Technical Update – Feed Market

Information correct as at 09:00am on 23.08.2024

- Prospects for US maize and soya are looking good.
- Wheat ending stocks forecast to be low.
- Northern hemisphere harvest keeping prices under pressure for now.
- Still no definitive answers on EU deforestation rules for soya for 2025.

Summary:

Excellent weather in the key corn growing US states has led to prospects of a record crop yield of around 11.5t/ha but on a smaller planted area than first thought. The results from the first few days of the US ProFarmer Crop Tour support the USDA view of record yields, but it is early days.

Despite Ukraine and Eastern EU countries maize crops being badly affected by ongoing drought the world ending stocks and stocks:use ratios look comfortable.

Wheat prices have edged lower over recent weeks with northern hemisphere harvest pressure, large carryover stocks, weaker demand and strong Russian/Black Sea exports at low prices. However, at these prices farmers are reluctant sellers, unless they have to for cashflow purposes.

The latest major wheat exporters ending stocks forecast shows a continued tightening for 2023/24 and 2024/25 to very low levels, with strong demand continuing.

Barley is still trading around £25/t below wheat and continues to represent an opportunity.

With further interest rate cuts expected into the autumn and with harvest pressure ending, prices are likely to rise later in the year so a review of cereal cover well into 2025 would be prudent and additional cover taken if required.

Oilseed prices generally are depressed, with low crude oil prices, a very large US soya crop, ending stocks expected to be good and weak demand. The August WASDE report increased the global soyabean ending stocks estimate for 2024/25 to 134MT compared with the 5-year average of 100MT.

In contrast to soya, rapeseed crops around much of the world are struggling this year, but weak crude oil prices are holding prices back. The latest global rapeseed ending stocks and stocks:use ratio forecasts look tight with only a 9% ratio figure for 2023/24 and 2024/25.

Soyameal prices in the US have fallen back to well below the 10-year average price. UK soyameal prices have stabilised over recent weeks to around £340-345/t for November/December and around £350/t for January/April.

There remains a question mark over the implementation of the EUDR regulations post 31.12.24 but as time goes on it is more likely there will be a period after this date during which non-certified soyameal can continue to be fed.

Non-Erith rapemeal is holding at around £260/t for November – December and £270/t for the January – April period. Given the tight outlook for OSR it will pay to keep taking forward cover where this is essential in diets.

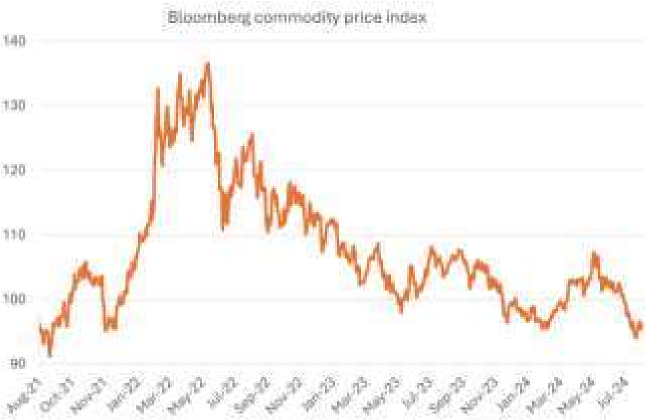
Maize distillers have fallen back to £220/t for the winter and represent a great opportunity where they can be added into diets.

Soya hulls are holding at £160-165/t for November – December and £165-170/t for January – April. This is still the fibre source of choice but if it is banned then sugar beet pulp at around £205/t is better value than it was.

General:

The global economy is still sluggish, with generally weak demand. This is affecting the value of commodities, especially oil, with Brent Crude futures back below $80/barrel. The UK economy has performed better than expected during the first two quarters of 2024 and despite the cut in interest rates the £ is holding strong against the US$ at 1.31and the Euro at 1.17.

The Bloomberg Commodity Index, which monitors twenty-two key commodities traded globally, including oil, metals and agricultural commodities, remains depressed due to high interest rates and a weak Chinese economy.



Oil prices in particular are weak, with slow demand and hopes of a resolution to the conflict in the Middle East. Brent Crude futures have currently fallen back to around $78/barrel and this is having a negative effect on the value of grains and oilseeds.

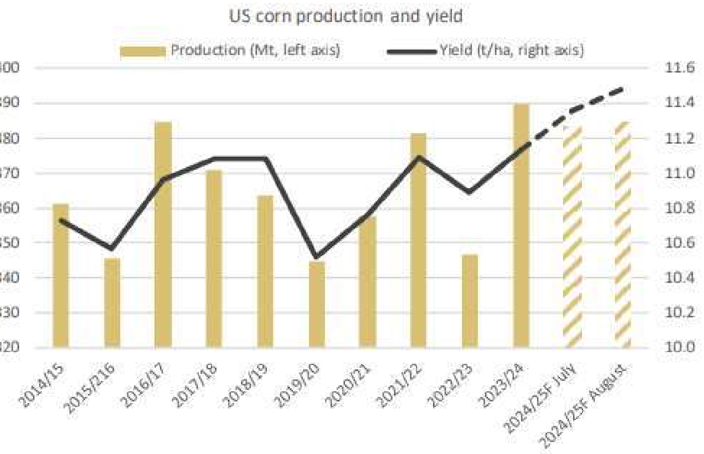
The latest USDA WASDE report, published on 12th August, was bearish for grains and oilseeds. Wheat production estimates were raised but so was demand.

The UK GDP grew by 0.6% in Q2 2024 following an increase of 0.7% in Q1 2024, showing a positive picture, in contrast to many other European countries. Despite the reduction in UK interest rates last month the £ has now recovered against the US$, back to 1.31 and against the Euro to 1.17, helping to alleviate the cost of imports.

Cereals- The detail

Benign weather in the main maize growing areas of the US has led to the good/excellent ratings holding up at 67%. The August USDA WASDE report estimated a record yield of 11.5t/ha but on a reduced area. The ProFarmer Crop Tour, which assesses maize and soya crops at field level across all key states has just started in the US and early results seem to support the anticipation of excellent crop yields.

Although exports have picked up recently US prices remain at low levels with anticipation of a good crop and ending stocks.



The continuing drought in Ukraine has resulted in falling estimates for the maize crop there. The latest USDA forecast is for 24MT, but some local predictions have it as low as 20MT vs 10 Year average of 30.6MT. Exports from Ukraine to the EU have been strong with 1.6MT sent so far.

The French maize crop has maintained a higher than average good/excellent rating of 76% but prolonged drought is eastern EU countries means the latest EU forecast overall is down 3.5MT y-o-y to 60.5MT.

Brazil ended up harvesting 122MT of maize this year but with weak demand and low prices continuing there are doubts over how much will be planted for the 2025 harvest. The next Argentinian planted area is also forecast to be down around 10% next year due to issues with pests and diseases this year. In addition, a return to the La Nina weather conditions is likely to reduce yields due to dry weather, although the latest forecast shows a slightly lower probability of a La Nina occurrence.

US NOAA July outlook

Season	La Niña	Neutral	El Niño
JJA	13	85	2
JAS	48	50	2
ASO	70	29	1
SON	78	21	1
OND	81	18	1
NDJ	79	20	1
DJF	74	24	2
JFM	66	32	2
FMA	48	48	4

US NOAA August outlook

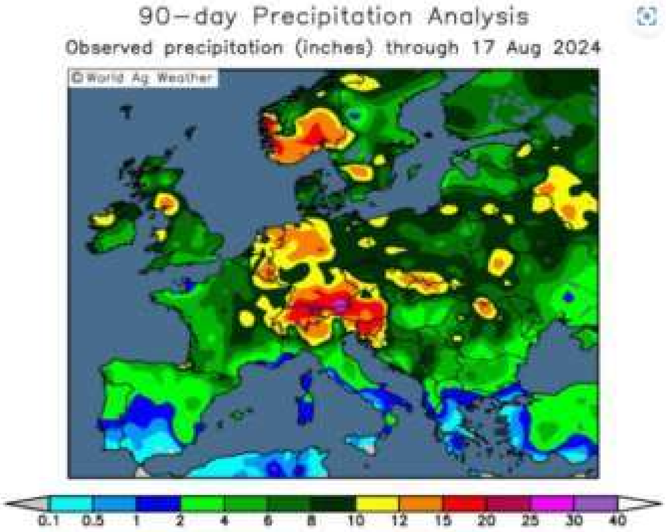
Season	La Niña	Neutral	El Niño
JAS	16	83	1
ASO	49	50	1
SON	66	33	1
OND	72	27	1
NDJ	74	25	1
DJF	67	31	2
JFM	57	40	3
FMA	44	51	5
MAM	27	65	8

Data show % probability of La Nina conditions occurring during three-month time period

Wheat prices have edged lower over recent weeks with northern hemisphere harvest pressure, large carryover stocks, weaker demand and strong Russian/Black Sea exports at low prices. With Russian prices down at $218/t farmers there are becoming more reluctant sellers.

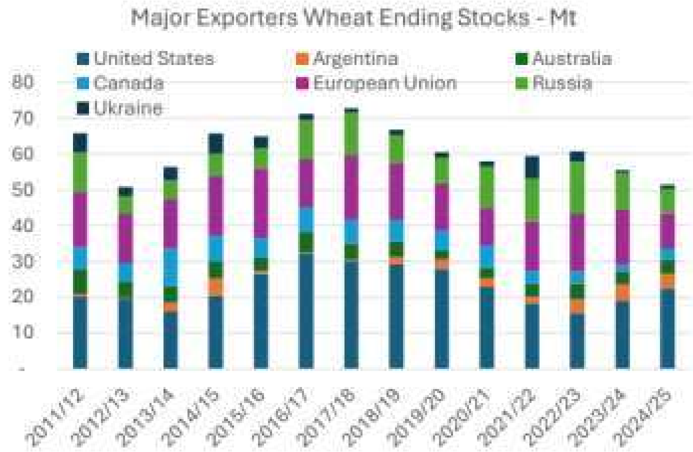
In contrast to the drought in winter wheat growing areas Russian spring wheat areas are too wet, raising concerns for yields and qualities.

The declines in y-o-y production from key Western European countries and Russia are shown below along with the 90-day precipitation analysis showing how wet it has been in large parts of Europe and the effect this has had on the forecast wheat production.



- Germany – 18.7Mt (-12.8%)
- UK – 10.85Mt (-23%)
- France 25.5Mt (-25%)
- Russia 83Mt (-10%)
- Ukraine 21.3Mt (-7%)

The latest USDA WASDE report showed lower production in the main, but with some improved estimates, notably Australia, +1MT, and Ukraine, +2.2MT based on a larger planted area. The latest major wheat exporters ending stocks forecast shows a continued tightening for 2023/24 and 2024/25 to very low levels.



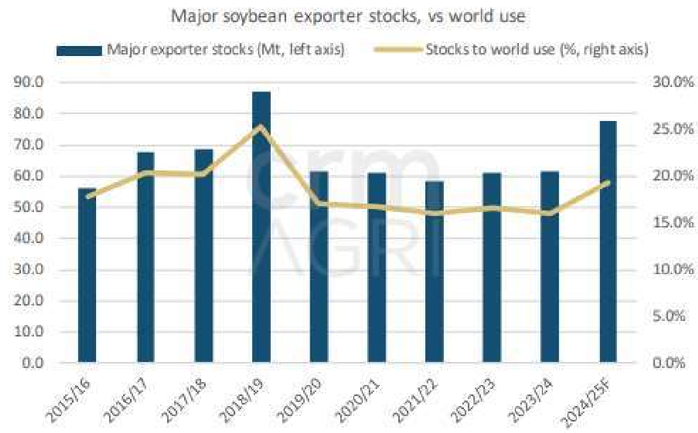
EU winter barley averaged 6.3t/ha, which is 11% below the 5-year average. Spring barley yields appear very variable based on results so far. In the UK winter wheat yields so far do not appear to be as bad as had been expected but are down by around 10% compared with the 5-year average at around 7.5t/ha. The poor weather has meant that quality has also been affected.

Proteins- The detail

Oilseed prices generally are depressed, with low crude oil prices, a very large US soya crop, ending stocks expected to be good and weak demand. US soyabean prices are below the 10-year average and at 4-year lows, but there are some signs of increasing Chinese demand.

The August WASDE report increased the US soyabean crop estimates for yield, harvested area and production. Early reports from the ProFarmer Crop tour this week would seem to endorse this view. Forecasts for Brazil are for another record crop in 2025 (range between 160-170MT) and the forecast for Argentina is also strong (50-55MT), though the threat of a La Nina weather pattern makes this vulnerable.

The August WASDE report increased the global soyabean ending stocks estimate for 2024/25 to 134MT compared with the 5-year average of 100MT. Major soyabean exporters ending stocks are forecast to increase to 78MT in 2024/25, with a higher stocks:use ratio of 27%.



In contrast to soya, rapeseed crops are struggling this year, but weak crude oil prices are holding back prices.

The Ukrainian crop forecast is around 1MT down y-o-y at 3.8MT. The Canadian crop started very well, with timely rain but dry weather has reduced the forecast crop to below 20MT. US demand for biodiesel has fallen back recently which has reduced demand for Canadian exports. The Australian crop forecast remains at around 5.5MT

The EU crop forecast is down around 2MT from last year at 18MT. The EU crush is still very strong, at a record 10MT so far this year, with high levels of imported seed. Paris rapeseed prices have fallen back to around 450 Euros/t.

The latest global rapeseed stocks:use ratio shows a tight 9% figure for 2023/24 and 2024/25.