Technical Update - Feed Markets

Information correct as at 12:00pm on 21.10.2021

- Continued pressure on wheat markets with lower ending stock levels
- Threat of La Nina to South American crops
- Increase in oil prices means plenty of soya crushing activity so more meal availability

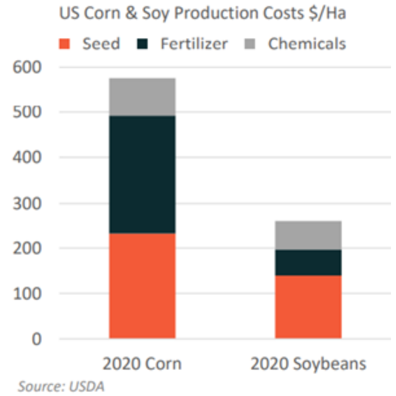
Cereals

US wheat is now trading at $60/t over maize. This is close to the maximum, due partly to low stocks and poor wheat harvests in northern US and Canada and partly to lower maize prices.

Although progress with winter wheat planting in Russia is improving slightly, they are still around 1.5MHa behind target with time running out to get the crop in before the end of October.

High worldwide fertiliser costs are likely to contribute to lower inputs to crops globally which should reduce yields generally for the 2022 harvest.

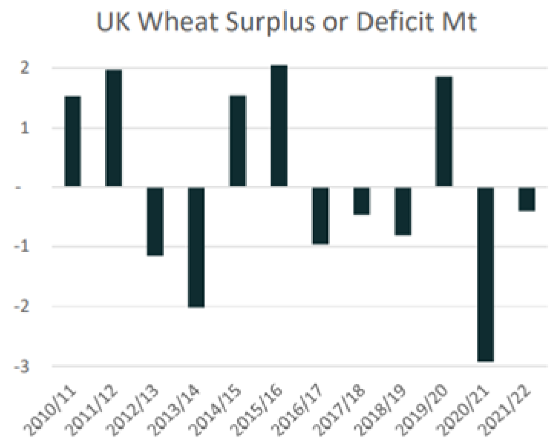
In the US the cost of fertiliser to grow maize in 2020 was close to $270/Ha compared with soya at around $50/Ha. With much higher fertiliser costs to come a lot of the area which would normally go into maize will go into soya. This will be another factor reducing supply and keeping upward pressure on cereal prices going forward.



There is still around an 80% chance of a La Nina event occurring for the southern hemisphere this season. Maize planting is getting underway, but conditions are very dry in many growing areas.

The only bearish factor at present is that China has only bought around 11MT of US maize compared with 26MT last year and their maize crops are looking good based on satellite imagery. Ending stocks will improve if they buy less as the markets are working on similar volumes to last year.

DEFRA have just published estimates for UK crops for the 2021 season. Wheat is around 14MT due to poorer than expected yields in the south and east. Some other assumptions are questionable in CRM’s view so the final figure could be closer to 14.5MT. Either way, with demand at around 15MT there will be a small deficit, so the UK becomes a net importer.



DEFRA estimates for barley production show it is down by around 1MT on last year at around 7MT but still likely to show a surplus of around 1MT.

At present UK feed wheat is at a near record 25-30 Euros/t cheaper than Paris milling wheat even at c.£206/t for LIFFE November 2021 contracts. Demand will increase into 2022 as the E10 mandate encourages more bioethanol production. This could take another 500 – 700kt out of the market in the year depending on how well the plants run.

At present it looks like cereal prices are likely to continue at high levels and could gain a further £15-20/t into Q1 2022. The CRM view is to keep booking forward so you know you have it as physical availability could become an issue as we go through summer 2022.

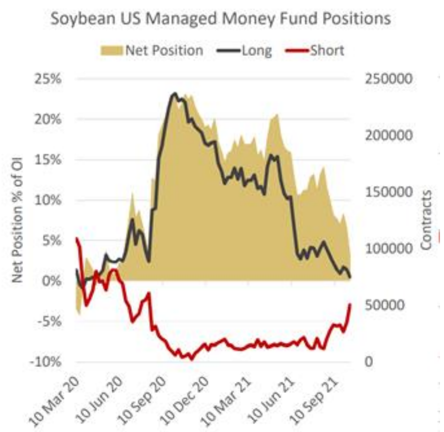
Oilseeds

Crude oil price remains high at around $85/barrel and this is driving vegetable oil markets with US soya oil is now back up to July prices.

India has reduced import taxes and is buying large quantities of palm oil in particular and this has put further upward pressure on the vegetable oil markets.

The good news is that the high levels of crushing for oil means that there is a lot of soya meal around and US prices have fallen again to around $320/t for December contracts. On top of this is the likely move to soyabeans from maize due to the exceptionally high fertiliser costs which should encourage a good supply of soya beans and meal into the medium term.

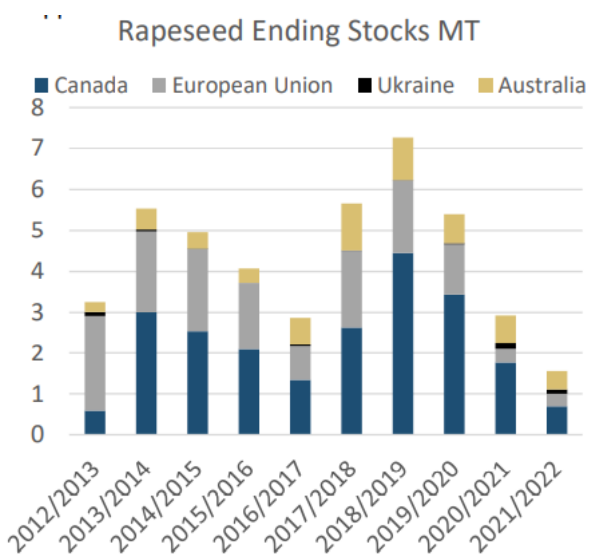
US manged money funds have come out of their long soya positions and have started to build short positions in anticipation of lower prices.



Brazil has planted around 22% of the soya area anticipated but conditions in many areas are still very dry and the La Nina weather patterns will affect yields here too.

Paris rapeseed has continued to increase in price and is now around 700 Euros/t. Rapemeal is already at high prices, if available at all, in the short term and physical availability will become an increasing problem as we move through to the 2022 harvest.

The chart below shows world rape seed ending stock estimates and the dire position expected here. This is largely due to the dramatic fall in Canadian canola supply which hopefully will come back on track in 2022.



So, as before, the advice is to keep booking forward with better prices available for August/September/October 2022.

Soyameal is coming back into the reckoning for those who can still use it in the £320's/t for May-October 2022. Novapro protected rape is an alternative at around £320-330/t through to July 2022, falling to £275-285/t for the August – October period.

The high cost of gas for drying sugar beet pulp has meant prices have rocketed and now around £250-260/t ex port if available.

Although there are still issues with river levels in Argentina soya hulls are still available at around £220-230/t through to April 2022 before falling to around £200/t for May – October, so worth booking forward at those prices if you need fibre feeds.

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