

Technical Update - Feed Markets

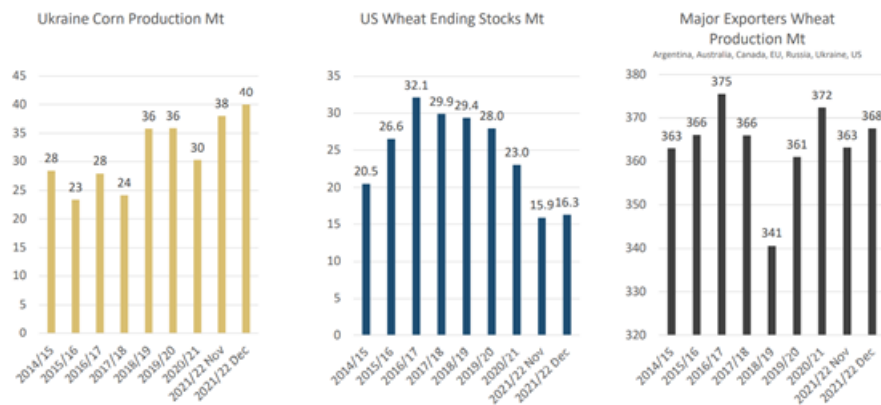
Information correct as at 09:00am on 17.12.2021

- Some relief on energy feed stocks have seen prices drop – buying opportunities
- South American weather mixed- good for much of Brazil but dry in Argentina
- Omicron variant has caused oil price to drop and this is affecting vegetable oils
- Market volatility still huge, some not easy to explain!

Cereals

The USDA produced their latest global supply and demand (WASDE) report last Friday. The outcome for cereals was less bullish than it has been for many months with production and stocks revised upwards for several countries. The chart below shows Ukrainian maize production (up c.2MT), major wheat exporters (up 5MT) and US ending stocks improving slightly.

December WASDE Major Grain Changes

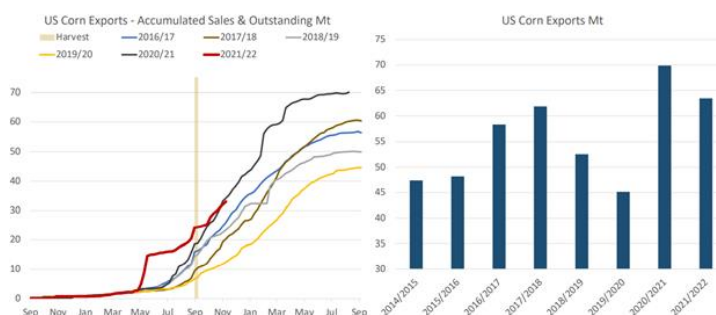


The stocks: use ratios for wheat and maize have been deteriorating over the last few years, but this trend has levelled out with a slight improvement in the latest report, albeit still at a very low level of 12% for maize. The outlook for maize supply for 2022 from Brazil is looking good but things are more uncertain in Argentina with a strong La Nina causing very dry conditions and delayed planting.

Global maize demand is uncertain with China again the big unknown. Although they have had a good growing season, quality has been poor due to excessive rains and prices are rising. They have bought maize recently from Ukraine and wheat from EU sources, but so far have only bought 11MT of US maize, compared to a USDA forecast of 26MT for the year.

If they do not purchase any more this will create downward pressure on prices, but if they start buying large quantities again in Q1 2022 (as they did last year) we will see upward pressure. Despite the lack of activity from China to date, overall US maize exports are strong to other countries and equalling last year's record at this stage.

Corn Exports Ahead of Projections



Elsewhere around the world the Australian wheat crop estimate has been further increased to 35MT, though again there are quality issues. Initial reports from the EU and UK indicate winter crops in good condition.

In the UK, May wheat futures have eased back around £12/t following the discovery of the Omicron variant to around £225/t. This has created a short-term buying opportunity, but the fundamentals are still bullish looking into Q1/Q2 2022, with tight stocks and strong demand plus the threat of Russian export taxes in January.

EU milling wheat is still around 15 Euros/t above UK feed wheat, indicating that UK prices will have to move up at some stage next year.

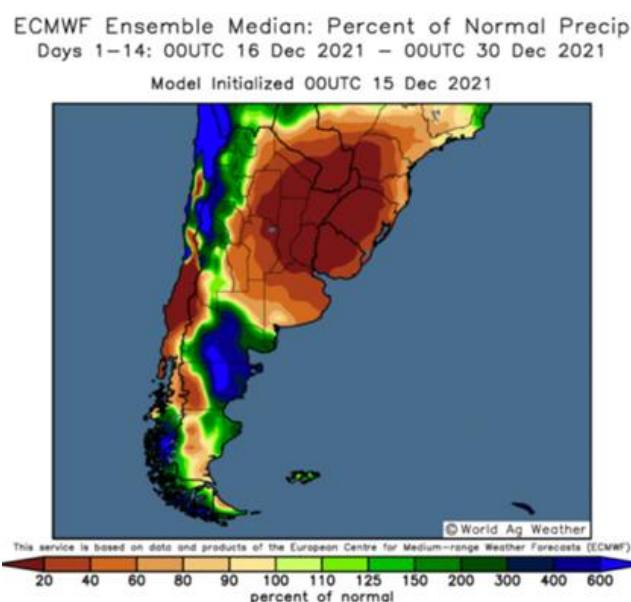
The view is that clients should be well covered for the period to the 2022 harvest and dips in price such as this one should be taken advantage of if necessary. Some cover should also be considered for the autumn/winter 2022 with November 2022 prices back down to around £200/t.

Oilseeds

The USDA WASDE report for soya was fairly neutral with supply and demand forecasts in balance and a reasonable stocks: use ratio. US managed funds have withdrawn from their long positions of earlier in the year and increased their short positions for soya beans.

Brent Crude has recovered some of the losses made following the discovery of the Omicron variant but at around \$73/barrel is well below the \$85/barrel it has been recently and this is affecting the value of vegetable oils.

The weather in Brazil generally continues to be ideal but localised flooding has hit some key areas recently and it is still very dry in the southern states. As with maize, the dry weather in Argentina in key growing areas as indicated in the map below has caused delayed soya plantings and concerns over production.



US sales of soyabeans are only slightly behind last year at around 39MT, but despite all the neutral news for soyabeans, prices for soyameal shot up in the US in the last 7 days from \$3.60/short tonne to over \$4.20 before dropping back down to \$3.70 on December 15th.

The sudden increase has been reflected in UK soyameal prices and we will need to see how everything settles over the next week as nobody really knows why this extreme volatility has occurred.

Rapemeal prices have followed the soya prices to some degree but again we need to see where things settle over the next week.

Other straights such as maize gluten (£270), maize distillers (£270) and soya hulls (£210-220) are little changed for the May – October 2022 period.

Volatility is expected to remain a feature, particularly in meal markets, with various factors affecting supply and demand and again take advantage of any short-term dips in prices.

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