Technical Update – Feed Market

Information correct as at 09:00am on 21.02.2025

- Geopolitics are to the fore as Trump announces new plans on an almost daily basis.
- Wheat and maize stocks remain tight.
- Forecast soya stocks are also being reduced.
- Still opportunities to cover future requirements at reasonable prices.

Summary

Wheat and maize stocks remain tight, with unfavourable growing conditions globally. Argentina is experiencing dry weather whilst parts of the US and Russia are forecast to have very low temperatures. There is some snow cover which may give crops some protection, but the full effects will not be known until the weather warms up. Therefore, we see an increasing likelihood of price rises so take forward cover whilst milk price: feed price remains strong.

Brazilian soybean harvest and exports are creating a floor in soybean market. There could be some further downward price pressure, but it still looks like a good opportunity to buy at present.

EU is now reliant on Australian and Canadian rapeseed imports and we are likely to see prices rise through 2025.

General:

Geopolitical pressure is causing volatility in the markets and the £ has fallen against the $ by 0.3%, making imports more expensive.

The start of peace discussions between Russia and US over Ukraine/Russian war has strengthened the Russian Ruble, causing bearish grain markets as Russia becomes less competitive in wheat markets because of reduced need to export grains to fund the cost of the invasion.

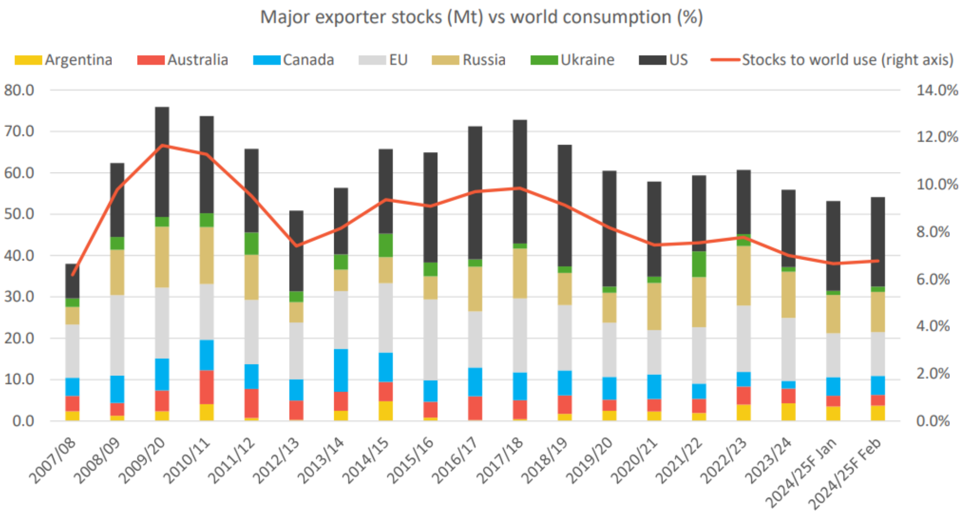
Ukraine is unlikely to resume the same level of wheat exports for another 18 months whilst land is cleaned up to be used for growing crops once again.

The almost daily declarations from Trump are making decision making very difficult. There is continuing pressure on markets with threats of tariffs from the US. To counter these a more assertive position is being taken by the EU to ban some US imports that do not meet EU standards.

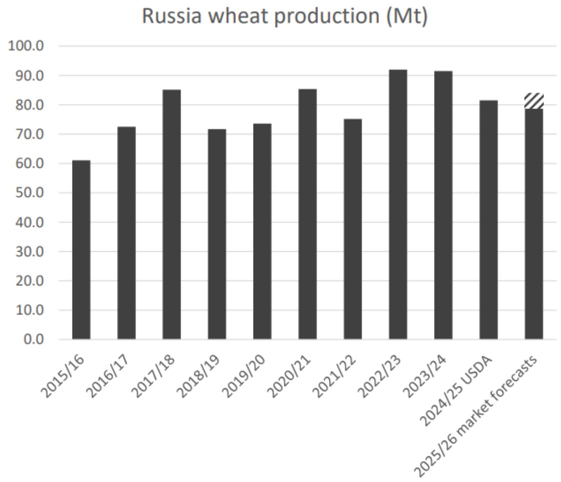
Cereals – the details:

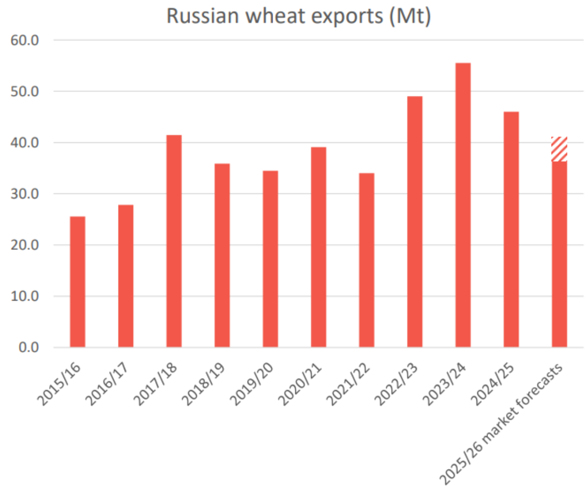
The forecast for global wheat output remains static. The International Grain Council world output is predicted to be 795MT vs. 805MT consumption. This is one of the tightest levels of stock: use ratios since 2012 with net funds running a considerable short position.

Overall EU crop ratings are slightly above average, but the French wheat crop is predicted to be poor. This, coupled with Black Sea and US Winter wheat crops facing significant cold temperatures has affected forecasts.



Russian wheat is becoming less competitive as pressure for exports fall and the Ruble gains strength. Russian wheat production and exports are forecast to be reduced by 10MT for 2025. Recent snow covers here and in North America may protect wheat regions from extremely cold temperatures, limiting damage.

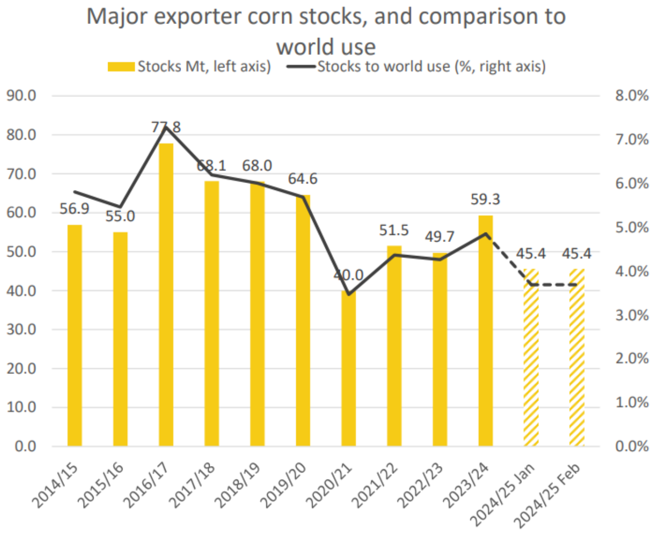


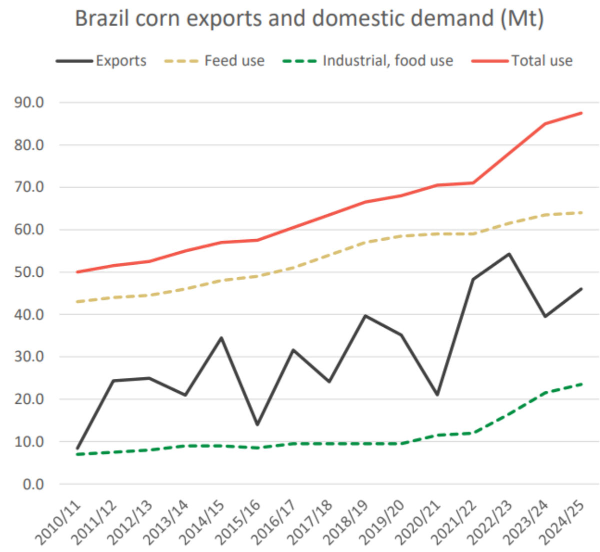


The latest WASDE report predicted little change to maize exports at 45MT with stock estimates remaining tight at 39.1MT down from 52MT in September and stocks: use remains tight, similar to the wheat situation.

Brazilian maize is now pricing itself out of the export market as domestic use and ethanol production increase. Maize used for ethanol production is double that of 2020 values at 22MT.

The Brazilian Safrinha maize sowings are accelerating, although still only 2.4% greater than 2024. Acreages remain modest versus historic levels due to the high cost of production and a depressed cereal market. A crop 126MT is expected from an area of 20Mha.





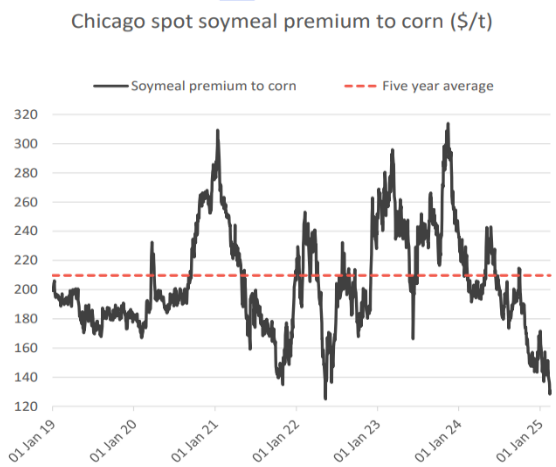
In Argentina the maize crop estimate is still falling as the dry weather continues. A 50MT crop is predicted, which is the lowest forecast for seven years. Buyers are taking a net long position with maize purchasing. There is fear that if there is a sellout this would cause significant downward price pressure, so this remains unlikely

Proteins- The details

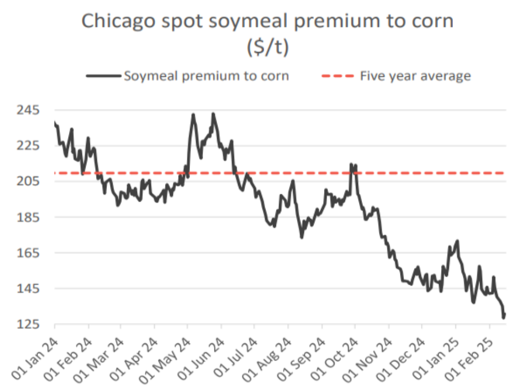
Argentinian soya stocks have been cut by a modest 3MT to 49MT whilst Brazilian soya stocks are down by a further 1MT. Although soya stocks are not currently tight, they are much tighter than they were a couple of months ago. This should mean that the price remains static at best with further price falls unlikely.

The acceleration of the Brazilian harvest, although behind on a typical year, is keeping a floor on soya prices as exports remain strong. Argentina is experiencing an unusually large soyabean crush because of the narrowing gap in exchange rates and the removal of the export tax from January to June.

The premium for soya versus maize has narrowed further and is well below average levels, which presents a good buying opportunity.



Short-term chart



The Brazilian Soya lobby are refusing to recognise the EU EUDR compliance, advising growers to reject the terms unless a premium is paid, however, with a 170MT harvest predicted it would be likely the buyer has more power than the seller in the current market.

Increases are now being seen in EU imports rapeseed imports, now over 4MT and catching up with the record season of 2021. The EU will rely on Australian rapeseed and Canadian canola for imports whilst Ukraine imports recover post war.

There was an import opportunity for Europe from Canadian canola earlier this year vs. Paris rapeseed whilst the premium for canola over rapeseed fell away. The canola has since recovered as the AAFC expects a drop in the area grown, resulting in fewer exports, whilst also reporting reduced stocks, down 500k tonnes below average levels.

The recent strength in the rapeseed price has been a result of buyers taking a net long position with funds. With the smallest UK rapeseed crop since 2012 (600k tonnes) forecast we expect further price rises through 2025 so taking cover is advised.