Technical Update – Feed Markets

Information correct as at 09:00am on 29/11/2024

- Weather is turning more favourable in US and South America.
- US maize and soya harvests almost complete with good yields.
- President elect Trump has promised more tariffs which will affect prices.
- War in Ukraine has escalated.

Summary:

The US maize harvest is nearly complete. Strong demand and record levels of bioethanol production means prices have been rising, but the threatened US tariffs against China and Mexico could change that in 2025.

Russia has increased its export taxes on wheat and maize to try and slow down exports and is rumoured to be going to impose export quotas in February at levels well below the amounts exported last year.

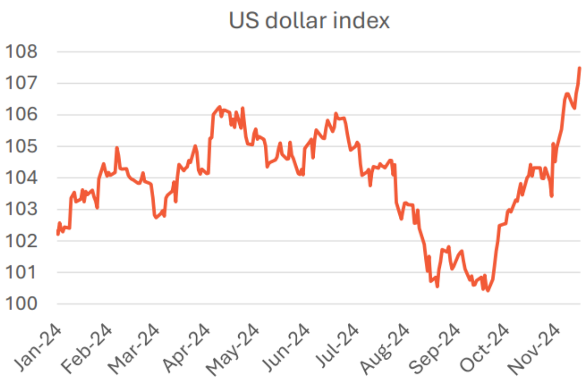
The likelihood is that with this and other upside risks plus seasonally declining supplies prices will increase towards harvest 2025. The advice is still to be well covered through until then with wheat and/or cheaper barley.

On the protein side, US tariffs against China and Canada in particular will alter the picture next year, with the potential for soya prices to fall further and Canadian canola exports to be diverted from the US to Europe and elsewhere.

UK soya meal, rape meal and maize distiller's prices have not changed much for the May-October 2025 period and represent good value.

General:

The world watches and waits to see the full effect of the Donald Trump election, but already the US $ is prospering following the landslide victory. His likely policies on tariffs and taxes are thought to be inflationary, resulting in the prospect of interest rates remaining higher for longer. The US $ is higher against most currencies and the £ has fallen back to 1.27 from 1.34 two months ago, with implications for import prices. The £ remains stable against the Euro at around 1.20.



Apart from optimism in the US following the Trump election the global economy is still struggling generally and if the US does impose the tariffs being promised things could get worse.

Oil prices remain subdued with Brent Crude around $73/barrel on the back of good supplies and increases in biofuel and alternative energy sources around the world. Vegetable oil prices have eased back recently with better supplies of palm oil and lower crush margins.

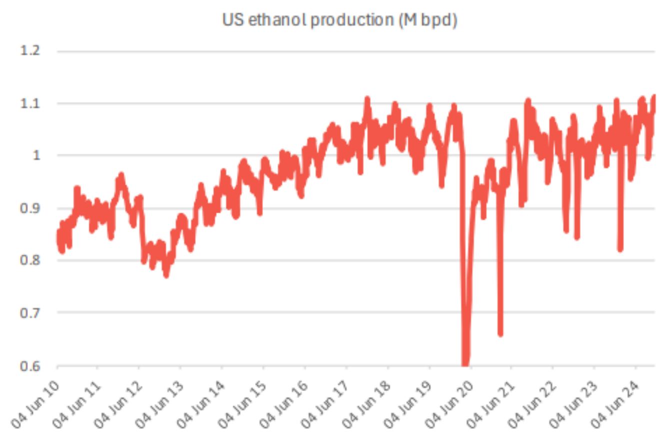
The conflict in Ukraine has escalated recently with both sides trying to hold as much land as possible on the basis that Trump tries to broker a peace deal soon after taking office.

The UK GDP increased by only 0.1% in the third quarter to September and the UK manufacturing PMI (a measure of the activity level of purchasing managers) fell to 48.6, indicating a contraction in the sector.

Cereals:

The US maize harvest is almost complete and with strong demand, especially for bioethanol production in the US and Brazil, prices have been rising recently. There are concerns that the tariffs promised by Trump, especially for China and Mexico, will result in lower demand and weaker prices going forward.

We have yet to see how the new US policies ("drill baby, drill") will affect bioethanol production, which uses around 45% of the maize produced in the US has recently reached record levels of production of 1.12 million barrels/day.



Maize exports from Brazil are running around 30% lower than last year, with a smaller Zafrina harvest but levels are increasing despite more demand for domestic bioethanol production, which uses around 25% of production.

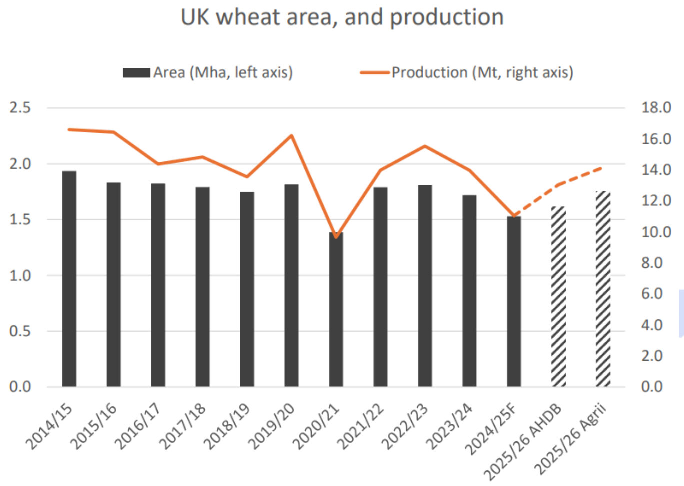
The area planted to maize in Ukraine is around 20% lower than it was before the Russian invasion and the wheat area is around 25% less, so a resolution to the conflict would result in increased future production.

Russia has ramped up export taxes recently in an attempt to slow the rapid rate of exports and protect domestic supplies and prices. There are also rumours that Russia is planning to go further in 2025 and limit wheat exports to 10MT/month from February to July compared with actual exports of 29MT/month last year. Ukraine has also front-loaded wheat exports this season with a 58% increase compared to last year.

Argentina and Australia are starting to send their wheat onto world markets. Argentina is even undercutting Russia with prices as low as $213/t FOB. At some point in 2025 global supplies will become very tight, especially if Russia go ahead with their export restrictions, with consequences for prices.

The outlook for 2025 wheat crops is improving, with the US crop good/excellent rating increasing from a very poor start at 38% to 55% now with good rain. UK and European crops have gone in better than last year, with more dry spells in amongst the rain. Southern Russia remains very dry and there is still a worry for the 2025 winter wheat crop in the region.

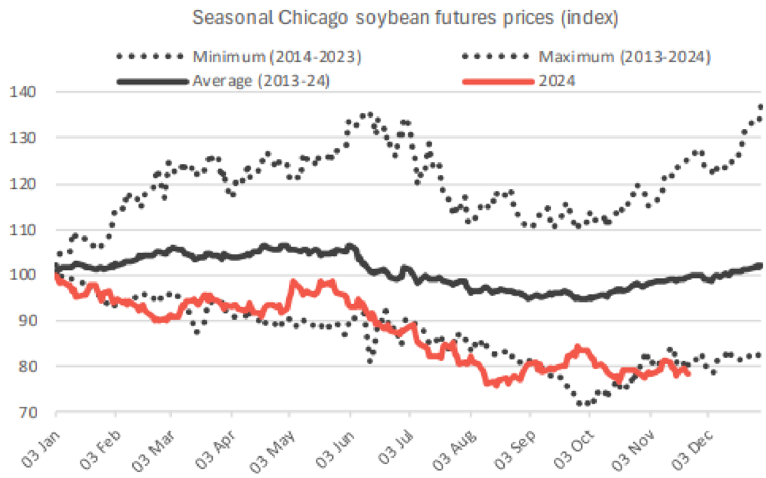
The "early bird" estimates for the UK winter wheat crop range from 1.6 to 1.75MHa, so depending on how the crop progresses up to harvest production is likely to be between 13-14MT and short of the level of demand.



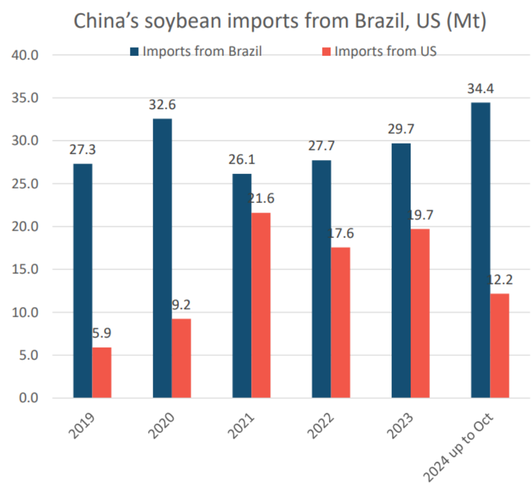
Forward prices for wheat have dropped back below £190/t for May 2025. With tight global stocks and good demand plus risks from weather, geopolitics and Russia severely curbing exports the advice is to keep taking cover to harvest 2025. With barley £30/t cheaper this still represents a good opportunity. The area planted to winter barley for 2025 harvest appears to be about the same as last year.

Proteins:

The US soyabean harvest is almost done with exports and commitments very strong. Global ending stocks and stocks:use ratios for 2024/25 are looking good. At present soyabeans are trading at the bottom end of the 10-year average range – see below. Assuming that Trump goes ahead with his threatened tariffs then US soya bean exports will be hit and prices could fall further.

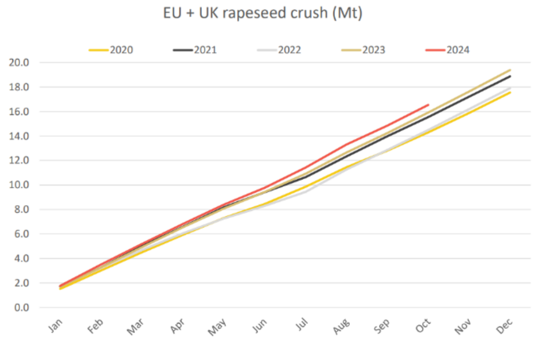


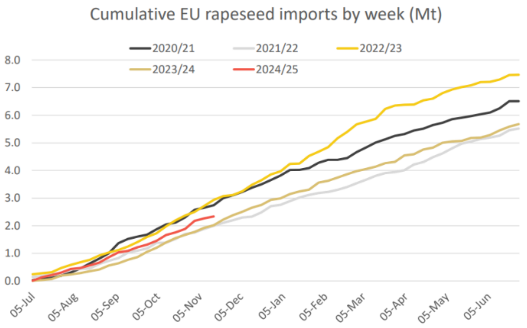
Chinese stocks are thought to be high (below left) and they have become more reliant on Brazil recently (below right) so the impact is likely to be more limited. They are also reducing the amount being used in diets.



The probability of a La Nina weather pattern developing over the next 4-6 months or so has declined to only 57%. The dry conditions forecast earlier for South America are not materialising and indeed there have been good rains in Brazil and Argentina recently which have been good for plantings and establishment of the maize and soya crops with NDVIs from satellite imagery confirming that the crops there are in good condition.

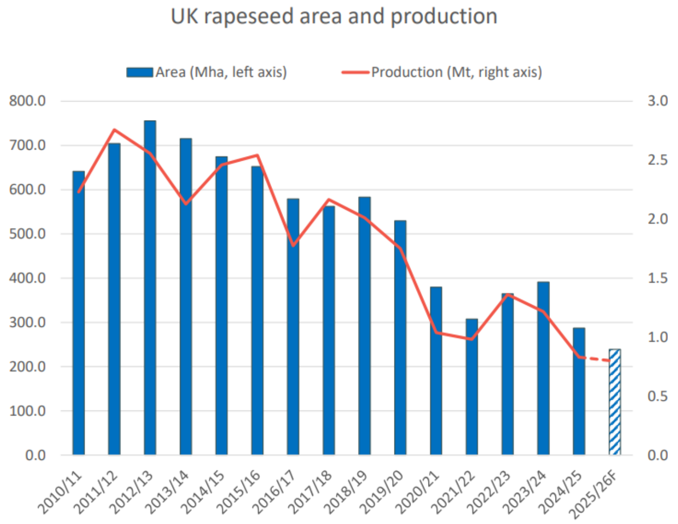
The EU and UK rapeseed crush has hit new record highs as crush margins and demand have been good. With around 7MT of imports required to match demand, following a poor EU/UK harvest imports so far have been low.





Paris rapeseed prices had reached €540/t but have dropped back to below €500/t partly as a result of improved palm oil supply and lower palm oil prices. In addition, Trump's announcement of 25% tariffs on Canadian imports has had an effect. If they cannot export to the US, which has taken 90% of canola oil from Canada recently, they will look to export canola to the EU.

The "early bird" forecast for UK rapeseed plantings for 2024/25 is only 239,000 Ha, the lowest in 40 years. This would result in a crop of around 900kT, compared with 2-2.5MT 10 years ago.



The weaker £ compared with the US$ is having an effect on the prices of imported raw materials. November to April UK Hipro soya prices have gone up recently but the May – October 2025 prices remain around £320/t and offer good value. In the US soya meal continues to trade at 4-year lows.

Rape meal prices have followed soya meal with non-Erith prices around £255/t through next summer and £240/t for 2025 new crop, again offering good value.

US maize distiller's prices have not changed much recently and continue to be around £20-25/t below rape meal. Soya hulls are also little changed and still represent the fibre source of choice at around £160/t.