Technical Update – Feed Markets

Information correct as at 09:00am on 07.02.2025

- The "will they, wont they" saga of the US tariffs continues.
- Dry weather in Argentina and wet weather in Brazil affecting South American production.
- World wheat stocks remain very tight.
- There are still opportunities to take good forward cover.

Summary:

Maize prices have recovered following the delay to US tariffs, the continuing very dry weather in Argentina and wet weather in Brazil (which is delaying their soya harvest and therefore the planting of their Zafrina maize crop).

Global wheat prices continue to converge as Russian supplies reduce and their significant export quota approaches.

There are risks to 2025 wheat crops from very dry weather in Russia and Argentina, very freezing weather in the US and very wet weather in parts of Europe. Tight global wheat stocks look likely to remain an issue into 2026.

UK forward wheat and barley prices are stable at present. With November wheat at £195/t. CRM's view is that some cover should be taken through the 2025/26 winter with barley an option at the current price discount.

Soyabean prices have recovered following the smaller than expected US tariff on Chinese goods plus the very dry weather in Argentina and very wet weather in Brazil potentially affecting these crops.

Canola/rapeseed prices have also recovered following the delay of tariffs on Canadian goods though they are being pressured by falling crude oil prices.

With ethanol margins under pressure and production falling, wheat and maize distillers' grains are in very tight supply with POA over the next few months. The same applies to wheat and maize glutens and soya hulls.

UK Hi pro soya meal prices have been volatile on the back of the tariffs story developing. Currently up £5-6/for May – October at £335/t but still reasonable compared with other protein sources. With EUDR Regulations coming in from 1st January 2026 users will have to change to either US non-deforested supplies at a premium or consider protected rape meal.

Rape meal has eased a little to around £245/t for the new crop from August onwards. Novapro protected rapeseed could be an alternative protein source for higher yielding herds particularly post EUDR from 1.1.2026.

Wheat and maize distillers are POA with reduced output from Vivergo and no new deliveries of maize distillers expected from the US until March, when they are expected to be around £225/t.

Soya hulls are POA until new deliveries arrive, expected in May at around £160/t. Palm Kernel and Wheatfeed are also POA at the moment. Sugar beet pulp again POA with some available from Liverpool at £220/t until April.

General:

"Now you see them, now you don't"! The world breathed a sigh of relief when President Trump decided to delay any tariffs on Canadian and Mexican goods and only impose a small tariff on Chinese trade.

After the big build up and talks of high tariffs on imported goods from China (65%), Mexico and Canada (25%) the reality is an additional 10% for China and a 30-day delay on others. The threat certainly seems to have caused a reaction and the hope is that deals can be done with Mexico and Canada to stop illegal immigrants and drugs crossing the border. China has made a very limited retaliation so far.

The EU is still in the firing line and we await an announcement on tariffs there. The UK has much less of a trade imbalance so may get away with no or very limited tariffs.

With the de-escalation of the tariff wars and the position of the UK the US$ has eased back and the £ gained against the $ and the Euro to 1.25 and 1.20 respectively over recent days, which is good news for import prices. However, the Bank of England interest rate cut and gloomy outlook will probably lead to the £ easing back again and with the higher inflation forecast there are likely to be fewer interest rate cuts for the rest of this year.

This follows zero growth in the last quarter of 2024, very high borrowing costs, a slowdown in recruitment/investment and increasing redundancies as businesses try to cope with higher NI and other costs.

Crude oil futures rose in January after further sanctions were placed on Russian exports but have now fallen back on weak demand, higher US output/stocks and news that the OPEC+ production cuts will be reversed. This has resulted in the US Energy Information Administration reducing their forecast of Brent Crude prices to an average of $74/barrel in 2025 (from $81/barrel in 2024).

On Thursday 6th February the Bank of England cut interest rates by 0.25% to 4.5%. They halved their forecast for economic growth for 2025 to 0.75% with inflation forecast to rise to 3.7% later this year.

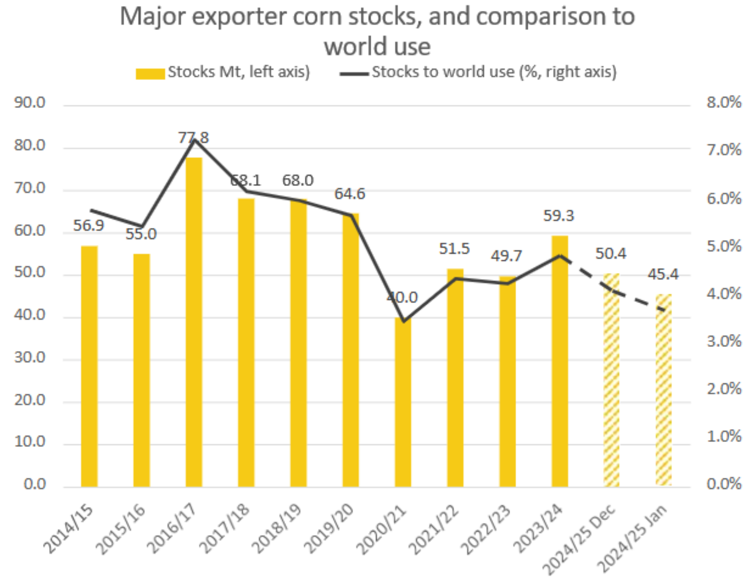
Cereals the details:

Exports of maize from Ukraine, Argentina and Brazil are at seasonal low points so attention is on US supplies. The talk of tariffs on Mexico (which currently takes 40% of US exports) and now the delay has caused price volatility. With 65% of the US maize exports to Mexico going by rail or small barges they would struggle to find supplies elsewhere at present and they could not cope with the logistical change to from rail/barges to ships.

If tariffs are imposed this would be bearish for maize prices. US Managed Funds are at high net long positions on maize, so price movements could be amplified if they decide to liquidate these positions.

The very wet weather in Brazil is delaying the soya harvest and consequently also the Zafrina maize plantings. Concerns are rising as the ideal window for planting closes at the end of February.

Meanwhile large parts of Argentina are still very dry and their maize crop good/excellent ratings have now fallen back to 28%, with production forecasts also falling back to 48MT locally vs the USDA at 50MT. The forecast ending stocks and stocks:use ratio of the major exporters is falling and could go further if the Zafrina crop in Brazil cannot be planted or ends up in poor condition.

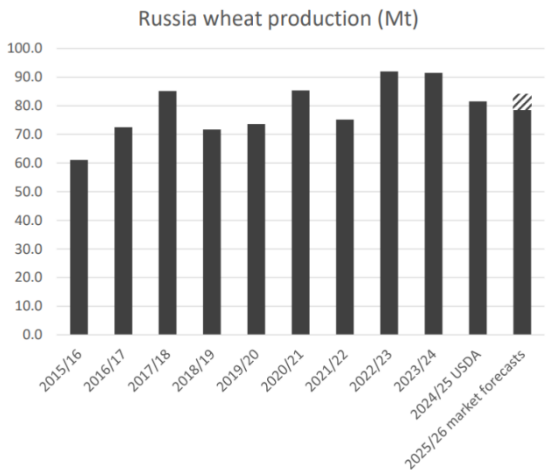


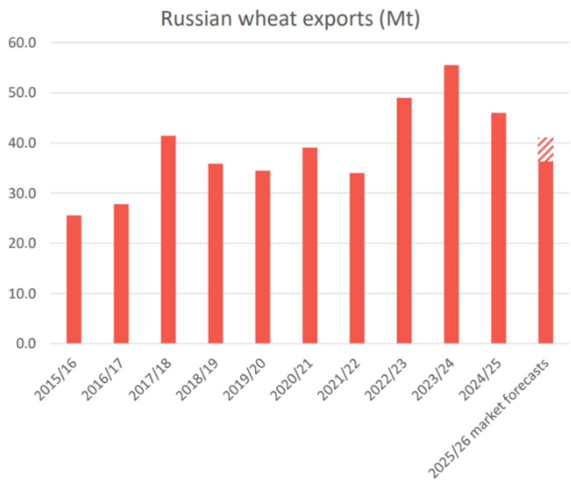
With the recent higher maize prices and lower oil prices the value and margins for ethanol have been lower and production has fallen.

Any US tariffs which are eventually imposed are likely to have much less of an effect on wheat prices than those of maize or soyabeans as the US exports much less wheat.

Russian exports are slowing and will slow further as their export quota of 10.6MT from mid-February until harvest comes into play (compared with 23MT for the same period last year). Their stocks in January 2025 are reported to be 30% lower than in January 2024.

The outlook for the 2025 Russian crop is uncertain with the very dry weather they have experienced. The latest forecast is that their exportable surplus for 2025/26 could be lower again at 36MT vs 55MT in 2023/4.





Russian prices are unlikely to be so aggressive again and are continuing to converge with prices from other countries as their supplies become tighter. EU, US and Australian exports are filling the gap.

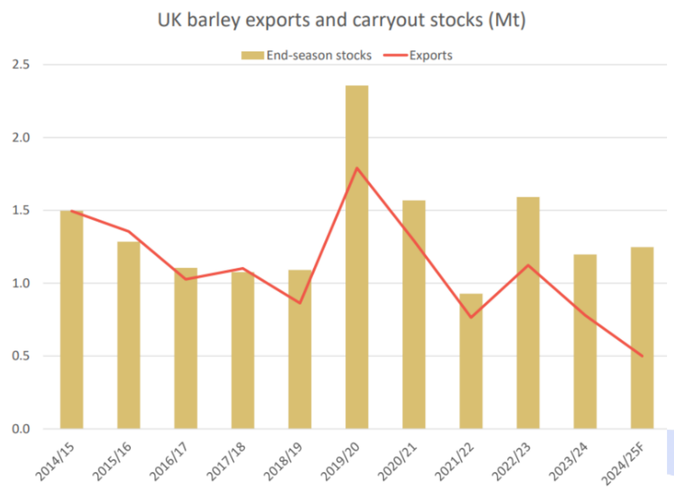
It is not yet clear how much winterkill damage has been done to the US wheat crop following the extremely cold snap there, with temperatures down to -33C.

France has had an exceptionally wet autumn/winter and again the extent this has had on yields or qualities is not yet known.

World ending stocks are still forecast to be extremely tight (the lowest since 2007/8) with little prospect of these being replenished by the 2025 harvest.

In the UK, the Humberside premium over East Anglia has fallen from up to £20/t at times in 2024 to £10/t as lower ethanol margins take their toll and production is reduced. Wheat prices continue to move sideways with May futures still around £185-190/t and February ex-farm prices around £187/t. There is little trade being done as arable farmers hold stocks in the hope of higher prices.

Barley exports have been slow so far as Ukraine has been meeting EU needs but this should change now as their stocks dwindle. UK end of season stocks look like they will end up slightly higher this year following a large 2024 crop. Prices continue at a significant discount to wheat at around £25-30/t and well worth considering as an alternative for covering up to harvest as needed and beyond.

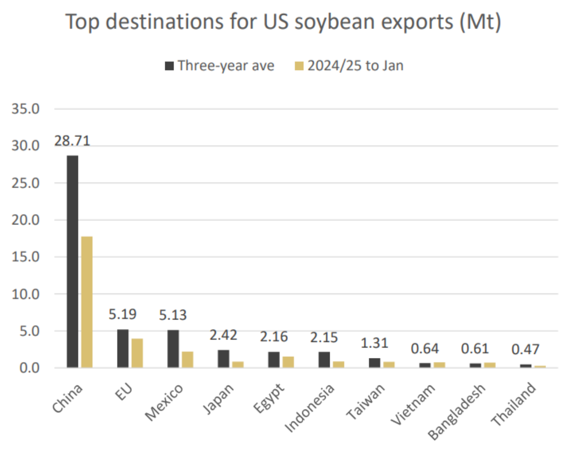


November 2025 wheat futures prices are around £195/t so with all the upside risks from weather events, reduced Russian exports and very tight stocks CRM feel it would be worth taking some cover for next winter now.

The UK has been importing a lot of milling wheat. Much has been coming from Germany and the quality has been exceptionally good. This means little waste and therefore little wheatfeed, so prices are generally POA and if you can get them have increased to a 17-month high of around £175/t and a discount to Hi pro soya of only £140/t.

Proteins- the details:

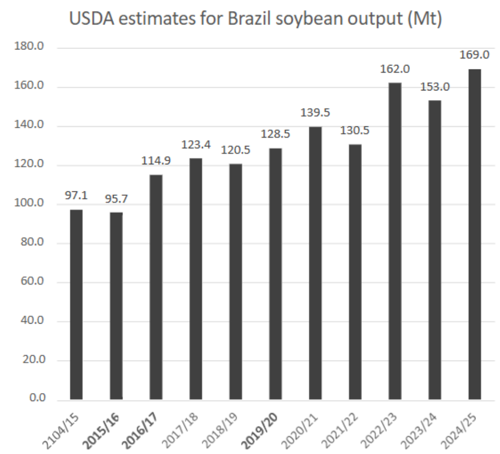
So far, the US has not imposed the 65% import tariffs on Chinese goods and with only an additional 10% the Chinese response has been limited and targeted to certain imports from the US, not including grains or soyabeans. China is by far the largest importer of US soyabeans (see below) so Chicago soya bean prices have recovered after falling in anticipation of higher tariffs.

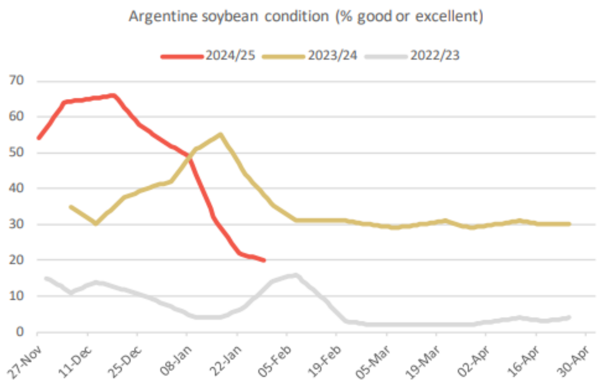


There are also increasing concerns over the soya crops in Brazil and Argentina. Brazilian exports are at seasonal lows and the continuing very wet conditions are significantly delaying this year's harvest and more rain is expected.

The USDA are still forecasting a Brazilian crop of around 169MT with some local forecasts well above this, but it is now significantly delayed and hauling the crop to the ports could also become a challenge.

In many areas of Argentina, the very dry weather associated with the La Nina weather pattern is causing the good/excellent crop ratings to fall from 66% in December to only 20% with lower yields/total production now forecast.





Argentina has cut the export tax from 31% to 24.5% until the end of June so this may encourage more farmers to sell out of store and result in more meal production.

US soya meal prices have fallen back but have now stabilised at around 4-year lows. Again, the threat of US tariffs has had a destabilising effect on canola/OSR markets. The US is by far the biggest importer of canola meal and oil from Canada so a tariff/trade war would have a huge effect.

Paris rapeseed prices recovered to €520/t following the announcement of a delay in the imposition of tariffs on Canadian. The price differential between Winnipeg canola and Paris rapeseed has fallen from $140/t where it was at times in 2024 to only $80/t now.

EU rapeseed imports continue to lag. As Ukrainian supplies run out more is coming in from Australia.