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.
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 3
DEPRECIATING EXCHANGE-RATES OF MAIZE EXPORTERS COINCIDE WITH APPRECIATING EXCHANGE-RATES OF IMPORTERS

CHART 4
MAIZE EXPORTS AND EXCHANGE RATES OF MAJOR EXPORTERS