

## ***South America and its new corn crop: a price apocalypse is coming!***

The current corn export season has both benefits and drawbacks for Ukraine. So, for instance, exports to the EU are somewhat slower than last year, but Ukrainian traders are gaining ground in other markets, such as Egypt, South Korea, Iran and South Africa. They manage to realize Ukraine's high export potential due to easing competition from Brazil in the first half of 2016/17 in view of shrinking Brazilian inventories of 2016-crop corn.

Moreover, in the seven months of the current season (September-March), Ukraine outpaces by far Brazil in terms of overall export shipments. So, in the period under review, Brazil slashed corn exports actually four times to 8.16 MMT. Ukraine outstrips last year: 13.5 MMT against 12.2 MMT in September-March a year ago.

The top buyer of Brazilian corn – **Iran** – is now focused solely on Ukrainian corn, having purchased no major cargo from the U.S. or Argentina. The third largest buyer – South Korea – preferred expanding purchases both from Ukraine and the U.S., as it makes use of this season's low price of American offers and the proximity of the U.S. (3200 KMT against 806 KMT).

2016/17 corn imports to **Egypt** are forecast at a record level of over 8.6 MMT due to the poultry sector development. However, Egypt prefers offsetting the Brazilian crop drop with Argentine corn as well. Argentina became the top supplier of corn to Egypt in 2015/16, having deprived Brazil of its leadership. The U.S. import share shrinks from season to season due to Egyptian millers' complaints about the quality of the supplied American corn.

**South Africa** will import a record some 2.4 MMT of corn in the whole 2016/17 season in view of a drought and a crop failure in 2016. Apart from Ukraine, Argentina and Mexico also aggressively boost shipments to this market.

This season, a decrease is observed in Ukrainian corn deliveries to the **EU**. Out of all the exporters, only the U.S. can boast a slight gain in supplies to this destination (210 KMT against 16 KMT in 2015/16).

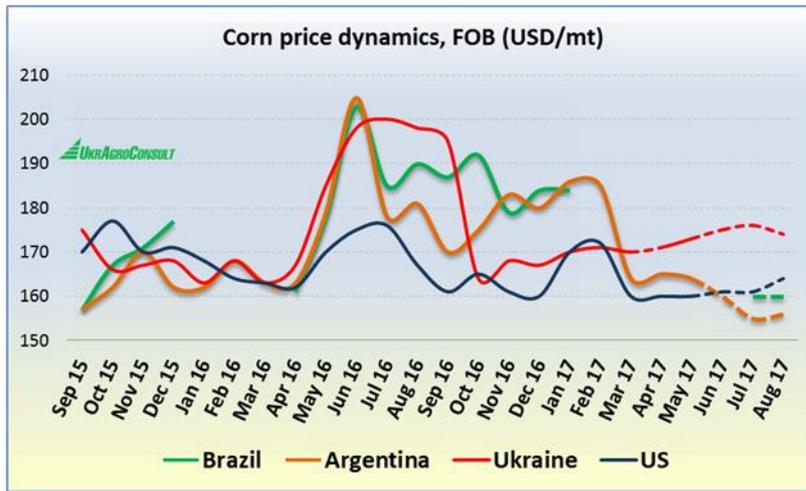
Corn export destinations, KMT	Brazil		Ukraine	
	September-March 2015/16	September-March 2016/17	September-March 2015/16	September-March 2016/17
Iran	4050	3108	112.7	1920
Egypt	2172	364	1241	2309
EU	1250	360	6872.2	5200
South Korea	3413	411	66.4	641
South America	541	3	28	374

At the same time, the situation may change fundamentally in June, when Brazil and Argentina will bring their new corn crop to the market. In the April report, USDA experts raised their forecast for the world's 2016/17 corn crop by 5 MMT to another high of 1054 MMT. The main factor behind this increase is South America. Compared to the February estimate, the combined crop forecast for Brazil and Argentina was stepped up by as much as 9 MMT to 132 MMT in view of favorable weather.

While the corn import forecasts for Iran, Egypt and South Korea remain positive for 2017/18, South Africa and the EU will reduce purchases of this commodity. The USDA estimate for South African corn production keeps growing (15 MMT, up 6.8 MMT from the lean year of 2016). So, this season the country will manage to regain its exporter status with 2 MMT of export shipments. According to the European Commission's estimates, EU countries will harvest 6.2 MMT more corn in 2017/18 – this will adversely impact imports as well.

Combined exportable stocks of Brazil and Argentina are 58 MMT, or already up 22 MMT from the 2015/16 season.

As South American countries are not exposed to the weather risks which pushed up prices in late 2015/16 and early 2016/17, the price downturn will be more substantial than the current forward quotations.



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