

# Technical Update – Feed Markets



Information correct as at 09:00am on 01.07.2022

- Cereal and protein prices have dropped significantly over recent weeks
- Market still very sensitive either way to any news
- EU wheat crops deteriorating due to hot, dry weather
- Some more positive news about Ukrainian production, but logistics remain the big issue

## Cereals

The deteriorating macroeconomic outlook, with interest rates rising and fears of a recession around the world, has contributed to a dramatic reduction in cereal and oilseed prices in the last 2-3 weeks.

UK November 2022 wheat futures fell back from their record £350/t to c.£272/t at the start of the week. Several major importing countries around the world, including Egypt, then bought large quantities so the price bounced up to around £277 on Tuesday and £282.50/t by Wednesday. Yesterday saw the publication of the US June acreage report and this caused prices to drop again on the back of a bigger than expected maize area.

### Daily market movements

Key Markets		Expiry	Last price	Change	% Change	20 Day Chart
Feed Wheat		Nov-22	275.55	-6.95	-2.5%	
Milling Wheat		Dec-22	345.00	-6.75	-1.9%	
Wheat SRW		Dec-22	927.00	-17.00	-1.8%	
Corn		Dec-22	632.75	-21.00	-3.2%	
Rapeseed		Nov-22	691.50	-10.25	-1.5%	
Soybeans		Nov-22	1484.75	6.50	0.4%	
WTI Crude Oil		Aug-22	107.40	-2.38	-2.2%	
GBP EUR		£1 = €	1.16	0.001	0.1%	
USD EUR		\$1 = €	0.95	-0.003	-0.3%	

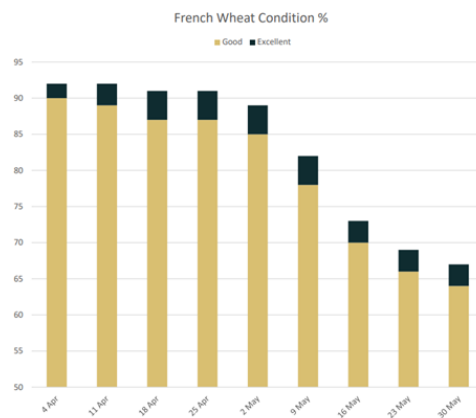
Brent crude oil has also contributed to the recent changes in prices, going from around \$125/barrel down to \$110/ barrel 2 weeks ago and back to around \$118/barrel on Wednesday.

Weather in the US corn belt has been generally good. The US maize crop is almost completely planted and NDVI scores from satellite imagery show the crop to be in good condition with 73% good/excellent. US winter wheat has been suffering for a long time, but harvest is now 30% complete and early indications are that yields are not as bad as once feared so the premium of US wheat to corn has fallen from a record \$170/t to around a more normal \$85/t. US managed funds have been reducing their long positions for maize and wheat recently.

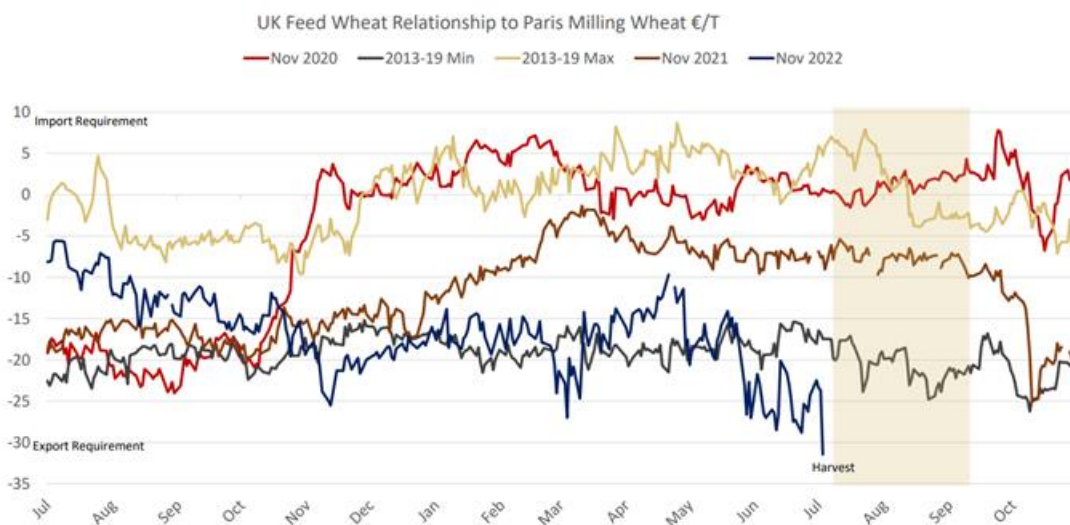
US and Canadian spring wheat plantings were delayed slightly due to wet conditions, but crops have now caught up and conditions are looking good, although the forecast for the US area is for hot and dry conditions to come.

From satellite imagery the Ukrainian maize crop is looking in better condition now. The latest USDA estimate is for a 25MT crop with around 9MT exported (compared with exports of around 25-30MT over the last 5 years). Russian estimates for their wheat crop are increasing all the time and are now around 89MT.

The hot dry weather in southern Europe has reduced French wheat good/excellent ratings from around 90% 6 weeks ago to 66% now.



The chart below shows UK feed wheat vs Paris milling wheat. We are currently trading at over 30Euros/t below, which is a record and suggests that UK wheat is too cheap.

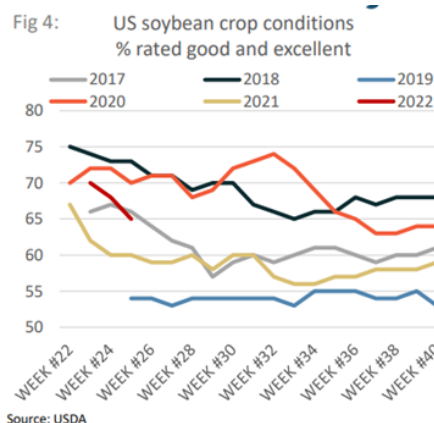


Putting all this together the feeling is that with forward prices at below £300/t we still have an opportunity to increase cover, especially for those relying on high levels of cereals through the winter to 70-75%. As harvest gets closer more farmers will have to sell so further opportunities could arise, but with the volatility around may be short lived as seen with the price movements this week.

## Oilseeds

The table at the beginning of these notes shows that soyabeans and rapeseed have fallen back significantly in the last few weeks, though as with the grains, showing a recovery in the last few days. The changes in Brent Crude oil price have been reflected in the oilseed prices.

US soya planting is now almost complete with around 85% emerged and looking good but the latest crop ratings, just released, shows a rapidly falling picture with now only 65% good/excellent.

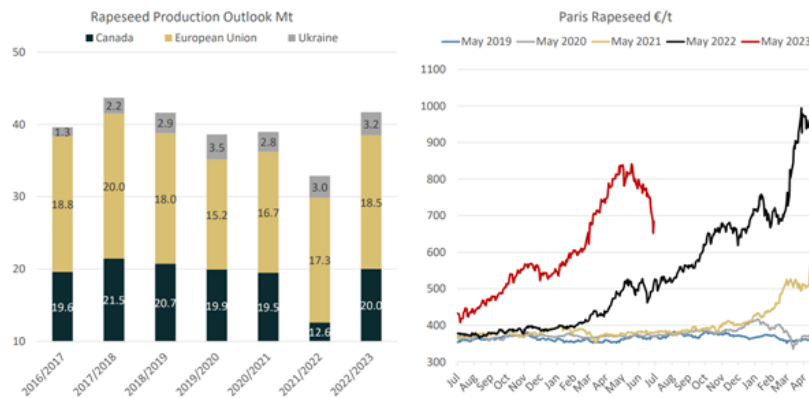


Source: USDA

Soyabean exports have now plateaued at around 60MT for this year but trading for next year has got off to a fast start with levels well above previous years. As a result, the USDA has trimmed ending stocks for this year further to only 5.6MT.

Rapeseed for May 23 has fallen back significantly in the last few weeks from 820Euros/t to around 700Euros /t now – see below right. The chart below left shows the latest forecasts for production are looking good, largely due to the much better conditions in Canada this year. However, the uncertainty over how much of the Ukrainian crop will be available for export remains.

## Rapeseed Support



Similar uncertainties remain over Ukrainian sunflower meal and oil. This crop is mainly processed in the Ukraine, so this creates more difficulties on top of the logistical problems this year during the war. If the export of sunflower oil and meal is much reduced this will add further demand to rape oil and meal, so physical availability could be an issue through Q4 2022 and Q1 2023 in particular.

UK soyabean meal has fallen a little in the last few weeks but has increased by around £10/t to £462/t for Nov – April in the last week. Forward rapemeal prices have also fallen rapidly in recent times but again are up a little to around £310-320/t for Nov – April for non-Erith supplies.

US Maize distillers and maize gluten on the other hand have fallen a further £10/t in the last week to around £343/t and £322/t respectively for Nov – April. Palm Kernel for Nov -April has similarly fallen back to £240/t from £286/t a month ago.

There are opportunities again now to cover some straights further forward. These recent falls should also come through in lower concentrate prices for the winter, so worth looking at doing some/some more if not already covered.

For further discussion or to help with any questions that you may have, please contact Consultant Support on [consultantsupport@kiteconsulting.com](mailto:consultantsupport@kiteconsulting.com) or 01902 851007

