

# Technical Update – Feed Market

Information correct as at 09:00am on 25.08.2023

- Wheat prices ease slightly on the back of slightly less hostile activity in the Black Sea.
- Maize and Soya crop tours are ongoing in the US with varying reports.
- A backdrop of more extreme heat in key growing areas is also affecting sentiment.
- UK rape yields are down on average.
- The wheat harvest continues between the showers with quality now reducing.

## General:

The Chinese economy is struggling to grow following the COVID lockdowns with industrial output and retail sales both poor and some of the big property firms in severe financial difficulties. A struggling Chinese economy with lower demand affects the rest of the world, with lower demand for commodities, but the Chinese government has just cut interest rates to try to stimulate the economy so watch this space.

Brent crude oil has increased from around \$70/barrel in June to around \$85/barrel now with the effects of the events in the Black Sea plus the OPEC+ production cuts. We may not see it go much higher if demand weakens.

Interest rates around the world have been rising to try and curb inflation. We may be seeing the end of this trend shortly.

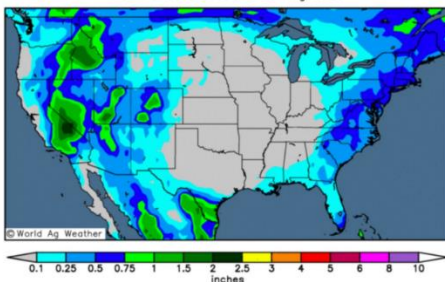
Government mandates around the world are encouraging more cereals and vegetable oils to go into biofuels. The US leads the way with around 45% of soyabeans and 40% of maize now going this way. Going forward this will keep pressure on global stocks and therefore prices but the good news is that more meals and distillers' grains will be produced as "by-products".

The situation in the Black Sea is stable at present, but anything could happen at any time. There are rumours that Ukraine is negotiating a deal with insurers and banks which would allow the resumption of exports by sea.

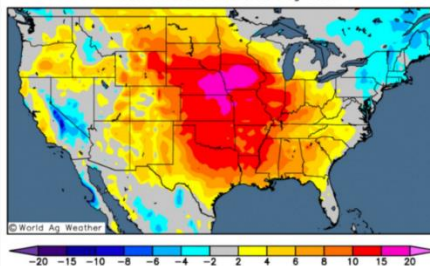
## Cereals:

The August USDA WASDE report downgraded the US maize crop, but it still could be the 2nd highest on record. The US crop condition has improved with the recent rains since the poor early season and is now around 60% good/excellent with very good NDVI scores from satellite imagery and some rain forecast for the Midwest next week. However, forecasts also indicate the dryness and 40°C heat could extend into September in the main growing areas, so yields could still be affected as this is still a critical time for grain fill.

GEFS Precipitation Forecast: Ensemble Median  
Days 1-7: 00UTC 21 Aug 2023 – 00UTC 28 Aug 2023  
Model Initialized 00UTC 20 Aug 2023



GEFS Ensemble Mean Temperature Anomaly (°F)  
Days 1-7: 00UTC 21 Aug 2023 – 00UTC 28 Aug 2023  
Model Initialized 00UTC 20 Aug 2023



The Pro Farmer crop tours have started with some mixed findings suggesting forecast yields are not as positive as the latest USDA yield estimates.

The Brazilian Zafrina (2<sup>nd</sup> crop) maize harvest is progressing well and is expected to reach a new record of over 100MT which will keep downward pressure on prices.

Ukrainian crops are generally better than expected and low levels of exports are continuing, but some sort of deal is needed to allow exports by ship to achieve peak export flow during the autumn. As the Ukrainian crops are included in global stock:use ratios if they cannot be exported it will have the effect of making available global stocks even tighter.

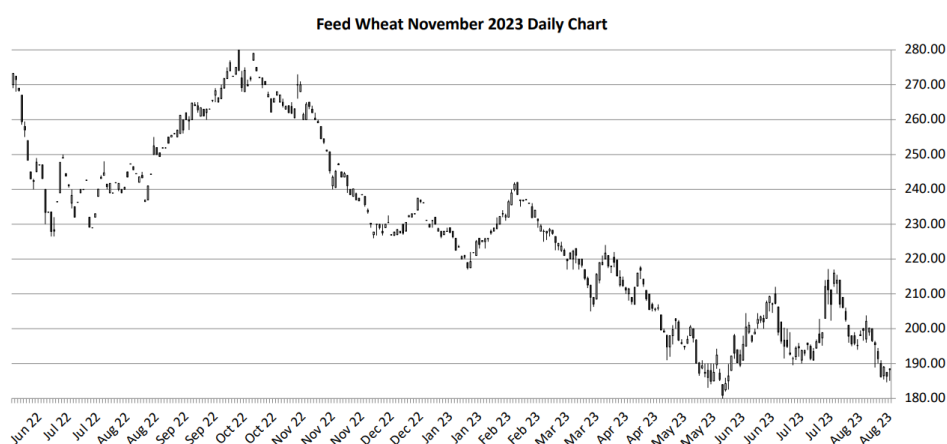
With a weak Rouble and the need to raise money for the ongoing war Russia is continuing to export at a fast pace and this is helping to keep cereal prices down. Currently Russian wheat is trading around \$254/t.

The northern hemisphere wheat harvest is continuing but the Canadian, EU and UK forecasts have been downgraded recently. Wet weather in many areas has affected quality, resulting in more milling wheat being downgraded to feed wheat than expected.

Unusually India may come into the wheat markets soon to make up for a 5-7MT shortfall due to an early drought, followed by extreme monsoon conditions and flooding of crops.

UK feed wheat is still trading at a discount to Paris milling wheat of around 20-25Euros/t and so is still seen as being cheap and competitive in the export markets, but prices have increased in the last few days to £190 for Nov'23.

## Nov UK Feed Wheat At Recent Low

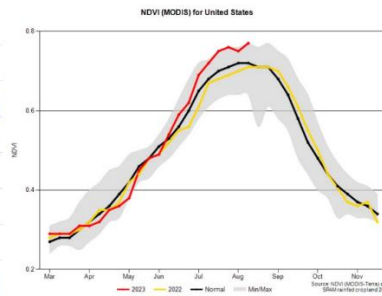
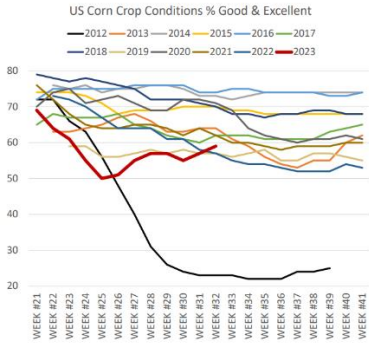


Owing to tight World stocks and risks involved in the US and elsewhere there is still an opportunity to take further forward cover if necessary for the winter. In addition, barley is around £30/t lower and provides a great opportunity to save costs.

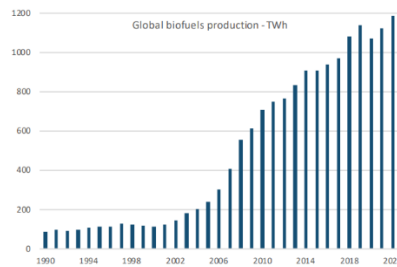
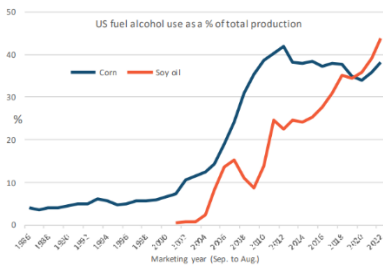
The risk averse may even want to take some cover (20-30% of requirements) into Q2 and Q3 of 2024.

## Proteins:

The ratings for the US soya crop have jumped up to 59% good/excellent following recent rain (see graphs below). However, as with maize, the forecast is now for hot and dry weather extending into September at a critical pod setting stage for soya. Consequently, soyameal prices have increased by around £8/t to £427 ex dock in the last week.

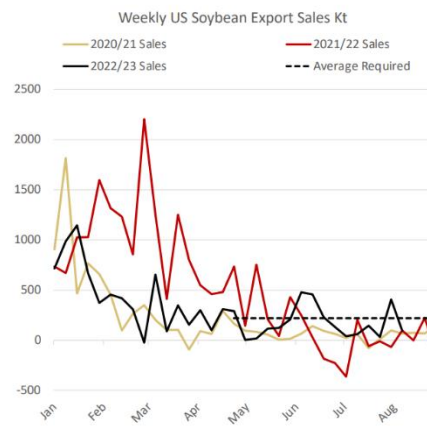
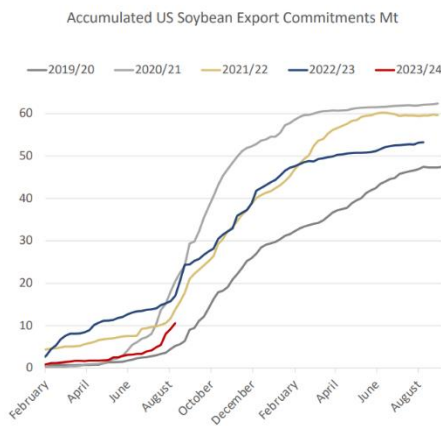


## Global Economic Outlook – Long term demand



The potentially good news from this outlook is that strong prices for vegetable oils means that more of the by-products used in livestock diets are produced. Strong soya prices will also tend to encourage more farmers to switch from planting maize to soya next year.

Forward US sales of soyabeans have picked up recently following a very slow start to the season.



While the US soya crop is still some weeks from being harvested, concerns about the size of the crop and low carryover levels which will have to stretch over 6 months to next year's Brazilian harvest means volatility is going to remain high.

For rapeseed meal, the latest USDA WASDE report reduced the Canadian canola crop down by over 1MT to around 19MT due to continuing dry weather. The Ukraine rape crop is looking very good but again there is doubt over the ability to get the crop out of the country in sufficient quantities to satisfy demand.

The EU crop has again been downgraded to 19MT from the 21MT previously reported due to dry weather early in the season and wet weather later. The UK crop has also suffered and is estimated to be yielding just under 3t/Ha compared with a 5-year average of 3.3t/Ha.

The uncertainty over success of the crop plus lower prices is making it more likely that the crop will not be grown again on many farms.

Palm oil is also benefiting from the strong vegetable oil prices fuelled by strong demand for biofuels. There is a worry that the drier El Nino weather pattern will reduce production in the key growing areas going forward.

Maize distillers' have dropped rapidly from around £345/t for September-October in March to around £274/t for the same period now and £254/t for November-April. This represents good value for those who can use them.

With volatility and potential shortages in rape and soya through the winter into summer 2024, then it would be prudent to take extra cover now if required into the summer of 2024.



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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

