

CORN Market



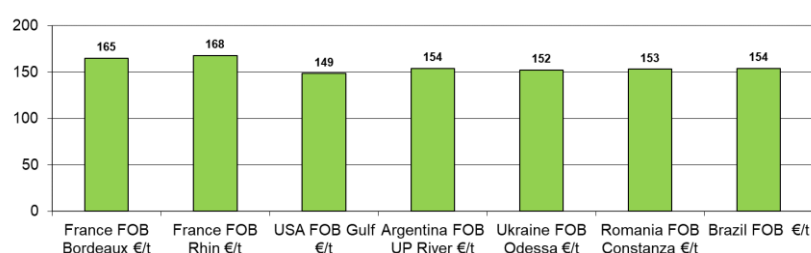
Weekly economic newsletter of the European Confederation of Maize Production

Week 36/2020

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Indicators

FOB price 28/08/2020 in €/t – August-September delivery (2020 harvest)



	28/08	21/08
Parity €/€	1,19	1,18
Petrol \$/barrel (NY)	43	42,3
FOB Bordeaux*(€/t)	165	166
FOB Rhine* (€/t)	168	167

*Fob price Bordeaux/Rhine including monthly increases

WORLD : U.S. courses back up in August

Chicago December delivery prices gained nearly \$15/t in August. In fact, after a rather weak USDA monthly report at the beginning of the month (US crop projection of 388 Mt), the prices went up. This was firstly due to the Derecho storm at the beginning of the month, which severely affected crops and storage capacity in Iowa, the main producing state in the Corn Belt (around 20% of US production). More broadly, this was also due to a continued deterioration in maize growing conditions, particularly due to the lack of rain, which penalised filling. As a result, 64% of US maize is judged to be in "good to excellent" conditions, 8 points lower than at the beginning of the month. In addition, demand is also contributing to the rise in prices, with major Chinese purchases reported throughout the month against a backdrop of strong demand for animal feed and pressure on barley and spent grain supplies (higher customs duties). Against this backdrop, non-commercial funds reduced their net short position.

However, this improvement in US prices should be observed with caution. Indeed, Chinese demand could weaken once the quota of imports at reduced customs duties (7 Mt) has been used up, while demand from the ethanol industry, which is the destination of 40% of US production on average, has stagnated at a lower than average level for several weeks. Moreover, the American harvest should remain very large with a substantial average yield (111 q/ha for the ProFarmer analyst after the latest crop tour). The same statement is valid at the global level where the CIC evaluates production in its August report at an historical high with 1,166 Mt. Moreover, while prices rose sharply in August, at around \$141/t, they are still \$10/t below their pre-Covid-19 level.

EUROPE: Downward revision of yields

In the MARS report of August, the European Commission revised its yield projection downwards compared to July. Because of the drought, it is now 80 CwT/ha (-2 CwT/ha). The drought particularly affects France and Germany, but also the Black Sea area (Bulgaria and Romania) where the Eastern areas are particularly affected. The same is true in Ukraine (Central and Southern) and Southern Russia where grain formation and filling have been penalised by hot and dry weather. The deterioration of the Ukrainian production potential should however be limited due to the increase in acreages.

As of 24/08, the EU had imported just over 2 Mt of maize, a higher rate than that of the previous crop year (1.8 Mt) and the average of the last 3 crop years (1.7 Mt). The Brazilian origin, which is very competitive, is the best represented.

To be monitored:

- Situation in South America
- EU figures
- Grains Strategy Report