

MARKET REPORT SEPTEMBER 2023

Raw material markets have been very volatile in last years. Prices increased to the level what we have not seen earlier because of covid years and war in Ukraine, which caused lack of raw material availability and very high production cost with many raw materials. Situation is now getting slightly better towards end of the year.

Many companies have high inventories due to earlier availability issues partly also decreasing demand caused by very high inflation rate in food. Price of energy is decreasing, but it depends very much what kind of hedges manufacturers have, to cover energy for their productions. Decrease of energy prices will mainly have impact of industrial cost next year but very much is depending on how energy markets will develop during the autumn and wintertime.

Still, we must carefully follow war situation in Ukraine. For example, Khakovka dam breach has caused enormous problems for agricultural land in Ukraine, which might affect for future availability of wheat and corn from that region. There have been bank failures in United States and in Europe which causes instability for the economy. We have seen strikes in Europe for better wages because of cost-of-living crisis. We have to follow weather conditions in Europe and all over the world as El Nino weather phenomenon is intensifying and it may cause extreme weather conditions like heat waves and heavy rains. Many parts in Europe but also in the world are suffering from drought and there is lack of water resources. This might affect fast for commodity future prices. This all causes still uncertainty for the rest of the year also for 2024.

Corn

Availability is now better compared to 2022, partly due to decreasing demand. However, specialty corn like waxy corn remains scarce and more expensive in Europe. Near term weather conditions will be critical. United States and Brazil forecast is good crop, but estimate might be lower as USA is suffering from drought. Chinas production growth will be moderate, price remain high, due to drought. In Argentina production is low due to drought. In Europe after poor crop 2022 production will be higher for 2023, but very much is depending on yield. Surface of corn is also decreasing in Europe. Farmers are changing from corn/waxy corn to other commodities because of less risks. Ukraine's export is slow and explosion of Khakovka dam will make situation worsen.

Wheat

Wheat prices had downwards pressure in spring because of wheat planting, low demand, and extension of Black Sea grain corridor deal for another 60 days. In July Russia did not continue Black Sea grain corridor. China will have higher demand in 2024 due to reopening markets and poor weather conditions in main growing areas. Export from Ukraine is slow due to blocking of supply in Black Sea ports. Global wheat production is estimated to be high even though latest figures have decreased. Key driving force for wheat markets in near term will be US crop plantings and weather conditions. In Europe some countries like Spain are suffering from drought. In Northern-Europe latest rainfalls have deteriorated quality of wheat.

Potato

Potato crop 2022 was not so good in Europe and supply remain still tight. Many farmers decided to go for other crops. 2023 crop is estimated to be lower in 2023 and industry have to pay more for farmers in order to keep them in potato farming. Weather conditions will affect in coming months for potato crops.

Tapioca

Weather conditions, rains in May improved growing conditions after long drought period. Tight availability of roots continued. Starch content in roots has been lower. Demand has been less but also less production. Production cost has been very high and prices have been increasing month after month.

Soy

Global soya bean production is forecast to be approximately 10 % higher. This is mainly due to good crop in Brazil, higher US crop previous year and recovery of Argentina's soya bean production. China who is main soybean importer is to watch concerning prices because of their good crop of corn and wheat which may limit soya meal use. Currently US plantings are going on and we know more of price development of soyabean end of the year. Weather conditions during next months are important to follow. New crop is Serbia will be end of Autumn.

Dairy proteins

Dairy protein prices are decreasing in Europe due to high stocks and weak demand.

Egg products

Prices for egg powders have been historically high in first half of the year, this has been mainly due to the avian Influenza which led to very low availability of eggs. Now situation is improving and increased egg supply in Europe and in US. Demand is also lower during summer months. European egg production is forecasted to increase during 2023 but estimation is lower than originally forecasted. Lower pricelevel we estimate only end of the year or 2024.

Meat proteins

Meat protein prices have increasing trend in Europe, this has been mainly due to increasing prices of pork due to tight supply.

Driven by poor profitability during 2022, a significant number of pig farmers across Europe have chosen to stop their pig breeding activities – some on a temporary basis, while many others decided to permanently exit the business. This caused a drastic decline in the European pig herd, naturally leading to a lower availability of pigs. Main raw material related to the functional proteins is rind/pork skin.

The gelatin industry, representing 60 % of the rind purchase across Europe, is fighting for same raw materials.

Sugar

Global sugar production is estimated to fall globally with increasing likelihood of El Nino weather phenomenon in main producing countries and global sugar deficit in 2024/25. The late start crops in Europe and in Brazil have risen the prices but now the situation is stabilized. Sugar spot market has been relatively high in Europe. Weather conditions are important to follow for the new crop.

Phosphates

Prices for phosphate raw materials have been decreasing due to better supply situation, lower energy prices and lower freight cost.

Thickening Agents

Carrageenan raw material prices from seaweed is still high level but other cost have been decreased therefore we see slightly lower price level.

Food additives

Chinese food additives have been decreased mainly due to lower freight cost and decreased demand, all restrictions are lifted, and productions are running normally. During the summer many producers have their maintenance stops because of the very high temperatures in China. This may cause a situation of shortage again for some of the products and price situation may change rapidly.

Onion and garlic

US onion prices went up 22 due to inflation and drought. New crop outlook looks more promising. In India onion export stays high level. This year crop was 20 % smaller as farmers switched from white onion to red onion. Prices may be firmer towards end of the year. Sea freight has decreased. In China new crop will be in September and prices are expected to be firm.

Chinese garlic prices have firmed due to cold weather in April-May. Price driver is garlic future price markets. Speculation on expected yield and increased demand for fresh and dehydrated garlic, new crop will be in autumn after dehydration. Indian Garlic processing follows onion season. There will be limited dehydration due to fresh garlic prices. Prices may firm towards end of the year.

Peppers

Pepper prices have been downward trend. Global production is in line with demand this year. However carryover stocks are reducing. Farmers are switching to other crops. China is main importer of pepper, for example it imported 40 % of Vietnamese production during this spring. There is increased cost of production globally and high interest rate. There is overall declining in production and demand is growing annually, we may see higher prices in the future.

Paprika

Main sowing time is from April-May in main producing countries (China, Peru, Zambia, Spain) weather conditions are important during planting period. There was snowfall in China during the planting period. Spain has suffered from drought; product availability will be lower. We may expect higher prices end of the year from the new crop, also production cost is much higher.

Tomato powder

Prices from the previous crop was very high. Current stocks are very low. Demand is increasing in food industry and food service. Input cost of farmers remains very high. Financing of tomato growing is expensive due to high interest rates. Co2 emissions increase the cost. Development of energy prices are important to follow due to drought also water resources are scarce.

Herbs

We may see higher prices from the new crop of some herbs, like basil and marjoram. Demand is higher, very low carry over from last year and supply is lower, also production costs are higher and inflation rate very high in producing countries. In oregano there is good carryover, but also PA problems and farmers are reluctant to plant new field due to current price level and increased cost.