Technical Update – Feed Markets

Information correct as at 09:00am on 01.11.2024

- Plenty of maize available globally, but wheat stocks are much tighter.
- Oil prices ease as Middle East situation has not escalated as much as feared.
- Big US soya harvest reaching completion.
- Rain and a less severe La Nina forecast mean better prospects for South America.

Summary

The global outlook for maize is bearish, with a bumper US crop harvest nearly complete, some rains in Brazil and Argentina to help their planting/crop establishment and ample ending stocks forecast.

The outlook for wheat is very different, with big weather issues in the Black Sea area, Australia, Europe and now significantly the US creating a poorer outlook with very tight ending stocks forecast. Wheat prices are being held back at present by very strong "front loaded" Black Sea exports. The outlook is for prices to rise into 2025 as supplies diminish.

The smaller (11 MT) wheat and larger barley harvest in the UK means barley is now trading at a £30-35/t discount and continues to represent an opportunity.

The US soya harvest is nearly complete and looking very good. Some rains in Brazil and Argentina are helping their next crops, so the global outlook for soya is pretty good.

Vegetable oil prices have risen recently despite the fall in crude oil, due to poor palm oil production and strong demand in Malaysia and Indonesia.

The outlook for rapeseed is not as good as soya, with poor supplies from the very wet European and very dry Ukrainian crops. Rape meal prices have eased back in the short term as Erith is back in production.

It seems likely that the EUDR Regulations will be delayed by 12 months and with strong supplies of soya and lower soya meal prices the early 2025 rape meal premium could well reduce.

General:

The recent Israeli strikes on Iran did not target oil and gas facilities so the "fear" premium which had pushed oil prices up over recent weeks has gone (for now) and Brent crude oil prices have fallen back to around £73/barrel. If this situation continues then with OPEC+ unwinding their production cuts plus weak Chinese demand prices could fall further. This has a knock-on effect in helping to lower prices of cereals and vegetable oils/oilseeds.

The US$ has strengthened recently with some better economic data and it being seen as a "safe haven" in troubled geopolitical times. The feeling is that US interest rates are likely to remain higher for longer and the elections on 5th November will be watched with interest. This, plus Andrew Bailey's comments suggesting more aggressive UK interest rate cuts, has caused the £ to fall from recent highs of 1.34 against the $ to around 1.30 but it remains stronger against the Euro at around 1.2.

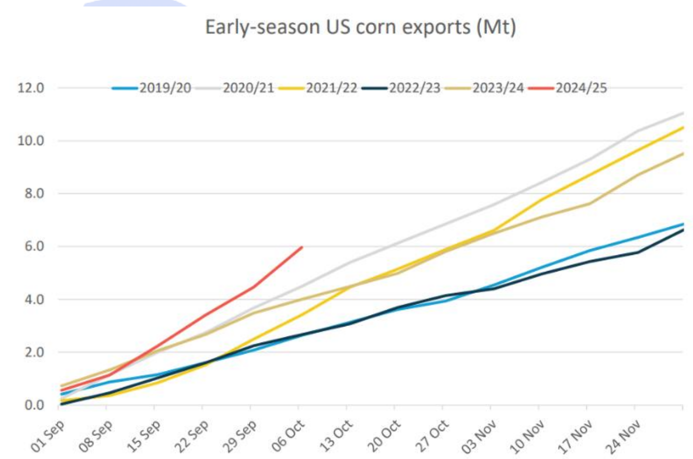
There are still significant upside risks in the markets from weather, geopolitical and political events so market and price volatility are likely to continue.

The UK Budget on 30th October was, as expected, big on taxes, borrowing and spending. There are mixed views on how effective it will be but the initial response from the markets seems to be acceptance and relative calm.

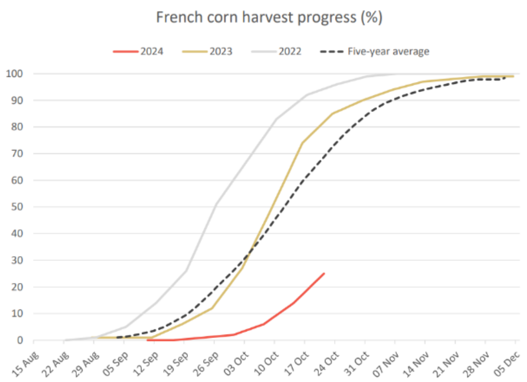
Cereals:

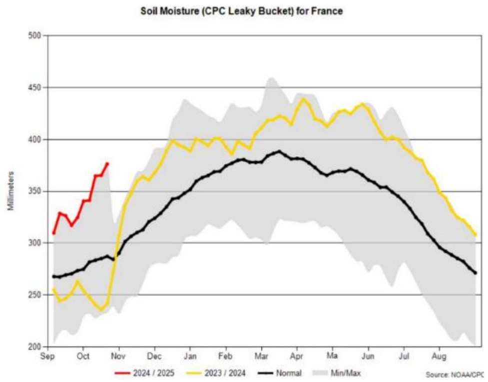
Near perfect weather in the US corn belt has resulted in rapid harvest progress, now around 81% complete vs 64% average, with the crop on track to be a near record 386MT of high quality.

US sales are rapid and well ahead of recent years at this stage – see below. With Brazil's exports slowing and US harvest pressure reducing current low prices are likely to increase during Q4 2024/Q1 2025



Ukrainian exports have also been proceeding at pace but their crop has been reduced due to the continuing drought to around 26MT with an exportable surplus of around 23MT. The French maize harvest is lagging at only 25% complete vs 70% on average at this time due to the continuing very wet weather they have been experiencing, with consequent concerns over the presence of mycotoxins.



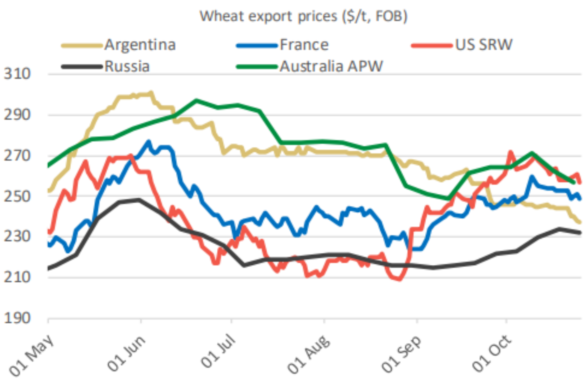


In South America Brazil has now completed 50% of their first maize crop sowing with some rain to alleviate the drought there. Argentina has also had rain so planting progress is improving. The probability of a strong La Nina has reduced to around 60% over the coming months so the earlier forecast of very dry weather is now less probable.

Wheat ending stocks forecast for the world's major exporters continue to be very low for the 2024/25 season with an extremely tight stocks:use ratio. US wheat is an important part of the picture and until now has been forecast to make a strong contribution.

The US winter wheat crop is now 80% planted but the first USDA crop rating for this season puts the crop at only 38% good/excellent (vs 47% average) and 21% poor/very poor, the worst initial rating in nearly 40 years. 58% of the main US wheat growing area is now officially in drought which is a significant increase over recent weeks. However, there is rain in the forecasts and this could improve the situation.

Russia and Ukraine continue to export wheat at a rapid pace which cannot be sustained. Ukraine exports have totaled 13.3MT this year-to-date vs 8.3MT at the same time last year. Black Sea wheat prices have been the lowest for a while, but Russian prices have now picked up to around $230/t FOB as major exporters prices converge.



As the export pace of Black Sea crops slows attention will turn to Australia as the next main source of world supply. Very dry weather there has reduced the forecast production to around 28MT down 4MT from earlier estimates.

The wet weather in Europe has hampered autumn plantings, with wheat plantings in France only 20% complete vs 50% average. However, current drier weather in many parts of Europe, including the UK is allowing a catch up. In contrast, many parts of Russia and Ukraine continue to be very dry, threatening the outlook for their 2025 crops.

UK November wheat prices remain in the low £180s/t, rising to £194/t for May 2025. With all the upside risks in the outlook the advice continues to be to take cover forward to harvest 2025 at these prices.

Proteins:

The benign weather in the US soya growing areas has allowed the harvest of a bumper crop to progress rapidly and it is now 90% complete vs 80% on average.

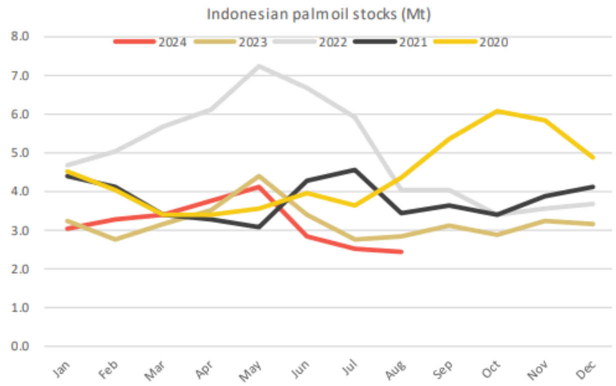
Vegetable oil prices are volatile, with downward pressure from the fall in crude oil prices, as tensions in the Middle East ease, but upward pressure from poor rapeseed, sunflower and palm oil crops.

Rain has fallen in parts of Brazil and Argentina to help their soya plantings catch up after a delayed start but soil moisture levels remain below average in many areas. Now that the La Nina weather pattern outlook is weakening there is hope for better South American soya crops to come in spring 2025.

Argentina may now plant more maize and less soya as the soya:maize price ratio has fallen to 2.3 from 2.5 recently, despite the stunt disease issues seen this year.

Chicago soya meal futures have fallen to a 4 year low at around $300/short tonne.

Palm oil has increased in price and is now the most expensive of the vegetable oils due to poor production and stocks in Indonesia. Here there have been labour difficulties and stronger domestic demand with the biofuel element of diesel being increased to 40%.



Rapeseed has increased in value with Paris prices for November rising to €520/t, the highest in nearly 2 years. After a poor European crop, it is estimated around 7MT will need to be imported to meet demand. So far imports have been well below average.

Ukraine has exported around 1.2MT, around 60% of its exportable surplus in the first 25% of the season, so supplies from that source will reduce soon. Australia is expected to produce around 5.5MT of canola, which is down on recent years due to drought, whilst Canadian canola production is forecast at around 19MT. Canada has been exporting strongly to the US and China so far. The "spat" with China over import duties has not affected imports so far and may now be reaching a resolution.

The EU+UK rapeseed crush has been very strong throughout the year but eased off in September. The Erith plant is now back up running which is helping to improve the supply of rape meal in the short term and prices have eased back accordingly with non-Erith prices around £245/t for November and December

Into 2025 prices rise to c.£255-260/t January to April, then £265-270/t May to July, before falling back to £250-255/t for 2025 new crop.

The vote to delay the EUDR Regulations by the EU Parliament has yet to take place but is widely thought it will result in a 12-month delay. Assuming that is the case, the early 2025 rape meal premiums could reduce. UK Hipro soya prices remain around £315-320/t through to October 2025

Maize distillers also remain around £225/t through the winter and are well worth considering where they can be used. Wheat distillers to southern ports are £255/t to December, rising to £265/t through spring/summer 2025.

Soya hulls remain the fibre source of choice at c.£170/t with imported sugar beet pulp at c.£210/t for November/December and c.£220/t in the spring.