Technical Update – Feed Markets

Information correct as at 09:00am on 21.03.2025

- Tariffs and retaliation cause volatility in the markets.
- Maize outlook is positive with big crops forecast for 2025.
- Wheat tonnages could come under pressure with continued dry conditions.
- EU rape crop looking bigger than 2024 harvest.

Summary:

Drought in large areas of the US and Black Sea wheat growing areas are causing concerns over the outlook for 2025 crops. With falling stocks, cheap exports from Russia in 2025/26 are likely to be 30% less than in 2023/24.

In the UK, barley exports have increased and the discount to wheat has reduced to £10-15/t. The lower prices for wheat and barley continue to represent a buying opportunity for 2025 and into 2026.

A drier late February allowed the Brazilian Zafrina maize crop planting to catch up. More maize/less soya is likely in the US this spring so the outlook remains for ample maize global supply and ending stocks.

UK soya meal supplies are tight until new supplies arrive from May. Prices from Southern Ports then are £310-315/t and represent good value for money. With the EUDR regulations due to come into force at the end of 2025, any tariff war with the US involving agricultural products (which currently seems likely from April) will cause significant problems for the protein markets. If this source of non-deforested soya meal is no longer available or very expensive it will no longer be the option we had been hoping for.

On a more positive note, the recently introduced 100% Chinese tariff on Canadian canola meal and oil will mean more of this is heading to the EU to satisfy demand. Rape meal remains steady so with the uncertainty over the future of soya meal into 2026 and potentially fewer protein source options it makes sense to ensure plenty of forward cover is taken into 2026. Rape meal currently remains steady at around £245/t for May-July and £235-240/t for new crop.

US maize distillers have been a good alternative mid protein source. Prices have risen recently, and availability is limited currently. Again, this product could also be caught up in the tariff war with the US from April. Vivergo and Ensus are not producing much ethanol and therefore wheat distillers currently so this is no longer a real alternative.

Soya hulls are expected to arrive again from May with prices c.£170-175/t.

General:

President Trumps tariff wars continue to create uncertainty and volatility in the markets, with more to come in April and more retaliations to follow. They currently continue to have a negative effect on all markets and put future economic growth/inflation/recession at risk with interest rates likely to stay higher for longer.

We have seen the value of the US$, stock and agricultural commodity markets fall, the S&P500 had fallen by around 10% from its recent high in early 2025 but has recovered a little in the last few days.

The US Federal Reserve has downgraded its forecast for US growth, increased its forecast for inflation and has held interest rates rather than cutting them as once expected. The £ has benefited from the weaker US$ and is currently around 1.29. Gold has reached record high values of over $3200/ounce as a safe haven in uncertain times.

Shipping costs have rocketed since the tariff wars began with the Baltic Dry Index up around 44%. There are rumours that Trump will charge massive fees on China linked ships coming to US ports and use this money to boost US shipbuilding.

Despite Trumps best efforts it seems unlikely that there will be an end to the war in Ukraine anytime soon with Putin refusing to give any ground on his objectives.

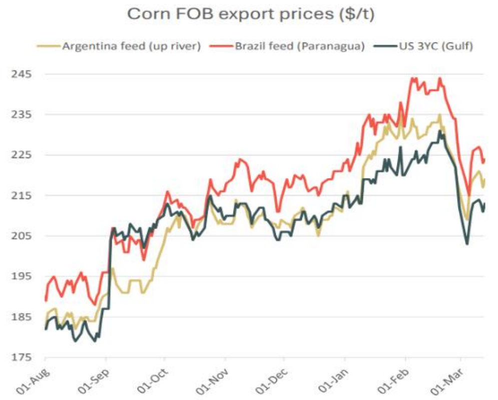
Crude oil prices remain stable with Brent Crude in the low $70s/barrel. The latest forecast from the International Energy Authority shows good supply and weak global demand with prices remaining at similar levels.

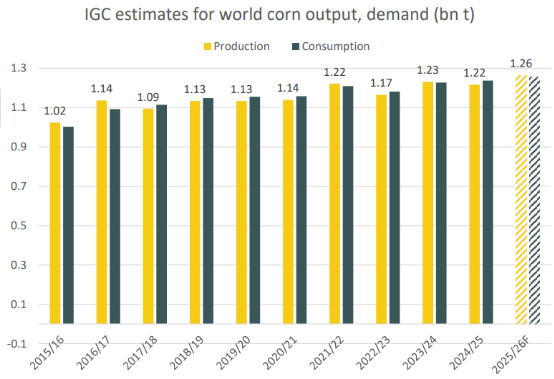
In the UK economic growth forecasts continue to fall, likely to be only 1% for 2025, and inflation forecasts continue to rise, likely to be to 3.7% by the end of the year. Interest rates are likely to remain higher for longer.

Cereals- the details:

Maize:

Prices for the main exporters had been increasing steadily during late 2024 but the tariff wars have caused prices to fall dramatically, though there has been a slight recovery recently (below left). The latest IGC estimate for 2025/26 shows a slight increase in global production and consumption and higher global ending stocks (below right).





The USDA is forecasting an increased US planted area this year to around 38Mha as the maize:soya price ratio is heavily in favour of maize with higher production and ending stocks as a result.

The EU forecast is for a lower planted grain maize area in 2025 than in 2024 following a drier winter with more winter crops in the ground than last year.

A drier second half of February meant that the Brazilian 2nd Zafrina crop planting caught up and the latest forecast is for a 6% increase in total Brazilian maize production to 123MT for 2025/26. However, Brazilian exports are slow with more of their crop being used for ethanol production.

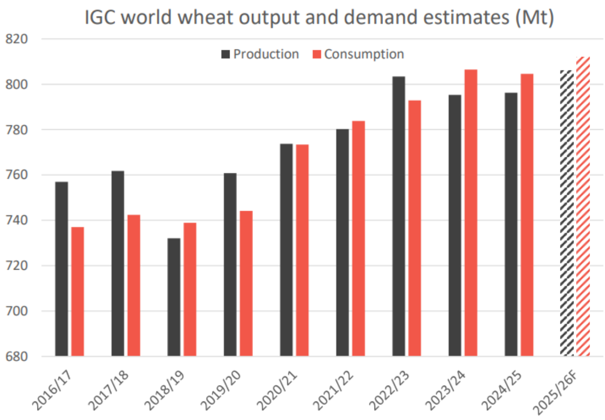
US exports on the other hand have been strong so far, but US Tariffs could mean that many countries will have to look to Brazil and Argentina for supplies in future. The Argentinian maize crop is only 10% complete following rains across many areas recently.

US Managed Funds have been net long on maize for a while but have sold down recently with concerns over the effect of tariffs and the threat to global economic growth.

Wheat:

US tariffs do not have as big an effect on wheat as they do on maize and soya. The latest IGC estimates indicate world production and consumption increasing in 2025/26 but the very dry weather/drought in the US and Black Sea regions puts this in jeopardy.

In the US, the high plains wheat areas are now at 64% in drought and the mid-west areas at 37%. The very dry weather in Ukraine and southern Russia continues.



Major exporter stocks are forecast to be similar in 2025/26 to 2024/25 at around 58MT. This is being helped by improving prospects for the Australian and Argentinian crops.

The latest forecast for Russian wheat production for 2025/26 is for a crop of 80MT but with much lower stocks than last year the exportable surplus will be down at 38MT vs 46MT for 2024/25 and 56MT for 2023/24. Russian exports so far in March are only 1.5MT vs 4.8MT last year, a fall of around 70%.

Managed funds in Europe and the US have changed their positions and are becoming strongly net short with fears of tariffs, geopolitics and weather. London wheat futures have fallen along with nearly all other commodities and are now £174/t for May and £193/t for November.

UK barley exports continue at pace and so the discount relative to wheat has fallen back to only £10-15/t. At these prices for wheat and barley still represent a buying opportunity for covering needs through this year and into next.

Proteins- the details:

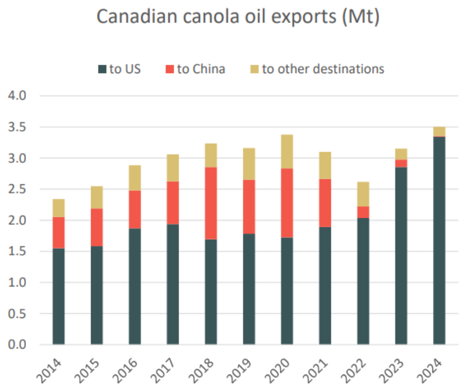
Prices are strongly favouring maize rather than soya at present so the feeling is that when US farmers plant their spring crops this will be reflected in the planted area.

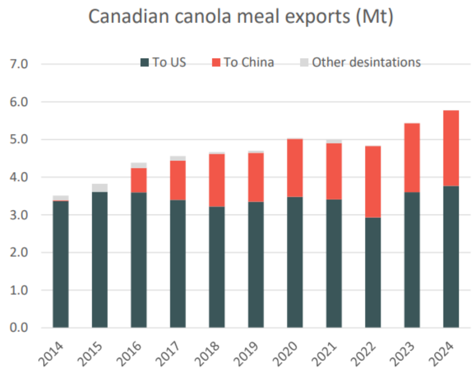
The latest estimate for the US soyabean planted area is for a fall from 35.4Mha in 2024/25 to 34Mha in 2025/26, resulting in lower production and stocks. This may be even lower when it comes to the crunch. The latest USDA forecast is for US ending stocks to be down to 120MT compared with their forecast in September 2024 of 135MT.

The latest estimate for the Brazilian soya crop is for a record 167MT, a 13% increase year on year, with 70% now harvested.

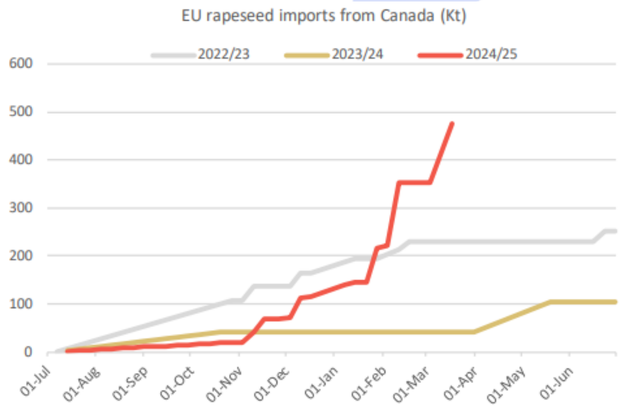
US soya meal is still at 4year lows and the tariff wars with China in particular mean that the prospects for prices for beans and meal is poor.

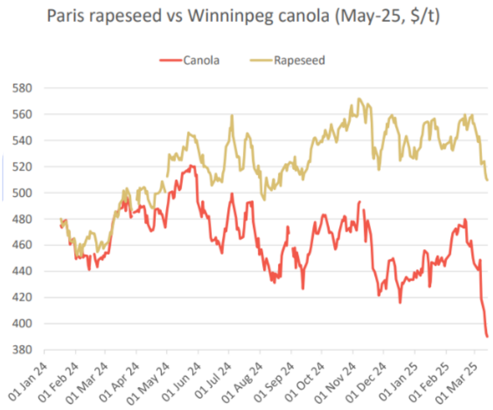
The US is the main export market for Canadian canola oil. China is a significant destination for Canadian canola meal and seed. The imposition of a 100% tariff by China on Canola oil and meal has caused a significant fall in Canadian canola prices in the last month. Imports to the EU have risen steeply and are likely to continue as Canada looks for alternative markets – below left – although EU demand for rapeseed oil for biodiesel production is weakening.





Both Paris rapeseed and Winnipeg canola prices have fallen sharply with the discount of Winnipeg to Paris now c.$120/t – below right - although Paris prices have recovered a little recently.





With the low values of canola in Canada currently there is uncertainty over how much will be grown in 2025 with spring wheat the main alternative.

The latest forecast for the EU rapeseed crop for 2025 is 19MT, a recovery over last year's poor crop of 17MT.