

# Covid-19 Update - Feed Markets

Information correct as at 12:30pm on 03.04.2020

- Spot protein prices have rocketed due to effects of Covid-19 on currency, supply and demand
- Crude oil prices remain low (\$30 to \$35/barrel) affecting crushing margins for oilseeds and weakening the Russian Rouble
- Rapemeal prices rising due to depressed crush margins and reduced crushing activity. Forward prices are still favourable at around £200/t ex dock from August onwards
- Soyabean meal prices rising on the back of rumours of disruption at Argentinean ports
- Russian export quotas introduced for oilseeds and cereals
- UK feed barley prices favourable when compared to feed wheat
- Supply shortages on certain mid proteins (distillers' grains) imminent due to lack of ethanol demand (Down 50%)
- Now is not the time to be panic buying

## Cereals

The CRM target 'buy' price for wheat in the November LIFFE is now £160. However, barley represents excellent value for money, and is likely to remain so. There has been an increase in Spring barley drillings due to the wet Autumn, and with the lack of sporting events, comes a reduction in brewing activity, so the malting premiums are almost non-existent, thus more feed barley will hit the market.

US maize drillings are at their highest level since 2012, but wheat drillings are at their lowest level since 1919. Russia, the Black Sea region and Ukraine are now the top exporters of wheat and prices will be driven by the weather in these regions. Rain will be needed in the Black Sea by mid-April otherwise yield prospects will be affected. With oil prices very low, the Russian Rouble tumbled against the \$, forcing Russia to introduce export quotas (the same have been applied in Ukraine and Kazakhstan).

UK wheat is relatively expensive vs US maize grain so this should cap any rally on price. US maize prices have fallen due to demand for ethanol being destroyed by low oil prices. This does mean a shortage in distillers' grains is looming, but maize grain prices may not rally as an extra 30-60mmt will be available. The message with cereals is 'don't panic buy', the rally on price has been due to Covid-19 - now we wait for a global market correction.

## Proteins

Soyabean meal prices are very volatile due to sudden demand shocks, but also due to quarantine restrictions on shipping in Argentina, the biggest exporter of meal, being extended to mid-April. This could also affect the supply of soya hulls. The peak of Argentinian crushing activity occurs in June & July, if export restrictions are lifted and exports increase, we should see a market correction in price. We talk in milk production terms of the effect of the Milk: Feed price ratio on milk output, US farmers talk about the Soyabean: Maize Grain ratio which is currently 2.4-2.5 meaning they are likely to plant more soya than maize.

Rapemeal prices have been rising quicker than Soyabean meal, with current spot prices now £255/t for May vs Soyameal at £370-£375/t. Forward prices for the autumn are currently around £200/t. Globally Canada is likely to plant less OSR as returns for wheat are better whilst the Australian OSR crop has better prospects.

*This factsheet has been prepared by Kite Consulting for Farming Connect.*



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connect  
cyswllt  
**FFERMIO**  
08456 000 813