Covid-19 Update - Technical Update - Feed Markets

Information correct as at 10:00am on 05.06.2020

- Some rain now falling across UK, but will it be enough?
- Straw prices set to rise due to smaller crops and reduced forage supplies
- Biofuel bi-product supply will be tighter due to low oil prices

Cereals:

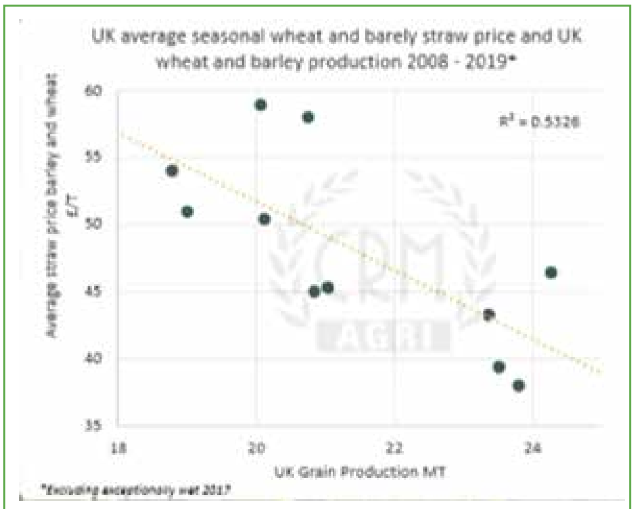
It is still very dry still across much of Europe, but some good rainfall in the Black Sea/Ukraine regions and some more to come is benefitting wheat and maize even more so.

Much of the rest of Europe is due some rain over the next 2 weeks, but confidence on how much is low, so the outcome for cereal yields is still not certain. On a positive note vegetation Indexes, which indicate "health" of crops, are not as bad as they were thought to be across northern and western Europe.

The UK is still looking at low wheat production of around 10MT, but could have a record barley production of around 8MT, depending on the weather, so a total cereal harvest of around 18MT. This is 22% less than 2019. We are seeing some small cereal price increases due to concern over drought, but early harvests and lower demand will limit these, as will a record UK carry over of wheat to next crop year predicted at around 3.4 MT with around £10/t higher prices for next season.

In the US corn planting and emergence good, so with lower demand and high stocks the short/medium term outlook is for maize prices to continue to be low.

The chart below shows the correlation between grain production and straw price. With the lower wheat planted area, poorer crops and lower grain production this year it means the price of straw is likely to be high. Demand will be further driven by other factors, including lack of forage and lower sawdust/shavings production.

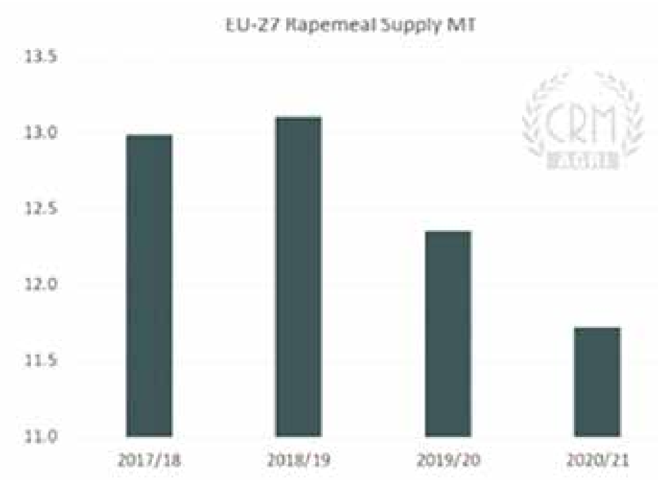


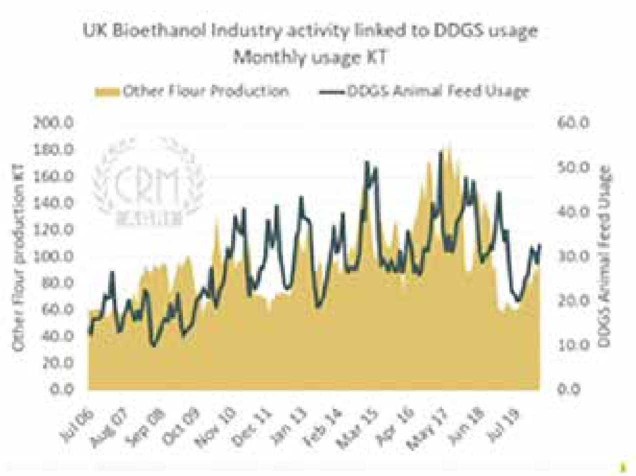
With current prices for big square bales around £50-60/t ex farm now would be a good time to update the forage budget for the year and book straw deliveries.

Proteins:

Following the spike in price during March both soyameal and rapemeal prices have steadily come back to around the 5-year average at c.£300/t and £200/t (ex-Erith) respectively. Forward prices for soyameal are pretty static but new crop rapemeal is around £185/t ex Erith for August to October, rising to £193/t for November to April 2021 and worth booking well forward.

In the short/medium term outlook period the supply of EU rapemeal suggests it is going to be much lower (see chart below left) due to major issues with growing the crop and lack of demand for rape oil. Distillers' grains supply is also likely to fall as demand for biofuels is low. The chart below right shows how the use of use of wheat DDGs in animal feeds has fluctuated with increases and decreases of supply. The peak occurred when both Vivergo and Ensus were producing at their highest levels. Wheat distillers' prices at £234/t are currently much higher than US Maize Distillers at £204/t.





With forage short on many farms, high fibre feeds such as soya hulls at around £150/t or wheatfeed at around £130/t in the Midlands are worth looking at to bulk out supplies.

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