

CORN Market



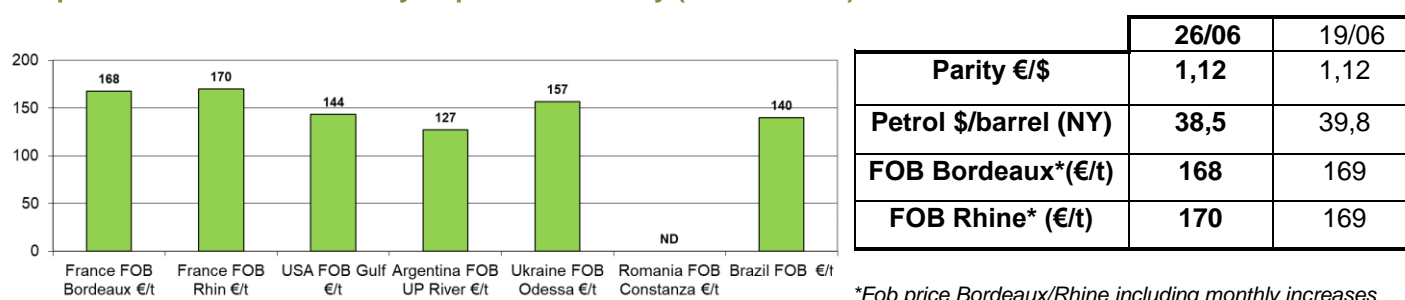
Weekly economic newsletter of the European Confederation of Maize Production

Week 27/2020

N°225

Indicators

FOB price 26/06/2020 in €/t – July-September delivery (2019 harvest)



WORLD : Rain brings prices down in Chicago

From 19/06 to 26/06, the Chicago July delivery price dropped by \$6/t to reach \$125/t. They thus returned to their early May levels, close to the lowest prices reached during the coronavirus crisis.

This drop in prices, in the context of a particularly heavy 2020/21 balance sheet, can be explained by the improvement in growing conditions (+1 point to 72% of maize in "good to excellent" conditions, compared to the previous week) but also by the return of heavy and widespread rainfall on the Corn Belt as the east and northwest of this zone began to suffer from water stress. This week promises to be drier and warmer.

The good weekly demand figures have not managed to reverse the trend. Weekly export sales stood at 1.3 Mt, of which 66 Kt for China, while, compared to the previous week, ethanol production increased by 6% (to 893 K barrels/day) and stocks decreased by 1.5% (to 21 million barrels). However, operators are still concerned about the impact of the resurgence of the epidemic on demand in the United States. They will also be attentive this week to the publication of the USDA's acreage report. A downward adjustment is expected in favour of soybeans, while most analysts estimate planted area to be 1 million hectares lower than USDA's initial projection (39 million hectares planted).

In its June report for the 2020/21 crop year, compared to last month, the IGC revised world production upwards by 3 Mt to 1172 Mt, and world consumption down by 3 Mt to 1,141 Mt due to an adjustment in industrial demand. World stocks are projected to rise by 8 Mt to 296 Mt, their lowest level in six crop years, but with stocks of the main exporters rising sharply due to the US balance sheet. This outlook is weighing on prices.

In Argentina, 78% of the harvest has been harvested, compared to 49% on average over the last 5 crop years. In Brazil, 15% of safrinha maize has been harvested and good yields in Mato Grosso could compensate for crop losses in the south of the country. The USDA expects 70 Mt of exports for these two countries in the current crop year.

EUROPE: Tariffs lowered

As a result of the rise in US prices in recent weeks, but also of the increase in the Gulf premium and freight costs, which serve as representative import prices for the establishment of European customs duties, import duties have gone from €10.3 to €4.7 per tonne. This is because they are calculated on the difference between the calculated representative import price and a threshold of €157 /tonne. They are only changed when this difference reaches €5 /t compared to the previous duties set. Thus, if the recent fall in US prices were to continue in the coming weeks, duties could increase again.

In its June assessment for the 2020/21 crop year, the European Commission has revised the EU production upwards by 500 Kt to 71.9 Mt compared to May. Feed consumption is revised up by 400 Kt, therefore carryover stocks are revised up by 100 Kt to 25.9 Mt.

To be monitored:

- US acreage
- EU and Black Sea weather
- EU imports