

# Technical Update – Feed Markets



Information correct as at 09:00am on 06.09.2024.

- Cereal markets are being influenced by harvest and carry over stock pressure
- Despite conditions getting drier, the US is still on track for big maize and soya harvests
- Dry conditions in the Black Sea region may see reduced winter wheat sowings
- Still opportunities to take further forward cover

## Summary:

We are currently in a “false” cereals market where harvest pressure, large carryover stocks of wheat and maize, plus aggressive early season wheat sales from Ukraine and Russia have been pushing prices down. This has created the perception that there is a lot of feed wheat about and that prices will be low throughout this winter. However:

1. Europe has seen one of the worst harvests in years, with yields significantly down on 2023 levels, and not all of the UK’s crop has been harvested yet due to wet weather.
2. Crop carryover levels are expected to be very low in 2025 and wheat prices are starting to find support with big tonnages being tendered for by the main importers.
3. US Federal Reserve are starting to cut interest rates, encouraging fund buyers to take more interest in commodities such as wheat.
4. China has started to buy from the US again.

Currently we have a peak of supply after the harvest and healthy carryover stocks, but at some point, the market will wake up to the decline in stock levels, and this could be triggered by a smaller acreage of wheat sown in Southern Russia and the Black Sea area if they do not get some rain. Therefore, consider the risks and take cover for wheat going forward to August 2025. The same applies for rape meal.

## General

The Bloomberg Commodity price index is starting to climb again for the last quarter of 2024. This, along with recent cuts in the US Federal Reserve interest rates and with more interest cuts to follow, is starting to stimulate interest in commodities. Consequently, the number of short-term contracts has reduced slightly from record highs, but there still remains plenty of these contracts and scope for markets to move quite fast if the traders were to start diving into the feed market. On the plus side the £ is quite strong and worth 1.187 Euros and \$1.31.

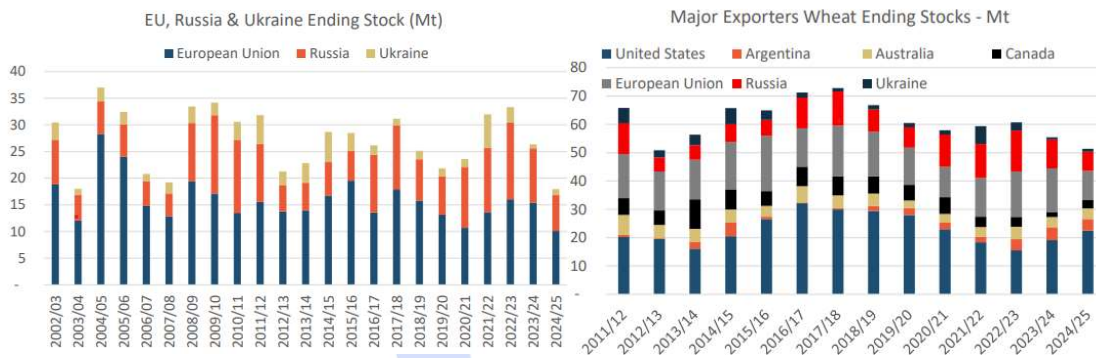
Oil has come under pressure again as there are rumours of increased production from some of the OPEC countries resulting in prices easing to \$72-73/barrel.

## Current Feed Prices ex dock/store

	Spot	October'24	Nov-Apr'25
Wheat	-	183	190
Whole maize	199	199	200
Hipro soya	344	344	348
Rapeseed meal	248	252	266
Soya hulls	172	174	177
Dried sugar beet pulp	POA	199	201
Maize distillers	226	220	224
Wheat distillers	219	219	233

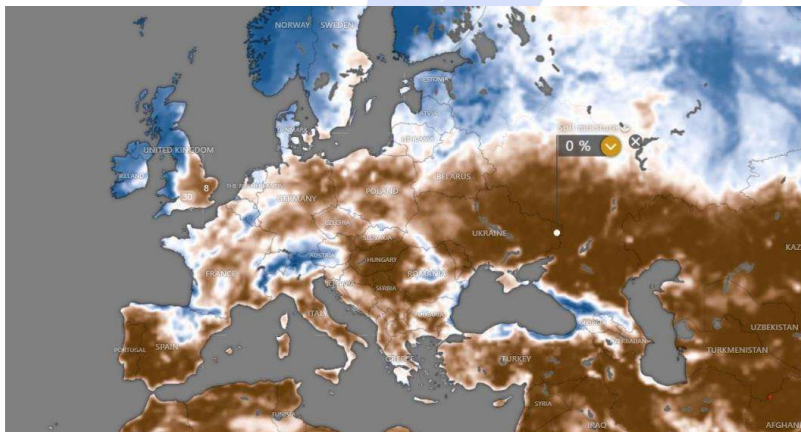
## Cereals – the detail

Feed prices have been in decline, but the market has stabilised and it is starting to climb. Paris milling wheat is up €4 following the poor harvest, confirming that the 25.5MT forecast (down 25.5% on 2023 levels) is the worst crop seen in France in 40 years. This is adding to the decline in European and World ending stocks as shown in the graphs below.



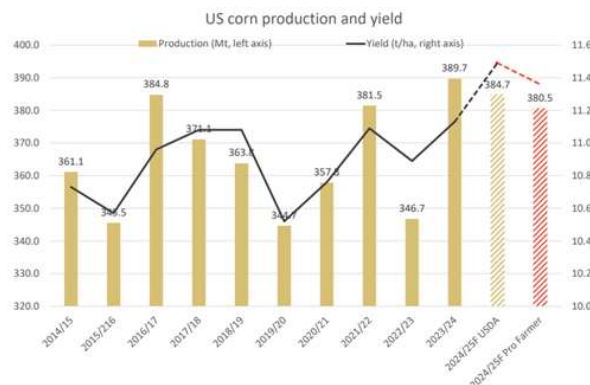
EU Exports are down 4%, so this is compensating for the smaller EU crops, but buyers are coming into the market and there is concern about how dry it is in southern Russia and the Black Sea area.

### Soil moisture levels in Russia and Black Sea area

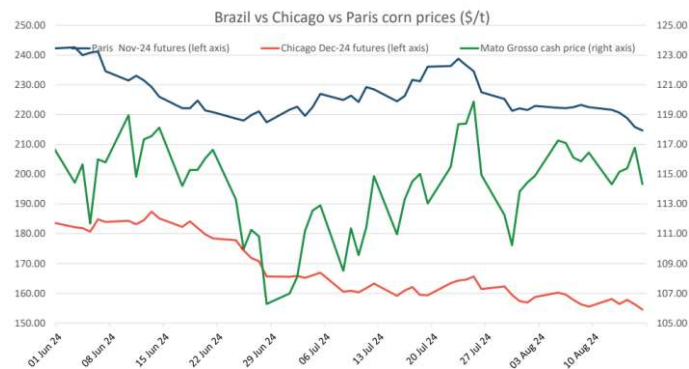


If it remains dry in the coming months, and world wheat stocks continue to decline, then this could have serious implications for new crop prices in August 2025.

A recent 'Pro Farmer crop tour' (this is a farm journal event, gathering independent US yield data in the 3rd week of August) forecast that the US maize harvest would see yields of 380.5MT, slightly below the USDA's estimate of 384.7MT, but still a good harvest compared to 2020 and 2023 levels.



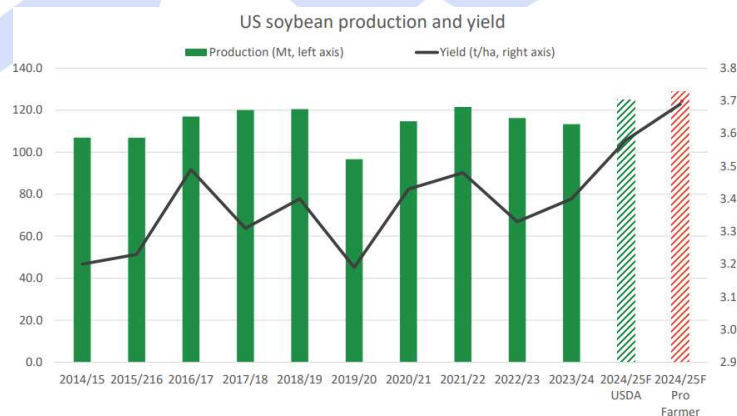
This takes major maize exporter stocks to 58.5 MT for 2025 but does not include Brazil and Argentina as these have not started planting, but stocks appear ample. Chicago maize prices (in red) are well below Paris and Brazilian prices, adding to current pressure on wheat prices. These Chicago prices are attracting China to come back into the market; however, low Mississippi river levels are causing disruption to exports.



Ukraine’s maize crop estimate is placed at 27.2MT, down on last year, but they are front loading exports. This is adding to further downward pressure on wheat prices and hides potentially serious underlining problems in the supply of wheat for 2025, particularly if the drought in southern Russian and Ukraine damages their winter wheat planting plans.

## Proteins- the detail

The Pro Farmers crop tour forecast a record US soybean harvest, but it is now turning very dry in central states which grow soya, with no rain forecast till mid-September. Concern about this is increasing, and it is very dry in key Brazilian regions too where weather models predict below average rainfall levels for the next two months. This could reduce soya plantings and crops in key regions for 2025.



Although the size of the final US soya crop will shrink, it is still more competitive than Brazilian and Argentinean soya now, and China is buying again from the US with exports moving at a good pace despite price increases.

The demand for rape meal and rape oil is still strong but the rapeseed supply in Europe is down, and the economics of growing rapeseed do not stack up very well compared to the risks since the neonicotinoids ban. Therefore, we will see a further shrinking in plantings in Europe and the UK next year, and an increase in imports from Canada and Australia.

On Tuesday China announced an anti-dumping investigation into Canadian canola imports, in retaliation to Canada’s plans to impose tariffs on Chinese steel, aluminium and electric car imports. This caused Paris rapeseed futures prices to ease by 1%. For Canada, the potential loss of a Chinese contract for half of their rapeseed exports is significant but should not be overstated as the rapeseed supply is still tight. Canola is a single zero seed high in goitrogens which is not as

palatable as the modern varieties grown in Europe which is one reason European rapeseed attracts a \$80 premium over the Canadian crop. However, China will still want rape oil as a substitute for expensive palm oil so they are likely to be looking for a replacement contract from another rapeseed supplier which might have more of an impact on the European market. For now, rapeseed and its meal are likely to hold their values and the current range in price seen since March 2024.

# Kite

---

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 / 07542 403225

