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Grains fundamentals: Fading macro support unveils oversupply pressures

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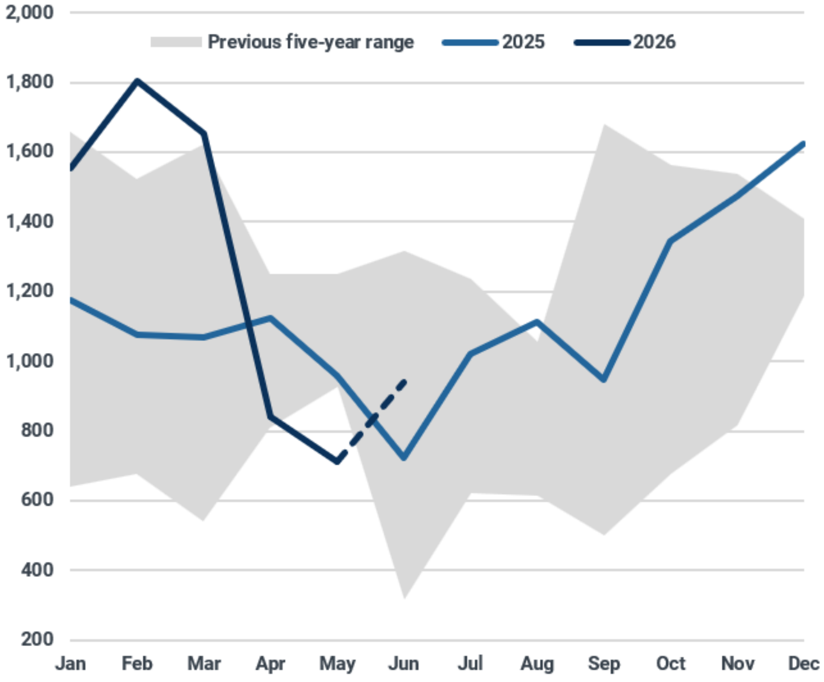
01

Trade disruption across the Mideast Gulf

Iranian grain and oilseed imports

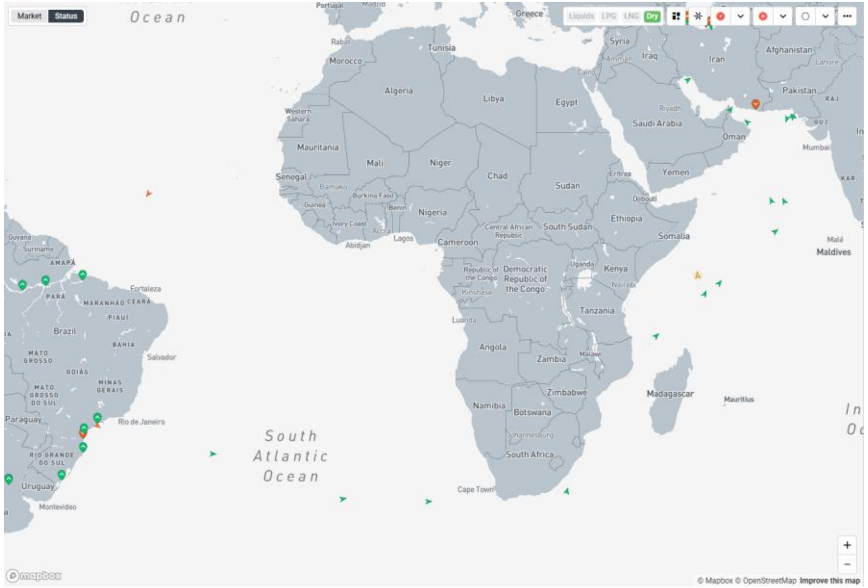
Imports of grain and oilseeds products to Iran via the Strait of Hormuz look to rise in June, with more cargoes enroute

Iranian grain imports via Strait of Hormuz (kt)



Source: Kpler

Vessels laden with grains destined for Iran (as on 25 June)



Source: Kpler

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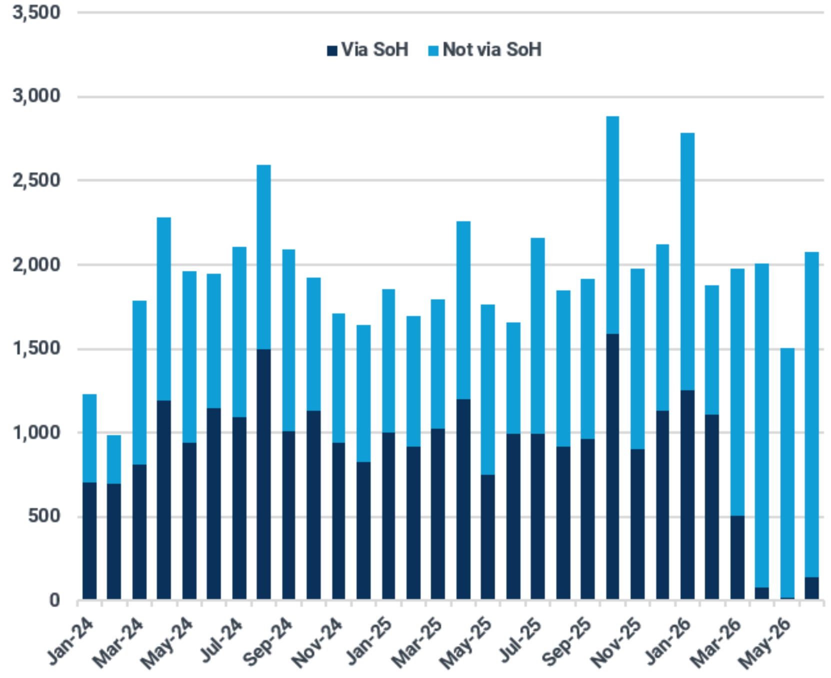
GCC grain and oilseed imports

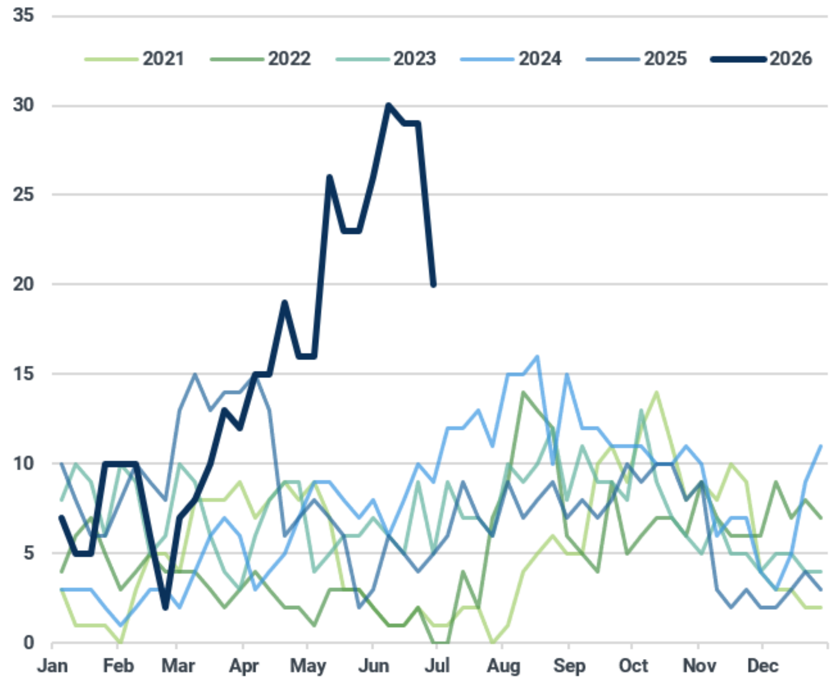
Revival of grain and oilseed products via the Strait may reduce dependency outside of Middle East Gulf

GCC countries grain imports (kt)



Source: Kpler

Grain-laden vessels in the Red Sea due to unload in Saudi Arabia (#)

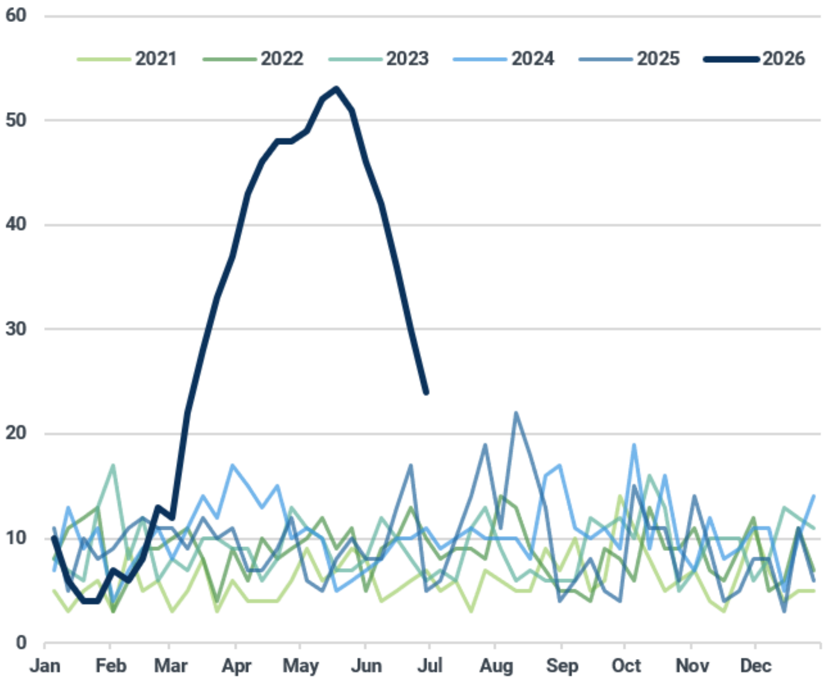


Source: Kpler

Fertiliser trade via the Strait of Hormuz

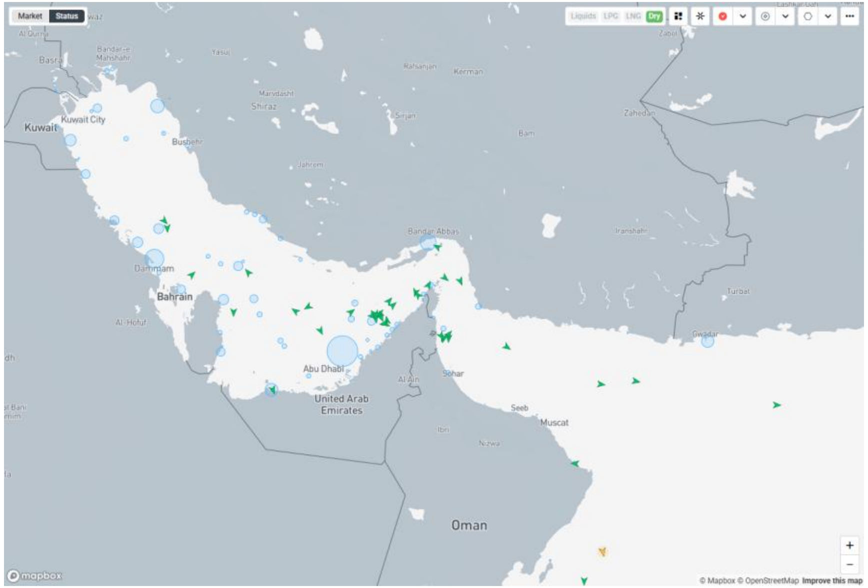
Signing of the US-Iran memorandum of understanding accelerates exit of fertiliser-laden vessels in the Middle East Gulf

Fertiliser-laden vessels within the Middle East Gulf (#)



Source: Kpler

Vessels laden with fertiliser (as on 25 June)



Source: Kpler

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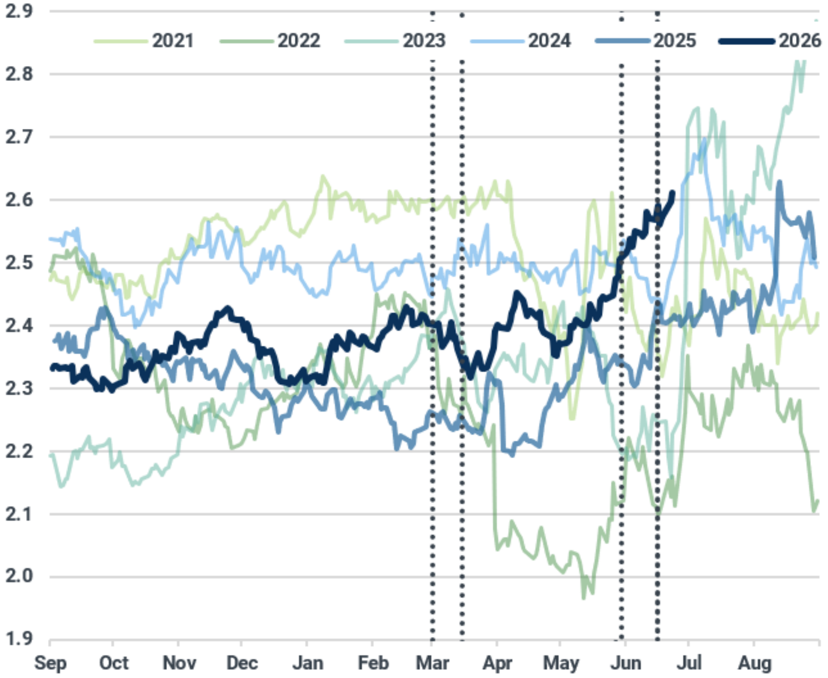
02

US spring planting

Key considerations for US spring planting decisions

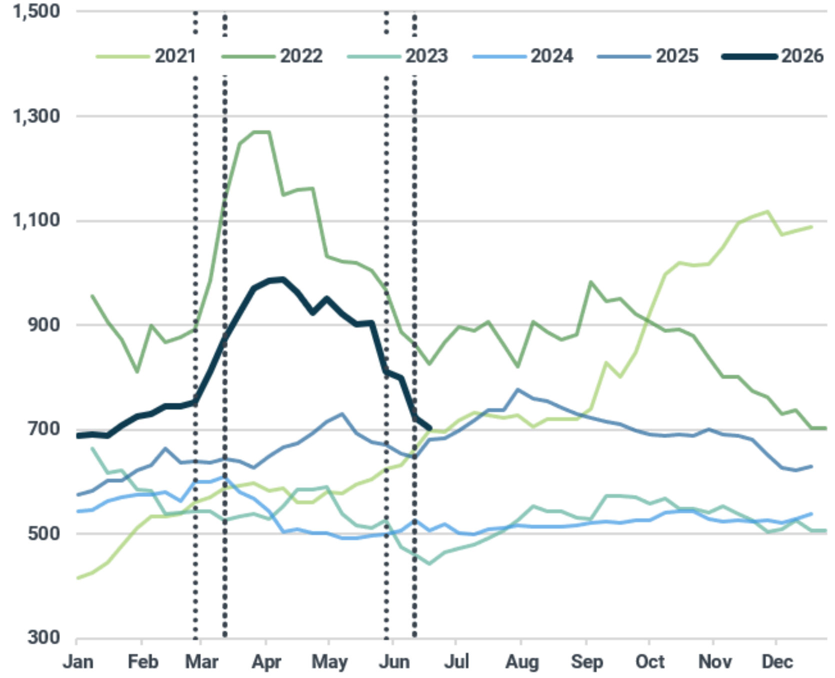
Once US growers submitted responses for the prospective plantings report, shifting prices may have led to adjustments

CBOT soy-corn ratio (new crop)



Source: MarketView

North America fertiliser price index (7 Jan 2002=100, NPK)

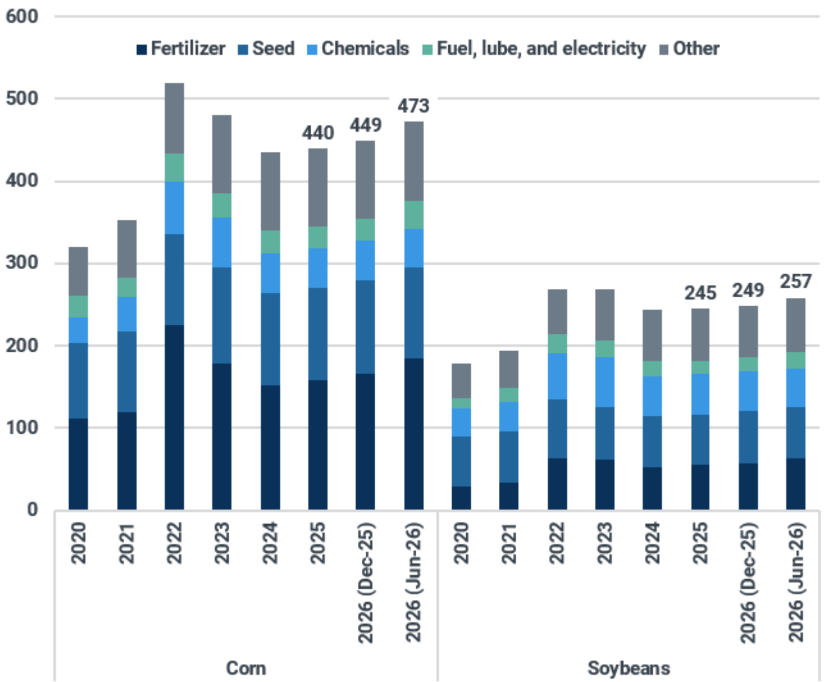


Source: Green Markets

US corn and soybean operating costs

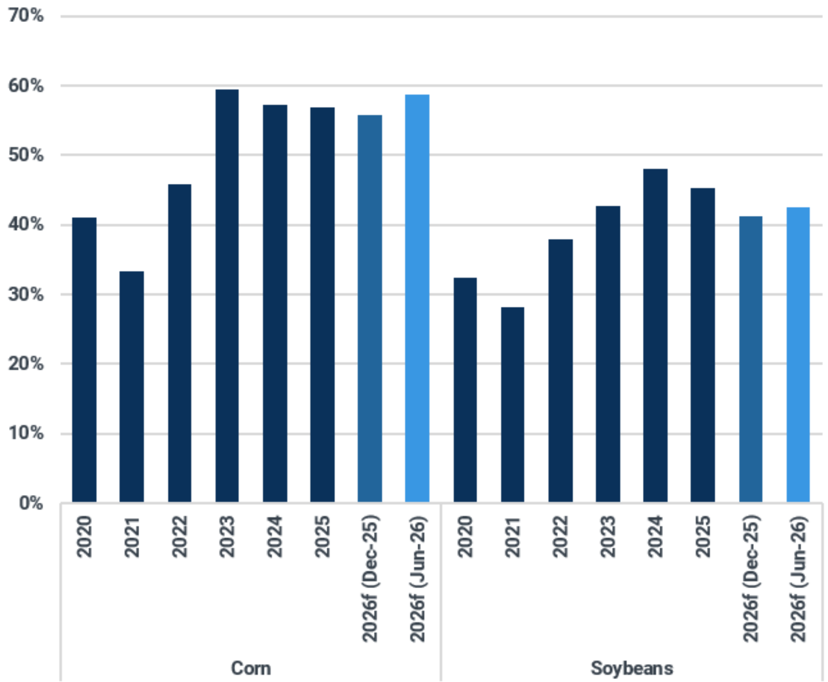
As operating costs moved higher in the USDA's latest outlook, soybeans was more sheltered from the fertiliser hike

Operating costs ($/ac)



Source: USDA

Percentage of national yield required to cover operating costs

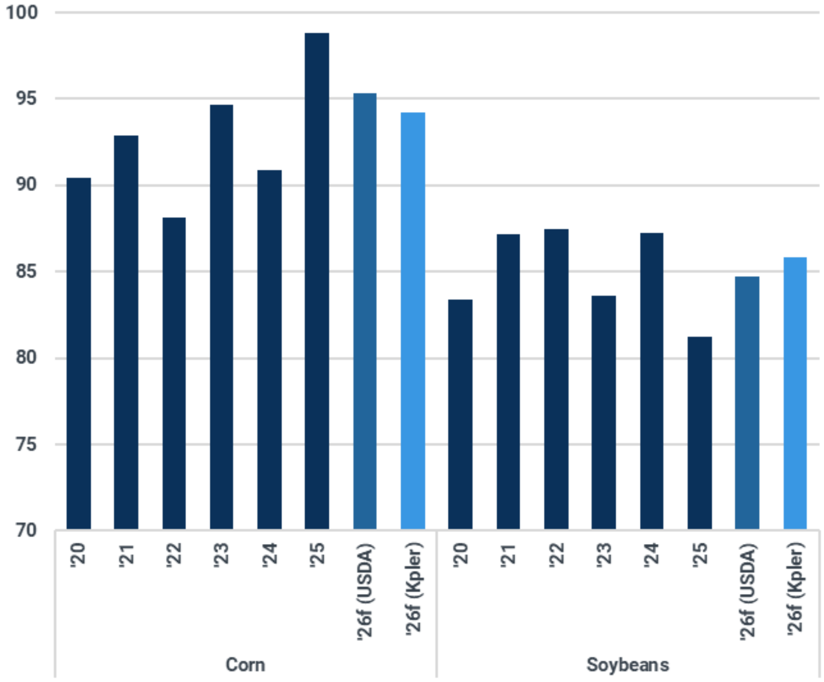


Source: USDA

New crop outlook for US corn and soybeans

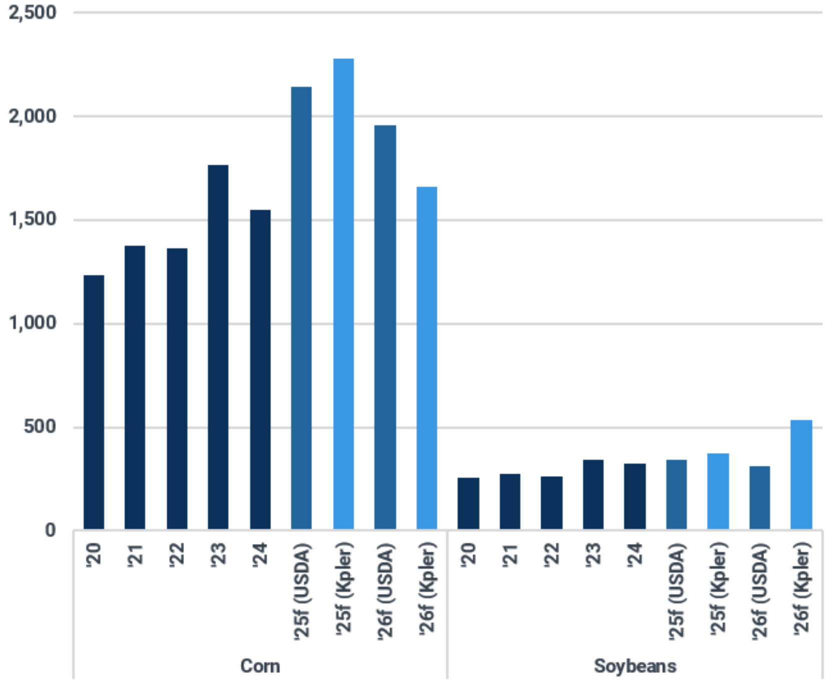
Following the slight shift in corn acres, we expect a tighter new crop corn balance sheet with soybeans becoming heavier

US corn and soybean planted areas (M ac)



Source: USDA, Kpler Insight

US ending stocks (mbu)



Source: USDA, Kpler Insight

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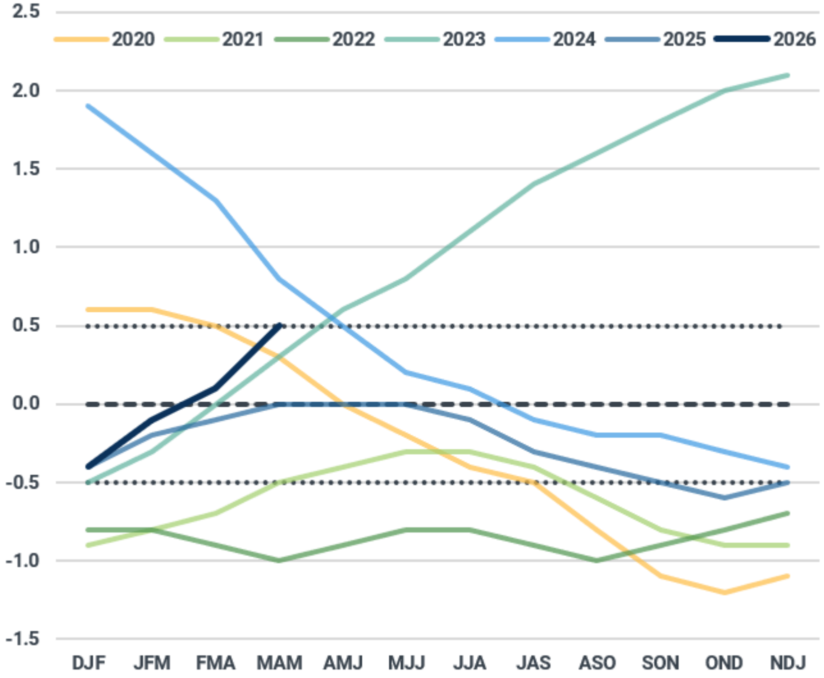
03

El Niño considerations

El Niño outlook

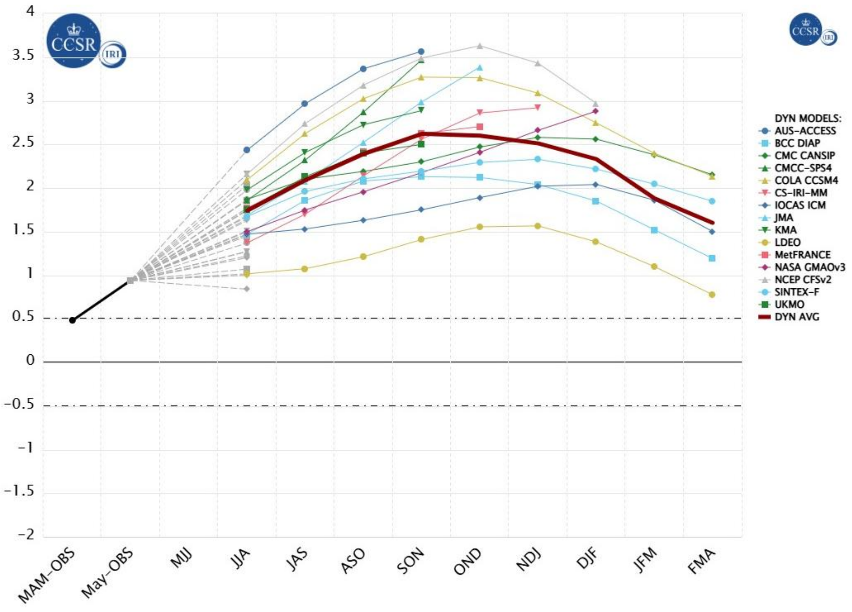
Several agencies are expecting El Niño later this year, though there is much variability regarding its strength

ENSO Oceanic Niño Index (Niño 3.4)



Source: NOAA

ENSO Oceanic Niño Index forecasts (Niño 3.4)

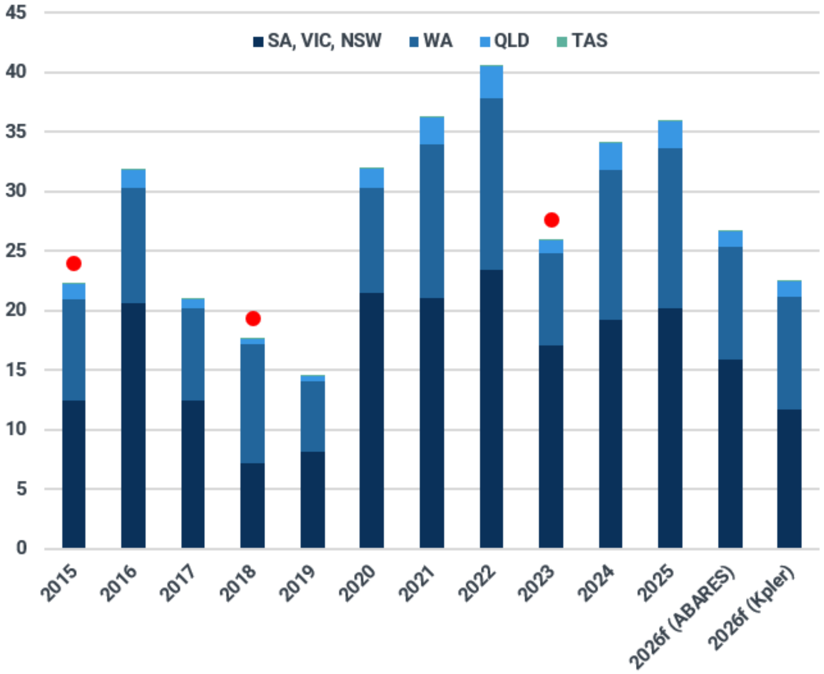


Source: Columbia Climate School

El Niño threatens Australian wheat production

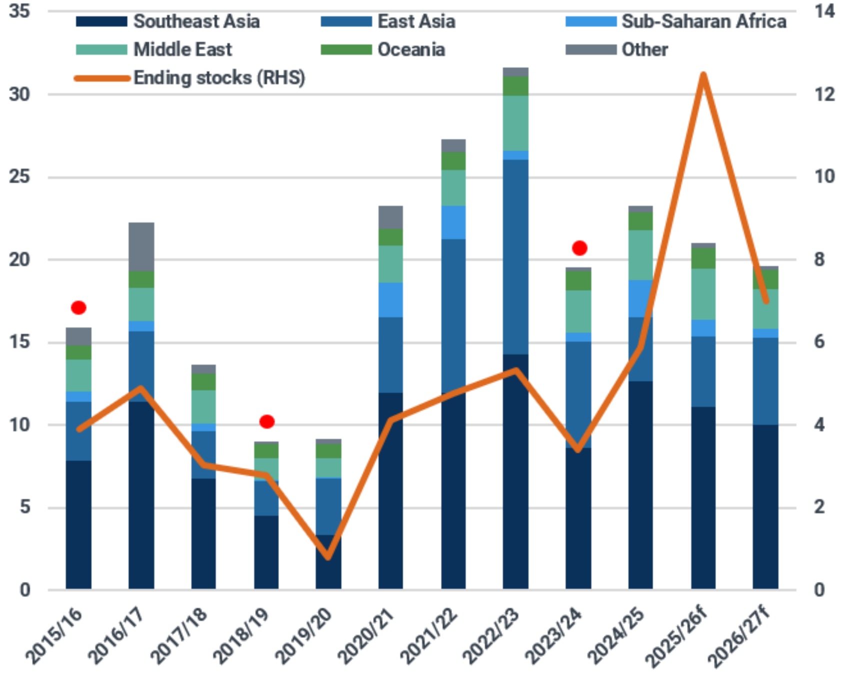
Dryness in the southeast of Australia could impact production, though ample carryover stocks limit supply pressure

Australian wheat production (Mt)



Source: ABARES, Kpler Insight

Australian wheat exports and ending stocks (Mt)

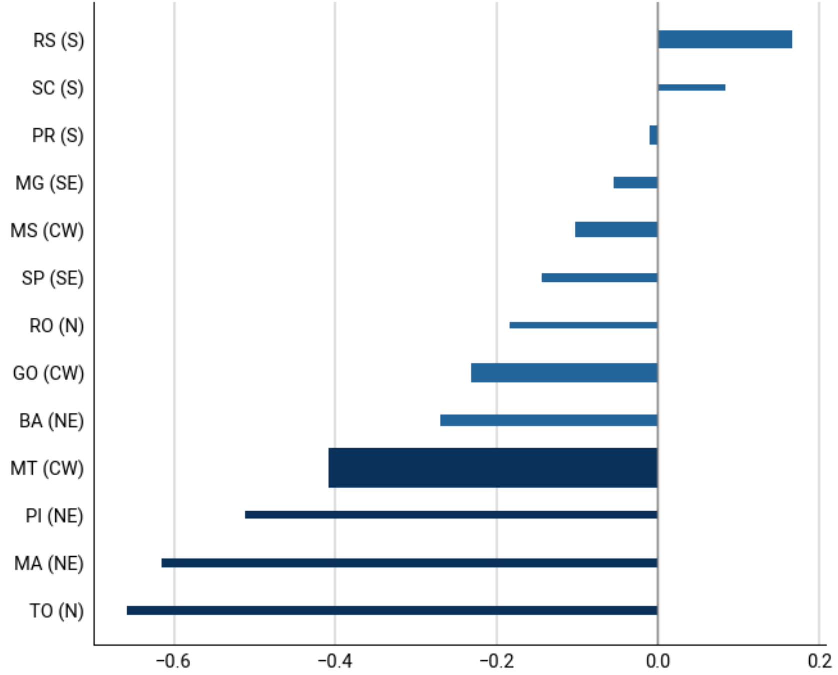


Source: Kpler Insight

El Niño threatens Brazilian soybean production

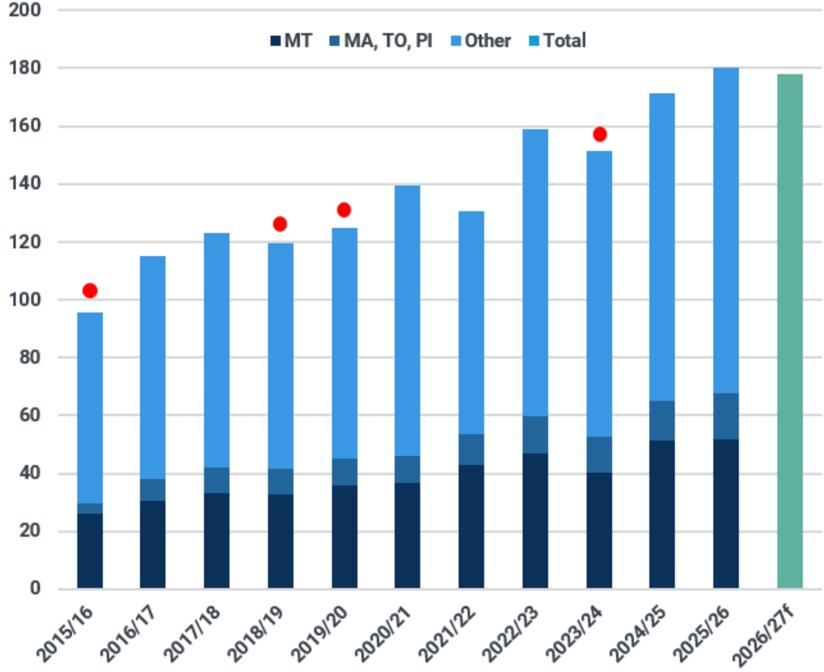
Some key soybean-producing states in Brazil could face development challenges later this year

Soybean yield relationship during El Niño (Pearson r)



Source: Conab, NOAA, Kpler Insight

Brazilian soybean production (Mt)



Source: Conab

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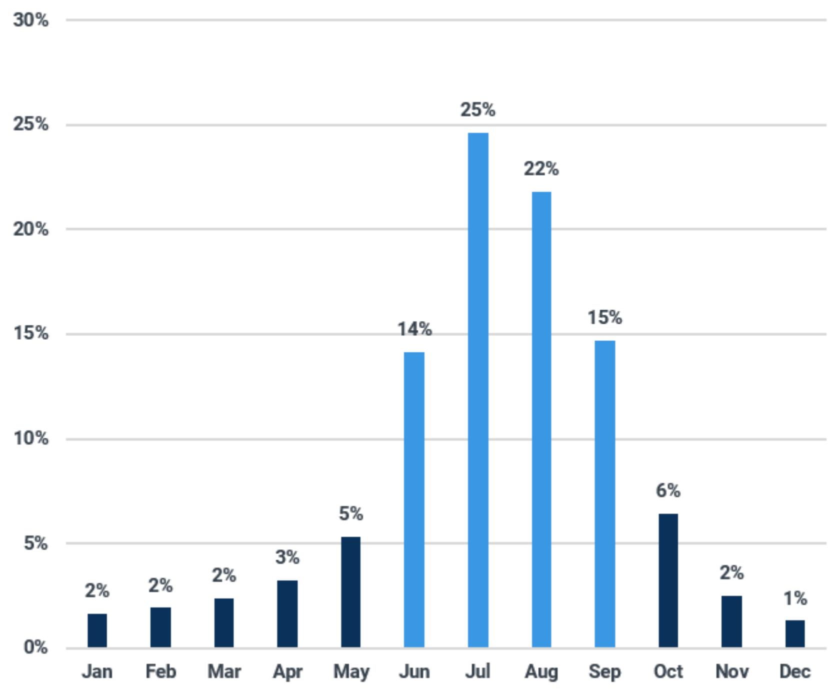
El Niño could influence monsoon rains for India

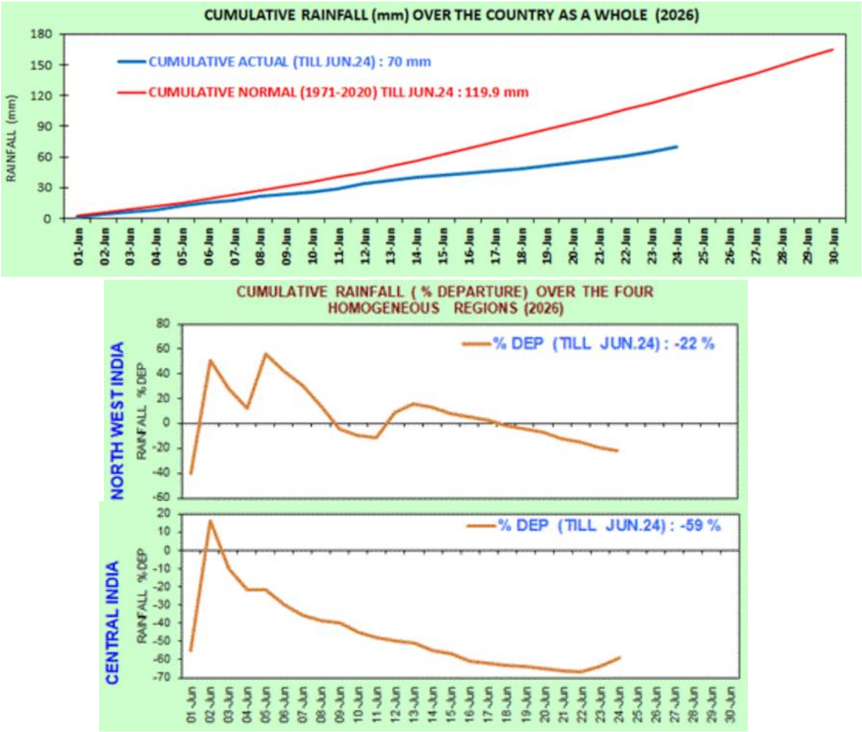
As El Niño conditions become present, the impact on the Indian monsoon is beginning to be seen

Monthly rainfall distribution for India



Source: India Meteorological Department

Cumulative rainfall during June for India

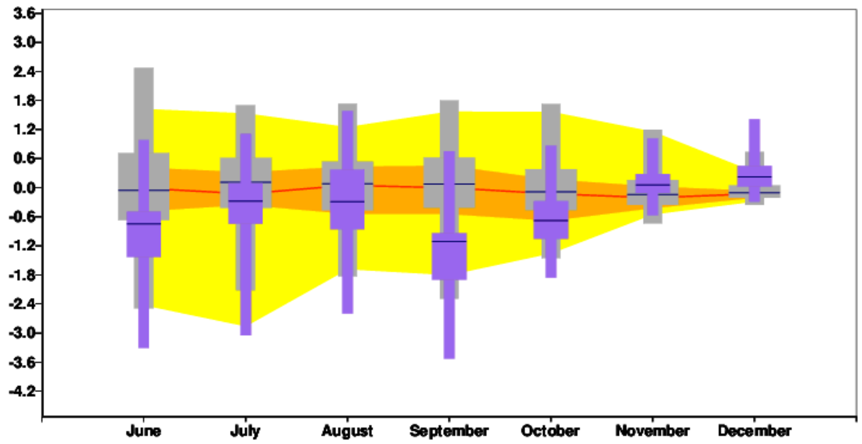


Source: India Meteorological Department

El Niño could influence monsoon rains for India

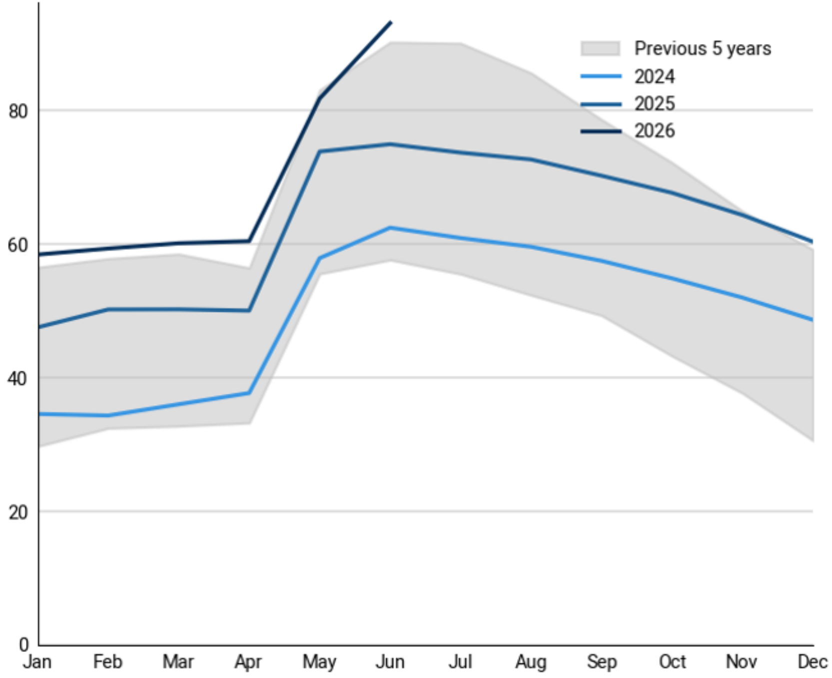
The potential threat of lower crop production across India is cushioned by existing ample domestic stocks

Monthly rainfall anomaly forecast for India (as of June, standardised anomaly)



Source: ECMWF

Wheat and rice stocks (Mt)



Source: Food Corporation of India

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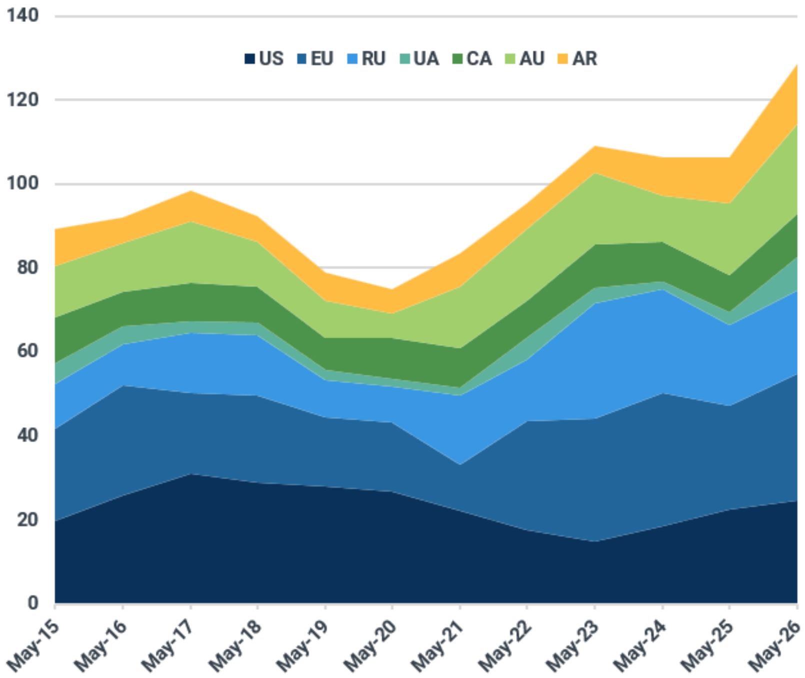
04

Wheat and Black Sea

Global wheat supply

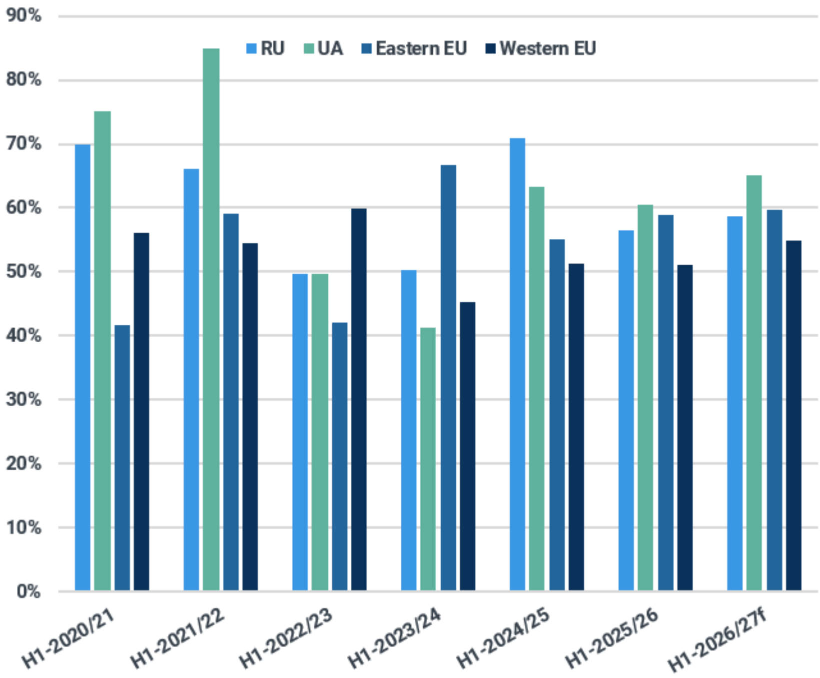
Ample stocks of wheat across major exporters keeps the pressure on export competition

Wheat stocks by major exporter (Mt)



Source: Kpler Insight

Percentage of exports during first half of marketing year

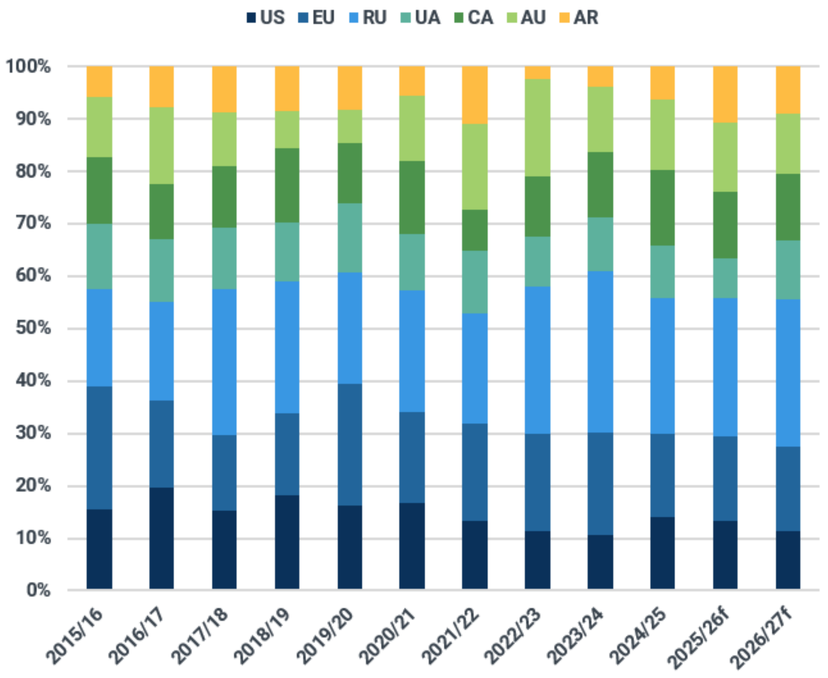


Source: Kpler Insight

Global wheat trade competition

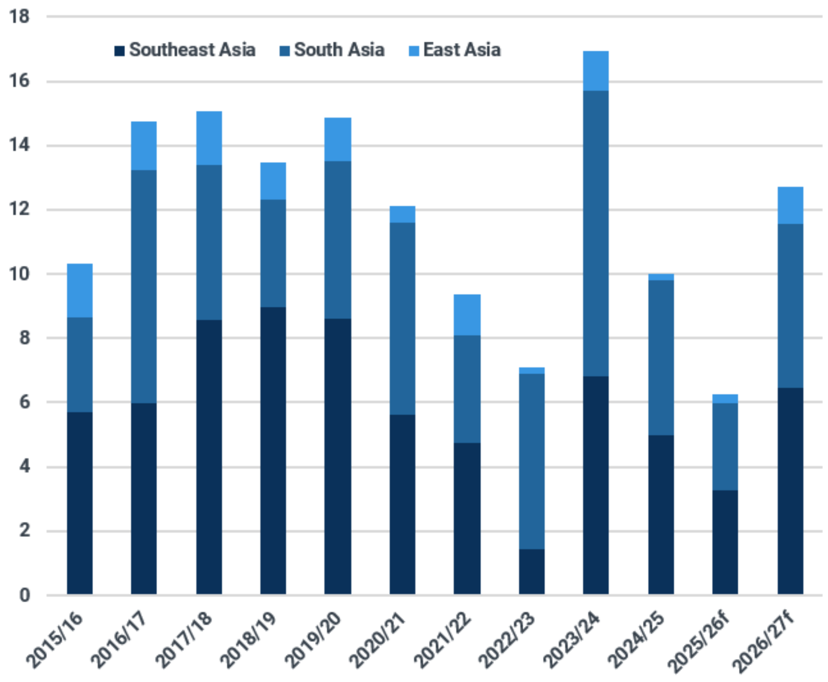
With a smaller Southern Hemisphere expected y/y, this may revive past trade routes for Northern Hemisphere origins

Global wheat exports (TY, Mt)



Source: Kpler Insight

Black Sea wheat exports by select destinations (TY, Mt)



Source: Kpler Insight

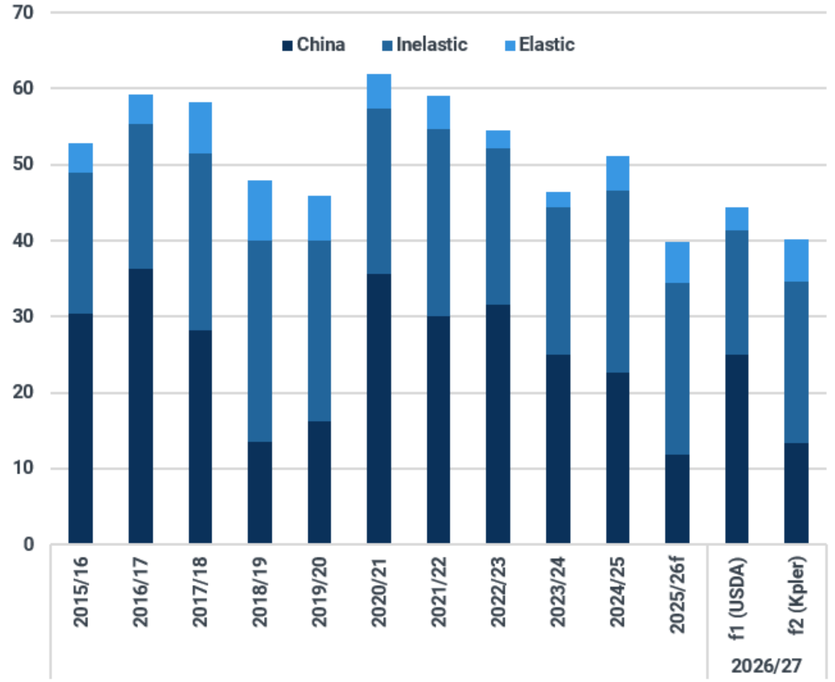
05

US-China soybean trade

USDA new crop US soybean exports outlook

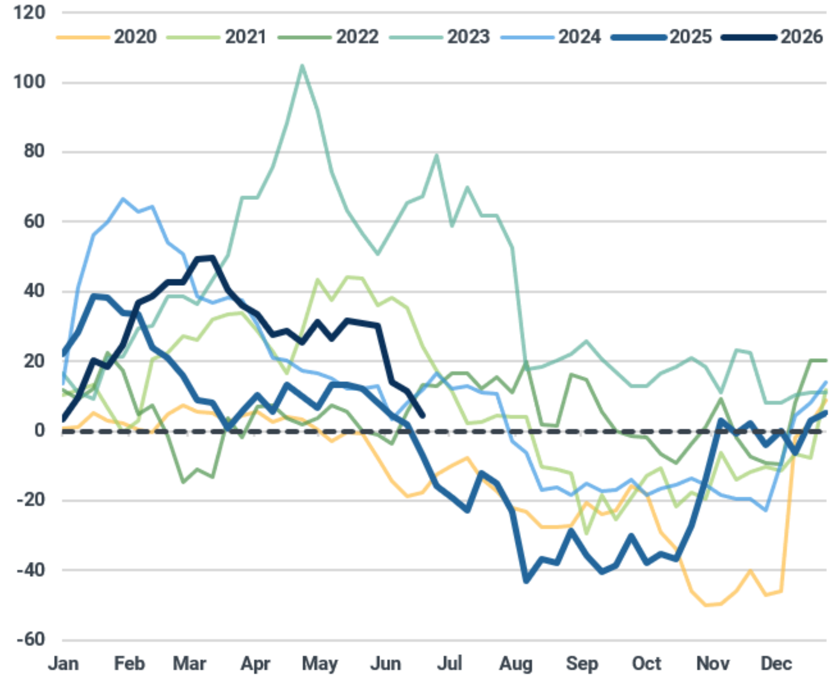
Assuming the USDA is factoring the 25 Mt to China, the US is unlikely to target elastic destinations

US soybean exports by destination (Mt)



Source: USDA, Kpler Insight

US-BR soybean FOB offers spread (spot, $/t)



Source: European Commission

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06

Short term drivers

Short term drivers

New crop US corn and soybean acreage will set the tone until the arrival of key crop development stages

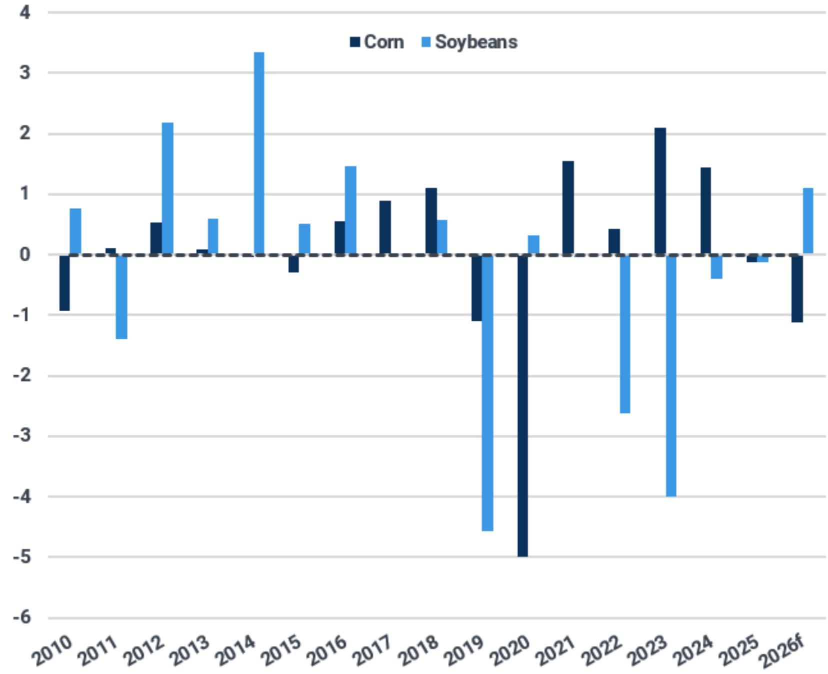
- The June acreage report could lead to sizable changes to both the corn and soybean balance sheets. **A larger soybean area will only further pressure US reliance on Chinese demand**.

- The **resurgence of trade via the Strait of Hormuz may see trade flows returning to normal**, though the situation remains fragile as the US and Iran negotiate a peace deal.

- As **weather models remain confident that El Niño conditions will be present later this year**, the disruption to agricultural production across several key exporters could re-shape trade flows, **but won't be earth-shattering** when viewed holistically.

- With the **Northern Hemisphere wheat harvest underway**, expectations of a sizable crop across most key exporters will build on already high stocks and fuel export competition.

Planted area change from Prospective Plantings to Acreage report (M ac)



Source: USDA, Kpler Insight

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