

Global corn prices may drop on supply glut, weak demand

RAY OF HOPE. Indian poultry and starch sectors may find comfort in low-priced imports; El Nino could lead to short-term upside risks

Subramani Ra Mancombu
Chennai

Corn (maize) prices will likely come under pressure this year in the global market on excess supplies and weak demand with higher ending stocks compounding the situation, global agencies and analysts say.

Prices are already at a three-year low and this could come handy for Indian sectors such as poultry and starch manufacturers who are looking at imports in view of a surge in corn domestic rates.

On the Chicago Board of Trade (CBOT), corn March contracts are currently ruling at \$4.45 a bushel (₹14,575/tonne), a three-year low. In the domestic market, the weighted average price is above ₹2,150 with the modal price in many parts of the country ruling over ₹2,200. This is against the

(MSP) of ₹2,090. With maize in India being used for production of ethanol after sugarcane production was affected by a deficient monsoon, prices have increased sharply this year above MSP.

This has led to the poultry sector, in particular, and starch industry seeking duty-free facility to import maize.

However, the Centre will unlikely consider their demand since five lakh tonnes of corn can be imported at a concessional duty of 15 per cent under the tariff quota regime. In the normal course, imports are levied 50 per cent duty, said a trade analyst.

BEARISH OUTLOOK

What could provide relief to the domestic industry relying on corn is the bearish forecast. "It is our view that the world corn market will return to a net surplus position of 40.1 million tonnes

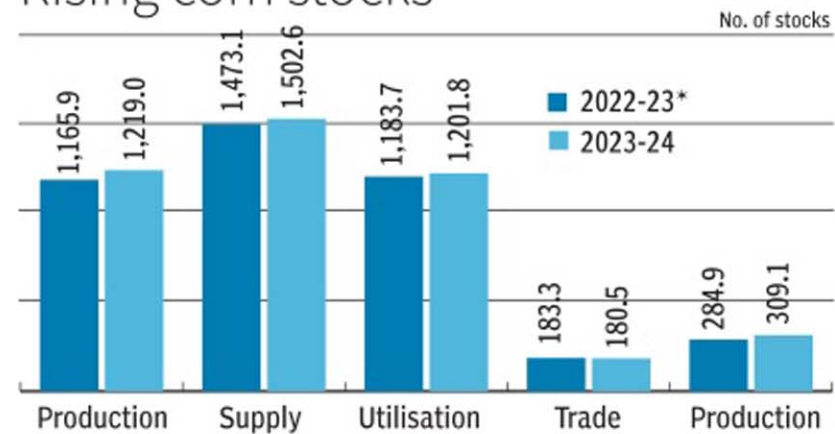
following the generation of a narrow 1.1 mt deficit in 2022-23, and that the accumulation of inventories will serve as a major price headwind," said BMI, a unit of Fitch Solutions.

The International Grains Council (IGC) said barley and wheat harvests also seen larger, the outlook for world 2023-24 total grains (wheat and coarse grains) production has been increased.

The Agricultural Marketing Information System (AMIS) of the Food and Agriculture Organisation (FAO), a United Nations body, raised its forecast for maize production, largely on an upward revision in the US. It said the output was set to surpass the 2022 level by 4.6 per cent.

The US Department of Agriculture (USDA) World Market and Trade report said global corn production is forecast up, with larger crops in the US, China, India, and Paraguay more than offset-

Rising corn stocks



Source: Agricultural Marketing Information Service, FAO; * Estimate

duction has been forecast at a record 15.34 billion bushels (25.40 kg each) against earlier estimates of 15.22 billion bushels.

"We have held our average price forecasts for CBOT-listed second-month corn futures contracts in 2024 and 2025 unchanged at \$5 per bushel and \$4.5 per bushel, respectively," BMI said.

The research agency said speculators remain pessimistic on corn prices, with the net position held by money

at the start of 2024 most bearish for several seasons.

"Given continued price weakness, risks to our forecasts are skewed towards the downside," it said.

The USDA said the season-average farm price has been lowered by five cents to \$4.80 a bushel.

The IGC said though much of the additional corn supply will be absorbed by increased use for feed, the forecast for global carryover stocks is up by 5 mt to 590 mt. "The figure

boosted by 5 mt, including upgraded estimates for maize and wheat," it said.

AMIS said higher utilisation of corn in Brazil and the US will balance projections of lower offtake in the Russian Federation and a few countries in Asia and Africa.

"Trade in 2023-24 is underpinned by stronger import demand seen from Mexico and Saudi Arabia, as well as higher exports from Paraguay and the Russian Federation," the FAO arm said.

The USDA said global trade has been forecast down as lower exports from Brazil and India will likely more than offset an increase in Turkey.

"Global imports are also forecast lower as decreases for the European Union, Vietnam, and Bangladesh more than offset increases for Iran, Iraq, Turkey, and the Philippines," it said.

AMIS said closing stocks

to the opening inventories.

BMI said, "Projections for large harvests in Argentina and Brazil continue to dampen market sentiment. We forecast that China will harvest a record volume of corn in 2023-24, which could trim world import demand."

However, BMI and the other agencies said El Nino, which has resulted in warm temperatures across the world since June 2023, could lead to short-term upside risks.

A potential regional escalation of the Israel-Hamas war could support higher oil prices, in turn stimulating biofuel demand growth while also increasing on-farm input and production costs, the research agency said.

"An increase in the manufacture of corn-based ethanol, which is expected to account for a rising share of new production capacities, in Brazil poses a longer-term risk to our price outlook,"