

# Technical Update - Feed Markets

Information correct as at 09:00am on 03.12.2021

- The markets have dropped on the back of the Omicrom variant surge
- This may be short-lived if it does not turn out to be too serious
- North American harvests are all but complete
- Parts of Brazil have had reasonable rain to establish maize and soya, but other areas of South American are on the dry side
- Price drops have created buying opportunities for August to October proteins
- Cereal prices likely to pick up again as imports will be required, so an opportunity to cover to harvest 2022 if not already bought

Following the discovery of the Omicron COVID variant and more lockdowns across many European countries Brent Crude Oil has fallen back to around \$70/barrel, around 20% below recent peaks. Agricultural commodities have followed but in the last few days the falls in price have largely ceased and a slight recovery was seen yesterday.

## Cereals

Cereal prices and oil/ethanol prices are linked so if the new variant is found to be a serious threat this fall in price should be maintained and there should be downward pressure on prices for both cereals and vegetable oils. If it is not thought to be as serious, then cereal markets will return to being governed by the more bullish factors which have caused prices to rise to record levels recently.

In Russia there has been some snow cover which will help protect the late sown winter wheat crop from winter kill. The current feeling is that the Russian export quotas due to be introduced in January may not be too stringent and so their effect on prices will not be as bad as first feared.

In Australia heavy rains are hampering the wheat harvest and it is likely that quality will be lost, which could mean more wheat for animal feed.

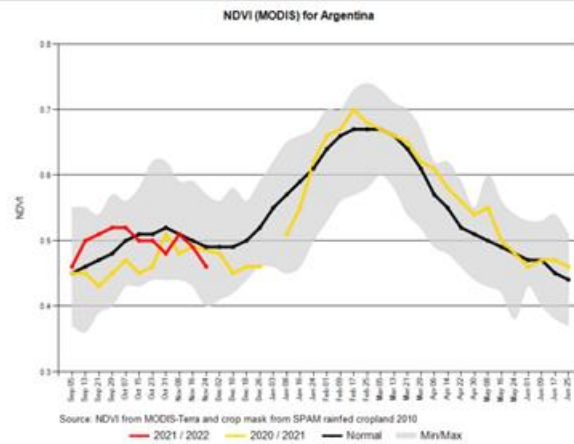
In the US the maize harvest is now around 95% complete but with strong demand for ethanol and exports stocks are set to remain tight. The Chinese have bought very little US maize since May and could come back into the market soon which would put upward pressure on prices.

The US winter wheat crop has fallen another 2 percentage points to around 44% good/excellent.

The price of gas and hence fertiliser in the US has eased over the last few weeks so the threat of more soya/less corn being planted next spring has receded.

In South America the maize crop in Brazil is now over 90% planted with plenty of moisture in the north, but drier conditions in the south. Argentina has had some rain but continues to be very dry generally and NDVI scores, a measure of crop health from satellite imagery, have fallen below average recently (see graph below).

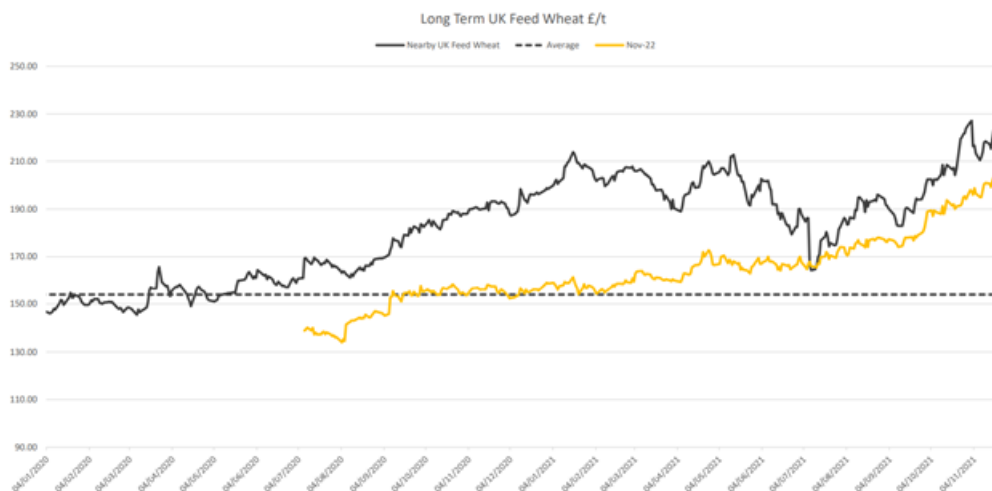
# La Nina Again – Long Term Watch



In the UK, the latest AHDB/DEFRA figures confirm a deficit for wheat of around 800kt and hence the need for imports. May 2022 forward prices have eased back around £10/t to around £228/t as a result of the Omicron variant. Prices are likely to go back up if it does not prove to be a significant threat as even at these high prices UK wheat is still below EU prices.

The view is to take advantage of any price reductions in the short term as the medium-term outlook is still for higher prices to remain.

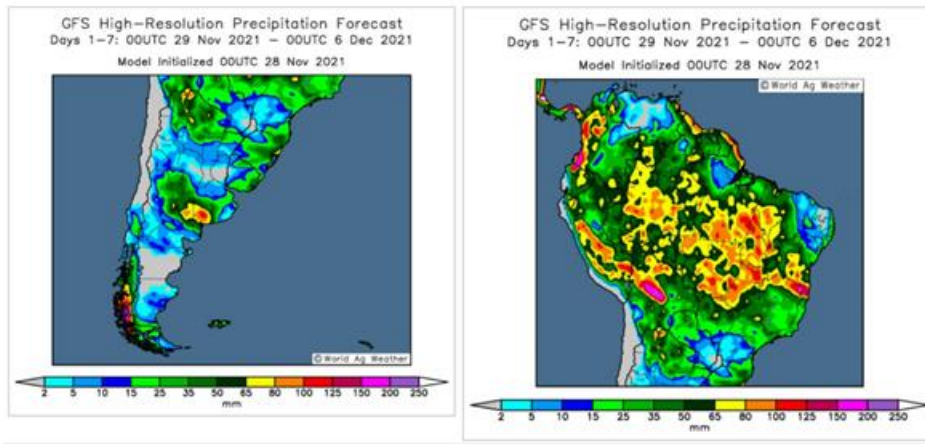
November 2022 forward prices are around £208/t, indicating that the outlook for the 2022 harvest is better and without any major weather event stocks should start to improve.



## Oilseeds

The same uncertainty over the effect of the Omicron variant applies to vegetable oil and oilseed markets. As with the cereal markets prices fell, but if it is not thought to be too serious, then again prices will be governed by previous fundamentals.

The soya crop in the US is now nearly completely harvested and the Brazilian crop is over 90% planted with very good conditions in central and northern Brazil but dry/poor conditions in the south and in Argentina. The maps below show that the short-term outlook is for continuing dry weather in Argentina and southern Brazil with good rains in mid/north Brazil.



China has not been buying large quantities of soya recently which has quietened the soyabean markets. Even before the discovery of the new variant soyameal prices in the US were already under pressure.

UK soyameal prices have fallen back to around £335/t for May-October 2022, compared to the current price of £365/t and worth covering some more forward if needed. Rapemeal prices have also eased back slightly with non-Erith rapemeal prices around £235-240/t for August to October 2022 compared with over £300/t currently, so again worth taking more cover forward if necessary.

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For further discussion or to help with any questions that you may have, please contact Consultant Support on [consultantsupport@kiteconsulting.com](mailto:consultantsupport@kiteconsulting.com) or 01902 851007 / 07542 403225