Technical Update – Feed Market

Information correct as at 09:00am on 15.11.2024

- Latest WASDE reports reduces stock:use ratio for major commodities.
- US election results could have far reaching implications for global trade.
- Better weather in North-West Europe has helped crop establishment.
- Rain in US and South America has improved prospects for wheat, maize and soya.

Summary:

Global maize production was cut in the latest USDA WASDE report, but 2024/25 ending stocks and stocks:use ratios remain comfortable as things stand.

Global wheat ending stocks and stocks:use ratios for 2024/25 remain very tight. When the Black Sea exports slow down prices are likely to rise during 2025 until harvest, so continue to take forward cover at current prices. Barley continues to represent a good buying opportunity at £25-30/t below wheat.

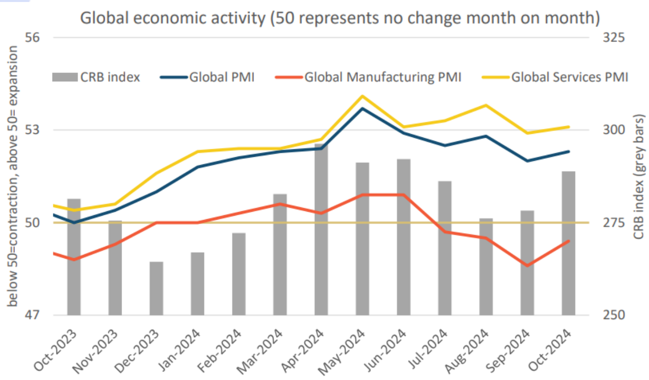
US and global production and ending stocks for soya were reduced in the latest WASDE report, which surprised the markets, but still leaves a comfortable forecast for 2024/25.

With strong demand for vegetable oils and good crush margins there is plenty of soya and rape meal around and prices have eased recently with Chicago soya meal trading at 4-year lows and UK soya meal around 35% less year-on-year.

General:

Donald Trump confounded most of the pollsters by scoring a clean sweep victory in the recent US elections. With free rein this could have far-reaching consequences for the world. The full effect has yet to be seen but early indications suggest it will result in a trade war against China/ the rest of the world, a stronger US$ and higher interest rates.

Global manufacturing PMI recovered slightly in October following 3 months of decline, but is still less than the 50 mark which indicates expansion – see below. Weak Chinese and European economies are largely to blame. In a further sign of weakening demand the BCom index, tracking 23 commodity futures prices in 6 sectors, has fallen by 2.6% in the last week.



In line with these trends oil prices remain relatively weak, with Brent crude little changed at around $72/barrel. OPEC+ countries have delayed plans to reduce production to try and increase prices but their influence is waning. They have also cut their projections for world demand in

2025 by around 9%, though with much potential volatility. Trumps policy of “Drill baby, drill” is likely to result in more oil production in the US to try and drive down prices.

The ongoing conflicts in Ukraine/Russia and the Middle East continue to cause some volatility in oil prices but are not fueling any lasting increases in price, as yet, with weak global fundamentals

The US$ has strengthened against a basket of currencies since the Trump victory, leaving the £ weaker at around $1.27. Against the Euro it remains around 1.20.

The Bank of England has cut interest rates by 0.25% but with high Government borrowing costs, questionable prospects for increased growth and potentially higher inflation rates they are now likely to stay higher for longer.

US Managed Funds are generally taking a more bullish view of agricultural commodity markets by reducing short and increasing long positions.

Cereals-the detail:

The 8th November USDA WASDE report surprised the markets by cutting the yield forecast for the US maize crop, resulting in 2024/25 estimated ending stocks reduced by 1.5MT to 49MT. The report also cut the major global maize exporters ending stocks to 55.5MT and a tighter stock:use ratio of 4.5%.

Chinese import estimates for 2024/25 were also cut by 3MT to 16MT, a 5-year low, partly due to the weaker Chinese economy and partly due to large stocks accumulated from previous years imports. The lower imports from China have been partly offset by strong demand from Mexico where drought has taken its toll on their maize crop this year.

With Brazilian exports slowing, partly seasonally and partly due to strong demand for domestic ethanol production, US exports, including commitments are strong at 29MT of an annual total target of 47MT.

The November WASDE report reduced Major Wheat Exporters estimated ending stocks for 2024/25 by 750kT further to a very tight 51MT and stocks:use ratio to 6.4%.

The EU 2024 wheat crop estimate was reduced further in the report to 122MT, the smallest harvest in 20 years, leaving the lowest estimated ending stocks for 2024/25 since the 1990’s.

Russia and Ukraine continue to export at a rapid pace. About 50% of the exportable surplus for Ukraine has been exported in the first 4 months of the crop year. This pace cannot be sustained and with a 10MT lower crop this year compared with last Russia is considering a $25/t export tax to slow their exports. When the Black Sea exports slow EU and Australian sources will become more important but with tight stocks prices are likely to rise further into 2025.

Rain in the US has helped improve their worst crop ratings at the start of a crop for 30 years which stood at 38% good/excellent last month to 44% currently. The drier weather in the UK and many parts of Europe is helping to improve the outlook for the 2025 crop but southern Russia and Eastern Ukraine remain very dry and there is concern over their crops for next year

UK future prices for May 2025 wheat are still hovering around £190/t and with exportable surpluses diminishing and prices likely to increase further cover should be taken up to harvest 2025 if needed.

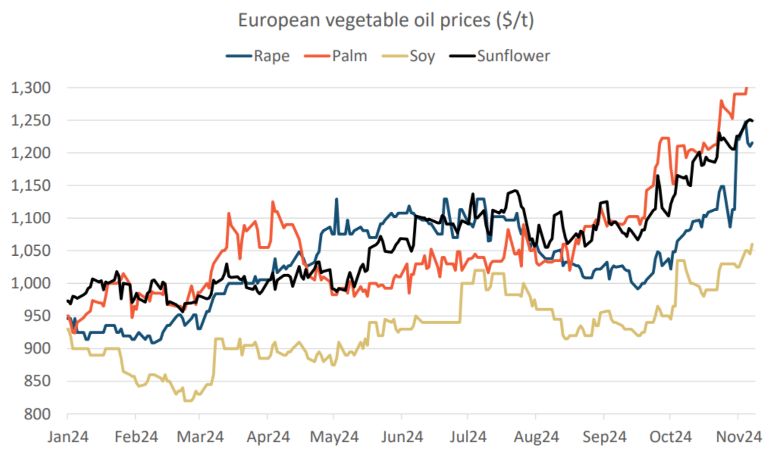
With a large 2024 spring barley crop in the UK following the extremely wet autumn/winter, barley supplies are good. Prices are £25-30/t cheaper than wheat and continue to represent a buying opportunity. World barley ending stocks are forecast to fall to 17.5MT in 2024/25, the lowest in 40 years, with stocks:use ratio around 13%.

Proteins-the detail:

The November USDA WASDE Report surprised the markets with a cut to forecast US soyabean yields due to dry weather in September, resulting in a 3MT reduction in the ending stocks estimate for 2024/25. Global ending soyabean stock estimates were also reduced by a similar amount giving a slightly bullish outcome but in reality, ending socks and stocks:use ratios are still very good.

US soyabean export commitments have been strong at around 29MT in the first 3 months with an annual target of 50MT. However, the prospect of Trump imposing 60% tariffs on Chinese imports and the trade war which would result has created uncertainty for soya bean exports and prices going forward as China is by far the biggest importer.

Soya oil has been in stronger demand along with other vegetable oils recently but as usual it is at the lower end of the spectrum. In contrast US soya meal prices have fallen to a 4 year low at under $300/short tonne.



Rains have come to Brazil and some parts of Argentina recently, so plantings have caught up and prospects for South America are a lot better.

Palm oil has led the vegetable oil price surge over the last 2 months to around $1,300/t with concerns over the production of the palm crop in Malaysia and low stocks, which are down 23% year on year at only 1.9MT. In addition, there is forecast to be increased domestic demand in Indonesia due to the governments imposition of a mandate to include 40% biodiesel in all diesel.

Rapeseed oil has increased in line with palm to $1,200/t, the highest in 12 months. Paris rapeseed prices have gone from €450/t to €535/t in the last month with strong crush margins. UK prices are up 40% since August.

The latest estimate for EU rapeseed production for 2024 has been reduced further to 17.4MT. Major rapeseed exporters ending stocks for 2024/25 have also been reduced to only 2.9MT and stocks:use ratio to 3.2%

EU imports of rapeseed have been slow with only 2MT imported so far compared with a full season estimated requirement of 7MT. The first estimates of EU rapeseed plantings for 2024/25 indicate a 4% increase to 6MHa.

The table below shows approximate 6-month forward prices for a selection of straights, ex Liverpool £/t and how prices have changed over the last 12 months.

	Nov 23 for Dec – Apr 24	Apr 24 for May-Oct 24	Nov 24 for Dec-Apr25
Hi Pro Soya	470	350	310
Rapemeal	305	265 (277/254)	250
Maize Distillers	284	235	225
Maize Gluten	266	186	200
Soya Hulls	219	143	167
SBP	243	220	200

UK soya meal has fallen 35% since Nov 2023. It has eased further recently with a good outlook for production and the likely delay of the EUDR Regulations. Rape meal has followed soya meal down a bit recently. Strong crush margins and demand for rape oil is producing plenty of meal but with a poor EU crop more imports are required.

Maize distillers' have also fallen significantly in the last year and represent good value for money.

Soya hulls are still the fibre source of choice but sugar beet pulp prices are coming back.