Technical Update – Feed Markets

Information correct as at 09:00am on 07.03.2025

- Tariffs on, tariffs off again!!
- Despite a good Australian harvest forecast ending stocks of wheat will be tight.
- Maize should be in plentiful supply as a large area forecast for 2025 US crop.
- Rain in Argentina has eased concerns about the soya crop there.

Summary:

As well as the tariff threat, the fundamentals of the various agricultural markets and the weather are also having an effect on prices.

The outlook for maize is good, with improving conditions in Argentina and a larger planted area forecast in the US this year so global ending stocks should be ample.

Winter wheat crops have been hit by severe cold in the US and Russia (but no assessment of lasting damage has been done as yet) and also by drought around the Black Sea area. Ending stocks will be tight. Russian exports are dwindling so demand is moving to other sources. UK barley exports have picked up and the discount to wheat has dropped from up to £40/t at one stage to £20/t now.

Forward cereal prices have fallen in line with other commodities following the start of the tariff wars so opportunities exist to take further cover on wheat and/or barley through next winter and into 2026.

Record quantities of soya meal have been imported into the EU this year at attractive prices. Here prices have also fallen back a little since the tariff wars started so again opportunities exist to increase forward cover. Non deforested US soya meal is available at a slight premium.

Potentially some Canadian canola seed/oil/meal could come to the EU if the US tariff remains, which would help fill the gap left by slower imports of rapeseed.

General:

Despite hopes that President Trumps talk of tariffs was only bluff to cause a reaction on Tuesday he introduced significant tariffs on goods from China, Canada and Mexico, some of the major trading partners of the US.

The immediate reaction of the markets was a fall in the value of US$, crude oil, stock markets and agricultural commodity markets.

By Wednesday, concessions had been made for many carmakers and on Thursday these were extended to other goods covered by USMCA agreements. It currently looks like trade with Canada and Mexico will be less affected than it appeared earlier in the week, but who knows what might happen tomorrow!

US Managed Funds have been taking net long positions for maize and soya recently, anticipating higher prices to come. If prices continue to fall, they may unwind some of these which would drive prices even lower.

The prospects for US and global growth have fallen and increased inflation is likely. The $ index has also fallen as investors no longer see the US$ as a safe haven. This has benefited the £, which has recovered from around 1.24 against the $ 1 month ago to 1.29 currently.

Crude oil prices have fallen by around 15%. Brent Crude is back down to $68-70/barrel from over $80/barrel 2 months ago. This is partly due to the likely impact the tariff wars will have on global growth/demand and partly due to the US pledge to increase production plus the announcement that OPEC+ countries will also do so in April.

Cereals- The details:

Mexico, Canada and China are significant markets for US trade generally and for grains and soyabeans in particular. Both maize and wheat prices fell sharply in the US following the announcement of 25% tariffs on goods from Mexico and Canada plus an increase to 20% on goods from China. These drops have since started to unwind and markets have recovered somewhat, but things are changing almost by the hour.

Mexico takes 40% of US maize exports and would be particularly badly affected by the tariffs as they will not easily be able to find alternative sources with around 65% coming from the US by rail and small barges.

China is not as vulnerable as it once was to the maize tariff as they have been buying more from Brazil and Ukraine this year. Prices elsewhere have also fallen since the tariff wars started. Nobody knows how long this will go on for or what effect these and the retaliations will have on markets and prices over time.

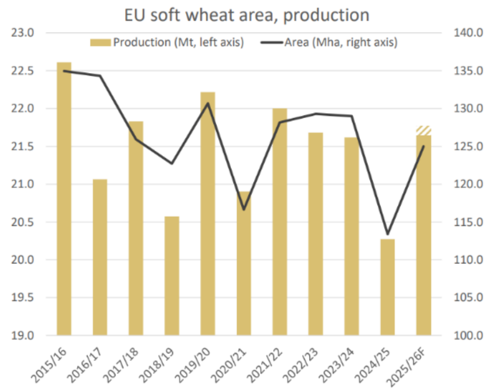
At some point the fundamentals of the markets will come back into play. The USDAs initial pre tariffs forecast for US maize for 2025/26 shows a significant increase with the area planted up from 36.7Mha in 2024/25 to 38Mha and ending stocks up around 10MT to 50Mt.

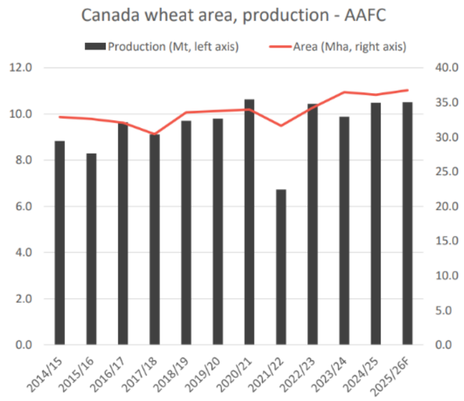
Argentina has at last had significant rains in key growing areas. This is good news for the later sown crops but bad news for the harvest which is just starting for the earlier crops.

Russian wheat exports fell to a 5 year low in February as the effects of their export controls took effect. Their prices have also risen to $248/t FOB and are now above French, US and Argentinian prices.

The impact of very cold weather in the US and Russian winter wheat growing areas on yields has yet to be assessed. Very dry weather also persists in many key wheat growing areas of the US, Russia and Ukraine.

Initial forecasts for EU wheat production for 2025/26 show a recovery in area and production – below left, whilst Canadian forecasts show a similar level of area and production to 2024/25 – below right.





The Australian wheat crop has recently been upgraded by 2MT to 34MT by local forecasters. Despite this the latest pre tariff forecast for wheat ending stocks for 2025/26 from the major exporters remains tight.

Barley exports from the UK to Spain and Ireland in particular have been strong recently as Ukrainian supplies have dwindled, causing the large discount which has been present for many months to reduce to £20/t.

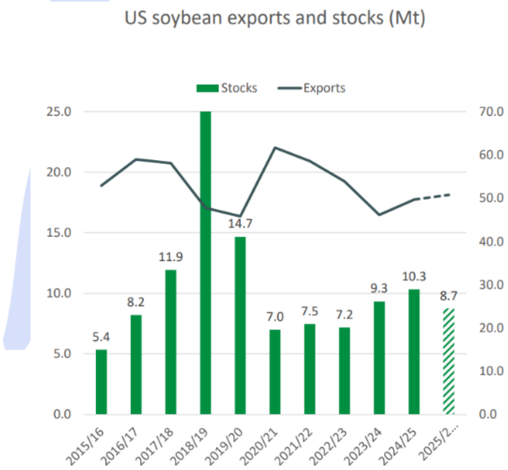
UK wheat futures have fallen back from their steady £180s/t over recent months to around £175/t for May and £190/t for November.

Nobody knows what will happen to tariffs over time. They could be reinstated again as quickly as they were imposed and removed this week or may be around for a long time.

In the meantime, this recent fall in price represents another opportunity to take further forward cover through this autumn and into 2026.

Proteins- The details:

The chart below shows what happened to US soyabean stocks and exports during the trade war Trump started during his first term in office in 2018/19. US prices fell to 10-year lows so farmers there are very worried at present.



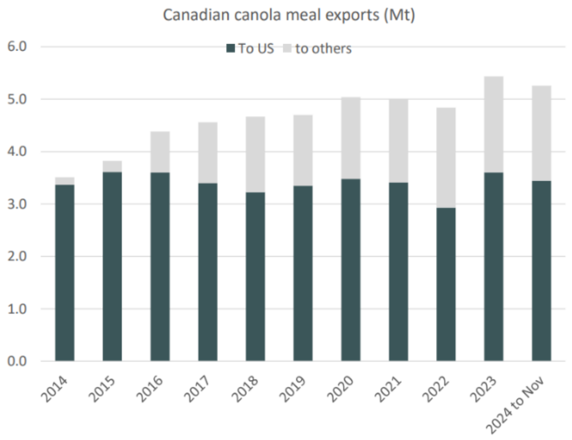
China has traditionally been the major buyer of US soyabeans and although it has recently imported more from Brazil it is still a major US export market.

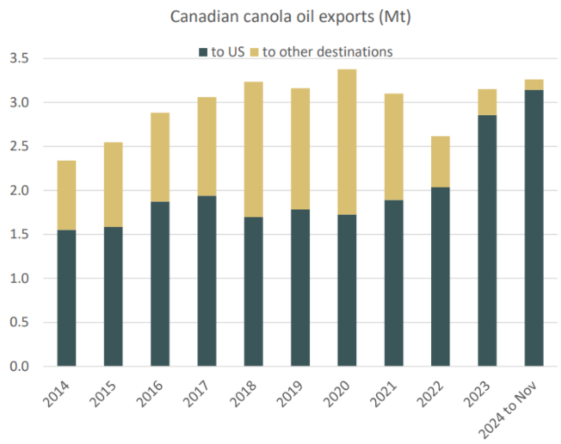
The Argentinian soya meal exports have got off to a strong start with 2MT exported in January, well above recent years. Farmers are keener to sell this year following changes brought in by the new President.

Early USDA pre tariff forecasts were for higher maize and lower soyabean plantings in 2025/26 resulting in soyabean ending stocks at 8.7MT, down from 10.3MT in 2024/25 but whatever the outcome of the tariff effect could change this.

US soya meal prices remain at a 4-year low. Assuming that the supply of canola meal from Canada reduces due to tariffs then demand for meal in the US is likely to increase and prices along with that. Soya meal has been good value for a while now and the EU has imported record quantities so far this season, up 37% year on year to a 5 year high of 10.6MT.

Around 90% of Canadian canola oil and 60% of canola meal is exported to the US now so again that may need to find an alternative home.





The EU still needs more imports of rapeseed to meet requirements so that could be a good fit if they can supply the canola seed to EU crushers. At present EU rapeseed prices have fallen, along with most commodities, to around €515/t, a 3% fall on the week.

UK soya meal prices have followed the downturn in commodity markets to £315-320/t through to October. US non deforested supply is available for a small premium for those who need it. No prices are being offered beyond this autumn until a clearer picture emerges regarding the effect of EUDR.

Rape meal prices have followed soya down to around £245/t for old crop and £240/t for new crop from August.

Ethanol margins have been poor recently and with falling oil prices are unlikely to get better soon. The Vivergo plant has been shut due to “unexpected maintenance” issues for several weeks, but they have a lot of wheat bought so should start production again soon. Again, the lower margins have caused Ensus to move to a 40% capacity “tick over” regime at present so very little if any wheat distillers are available.

Maize distillers are unchanged at around £235-240/t if available to May, then the price falls to £220-225/t through to October.

Soya hulls are POA until vessels arrive in May when they are priced at around £165-170/t.