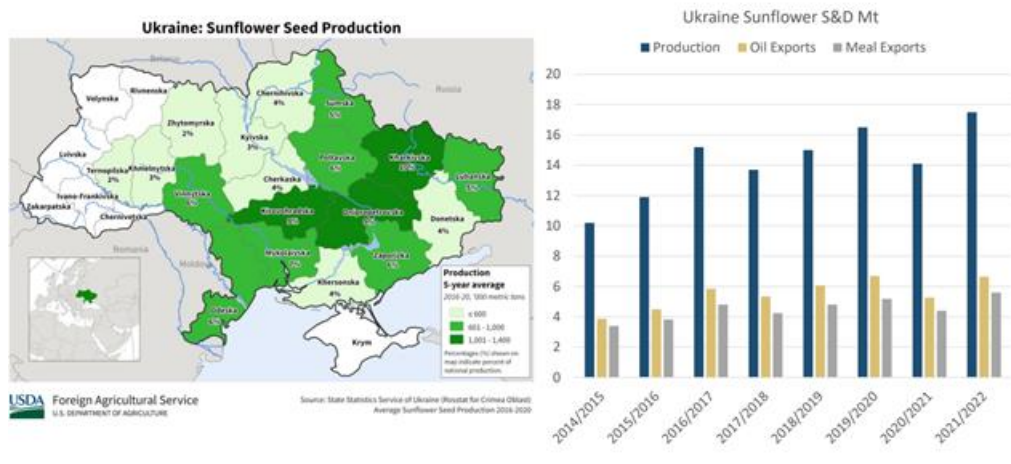
China has been back buying up large quantities of US maize as they are struggling with internal lockdowns and are anticipating reduced or no supplies of Ukrainian maize this year and next. In addition, the US are about to introduce an E15 petrol mandate so more maize will be used for bioethanol production.

This has pushed Chicago maize futures for December 2022 to record levels of around 800c/bushel with US Managed Funds remaining in their long positions and bullish.

Oilseeds

Although there is more optimism for the winter oilseed rape crops in Ukraine, the spring sown sunflower crops are still looking doubtful as much is gown in the central and eastern areas where the fighting is still at its worst.

Ukraine Concern Sunflower



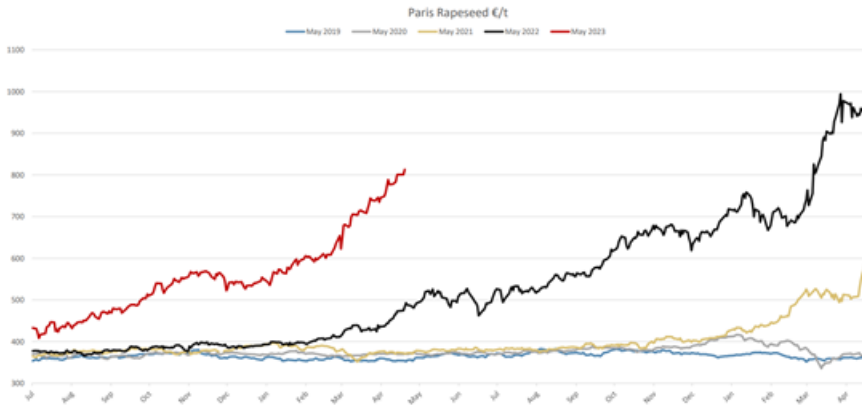
A significant reduction in sunflower oil and sunflower meal exports will add pressure to demand for other vegetable oils and soya and rapemeals.

US soya exports remain strong and have already reached the USDA annual forecast to September of around 57MT, so this forecast will have to be revised and ending stocks will get tighter. This is compounded by the last Brazilian soya crop now thought to have produced around 120MT, down from the previous year of around 140MT due to dry conditions.

A big canola crop from Canada would make a difference to oilseed supplies this year, but as already mentioned, the conditions for spring planting are currently very dry.

Rapeseed continues to achieve new record prices, with old crop over 1000 Euros/t and new crop around 800 Euros/t.

Rapeseed Support



At present UK rapemeal prices are around £430-440/t for May-July and £340/t for non-Erith new crop, partly reflecting the difference between new and old crop oilseed prices. However, with all the uncertainties over oilseed supplies in the next 12 months with the war in Ukraine and weather around the world it looks like this differential is unsustainable.

Therefore, the advice is still to take 100% cover for rapemeal as far into 2023 as possible at current prices. Other straights are little changed over the last 2 weeks and remain at recent high levels.

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

