

# Technical Update - Feed Markets



Information correct as at 09:00am on 14.01.2021

- New Year- same volatility
- Cereal prices have dropped and present a buying opportunity
- Concern growing for S American crops as La Nina bites

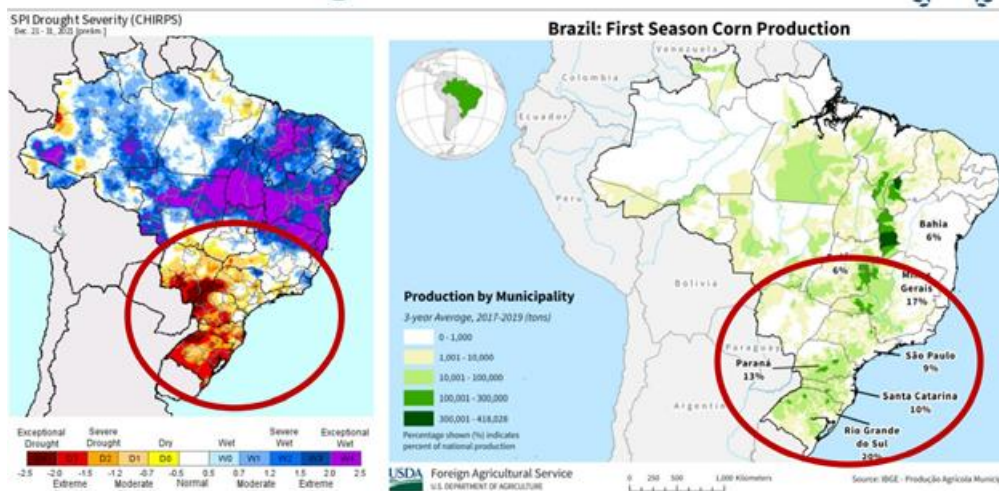
It may be a new year, but the feed market fundamentals are similar with volatile markets and concern over supply levels.

## Cereals

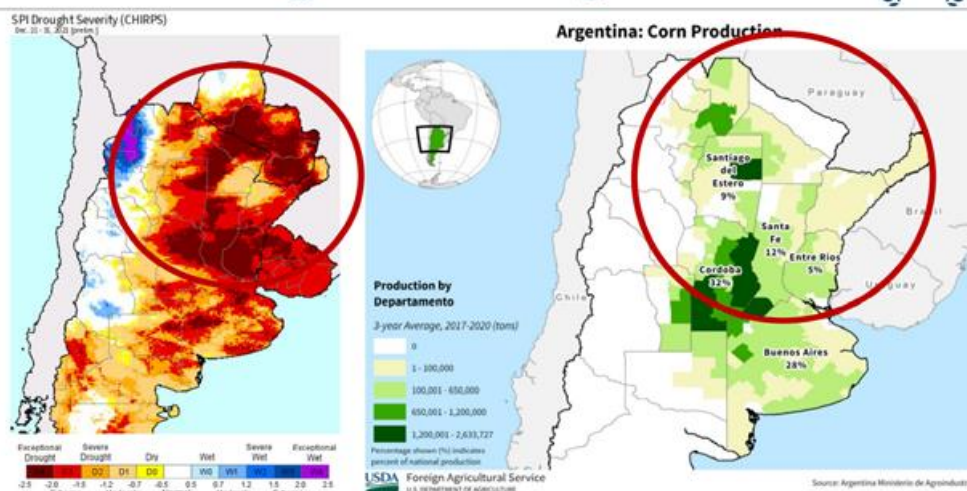
The latest USDA WASDE report was published on 12th January. There were only slight changes to supply and demand prospects for wheat and maize, with small cuts to South American production, increases for US and Ukraine maize and overall lower export demand.

BUT the effects of the continuing drought in South America could cause further cuts in production estimates for maize and soya over the next few months. Around 35% of the Brazilian and 60% of the Argentinian main maize growing areas are now affected by the serious La Nina drought, with little if any rain in the forecast at this stage. This is now starting to cause crop damage and production estimates have started to fall. Two of the major maize growing regions in southern Brazil, representing around 35% of total, have crop conditions (by NDVI scores) at 12-year lows.

## La Nina Getting Serious - Brazil



## La Nina Getting Serious - Argentina



The latest WASDE report reduced the forecast for maize in Argentina by 0.5MT and for Brazil by 3MT to 115MT but this is still above the latest Brazilian forecast of 112MT, suggesting further cuts to come.

The Chinese have not been buying much maize recently and there is concern that they could come back into the markets for significant quantities in the next month as they did at this time last year, although this is already factored into markets to a degree.

The result is that US May 2022 maize futures prices have been steadily increasing to around \$600/t. This is about double where they were and the managed funds have again increased their long positions.

The big Australian wheat crop is now coming through and estimates for the Russian crop have been increased to around 81MT. Prospects for wheat in the UK and EU are looking very good so far with excellent establishment and weather conditions for most areas.

May 2022 forward wheat prices have fallen back from their peak of £245/t in November 2021 to around £218/t now. This is below EU wheat prices and the view is that UK prices will rise through the spring/summer. The stocks : use ratio for the major trading nations is the tightest it has been since 2012 at around 22%.

£218/t is seen as a buying opportunity for anyone who still needs cover before next year's crop.

November 2022 wheat prices have also fallen back to around £190/t and again this is seen as a buying opportunity for up to 20-30% of requirements for next winter.

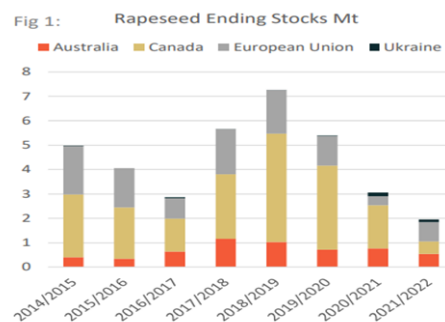
## Oilseeds

The USDA WASDE January report showed greater cuts to production estimates for soya, with Argentina down from 49.5MT to 46.5MT and Brazil down from 144MT to 139MT. This is in line with recent cuts in forecasts made by the relevant organisations in these countries and again is largely due to the extreme drought being experienced in many key growing areas.

There has been continuing strong demand for vegetable oils and now the initial scare from Omicron is over Brent Crude oil prices have recovered from around \$70 to \$85/barrel. US managed funds have reversed their sell off for long contracts recently and remain bullish.

US soyameal prices have climbed steeply in the last few months to around \$415/t and this has been reflected in UK soyameal prices which have increased significantly from the lows of 1-2 months ago to around £420-430/t spot and £385-390/t for May – October 2022.

Paris rapeseed has also increased steadily over the last 6 months to record levels of around 720 Euros/t (below left) with strong demand and record tight stocks (below right).



The outlook for 2022/23 rape supply is better with the likelihood that Canada will not suffer a catastrophic drought for 2 years in a row and with EU production forecast to be around 10% higher. However, pressure to remove palm oil throughout Europe will add further demand to other vegetable oils sources such as rapeseed.

UK rapemeal prices have followed soyameal prices higher with non-Erith meal around £325-330/t for May/Jun/Jul and £255/t for Aug/Sept/Oct

Hopefully, most will have covered forward at lower prices previously, but with very tight stocks and questions over physical availability before next harvest it would still be worth covering at these prices if needed.

Maize distillers' prices have fallen back to around £255/t for May-Oct 2022 and wheat distillers have also come back with anticipated increasing supplies but are still around £305/t for May-Oct.

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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

