

CORN Market



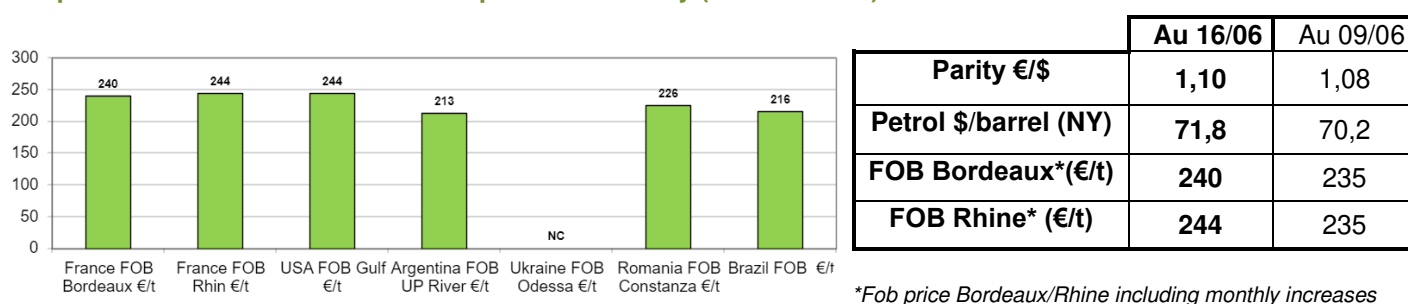
Weekly economic newsletter of the European Confederation of Maize Production

Week 25/2023

N°352

Indicators

FOB prices 16/06/2023 in €/t – June-September delivery (2022 harvest)



WORLD: Weather drives up prices in Chicago

From 09/06 to 16/06, the price of July delivery in Chicago rose by \$14/t to stand at \$252/t. The rains are still not coming to the centre of the Corn Belt, prompting speculative funds, in a net short position, to hedge.

On 11/06, 61% of US maize was in "good to excellent" condition, a further 3-point drop on the previous week. Reports of rain failed to materialise in the central Corn Belt, reinforcing the water deficit in this area. Only the west of the Corn Belt is expected to receive rain this week. This situation has caused prices in Chicago to react strongly in recent weeks, as speculative funds, now in a net short position, are being forced to hedge, and as the increase in stocks expected by the USDA for the 2023/2024 crop year is partly based on an assumption of record maize yields.

Net export contracting last week reached 273 Kt, in line with operators' expectations. Canada has announced that it is joining the United States in its complaint against Mexico under the North American Free Trade Agreement, while Mexico wishes to limit imports of GMO maize. Operators are also keeping a close eye on Bunge's announcement that it is to take over Viterra, which would enable this heavyweight in the agricultural commodities trading sector to move up to 2nd place behind Cargill.

Traders were surprised by the higher-than-expected level of US oil stocks. This news could penalise ethanol production in the coming weeks, as the US Environmental Protection Agency is due to announce on 21/06 the level of the mandate for the incorporation of ethanol into fuel for the next 3 years.

In Brazil, the safrinha maize harvest is starting in Paraná, in the south of the country, the 2nd largest producer. The arrival of this record crop of Brazilian maize in the coming weeks should temper the upward pressure on prices caused by the weather situation in the USA, especially as international demand, particularly from China, remains subdued.

EUROPE: Renewed pressure from Russia

The Russian authorities and Putin himself publicly announced last week their doubts about the possibility of renewing the agreement on Ukrainian exports on 18 July. The agreement is already operating in slow motion, due to a lack of Russian inspections, but has so far allowed 32 million tonnes of agricultural raw materials to be exported, including 16 million tonnes of maize. The reaction of China, along with the EU, the leading destination for these exports, will be closely watched.

While the Fed kept its key rates unchanged last week, the ECB decided on a further 0.25% hike, boosting the euro. This makes European exports less competitive, especially wheat, and imports more competitive, especially maize.

To be monitored :

- War in Ukraine
- Corn Belt weather
- US ethanol mandate