Technical Update – Feed Market

Information correct as at 09:00am on 13.12.2024

- Russia announces increase in export taxes and restrictions on export volumes.
- The Black Sea winter wheat crop has been badly affected by drought.
- Good conditions in majority of South America, but La Nina probability has increased.
- The world waits to see if Trump implements proposed tariffs.

Summary:

The latest USDA WASDE Report was published on 9th of December. There was little change for global wheat and soya outlooks but a more bullish outlook for maize due to stronger demand and lower ending stocks.

Earlier this week Russia announced steep increases in export taxes for wheat and maize with further significant restrictions on exports from February 2025 to protect domestic supplies and prices. Their winter wheat crop for 2025 has got off to the worst start ever, with 38% of the total area rated "poor" or "unseeded" due to the continuing drought.

With upside risks outweighing downsides in the outlook for 2025 UK forward wheat and barley prices remain at levels where forward cover should continue to be taken through to harvest 2025.

Palm oil prices are very high, with poor supply from Southeast Asia and strong demand. Soya oil prices are much weaker which means a lot of soya meal has been produced in the US and Argentina. In Chicago this continues to trade at 4-year lows.

EU & UK rapeseed crushing has been very strong so far but there are concerns over supplies into 2025, unless the Trump tariffs mean that some Canadian canola comes to Europe.

The EU Commission, Parliament and Council have all agreed to a delay for the EUDR regulations to the end of 2025 for large operators and traders and mid 2026 for smaller operators.

UK prices for soya meal have eased back further in recent weeks whilst rape meal has increased in price. At the same time maize distillers' grains have remained pretty static. Our previous advice to book rape meal well forward into 2025 was correct. Following the significant fall in soya meal prices, there is a case for bringing this back into diets where applicable.

In the UK Hipro soya eased back a little further to around £305-315/t, depending on which port it comes from in the short term, and £310-315/t for next May-October. Rape meal has gone up a little recently to £255-260/t for Jan – Apr and £260/t for May-July 2025 before falling back to £245-250/t for new crop. Rumours are that they are filling ships for export at Erith rather than supplying so much to the domestic market.

Maize distillers' prices have stayed around £220-225/t through to next summer and still look good value as a mid-protein source

Soya hulls remain the fibre source of choice and with weak demand they are only £160/t, but still better value than sugar beet pulp at £195-205/t.

General:

Recently published figures showed that the UK economy shrank unexpectedly for the second month in a row. GDP fell by 0.1% in September and October and retail sales in November fell by 3.3%, reflecting a loss of consumer confidence following the budget and the gloomy economic outlook.

The US $ index (the value of the $ against a basket of currencies) has increased dramatically since the US election to reach its highest level in 25 years. This is thought to be due to the likely policies of the Trump government (MAGA), with interest rates potentially higher for longer plus the US $ being seen as a safe haven in uncertain times.

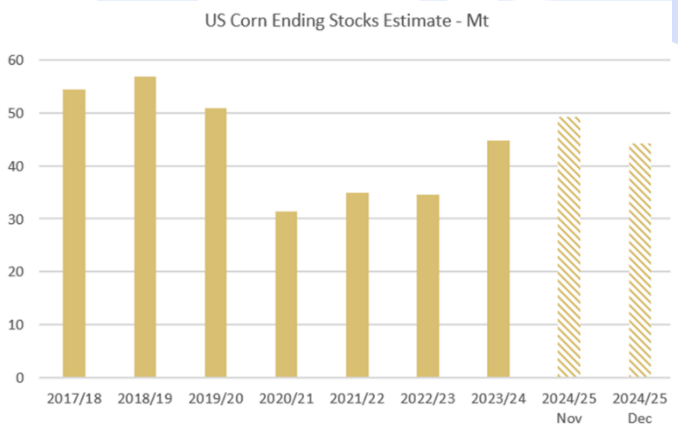
The £ has lost a little ground against the US $ at 1.27 but is stable. Against the Euro it has gained and stands at 1.21 as the ECB is expected to cut interest rates faster than the Bank of England to help the faltering EU economy.

Crude oil prices remain in the low $70's/barrel for Brent Crude with the Chinese and German/EU economies struggling in particular and renewable energy supplies increasing around the world. The International Energy Agency expect a surplus of oil supply to continue next year, despite OPEC+ cuts extending to April.

Cereals - the detail

The December WASDE Report increased demand estimates for maize with higher US exports and higher bioethanol production in the US and Brazil, leaving global ending stocks for 2024/25 down 7.7MT at 296MT. With bioethanol production from corn in the US the highest for 7 years US ending stocks were cut by 5MT from the November report to 44MT, which was more than expected and seen as bullish.

We have yet to see what effect the proposed Trump tariffs on China and Mexico in particular will have on the markets in early 2025.

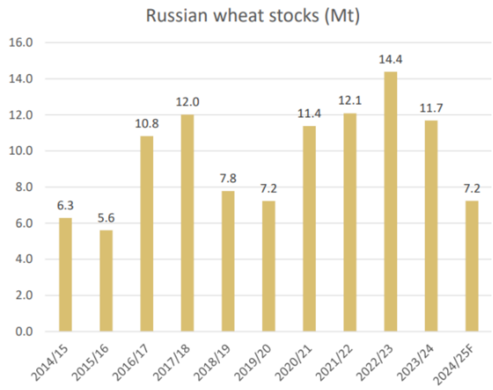


Exports from Brazil remain sluggish with their lower Zafrina crop and higher demand for bioethanol production resulting in higher prices which are uncompetitive against US sources.

US Managed Funds have reverted to net long positions on maize which are at their highest for the first time in nearly 2 years.

The Ukraine maize crop for 2024/25 is forecast to be down 6.5MT y-o-y at only 26MT.

Russia has announced further increases in export taxes for both maize and wheat. For wheat this goes up to $49/t – see below left. In addition, they have announced that only 11MT will be able to be exported from February until the end of the season compared with 23MT last year. All this is for domestic food security and anti-inflation purposes. Russian forecast ending wheat stocks for 2024/25 are down on recent years at 7.2MT largely due to the continuing drought. The latest crop rating was for a record 38% of winter wheat in "poor" condition or "unseeded".



However, it is early days and crops could recover next year or more spring wheat could be planted. Furthermore, the Trump tariffs could also change the maize picture, which could then knock onto wheat prices.

The latest IGC forecast for global wheat production in 2025 is 314MT, slightly below 2024 and well below 2022 and 2023. With tight stocks this year and good demand the position will not change for next year

In Egypt, the biggest importer of wheat in the world, the military have taken over the tendering/buying process for wheat. This is seen as a sign of concern over future food security.

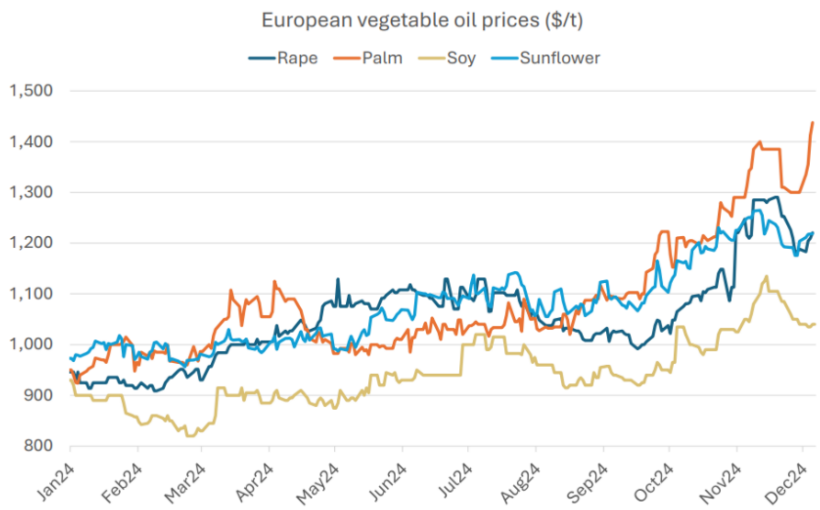
UK forward wheat prices for May 2025 remain around £188/t, with barley at around £24/t less. Barley exports are sluggish as Spanish production recovered this year following the severe drought in 2023.

Overall, the upside risk factors in the outlook period up to the next northern hemisphere harvest outweigh the downside factors so the advice continues to be to take cover at current prices through to harvest 2025.

Proteins - the detail:

The December USDA WASDE Report left the outlook for soya largely unchanged with global ending stocks for 2024/25 estimated at 132MT, leaving a neutral/bearish feeling.

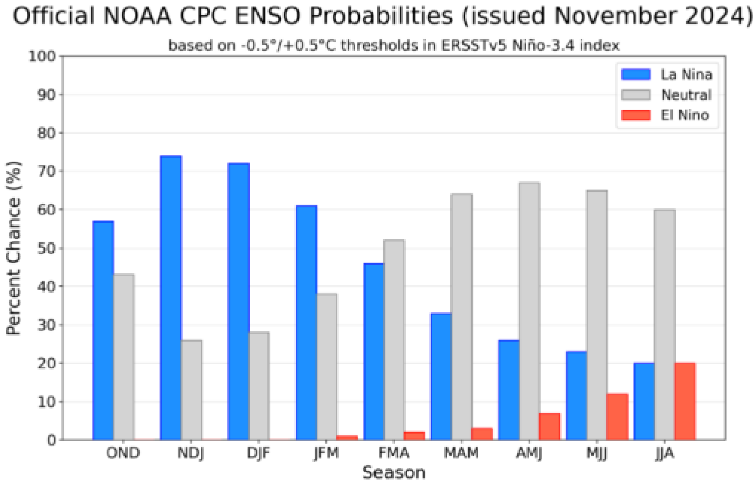
Vegetable oil prices are volatile with palm oil leading the way due to poor production in South East Asia, low stocks and the impending 40% biodiesel inclusion mandate for fuel in Indonesia.



Rape, sunflower and soya oil prices have fallen recently with the gap between soya oil and the others widening. This has meant that large quantities of soya meal have been produced and Chicago prices are still rumbling around at 4-year lows

There have been significant rains in Brazil and Argentina recently which has been good for plantings and establishment although there has been too much rain and flooding in some parts of Brazil. Argentina is seeing good farmer selling, a strong crush and good exports.

The La Nina weather pattern prediction has returned to over 70% probability over the next few months, which usually means drier weather in South America so watch this space.



EU & UK rapeseed crushing has been proceeding at a record pace so far this year with 18MT processed to the end of November, but imports have been slow at only 2.5MT vs an estimated need for 6.5 – 7MT. Exports from the Ukraine are slowing seasonally while Australian supplies start to come onto the markets but at lower levels than previously seen.

StatsCan the Canadian governments official body have cut their forecast for the Canadian canola crop to just under 18MT, down 2MT since September and well below the USDA estimate of 20MT. If Donald Trump carries out his threats of tariffs, including 25% on Canada, more could come to the EU, relieving some pressure on supplies.

Early indications are that the latest European rapeseed crop has gone in much better this year and initial forecasts suggest a 4% increase in plantings for the 2025 harvest vs 2024.