Technical Update - Feed Markets

Information correct as at 09:00am on 09.06.2022

- Generally better weather in Northern Hemisphere for 2022 harvested crops
- Oil price has increased again
- Markets still incredibly volatile, but wheat has fallen back from peaks
- Rapemeal has dropped back on spot and forward markets- buying opportunity

Cereals

The Nov 2022 wheat price fell from the record of around £350/t to just under £300/t in the first few days of June, partly due to more optimistic reports on global crops and partly on discussions regarding a possible grain corridor out of Ukraine.

When the Russian army destroyed a key Ukrainian grain logistical site over the weekend wheat jumped back up by around £20/t on Monday, but has now fallen back to around £300/t again.

In the US, winter wheat remains at 29% good/excellent ratings (very low) and yields will inevitably be well down. Spring wheat planting is catching up and is now at around 82% complete with emergence at 55%, compared with 83% on average – the danger being that the later the crops are sown the more chance of bad weather affecting harvest.

Canadian spring wheat is in a similar position, but much better than last year when the prolonged drought significantly reduced yields. Elsewhere, Russia is on track for a record wheat crop of well over 80MT. Ukrainian winter wheat is also doing well, but uncertainty remains over how much will be harvested and how much of that will then be exported.

Northern Europe has generally had useful rains recently and there is more optimism for good crops.

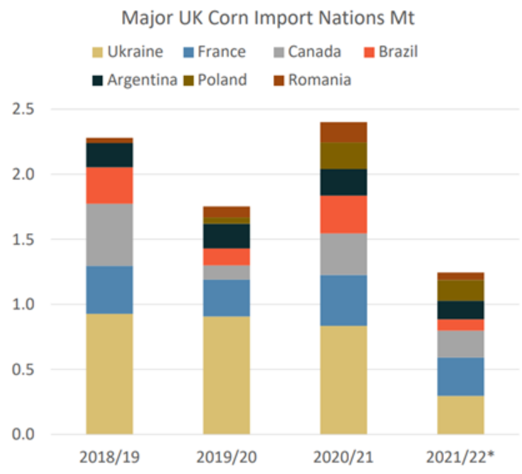
The export ban on Indian wheat is not as strong as first thought and some wheat is still being shipped. Quality control is generally poor and what fails to meet milling standards will find its way back into the feed markets.

US maize planting has now caught up and is now 94% complete with good emergence and good moisture/weather conditions. Initial forecasts for the forthcoming Australian wheat crop are for a 31MT crop which would be around 20% up on the 10-year average.

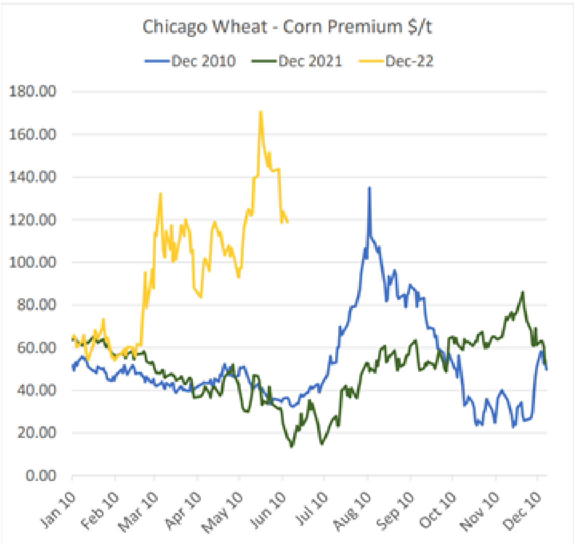
As a result of the improving conditions, US managed funds have been easing back from the strong long positions for wheat and maize and increasing their short positions. UK forward wheat is trading around 25-30 Euros below EU prices, meaning UK wheat is cheap and could be exported which could leave us short going into 2023.

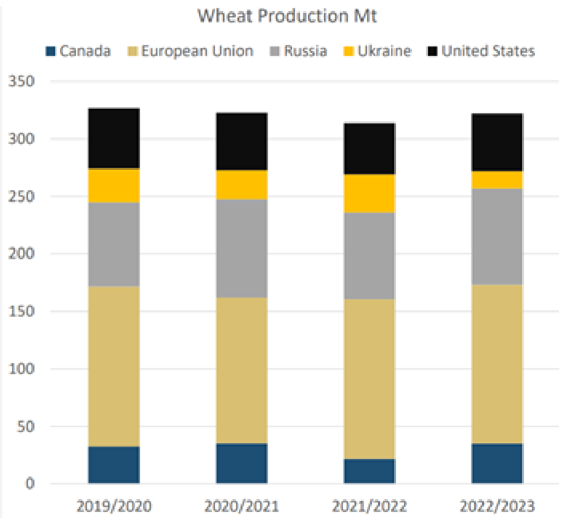
Again, there is great uncertainty over the planting and condition of Ukrainian spring sown crops, including maize, but their Ministry of Agriculture is still optimistic that up to 75% of crops will be sown. However, it is difficult to get accurate reports from the ground on exactly what is happening to crops there, but NDVI scores from satellite imagery are showing poor results, suggesting a lot of crops either have not been sown or are struggling.

The UK typically imports around 2MT of maize annually with just under 1MT from Ukraine, usually in late autumn.



The Chicago wheat premium over maize has eased but is still at a near record $120/t, below left. Latest estimates of global wheat production this year, below right, show that despite everything, global production is not looking much different to previous years.





With better weather generally around the world and pressure increasing as we get closer to northern hemisphere harvest, prices could ease back, particularly if more discussions occur on the possible export of the 20MT of grain stuck in the Ukraine.

CRM advice is to keep an eye on price trends and increase from 50-60% for next season to 60-70% when opportunities occur below £300/t.

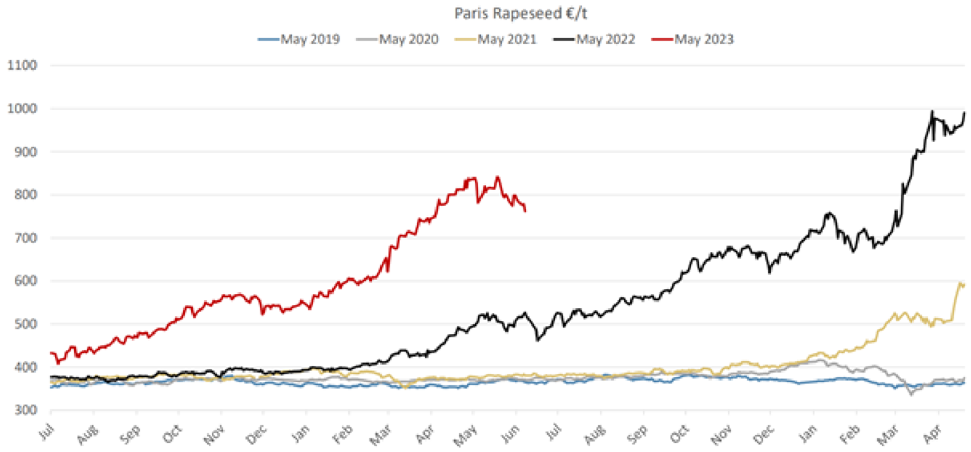
Oilseeds

Brent crude oil price has increased again from around $100/barrel a month ago to around $125/barrel now and this is driving vegetable oil demand and prices.

After a slow start US soya planting is now going well with around 80% complete. Emergence and ongoing weather forecasts are good. US soya export sales have been strong at around 60MT and well ahead of original expectations, but this does mean the outlook for ending stocks is even tighter.

Indonesia have relaxed their export ban on palm oil and exports are getting under way again.

With high crude prices and very strong demand EU oilseed rape continues to run at around 300 Euros/t above last year's levels.



With uncertain sunflower oil and meal exports from the Ukraine this year, demand for rape oil and meal will still be strong into 2023 and physical availability could become a problem.

The good news from the high crude/strong demand for vegetable oil situation is that the meal has to find a home and so rapemeal prices in particular are coming under pressure. Spot and short-term prices have fallen back dramatically from around £450/t a month ago for non-Erith supply to around £320/t now.

Forward prices into 2023 have also fallen back a little – from £330-340/t for non-Erith to around £320-330/t now, so the advice is still to keep covering requirements well forward into 2023.

Interestingly short term soyameal prices have not changed a lot and are still around £460/t, with forward prices still around £450/t, making it a “no brainer” to take soya out of ruminant diets if not already done.

Forward maize distillers prices remain unchanged at around £350-360/t with wheat distillers around £380/t.