Technical Update - Feed Markets

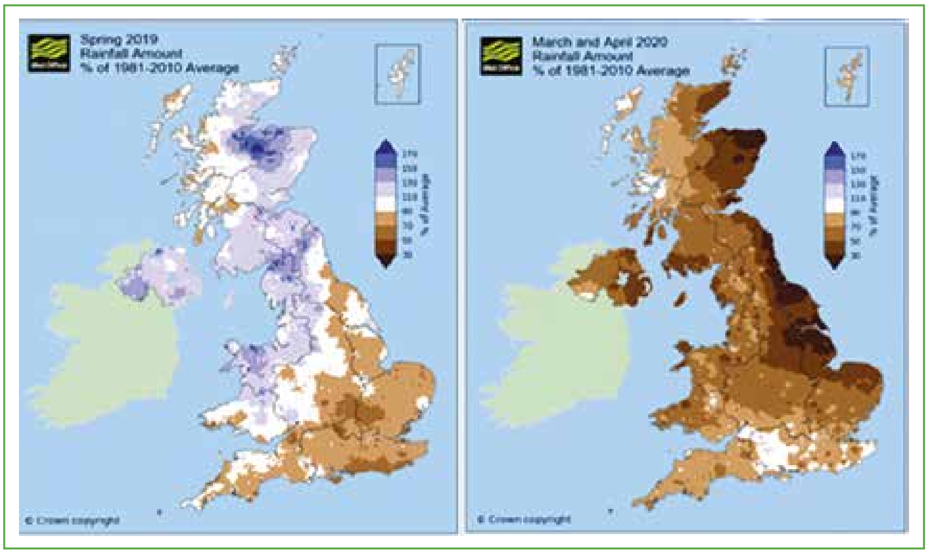
Information correct as at 14:00 on 29.05.2020

- Drought is the main topic this week as dry weather continues
- Forward prices for rapemeal and soya hulls are looking good
- Differential between wheat and barley means relative value of latter is excellent
- Markets expecting further falls for maize and soya

Cereals:

Following the exceptionally wet autumn/winter and very dry spring the latest crop assessment for English winter wheat condition is around 30% Good/Excellent vs 80% for 2019 at this stage and compounded by a much smaller area planted. For winter barley only around 25% is rated Good/Excellent compared to 90% in 2019.

Overall, the UK had around 40% of its average rainfall in April with many eastern areas particularly badly affected.



Source: Met Office

Crop conditions across much of Europe are similarly poor, with French winter wheat currently around 56% Good/Excellent compared to a 5-year average of 88%.

Weather forecasting models are generally showing little rain in the outlook period into June, but accuracy is down as far less data being captured due to fewer aircraft movements.

Although there has been some rain in Ukraine and Southern Russia, much more is needed soon to avoid significantly reduced yields. As a result, the Russian wheat crop forecast has fallen from 77.2MT two weeks ago to 75.6MT today.

The Russian Rouble is strengthening with rising oil prices (Brent Crude now back to $36/barrel) and this is supporting wheat prices. However, with plenty of stocks and the hot, dry weather encouraging an early harvest a lid should be kept on prices.

UK feed wheat is currently around £153/t ex farm with price at harvest £161/t so, where storage allows, old crop will be rolled forward. UK feed barley is around £122/t ex farm both now and at harvest. The price differential between wheat and barley at harvest has widened further and is currently around £43/t and the gap is still £32/t for November compared with a 10-year average of £15/t.

US maize plantings and early growth are good with first ratings at 70% Good/Excellent. With US maize stocks growing due to lack of demand for bioethanol US funds are "short", anticipating a further fall in prices. They are currently selling at around $3/bushel, but could fall to $2.50-2.70, the equivalent of around £70-80/t. Although the EU has tariffs which prevent the importing of this cheap maize, low prices in the US have a depressing effect on cereals around the world.

Proteins:

The very poor autumn/winter/spring UK weather conditions plus flea beetle damage has had a crippling effect on the UK Oilseed Rape crop. The latest estimate is that the viable area is only around 350kha compared with a 5-year average of 580kha (60%). This is likely to result in a UK crop of around 1MT compared with a normal demand of around 2MT. As most of this is food industry related rather than for biodiesel, demand is not expected to be much lower. Rapemeal spot prices have eased back a little further due to lack of demand with new season prices from August still very attractive at around £190/t ex Erith.

Continuing tension between the US and China means it is unlikely that China will hit the target set for soyabean purchases in the current trade deal. As oil prices gradually recover more soyabeans are being crushed, improving the supply of soyameal and soya hulls. The latter have further eased back in price and look very good value at around £150/t spot and forward. US funds are "short" on soyameal, so again are expecting a further fall in prices. UK prices are currently around £300/t spot and forward.

US maize distillers' prices have dropped significantly from their late March peak of around £245/t to around £215/t today, but wheat distillers have not fallen back as much and are £235/t today vs £250/t in late March.

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

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