

CORN Market



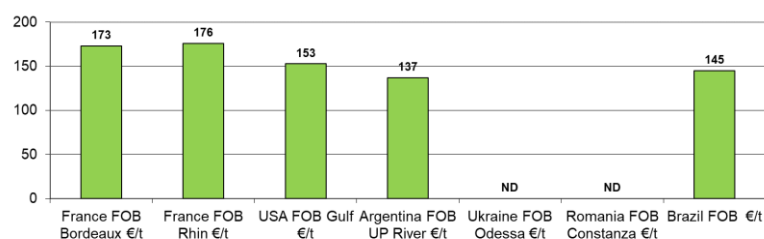
Weekly economic newsletter of the European Confederation of Maize Production

Week 28/2020

N°226

Indicators

FOB price 03/07/2020 in €/t – July-September delivery (2019 harvest)



	03/07	26/06
Parity €/€	1,12	1,12
Petrol \$/barrel (NY)	38,5	39,8
FOB Bordeaux*(€/t)	168	169
FOB Rhine* (€/t)	170	169

*Fob price Bordeaux/Rhine including monthly increases

WORLD : Decreased acreages in the USA

Following last week's USDA acreage report on major crops, U.S. prices reacted strongly. From 26/06 to 03/07, they gained \$10/t to stand at \$137/t on the July delivery.

This report surprised analysts and operators by reducing the American corn acreage for the 2020/21 crop year by 2.3 Mha, against an expected decrease of about 1 Mha, for a total of 34 Mha. This downward revision of acreage has led to a sharp rise in prices in Chicago. This is in particular due to the activity of non-commercial funds which reduced their net short position, unusually large in this part of the crop year, by nearly 100 thousand contracts last week. Moreover, the weather forecasts for July also support this upward movement.

As the weather on the Corn Belt is expected to be hot and dry (in the centre of the zone) in July, maize is about to start flowering, which could lead to lower yields. However, there are still many factors at play for maize prices. The acreages, although significantly reduced, are still 1.3 Mha larger than those of the previous crop year. Concerns about demand, particularly for cattle feed and ethanol, have not been lifted because of the scale of the epidemic in the United States. Moreover, carryover stocks for 2020/21 are expected to remain heavy. Taking into account the increase in initial stocks and a probable reduction in demand, they could be around 70 Mt compared to the current 83 Mt. Traders will be watching the USDA's supply/demand report to be released this Friday. It will be the first to resume projections for the crop year with the new acreage figure.

In South America, harvests are continuing. In Brazil, 15% of the safrinha maize crop had been harvested as of 01/07 compared to 13% on average over the last five crop years. Brazilian and Argentinean origins remain the most competitive in the near future, particularly for Asian markets.

EUROPE: The EU remains the world's leading maize importer.

With the 2019/20 crop year ending on 1 July, the EU is expected to remain the world's biggest maize importer for the third consecutive year. Indeed, just over 19.5 Mt will have been imported. This figure is lower than the 24.1 Mt of the 2018/19 crop year, but this is primarily the result of greater availability of straw cereals. Ukraine remains the first source of supply (a third of imports) for the EU, followed by Brazil (a quarter of the volume). Due to a higher projection for European production, (increase in areas and good yields), imports for the 2020/21 crop year are, at this date, projected at 16.6 Mt by the European Commission.

While heavy rains are expected over Central Europe this week, hot and dry weather is expected to set in in Ukraine and Russia in July; an important period for yield development.

To be monitored:

- USDA Report
- Weather in the US

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