

- Weather now dominating markets.
- Wheat prices have dropped although ending stocks are forecast to be low.
- Maize crops are looking promising in most parts of the world.
- Soya and Rape crops in US and Canada are off to a good start.

Summary

Harvest pressure from the start of the US, Russian and other early northern hemisphere harvests have added downward pressure to cereal prices recently but they remain volatile. The Canadian and Argentinian wheat crops are looking good but the EU is mixed, with some areas too dry and others too wet.

US managed Funds remain very bearish for grains and oilseeds given the time of year, with an increasing short net position. With global wheat ending stocks for the 2024/25 year forecast to be the lowest since 2007/8 and stocks:use ratio for world use of only 6% the situation is extremely tight making prices vulnerable to weather/other events.

UK November futures prices have eased back to c.£196/t. With weak exports there is expected to be a large carryover to the next crop year which could put further pressure on prices when harvest commences. Historically UK prices have tended to be at their lowest during late July to September.

If more forward cover is needed through until harvest 2025, dips in price over the next 2-3 months represent the best opportunity, along with adding barley to the mix, which is still trading at around £20/t below wheat.

The USDA Acreage Report is due out today and is expected to show higher than expected acreages of maize and soyabeans in the US this season. These crops are also in excellent condition at this stage but the developing La Nina weather pattern could bring hot and dry weather to north and south America later in the year.

The EU/UK rapeseed crush has remained strong this year but is now in seasonal decline with plant maintenance shutdowns over the summer.

The UK is still behind the EU with progress on the Deforestation regulations regarding the use of soyameal and hulls after 1st January 2025 and may argue for a delay in their implementation in the UK. For ruminant diets rapemeal and distillers provide good substitutes and plenty of cover should be in place for these well into 2025.

Rapemeal is in tight supply in the short term but is available at around £275/t from southern ports. New crop prices are more attractive: £255-265/t for non-Erith supply to October, £270-280/t for Nov/Dec and £280-290/t for Jan/Apr.

Maize distillers are around £240/t for Nov/April and good value at that against rapemeal where they can be used. Wheat distillers are available ex Hull for around £250/t through to October but then POA for the winter. They are available from southern ports for between £270-280/t from now through to April 2025.

Soya hulls are still the best value fibre feed at around £155-160/t through until December. Sugar beet pulp from Liverpool at around £205/t for November to April is looking more competitive than it was and may come into the reckoning if soya hulls are banned in 2025.

General:

Brent crude oil is still trading around \$85/barrel.

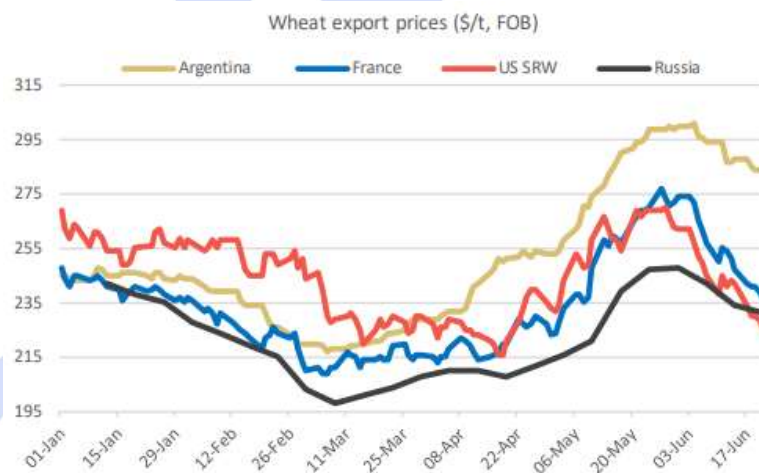
The £:US\$ rate remains around 1.26/1.27 but against the Euro the £ has risen to 1.18/1.19.

Despite inflation falling to 2% for May 2024 the Bank of England has elected to keep interest rates at 5.25% until at least August.

Cereals- the detail:

Harvest pressure from the early start to the US winter wheat harvest has put further downward pressure on wheat prices, with the US, Russia and France now all at similar price levels. The US winter wheat crop is around 40% harvested (vs 25% average) and the most recent rating improved from 49% good/excellent to 52%, which surprised traders.

The downgrades to the Russian wheat crop have now stopped and one Russian forecaster has increased their figures back up to 82MT following better than expected yields from early harvest reports in southern Russia.

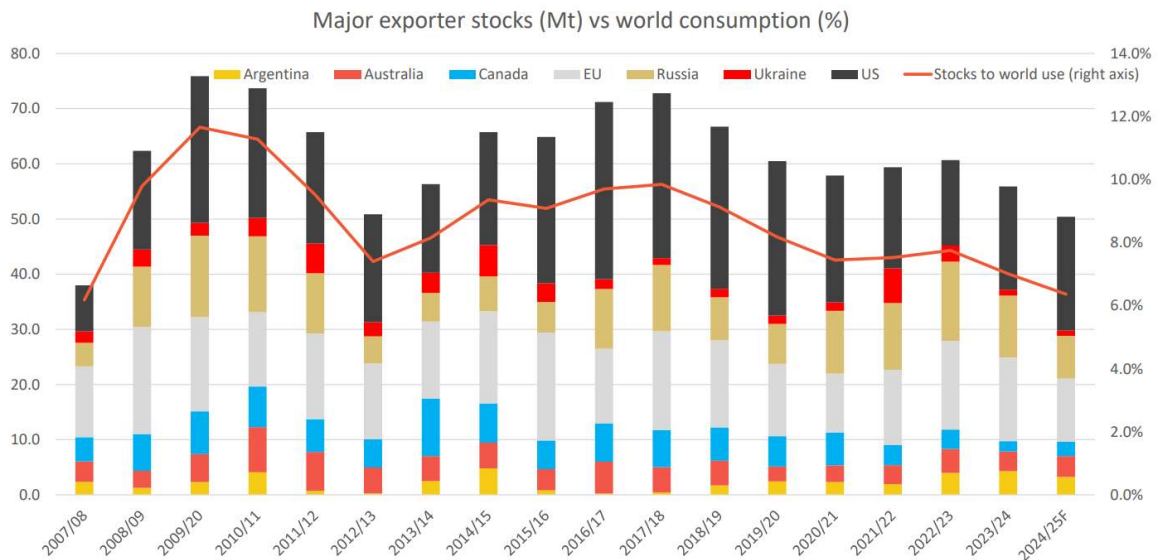


Chicago wheat price trends have now fallen below the 100-day moving average line and are down at the recent March price lows. UK price trends have also dropped to the 100-day moving average line but these have not yet reached the March lows.

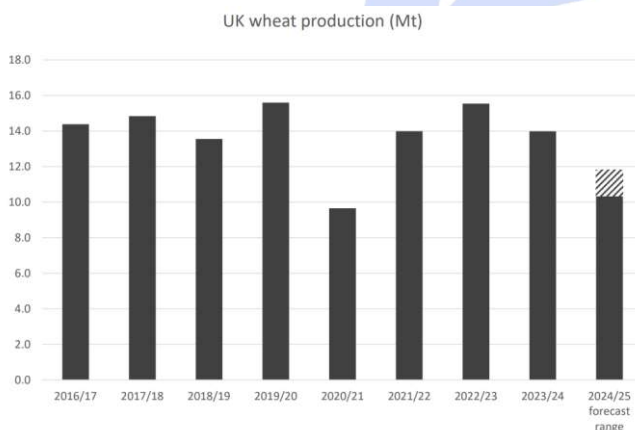
The Canadian spring wheat crop is close to record good/excellent ratings and the forecast is for a good crop of around 29MT. The Argentinian crop is also looking much better with 21MT forecast from a larger planted area.

Despite suffering from the weather, the EU forecast for wheat yields overall is still around the 5-year average.

All of the above, combined with the ban on imports by Turkey until October, has caused the recent fall in prices, but there are still significant risks from La Nina in the outlook for north and south America in particular. In addition, the latest updated forecast for 2024/25 for the major exporters' wheat stocks shows them falling to 50MT, with a stocks:world use ratio of around 6%, the lowest since 2007/8 and therefore very tight.



Forecasts for the 2024 UK wheat crop vary markedly from 10.3MT by Strategie Grains to 12MT by the FAO. CRM have kept to their previous forecast of 10.9MT. The very wet winter/spring has created a lot of vegetation which could result in lower yields but the current hot, sunny weather will help to boost yields, although there is also significant disease pressure which will hamper this.



The Brazilian 2nd maize (Zafrina) harvest is around 35% complete vs 9% last year and is expected to come in on target at around 88-90MT.

The forthcoming US Acreage Report, due today, is likely to show a higher-than-expected acreage of maize planted in the US this year. The US crop good/excellent rating is around 69% having fallen 3% points in the last week, but still regarded as excellent. Only 3% of the area planted is in "drought" but there have been floods and storm damage in Iowa recently and La Nina could bring hot and dry weather again later in the year.

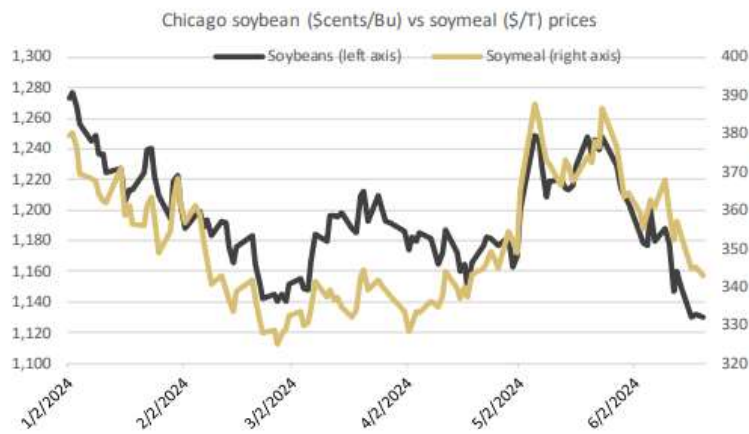
China has seen damage to its maize crop from hot and dry conditions recently but the forecast of 292MT has not yet been changed.

Overall, the US Managed Funds remain bearish for maize/corn with strong net short positions.

Proteins-the detail:

The USDA Acreage Report is expected to show even higher soyabean plantings in the US than the 86.5Macres originally forecast. The first USDA crop ratings indicate an excellent start to the growing season with the crop rated at 72% good/excellent vs the 10-year average of 68%.

The recent falls in soyabean and soyameal prices seem to be slowing with stronger demand for both.



Preseason orders for soya oil for the 2024/25 year are close to the record for this time of year at 23.4MT and this is seen as supportive to prices. Soyameal exports for 2024/25 are also forecast to be higher at 16MT as a result of increased capacity and the bigger crop anticipated.

The strength and timing of La Nina will have a significant effect on the outlook for soyabean production in north and south America through 2024 and into 2025.

US Managed Funds have extended their net short positions for soyabeans again recently and remain bearish.

The EU/UK rapeseed crush has remained at very strong levels through the year to the end of May but will now slip back seasonally as many major plants shut down for maintenance.

For further discussion or to help with any questions that you may have, please contact Consultant Support on consultantsupport@kiteconsulting.com or 01902 851007 / 07542 403225

