Food and Agriculture Organization of the United Nations

THE GLOBAL MAIZE MARKET

snapshot in June 2021

Upward pressure on international prices is diminishing, in part notably so.

As of June 2021, international reference prices for maize were being quoted at an average of **over 60 percent compared to June of last year**. While still volatile, **prices have generally fallen in recent weeks**, when during May they had reached their highest level since January 2013 (see maize graph in CHART 2). The rapid upward momentum in quotations culminating in May that began last year, was on account of several factors, including: **tight export availabilities; robust demand driven by unprecedented purchases by China;** and **expectations of strong global demand** based on projected **economic recovery** from the COVID-19 pandemic **in many primary import destinations.**

Global supplies to remain tight in general.

Among the major maize exporting countries, supplies have been particularly tight in the United States of America, where, following a year of record exports and strong domestic consumption (especially for feed and industrial use, including ethanol), **maize stocks are projected to dip to their lowest level since 2012/13.** The situation in the US is not expected to ease, given that exports in the coming 12 months are forecast to remain at a very high level and there is no sign of domestic demand abating. Among the other major exporters, **maize quotations** from **Brazil** also **remain elevated**, up almost 100 percent from last year, again supported by strong domestic demand and high levels of exports. Tightness could be further exacerbated in that output prospects for 2021 have recently been downgraded owing **to prolonged dryness** in the main production zone for maize in the country. Exports from Brazil as well as Argentina have also been supported by **a real depreciation** of their **currencies**, and **a real appreciation** in some of the **main importing countries**, notably Egypt (see CHARTS 3 and 4). **Despite question marks on maize availabilities in major exporting countries, and supply disruptions owing to the COVID-19 pandemic, global maize trade continues to flourish.**

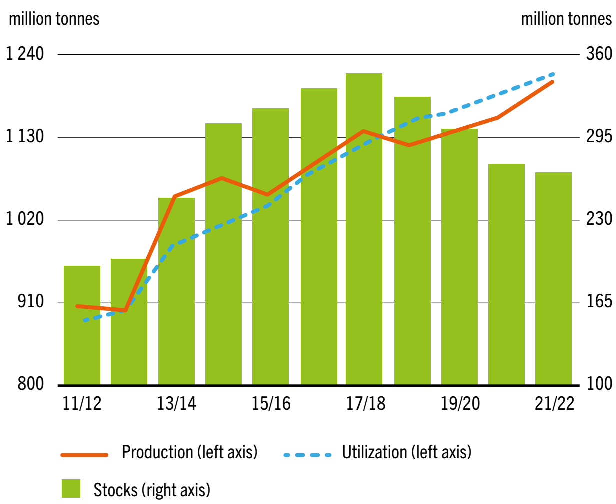
Demand growth to slow, reflecting lower import needs by China and the European Union.

On the demand side, **China** is yet again the dominant driver of global maize inflows, with an **unprecedented level of imports** registered in 2020/21. Year-on-year, international maize purchases by China quadrupled, accounting for nearly all the growth in world maize trade in 2020/21.

On account of current high domestic maize prices and expectations for rising feed demand in 2021/22 thanks to a **near full recovery in China's swine herd from African Swine Fever**, the country is anticipated to **resume importing large volumes of maize** in 2021/22, providing support to international prices.

CHART 1

WORLD MAIZE PRODUCTION, UTILIZATION, AND STOCKS



However, at the same time, the **EU 27** (+UK) cereal crop has been **upgraded significantly**, by about 8 mmt (6 percent), which should cap EU maize imports in 2021/22, thus **alleviating the upward pressure on international prices**.

Stocks to remain tight, prices remain volatile.

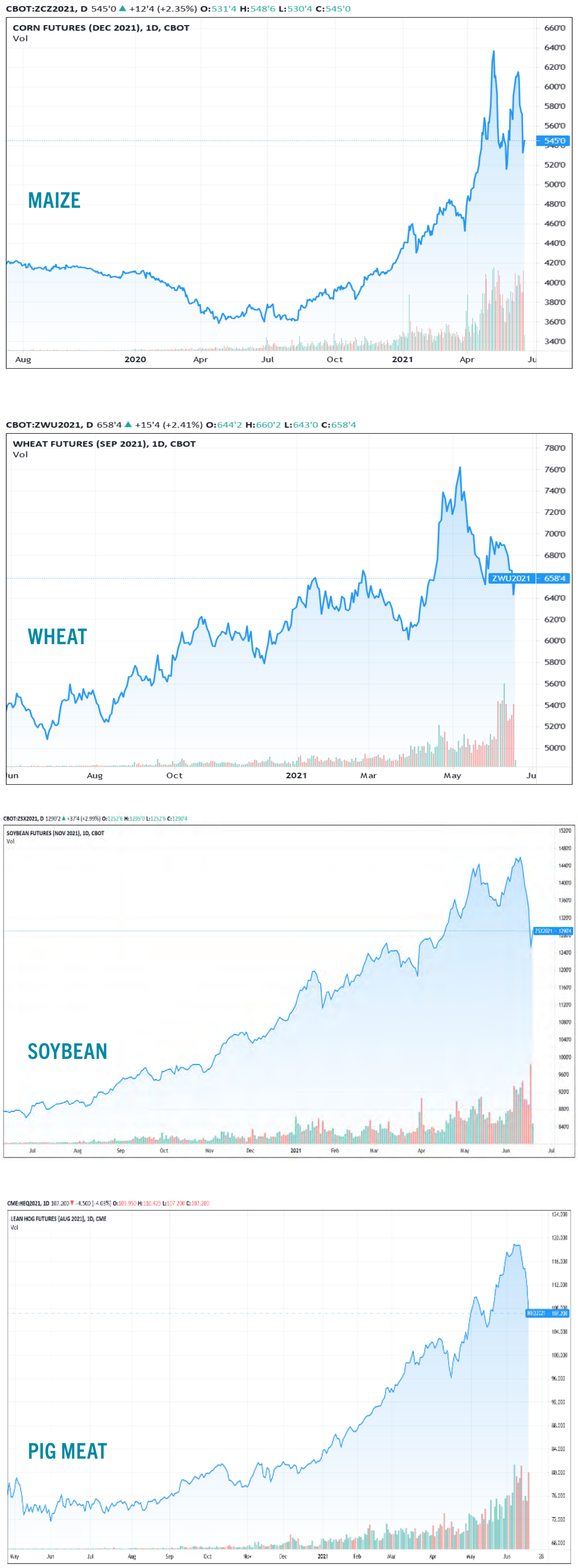
Looking forward, the world maize **stocks-to-use ratio** is set to fall to **21.0 percent in 2021/22**, the **lowest level since 2012/13**, portending to continued tightness in the global maize outlook for the coming year (see CHART 1). However, in reality, much will depend on the strength of international demand relative to supply. While the **recent decline in reference maize prices** is also reflection of improved production prospects, the **across-the-board declines in commodity prices** (see CHART 2 for agricultural commodities) **suggest** that a **dampening of global demand** (rather than commodity-specific supply factors) might be the driving force behind the **recent downward pressure on practically all commodity prices**.

Lower prices help import-dependent countries, easing the toll exerted by the COVID-19 pandemic.

Global trends **do not translate uniformly to the country level**. Nor has the global economic recovery been dispersed evenly across countries. Many economies that are struggling to recover from the pandemic (such as having a high dependence on tourism or manufacturing earnings), will **find it difficult to finance higher-priced maize imports**. This is because a high percentage of the global maize market comprises demand for animal feed and industrial applications (e.g., starches), which tends to be more susceptible to income changes in poorer countries than in richer countries, but less susceptible if maize were to be consumed as a foodstuff. Therefore, the easing-off of international prices should present an **opportunity for the more economically vulnerable countries to resume their purchases in the international marketplace.** This being said, economic growth around the world is still realigning to the pandemic, and these adjustments could beset commodity markets with volatility, as is being witnessed in the international maize market today.

CHART 2

CBOT NEARBY FUTURES FOR MAIZE, WHEAT, SOYBEAN AND HOGS (PORK)



CBOT: Chicago Board of Trade

CHART 3

DEPRECIATING EXCHANGE-RATES OF MAIZE EXPORTERS COINCIDE WITH APPRECIATING EXCHANGE-RATES OF IMPORTERS

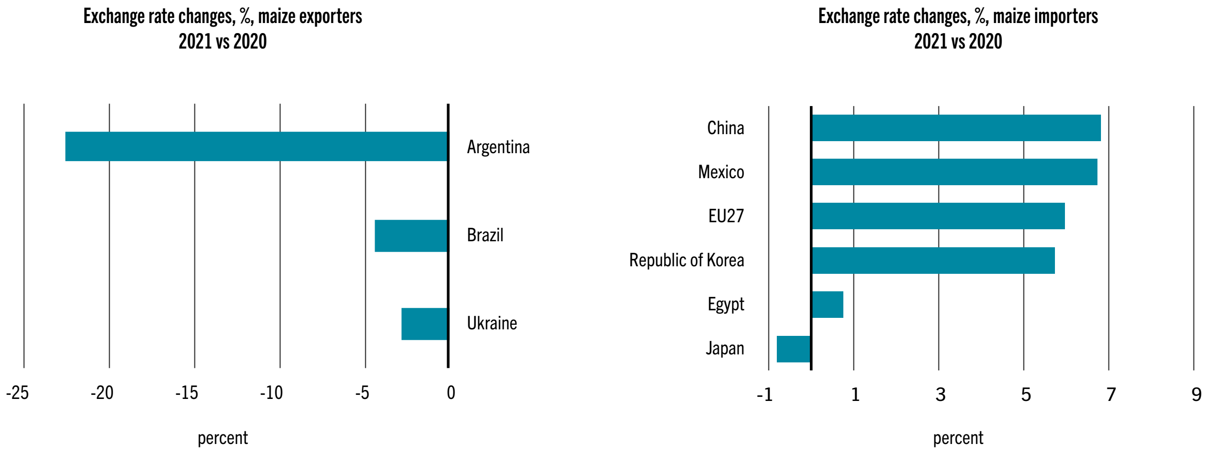


CHART 4

MAIZE EXPORTS AND EXCHANGE RATES OF MAJOR EXPORTERS