Global maize market: latest developments and forecasts

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So where do we stand? Maize export prices hit a six-year high recently on firm international demand and tightening supply.

IGC GOI maize sub-Index*

Jan 2000 = 100

- record purchases by China,
- robust international demand,
- adverse crop weather in the US, Ukraine,
- Dwindling spot availabilities and 20/21 planting concerns in S America,
- US production/stocks cuts

Highest since May’14

- recovering US ethanol output,
- logistical challenges in Argentina,
- declining 19/20 crop prospects in Brazil,
- climbing crude oil prices,
- weakening US dollar

* Represents the average for spot fob prices in the main exporters (Argentina, Brazil, Ukraine, USA)
US futures market also reflects a strong bullish stance of traders (despite worries about COVID-19 downside risks)

Commitment of traders: Money managers’ positions in the CME futures market

Highest net long since May’14

<table>
<thead>
<tr>
<th>3 Nov 2020 (000 contracts)</th>
<th>Net position</th>
<th>Year ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize</td>
<td>+270.4</td>
<td>-88.1</td>
</tr>
<tr>
<td>Oats</td>
<td>+1.6</td>
<td>+1.4</td>
</tr>
<tr>
<td>Rice</td>
<td>+1.9</td>
<td>-0.3</td>
</tr>
<tr>
<td>Soyabean</td>
<td>+204.3</td>
<td>+65.8</td>
</tr>
<tr>
<td>Soya oil</td>
<td>+88.5</td>
<td>+75.4</td>
</tr>
<tr>
<td>Soyameal</td>
<td>+83.8</td>
<td>-28.5</td>
</tr>
<tr>
<td>Canola</td>
<td>+55.1</td>
<td>-42.1</td>
</tr>
<tr>
<td>CME Wheat</td>
<td>+47.2</td>
<td>+7.8</td>
</tr>
<tr>
<td>KCBT Wheat</td>
<td>+45.2</td>
<td>-30.4</td>
</tr>
<tr>
<td>MGE Wheat</td>
<td>+7.2</td>
<td>-9.0</td>
</tr>
<tr>
<td>Black Sea Wheat</td>
<td>+13.6</td>
<td>+6.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>+818.7</strong></td>
<td><strong>-42.0</strong></td>
</tr>
</tbody>
</table>

Source: Commodity Futures Trading Commission (CFTC)
Supply prospects have tightened in recent months, but still look adequate against uncertain demand backdrop.

**Supply** in 2020/21 could tighten for a second successive year, with smaller opening stocks partly compensated by a potentially record production.

Still, availabilities will remain above the average level.

**Consumption** in 2020/21 is tentatively placed at a new high on expectations for record food / feed uptake and a rebound in industrial processing.

1% y/y growth will be slower than average, partly linked to the impact of the COVID-19 pandemic.

2020/21 carryovers could be the lowest in seven years, led by a drawdown in China, with main exporters’ stocks also down y/y.

**Trade** is seen hitting a new record, led by larger deliveries to the EU and Pacific Asia.

* Argentina, Brazil, Ukraine, USA
Record global crop is still expected, despite contrasting prospects and recent downgrades for the northern hemisphere.

**2020/21**

<table>
<thead>
<tr>
<th>Production</th>
<th>Area</th>
<th>Yields</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>m t</td>
<td>m ha</td>
<td>t/ha</td>
<td>Δ y/y (m t)</td>
</tr>
<tr>
<td>1,144.9</td>
<td>197.7</td>
<td>5.79</td>
<td>1,145 m t</td>
</tr>
</tbody>
</table>

**Higher Δ y/y (m t) Δ y/y**

- USA: 22.5 7%
- Brazil: 10.0 10%
- Mexico: 1.2 4%
- Indonesia: 1.0 8%
- Canada: 0.9 7%
- Egypt: 0.7 11%
- Serbia: 0.7 10%
- Turkey: 0.5 8%

**Lower Δ y/y (m t) Δ y/y**

- EU-27: -8.0 -12%
- Ukraine: -6.9 -19%
- Argentina: -4.2 -7%
- China: -2.8 -1%
- Russia: -0.3 -2%
- South Africa: -0.2 -1%
- India: -0.1 -0.4%

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Industrial and feed demand are projected to increase, but the outlook is clouded by the ongoing pandemic.

Global feed use is expected to grow by less than 1%, mainly on gains in Pacific Asia and South America.

An acceleration in use for ethanol in the US accounts for much of the projected 3% rebound in industrial uptake.

Note: Size of the bubble represents forecast feed use in 2020/21 (m t).
Another stock drawdown is envisaged, with ex-China and main exporters’ inventories seen at five-year lows. Still adequate?

Ex-China stocks

Changes in stocks

* Argentina, Brazil, Ukraine

* Main exporters
China’s emergence as a major buyer could lead a 6% y/y expansion in trade, but prospects across regions are mixed.
Record MY sales and competitive prices highlight the potential for a sharp y/y rebound in US exports

Outstanding US sales for MY2020/21 (Sep/Aug)

<table>
<thead>
<tr>
<th>Country</th>
<th>19/20</th>
<th>20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unknown</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Japan</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mexico</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>China</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>World</td>
<td>26</td>
<td>26</td>
</tr>
</tbody>
</table>

5-year. ave. | 5-year. ave. | 5-year. ave. | 5-year. ave. | 5-year. ave. | 5-year. ave. |

Spots fob export quotations

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Ukraine</td>
<td>160</td>
<td>180</td>
<td>200</td>
</tr>
<tr>
<td>Brazil</td>
<td>150</td>
<td>170</td>
<td>190</td>
</tr>
<tr>
<td>Argentina</td>
<td>140</td>
<td>160</td>
<td>180</td>
</tr>
<tr>
<td>US Gulf</td>
<td>130</td>
<td>150</td>
<td>170</td>
</tr>
<tr>
<td>Argentina (new crop)</td>
<td>120</td>
<td>140</td>
<td>160</td>
</tr>
</tbody>
</table>

* As at 5 November 2020. Source: USDA

* Up y/y: Canada, Colombia, El Salvador, Guatemala, Honduras, Chinese Taipei

* As at 12 November 2020.
Highlighting anticipated shifts among major exporters

**Exporter market share (Jul/Jun)**

- **USA**: +55% y/y
  - Larger exportable surplus;
  - Competitive prices;
  - China purchases;
  - River/port logistics?

- **Brazil**: +1% y/y
  - Firm local demand;
  - Strong competition from soyabean exports;
  - EU demand / currency rates?

- **Ukraine**: -20% y/y
  - Smaller output;
  - EU/China demand;
  - Domestic prices / regulation?

- **Argentina**: -16% y/y
  - Likely smaller crop;
  - Stronger competition;
  - Farmer sales / Currency volatility?
  - River logistics?

**Exports in 2020/21 (Jul/Jun)**

- **USA**: +55% y/y
- **Brazil**: +1% y/y
- **Ukraine**: -20% y/y
- **Argentina**: -16% y/y

**USD/Local currency exchange rates**

- Argentina (Peso)
- Brazil (Real)

Rebased, 12 Nov 2019 = 100
To conclude: some risks, uncertainties and key influential factors

**Production**
- 20/21 South American crops are not done yet: planting/ growing conditions (La Niña threats), economic uncertainty
- currency movements and input costs for 21/22 crops in Argentina, Brazil
- competition for 21/22 acreage from soyabean

**Feed demand**
- long-term COVID-19 impact on disposable incomes and meat demand
- maize prices relative to alternatives (spreads have narrowed)
- pace of recovery in pig production in China (and impact on meat exports / feed use in some countries)
- ASF threats in Asia and Europe

**Industrial demand**
- duration/scale of ongoing lockdowns and the pace of economic recovery
- new driving patterns (public transport vs. private cars, homeworking)
- ethanol policies / blending mandates amid reduced fuel demand and COVID-19-related economic challenges

**Trade / Logistics**
- import demand is linked to feed use dynamics (which is far from certain)
- US-China trade, China buying patterns
- logistics in the key exporters (Argentina/US – river, Brazil – road) and COVID-19 supply chain disruptions
- export caps

**Prices**
- South American crop progress
- further China actions (new purchases from the US or cancellations)
- heavy net long position in US futures – susceptible to rounds of selling
- reluctant farmer selling amid currency/price volatility => impact on export premiums
Thank you for your attention