

Technical Update - Feed Markets



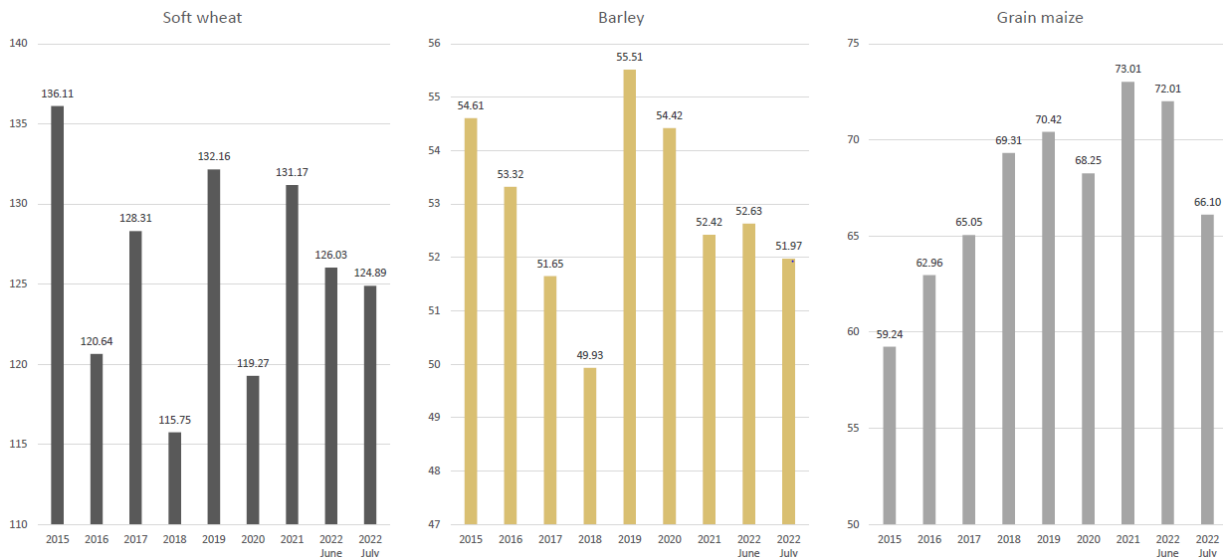
Information correct as at 09:00am on 26.08.2022

- Markets volatile, but no big changes over the last 2 weeks
- Dry weather continues to bring downgrades to EU crops, but prospects from Russia, Canada and Australia are better
- USDA reports last night were more encouraging for soya crops
- If you have not already done so, cover your cereal and protein requirements into the spring of 2023

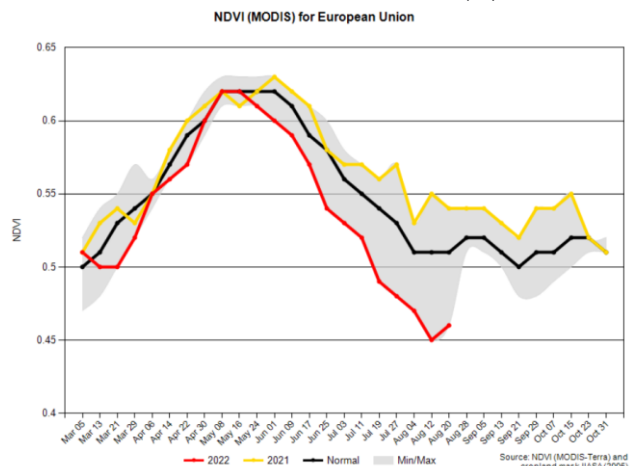
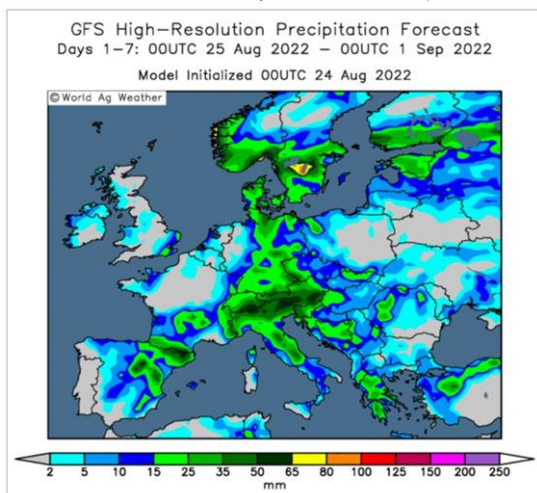
Cereals:

The wheat market has been relatively quiet over the last two weeks with Chicago wheat down to pre-war levels, equivalent £200/t, while in Europe and the UK, November wheat on the futures market is around £265/t. Europe and the UK are both hindered by the strength of the US \$, dry conditions, downgrades to crop yields in Europe, high energy prices, and shortages caused by the Russian invasion of Ukraine.

EU Crop downgrades, MT



Recent rains in the UK and Europe have stabilised the wheat market, and improved vegetative cover as measured by NDVI scores, but the rains have been too late to influence crop yields.



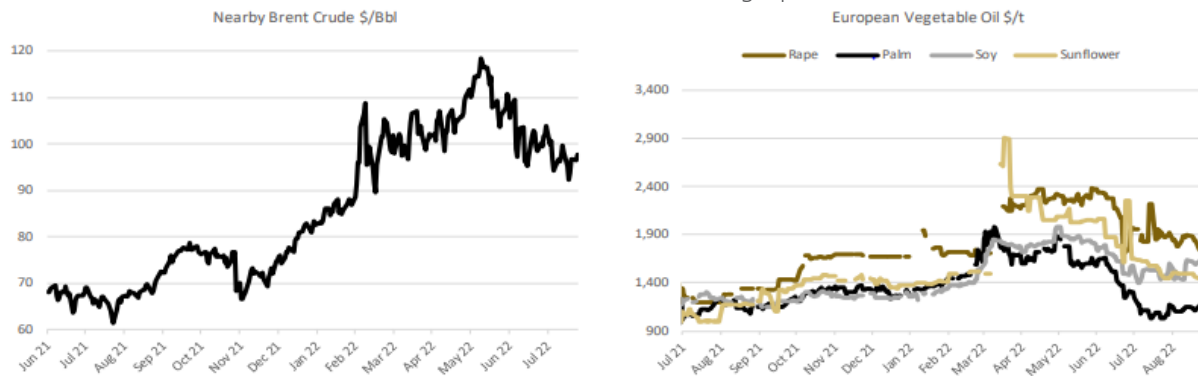
The US maize crop has been downgraded, but in the main maize growing States the crops are still reasonable with the "Good and Excellent" ratings now applying to around 63% of the total area.

There are good wheat crops forecast from Russia and Canada this year, and Australia next year, as well as growing confidence in Ukrainian exports through the Black Sea which are gathering

momentum. However, the quietness of the market hides how fragile it is, underpinned by expectations for a decent US maize crop this October, and Brazilian crop next year. We are unlikely to see prices fall in the next few months, but it would not take much for prices to go up. This week has seen the Euro fall below parity with the US \$ and a degree of concern about the US maize crop has triggered another rise in UK wheat prices this week, which could be made worse by the USDA report released last night.

Oilseeds

The protein market is intimately linked with the crude oil, as this influences vegetable oil prices, and the amount of seed which is crushed to leave us with high protein meals.



Crude oil prices have been falling over the fears of recession and industrial slowdown. This might seem good news, but significant quantities of oilseeds are crushed for Biofuels. In the EU, an estimated ten million tonnes of vegetable oil are used for fuel, 45% of US soya and 50% of Indonesian palm oil is used for this market. As crude oil falls in value, biofuel also falls which influences the amount of seed crushed and affects the supply of the meals, which then impacts the prices we pay for animal feed.

In the US, drought across the central plains continue to reduce soyabean confidence. There is a 'US Pro Farmer' survey underway which suggests pod fill is down in some states, but latest reports from areas less drought affected are more positive. This has sent soyabean meal prices up by £10 this week to £477 ex dock for the winter period.

Old crop stocks of US soyabeans are at historically tight levels despite China not buying much from the US for a while meaning US soya exports are now trailing 2020/21 levels. The Chinese have reached an agreement which would allow them to buy maize and soya from Brazil for the first time this winter. China's requirement for soya is likely to fall in the short-term because of continuing Covid problems and given how frosty the relationship is between China and the US, China could switch or defer some soyabean purchases from the US to Brazil, which could result in US soya prices weakening, particularly as the Brazilian soya crop is forecast to a record 150.4MT. However, if soya yield forecasts are downgraded in the US or Brazil, or if US soya exports exceed expectations, or if the £ falls more against the \$, then soya bean meal prices will rise over the next few months.

At the moment rapeseed oil is highly valued because of the shortage of sunflower oil and so a lot of rape meal is being produced and this is keeping prices down. Due to the Ukrainian situation Europe is short of sunflower and rape seed. The demand for rape meal has increased by 2.4 MT because there is very little sunflower meal about, so we are likely to see rape meal prices increasing through the winter into July 2023.

Therefore, the advice is to increase cover for cereals to around 80-85% for the winter into spring and increase cover for your protein requirements into the spring and early summer of 2023.

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

