

Technical Update – Feed Markets



Information correct as at 09:00am on 09.08.2024

- Wheat stocks looking tight but maize set for a big crop.
- UK and NW Europe seeing very poor harvests.
- Prospects of La Nina developing are increasing affecting Southern Hemisphere weather.
- Prospect of a big US soya crop and lower demand is seeing prices fall.

Summary:

Benign weather in the US makes a record 383MT maize crop more likely and with weaker demand, from China in particular, US prices are low. Ukrainian and Eastern European maize crops have been badly affected by drought and will be down.

Bumper wheat crops look likely from the US and Canada but European and Black Sea crops are forecast to be well down, leaving global ending stocks tight. The French wheat crop could be the lowest since 1983.

Harvest pressure plus the carryover of on-farm stocks means UK prices currently remain in the low £190's/t and continue to represent an opportunity to increase forward cover for 2024 and well into 2025.

With uncertainty still over some crops, a developing La Nina weather pattern and tight global ending stocks prices are likely to rise over the next few months.

Barley at around £30/t discount to wheat continues to represent a great opportunity for inclusion in diets but beware of quality.

The US soyabean crop is also benefitting from the good weather and with weak demand, again particularly from China, US soya prices are being kept low.

Rapeseed prices are very volatile, being especially vulnerable to crude oil prices, but on average have held up well during 2024. Many rapeseed/canola crops around the world are struggling due to either drought or wet conditions so supplies are expected to be tight into 2025.

Forward straights prices are well down on 12 months ago and most are also below prices seen 6 months ago.

No decisions have been announced on the implementation of the De-forestation Regulations but there is an increasing belief that there will be a lead in period so Hi Pro soya prices are being offered more widely into 2025.

Rapemeal supply is tight in the near term but forward prices are well back from their May/June peaks of £300/t. Where this is an essential part of the diet forward cover with £ cost averaging should be taken into 2025.

Maize distillers, maize gluten and soya hulls all look good value for money going forward.

General:

Markets and prices remain volatile as weather and geopolitical events across the world unfold.

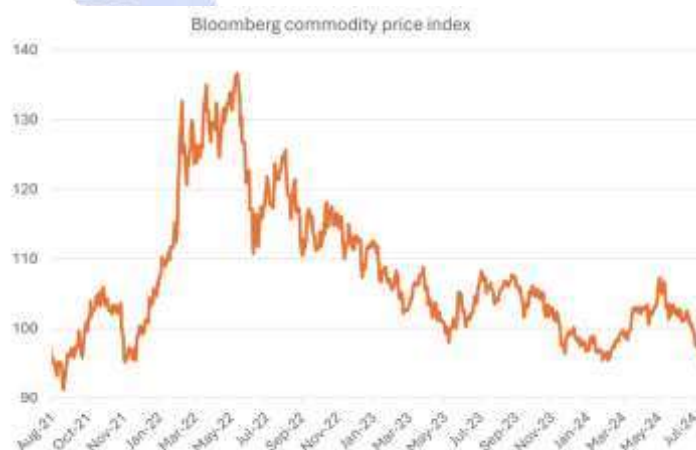
The US and global economies are showing signs of weakness which is putting downward pressure on commodity prices (but the UK economy is showing more positive signs of growth).

Crude oil price weakness is putting pressure on the prices of vegetable oils and cereals.

Recent US economic data has triggered recent volatility, with unemployment rising for the fourth successive month, plus weak manufacturing data and poor results for the big tech companies sparking fears of a recession. The US Federal Reserve has kept interest rates high and this is likely to continue until September when reductions are expected, although there is speculation they could be forced into an emergency cut sooner.

All these events in the US, plus weak Chinese growth has had a negative effect on stock markets and commodities in general. US and UK stock markets fell by 2-3% but in Japan the Nikkei fell by 12.5% on Monday but recovered much of this loss over recent days.

The Bloomberg Commodity Index, reflecting values across a range of commodities, including oil and metals as well as agricultural commodities, has fallen close to a 3-year low.



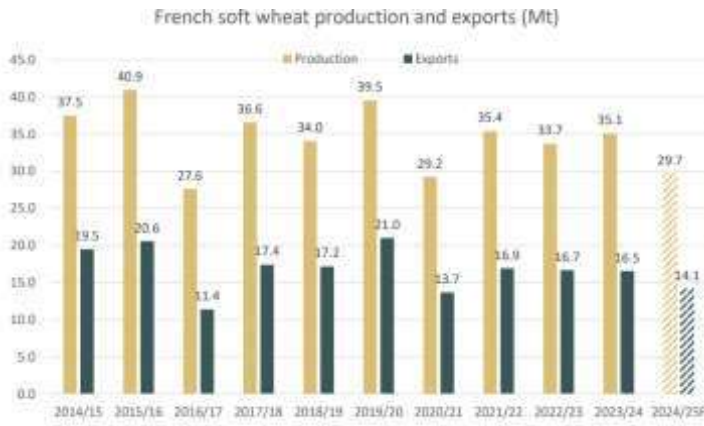
Oil in particular has fallen back with weak demand, so Brent Crude futures are now around \$79/barrel, although up \$4 from Monday's lows.

Whilst the US has held interest rates the Bank of England has reduced its rate to 5% and this has weakened the £ to 1.27 against the US\$ and 1.17 against the Euro.

UK business confidence jumped to a 5 year high in July, with the "new business" index rising to 54.9 (anything above 50 indicating growth). This in stark contrast to France/Germany where economic indicators are falling.

Cereals- The Detail

The full effects of the exceptionally prolonged period of wet weather in Northern and Western Europe continue to emerge, with the UK, Germany and France particularly badly affected for yields and quality. The latest official forecast for the French wheat harvest, now 67% complete indicates production of around 30MT. However, local forecasters are suggesting it could be "catastrophic" and as low as 25-26MT, which would be the worst since 1983 and with poor quality too.



Due to the continuing drought in the Black Sea area the Russian crop forecast is well down on the 90MT+ of previous years, but forecasts have recovered somewhat to around 82-84MT. Ukraine has been similarly affected and is forecasting a crop of only around 20MT, 2.2MT down on last year.

In contrast the US crop is on track for production to be at an 8-year high and 11% up on last year.

The Canadian crop is expected to be around 35MT, which would be well up on last year following an excellent start to the growing season, although dry conditions are causing good/excellent ratings to fall now.

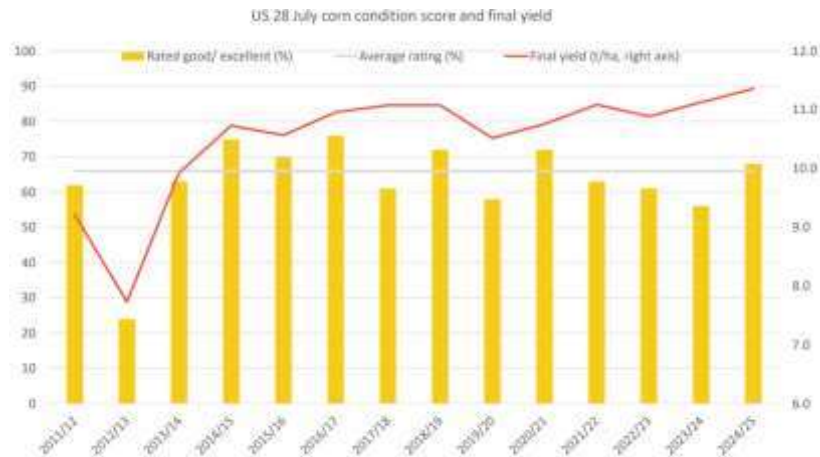
The strengthening La Nina weather pattern is likely to adversely affect crops in South America and Australia in particular later in 2024 and into 2025.

Overall, the good US and Canadian crops should counterbalance the poorer European and Black Sea crops but the outlook for wheat stocks globally remains very tight.

UK winter barley is around 85% harvested and early indications are for around 6.2t/ha yields vs the 7t/ha 10-year average, but with a wide range. Although not as bad as first feared coupled with a lower planted area the total production will be well down. Quality is also thought to be poor, with a lot of small grains.

Spring barley production should be higher due to a larger planted area but is as yet unknown. Carry in stocks of barley for the 2024/25 season are estimated to be at a 10 year high of 1.4MT. Barley prices are still at over £30/t discount to wheat and continue to represent a great opportunity for use in feed rations.

The outlook for the US maize crop continues to be very good, with good weather generally and a 69% good/excellent rating suggesting an excellent record final yield of 11.5t/ha and record total crop of 383MT.



US maize prices remain low at around \$4/bushel and well below Brazilian and French prices. The forecast for Ukraine’s maize crop has fallen from around 28MT in June to 23-24MT now, following the continuing drought, and compared to 31MT last year. Other countries in Eastern Europe have suffered similarly from drought. Further north and west, more was planted instead of winter crops which could not be drilled and the overall EU forecast is for a crop of around 63MT.

Chinese maize production has been hit by a combination of drought in some areas and flooding in others so the final picture there is yet to become clear.

Therefore, the outlook for cereal harvest 2024 varies hugely around the world but overall things should balance out but leaving wheat ending stocks in particular very tight.

Proteins- The Detail

Excellent weather conditions in the US means that the soya crop good/excellent rating has been maintained at a very good 68% and with a big acreage planted a bumper crop is anticipated. At the same time demand for US soya for the 2024/25 crop year is extremely weak, with only 0.2MT committed so far. China is buying more from Brazil and their demand is weaker anyway.

Demand in the US has been weakened further by a US court ruling which means that smaller refineries do not have to comply with the mandate for biodiesel inclusion in fuels.

With weaker general global commodity demand and crude oil prices falling back, vegetable oil prices have fallen recently. The chart below shows the prices of major oilseeds during 2024, with rapeseed/canola prices volatile but on average holding their own, due to their high oil content, but US soyabean prices falling to very low levels.

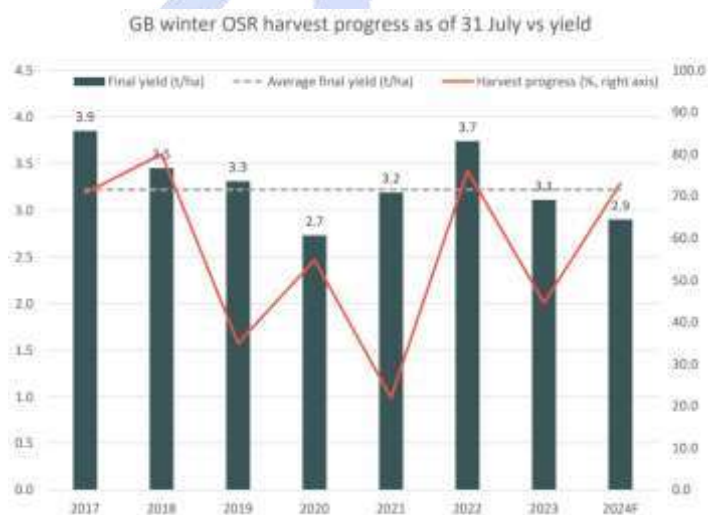


Supplies of soyameal from Argentina are slow, with farmers being reluctant sellers due to currency and with strikes again coming into play.

After an excellent start the outlook for the Canadian canola crop is worsening, with hot and dry conditions across most growing areas. Forecasts have been reduced from 20MT initially to 18-19MT now and could go lower. The Australian canola crop forecast is holding steady at around 5.4MT with rain helping. The Ukrainian crop has been affected by the continuing drought there, with forecasts between 3.7-4.3MT, so export tonnages will be down this year.

The EU crop is likely to be at the lower end of the 17-19MT forecast range, with weather too wet in some areas and too dry in others. EU import requirements for 2024/25 will be around 7MT to satisfy expected demand, so with the supply side worsening and strong demand things are going to get tight.

The GB winter oilseed rape harvest is progressing well and was around 75% complete on 31st July. Yields are thought to be about 2.9t/ha, which is only slightly below the average and not as bad as once feared but the planted area was down.



Straights prices for 6 months forward have fallen back from those of 12 and 6 months ago in general and in many cases by quite a long way:

For further discussion or to help with any questions that you may have, please contact Consultant Support on consultantsupport@kiteconsulting.com or 01902 851007 / 07542 403225

