

Technical Update - Feed Markets

Information correct as at 09:00am on 06.05.2022

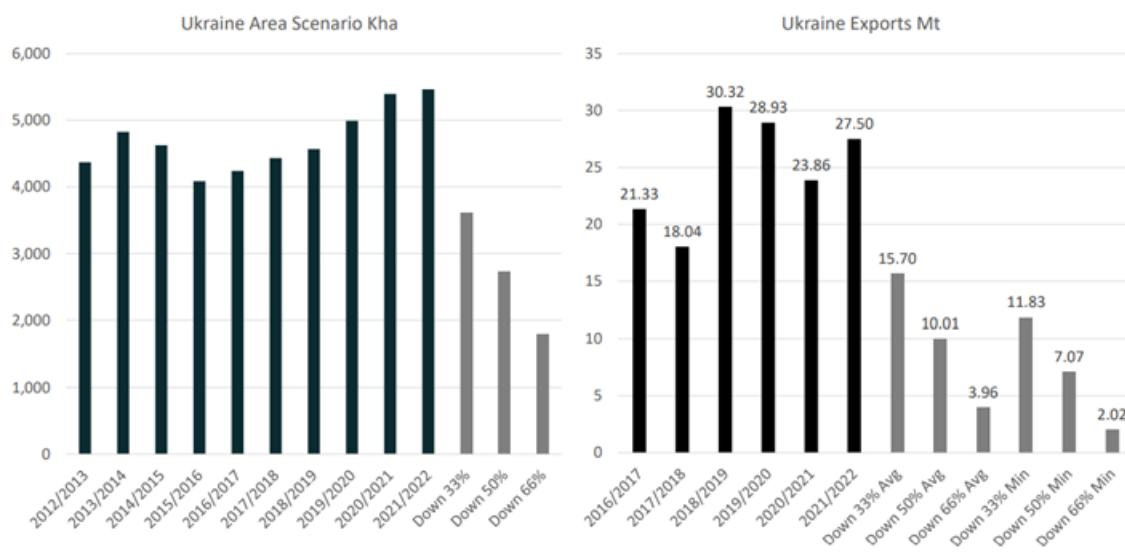
- Despite the war there is some farming going on in Ukraine and there could be supplies of wheat and maize available but getting them moved will be an issue
- In the US it is too dry in the wheat belt and too wet for soya and maize planting
- Dry weather is starting to become an issue in UK and EU
- CRM report that most of these negative factors are already priced into the market
- Higher oil prices have resulted in meal prices (rape and soya) dropping slightly

Cereals:

The war in Ukraine is still having a large effect on world agricultural markets with further recent missile strikes on key logistical links making exports even more difficult. As of 2nd May the Ukrainian Min of Ag estimated that around 4.7Mha of spring crops have been planted, which is around 30% of the 2021 area at the same stage. There are still significant issues with the supply of seed and fertiliser, plus the additional problems of working during a war, all of which has slowed down the planting campaign.

It is now looking more likely that there could be a 33% shortfall in maize area, but according to the chart below that would mean that there could still be exports of around 12-15M. This would be around 50-60% of average, not ideal but better than previously thought.

Ukraine Corn Concern—Spring Planting Risk



Ukrainian winter wheat could also produce an exportable surplus of around 10-15MT, again lower than before but better than expected at one time. All the forecasts for exports anticipate slower than usual shipping pattern as routes other than Ukrainian Black Sea ports are used so there are still questions over how much will find its way to EU/UK markets and when.

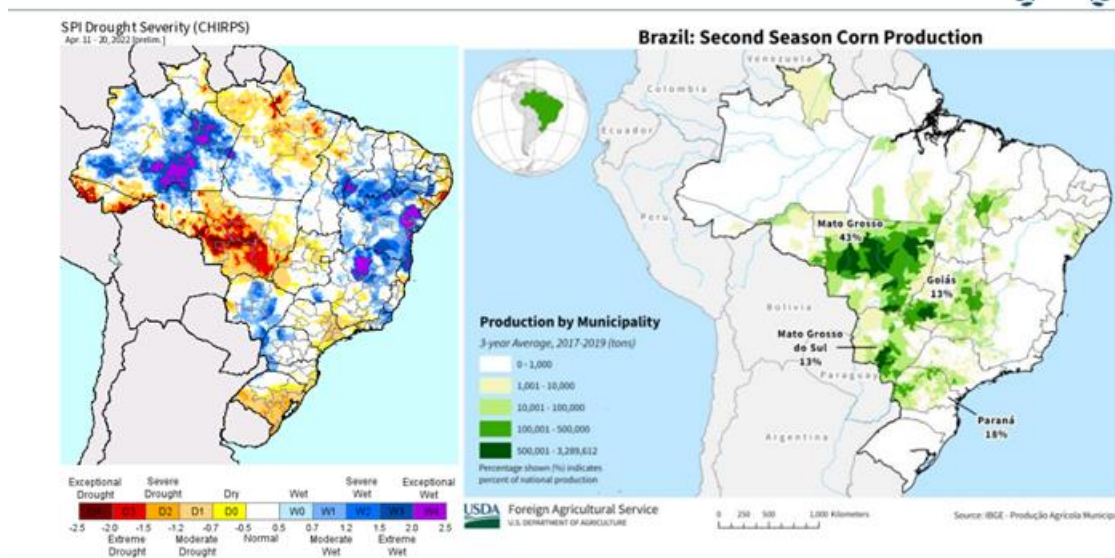
Russia is still on target for wheat production of around 84MT with generally good conditions and spring planting underway.

On the other hand, the US winter wheat good/excellent rating has fallen again to around 27% vs 48% at this time last year, although there is some rainfall forecast for the next week. Spring

wheat planting in northern US and southern Canada is delayed due to cold and wet conditions, but at least the drought of last year is not in force so there is optimism for a better crop. The cold/wet weather is also slowing maize planting which is now 14% complete vs 42% in 2021.

In Brazil the major maize growing areas are increasingly being affected by drought which will influence prospects for their 2nd maize crop. However, the original forecast was for a record 117MT crop vs 85MT in 2021, so even if the forecast is reduced it should still end up being a significant crop.

Brazil Dry – Second Corn Concern



US exports of wheat have now virtually ended, but significant buying of maize by China, to replace what they would have had from Ukraine, means maize exports are still strong.

The UK and northern EU countries are dry generally at present and this is raising some concerns particularly for this year's spring sown crops. Forward prices for wheat have increased recently both in the US and UK. November wheat increased by over £13 to £316 yesterday on the back of increased speculation and rumours about export restrictions from India following severe hot weather causing yield reductions.

CRM's view is that a lot of the issues causing concern are already priced into the markets and prices are unlikely to go higher. Taking everything into account there could be downward pressure on prices over the summer with harvest pressure and as farmers start to think more about selling.

CRM are still saying cover around 60% of requirements for next winter (but risk averse clients may want to go further).

Oilseeds:

The EU have just announced a ban on Russian oil by the end of the year. This has caused a 5% price increase in crude oil and this will push vegetable oil prices up further. This comes on top of a ban on palm oil exports from Indonesia, which had already affected prices. How long this ban will last is uncertain and may be replaced by export taxes as storage becomes an issue.

The good news is that high vegetable oil prices are resulting in slightly lower meal prices, with UK spot Hipro prices falling back by around £15/t to £465/t and November – April prices falling by around £10/t to £455/t.

The cold and wet conditions in the US Mid-West are holding back soya planting which is currently only 8% complete. The dry conditions in Brazil are causing soya crop estimates to be revised downwards, by around 5MT so far.

US exports have already reached the USDA target for the whole year to September. They are likely to increase this estimate again, but significantly it will mean lower end of year stocks.

Rapeseed prices continue to remain high, with old crop Paris OSR around Euros 1000/t and new crop/November rapeseed around Euros 825/t.

Liverpool rapemeal prices are down around £9/t to £404/t for June – August and down around £8/t to £337/t for November to April 2023.

The view, as before, is still to keep covering requirements as far into 2023 as possible.

Forward wheat distillers prices for November – April have fallen back but at £413/t are still around £50/t above maize distillers at around £360/t.

For further discussion or to help with any questions that you may have, please contact Consultant Support on consultantsupport@kiteconsulting.com or 01902 851007

