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# Solving Corn
## New originations and COVID-19

**Agriculture special report**

September 2020

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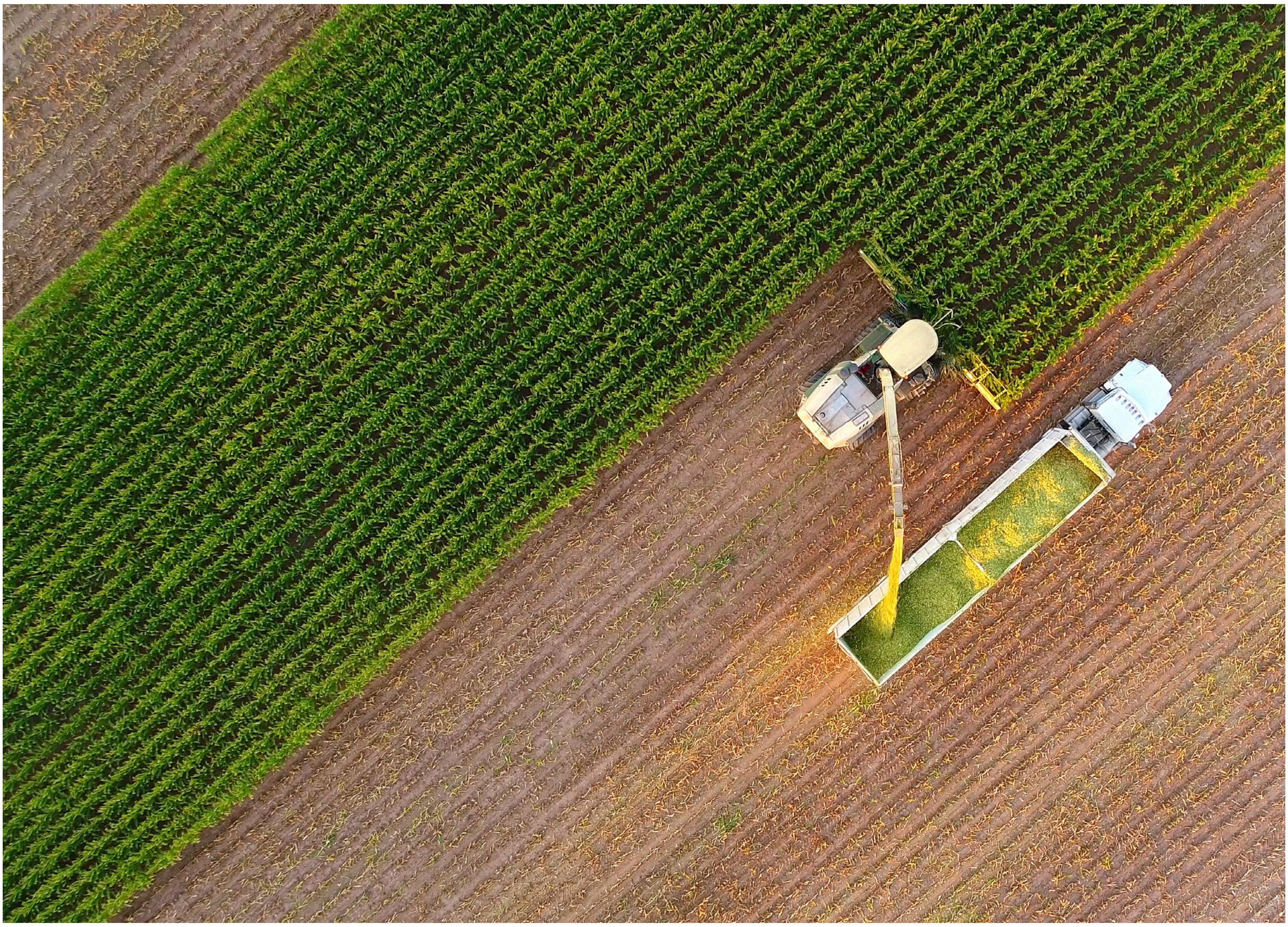


S&P Global Platts

Agriculture

# Introduction

While seasonality continues to dictate the most competitive origins of corn exports, its multiple uses in food, animal feed and increasingly fuel create a fine balance that is easy to disrupt.

The greatest threat to that balance comes from ever more unpredictable weather patterns, changing government policies and trade tensions, evolving technologies and Black Swan events such as COVID-19 - which are no longer rare.

Four such shocks in the past decade -- the US drought in 2012, the Brazilian drought in 2016, African Swine Fever in 2019 and the COVID-19 pandemic in 2020 - have all left an indelible mark on global corn trade patterns.

The corn market has both adapted and transformed in an effort to minimize the impact of future shocks, along the way developing more drought-resistant crops, technological advances in farming and diversified supply origins.

Countries across the globe have increased corn production and reigning market champions are under challenge.

The global corn market once dominated by the US has been transformed in the past five years by a close to 50% surge in exports from Brazil, the EU, Argentina and Ukraine. The rising prominence of new entrants into the export market has spurred the need for a new global arbitrage price matrix, which S&P Global Platts launched in September 2020.

# Corn comes of age

- **Emerging exporters erode US dominance**
- **Brutal competition turns margins negative**
- **COVID-19, ethanol change demand patterns**

### The drivers of change

China and the US together account for 55% of global corn production and 51% of the world's consumption of corn. But global production and export landscapes have gone through some noteworthy changes in recent years, with once relatively minor players becoming major price influencers.

While US and Chinese corn production has remained relatively stable over the past five years, production from Brazil, the EU, Argentina and Ukraine has surged 48%. Their combined exports have ballooned 101% since 2015 and now make up 60% of the global market, making these countries an integral part of the global corn supply chain.

Even though the size of corn's global import market has risen 28% over the past five years, the total US share has remained static at 30% as competition heats up due to increased production.

Just five years ago China was self-sufficient, consuming 86% of its domestic production, with little need for imports. By 2020, Chinese demand had grown to 105% of domestic production, with the expectation of increased deficits in years to come.

## CORN ARBITRAGE PRICE MATRIX

| September 24 | Unit | US Gulf | US PNW | Ukraine | Argentina | Brazil |
|---|---|---|---|---|---|---|
| Loading | – | Dec | Dec | Oct-Nov | Nov | Nov |
| Origin | – | Z65.00* | – | 200.75** | Z120.00*** | – |
| FOB PMX (Basis) | ¢/bu | Z105.00 | Z170.00 | – | Z121.50# | Z131.00 |
| FOB PMX (Flat) | $/mt | 186.42 | 212.00 | 202.75 | 192.91# | 196.64 |
| Freight (Spot) | $/mt | 38.50 | 18.39 | 30.50 | 35.50 | 30.50 |
| CFR Replacement | $/mt | 224.92 | 230.39 | 233.25 | 228.41 | 227.14 |

| (16:30 Singapore) | | | | Close | | |
|---|---|---|---|---|---|---|
| CFR North East Asia (Arrival Dec-Jan) | $/mt | | | 227.00 | | |

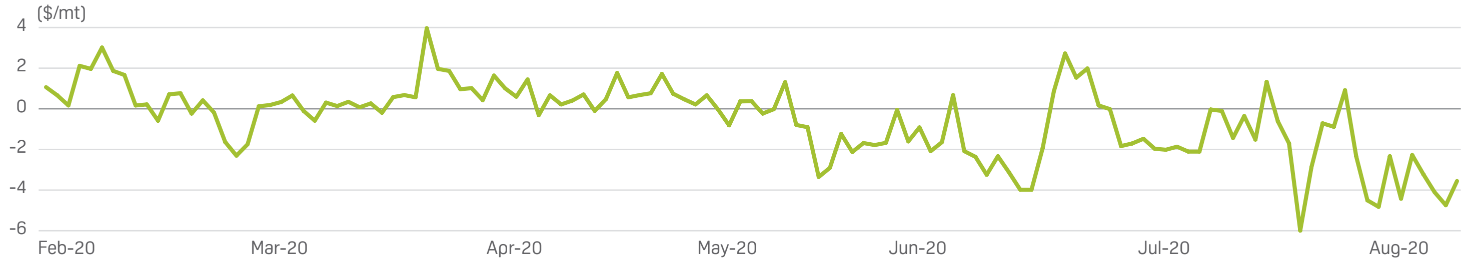
| | Unit | US Gulf | US PNW | Ukraine | Argentina | Brazil |
|---|---|---|---|---|---|---|
| Arbitrage | $/mt | 2.08 | -3.39 | -6.25 | -1.41 | -0.14 |

*CIF New Orleans corn M2 basis ¢/bu. **FOB Black Sea corn (Ukraine) Handysize $/mt. ***FOB Up River Argentina corn basis ¢/bu.

#Weekly price, assessed on 23-Sep.

From December 16 to May 15 the prompt Brazil loading month value is not published.

## CFR NORTH EAST ASIA ARBITRAGE IN 2020




Source: S&P Global Platts

In light of the shifts in supply domination and in recognition of the harvest seasonality of the three continents, S&P Global Platts has expanded its assessment scope and launched the Platts Corn Arbitrage Price Matrix, drawing together origination markets and Asia, the biggest demand center in the world.

**CFR NORTH EAST ASIA**


Source: S&P Global Platts

With the coronavirus impact being felt in every aspect of life in 2020, this special corn report looks at how the markets within the Platts Matrix have reacted in this unprecedented year, and considers the outlook for each region.

The focus of the corn matrix is South Korea, a major buyer that can source imports from the US, South America and the Black Sea region, depending on seasonality and price. The matrix evaluates the arbitrage opportunities from every origin and on most occasions, the margin is negative as competition is brutal. Other countries in Northeast Asia have their own origin preferences, but benchmark their decisions on the South Korea import price.

# Spotlight on demand

- **South Korea feed demand rises, consumer patterns change**
- **Vietnam continues to grapple with impact of African Swine Fever**
- **China's hog re-population efforts support feed demand growth**

It was inevitable Asian feed demand would be negatively impacted by the movement restrictions imposed in multiple countries to limit the spread of COVID-19. The erosion of demand came just as Asia was slowing the spread of African Swine Fever or ASF, which decimated millions of hogs in 2019. The impact on feed demand in South Korea, Vietnam and China varied markedly.

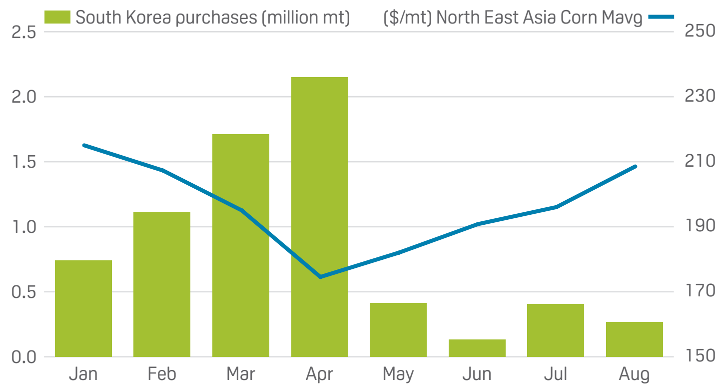
## South Korea demand unscathed by COVID-19

- **Higher cost of alternative feedgrains boosts corn demand**
- **Lockdown dining-in demand proves unexpectedly strong**

South Korea's first case of African Swine Fever was reported in Paju in September 2019 and 153,000 hogs have since been culled. However, the number of hogs infected was limited by the enforcement of biosecurity measures and the country's feed demand saw little impact as a result.

COVID-19 movement restrictions have had a greater impact, but the country's feed demand still appears resilient, supported by the higher cost of alternative feedgrains and consumer patterns that pivoted sharply from dining out to dining in.

**CFR CORN PRICE DROP SPURS BUYING SPREE**




Source: S&P Global Platts

Indeed, South Korean corn buyers went on a buying spree as global corn markets came under pressure from pandemic restrictions in the first four months of the year, filling November positions as early as April. Record purchases of over 2 million mt were booked in April alone, when the CFR Northeast Asia price was at its lowest since Platts started assessing the market in 2016. By mid-year, more than 90% of South Korea's annual corn imports of around 11 million mt had been completed, based on Platts records.

Local media reported Sept. 9 that the 261 hog farms closed due to ASF last year will be re-opened as they have been virus-free for 11 months, adding to the optimism in the feed market.

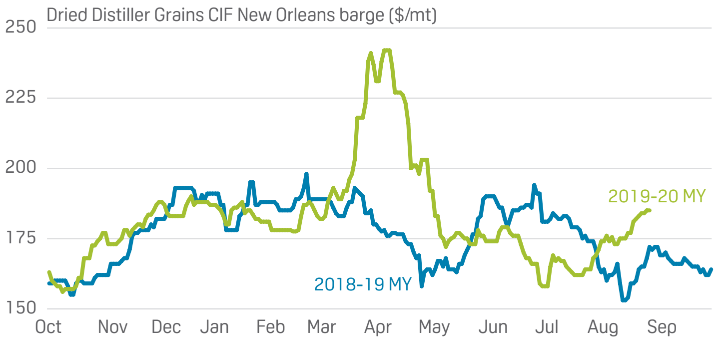
## Alternative feedgrain prices spur higher corn imports

South Korea's corn imports were boosted by spikes in other feedgrain ingredient markets like US dried distillers' grains solubles and feed wheat. DDGS is a byproduct of ethanol production and with multiple cities in lockdown, transportation fuel demand slumped, forcing production cuts and tightening supply.

Except for some inelastic demand, Asian feedmillers have been sluggish in picking up feedwheat cargoes to date in

2020, adding more corn to the purchase program. Platts' records show that South Korea's feedwheat demand fell 33.3% year on year over January-July, with total purchases at 582,000 mt against 873,000 mt in the same period a year earlier.

**DDGS PRICE SPIKES AS ETHANOL PRODUCTION DROPS**




Source: S&P Global Platts

### Dine-in popularity offsets downturn in dining out

With movement restrictions reducing dining out, consumption patterns evolved drastically - but South Koreans' dependence on local sources shored up demand for processed food, keeping feed demand strong.

The country's beef cattle population rose 2.55% year on year in June and over April-June was up 3.6% quarter on quarter, Statistics Korea data showed. The poultry population in April-June rose almost 10% from the previous quarter.

Food giant CJ Cheiljedang in its second quarter earnings report posted an 8.6% year-on-year rise in sales, including a 20% year-on-year rise in home meal replacement sales, citing higher demand for processed food as people required to stay home tapped into the dine-in trends of home-delivered meals and increased grocery purchasing.

### Vietnam grapples with African Swine Fever

In neighboring Vietnam, African Swine Fever proved a much bigger problem and the feed impact was harder felt. ASF was first detected in Vietnam in February 2019 and forced the culling of 20% of the hog population, numbering in the several millions.

However like South Korea, importers adopted a strong buying stance at the start of the year when corn prices were at historical lows. The early buying resulted in an almost 89% year-on-year jump in corn imports to 1.44 million mt in July, Vietnam customs data showed. Imports over January-July rose 9.8% on year to 5.86 million mt.

With the surge in imports, warehouses filled up and traders reported cargoes being deferred as demand failed to keep pace with supply.

Global feed manufacturer De Heus' managing director Johan van den Ban told Platts in an interview in early August that ASF remains a threat during the current rainy season, with fresh outbreaks reported.

"Even though we are trying to support farmers with improving their biosecurity, the smaller farms in densely populated pig production areas in particular will remain vulnerable to new ASF outbreaks. Losses from ASF have increased in the last few months compared with the beginning of the year," van den Ban said.

In the best-case scenario, it will be the beginning of 2022 at the earliest before domestic pork supply meets demand, he added.

### China the focus of demand recovery

China's corn demand in 2020 has attracted global attention as demand elsewhere was reduced by COVID-19. Market expectations are that total imports over 2020 and 2021 will be in the range of 15 million-30 million mt, the majority of it from the US. The US Department of Agriculture's World Agricultural Supply and Demand Estimates [WASDE] report released Sept. 11 showed that China has stepped up purchasing corn from the US over the last two months to record levels. As of Sept. 3, outstanding sales to China from the US stood at 8.8 million mt in 2020-21 (September-August). It is important to note that China administers tariff-rate quotas for corn, which is 7.2 million mt/year and usually underfilled.

China's efforts to rebuild its hog population and its national corn stockpiles are driving corn import efforts, with the government targeting inventories recovering to pre-ASF levels by the end of 2020. The Ministry of Agricultural and Rural Affairs in an Aug. 17 report said China's hog herd grew 13.1% in July, marking the first year-on-year growth in hog population since April 2018.

China's National Grain and Oils Information Center has forecast total compound feed production rising 6.9 million mt year on year to 217 million mt in 2020.

The flow of corn into China, Asia's largest consumer, will also depend on its domestic corn production - the country is also the world's second-largest producer of corn. Two typhoons in September devastated corn crops in Heilongjiang and Jilin provinces in northeastern China, the largest corn growing region in the country. "Corn crops were battered here and there, hit by the wind as their plants were higher and heavier," a Beijing-based analytical company Cofeed said Sept. 8. Grain production in the three provinces of northeastern China -- Liaoning, Jilin and Heilongjiang -- are of great significance to grain security in China as these crops account for three quarters of the whole-year grains, the company said.

"We think China's recovery is broadly on track and we see upside risks to our growth forecast of 1.2% in 2020 with 7.4% for 2021. Still, consumer confidence remains fragile and retail sales remain soft. Together with rising food prices driven by supply shocks, this is more likely to dampen spending on discretionary items, such as furniture and cars, rather than food, especially food staples," S&P Global's APAC Chief Economist Shaun Roache said.

# Spotlight on supply

- **Uncertainty surrounds US harvest, weak ethanol demand**
- **Brazil, Argentina exports still at maximum capacity at season's end**
- **Black Sea set to break corn output, export records in 2020-21**

Most US corn exports depart from the US Gulf Coast, with 57% or 26.8 million mt of exported US corn in the marketing year 2018-19 (September-August) inspected for departure from the US Gulf Coast, with New Orleans the main export port, according to the USDA.

Corn from the US Pacific Northwest is a key origin source for Asian feed buyers and in calendar 2020, at least 35% of all cargoes priced into South Korea were from the US PNW, based on Platts records. To track this, S&P Global Platts has launched a new FOB US PNW corn assessment for Panamax cargoes of 65,000 mt loading from Pacific Northwest ports on June 1.

### Uncertainty over US harvest

Early estimates showed a potential record yield for the 2020-21 US crop, with many analysts targeting above 180 bushels per acre - the 2019-20 yield was seen at 167.4 bu/acre. The USDA in its WASDE report released Sept. 11 lowered corn yields estimates for 2020-21 US corn to 178.5 bushel/acre from August's estimate of record high yields of 181.8 bu/acre.

Severe weather in early August and late in the growing season tore through some of the major corn growing states, damaging both unharvested crops and storage infrastructure.

While export sales commitments remain well below the levels seen before US-China trade tensions escalated, demand has improved, with Chinese purchasing leading the way. July saw a record monthly US corn export sales volume and included two of the five largest corn export sales by volume on record. The lift in export sales boosted Platts assessed CIF corn prices to $4.0475/bushel in July, the highest since March.

However, once the flow of high-volume export sales slowed, inbound crops pressured prices to as low as $3.5775/bu before recovering some of the losses amid concerns about crop damage.

With the US-China trade dispute hanging over US grain exports to China over the past two years, producers have increased storage options.

With farmers better equipped to handle the inbound corn crop as a result, they are able to be more patient with sales and the harvested volume does not need to be fed straight into the export pipeline at low price levels.

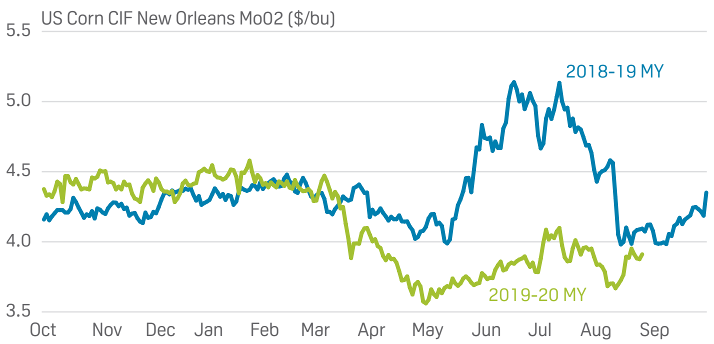
Reductions to the 2020-21 corn crop yields may prevent record production, but are unlikely to greatly reduce the inbound supply on a national level.

Increased storage will only provide a small buffer if export and ethanol usage volumes do not improve, and US corn prices are projected to see further supply pressure - which will continue to make them a competitive option for international buyers.

### Ethanol production takes lion's share of US corn

Despite the prominence of US corn in global supply and demand chains, exports represent just 14.2% of total corn use in the US. The single largest corn consumer in the US is the ethanol industry. According to the USDA, 5.1 billion bushels of corn or about 34.5% of US corn production will be used for ethanol production in 2020-21.

**US CORN PRICE STRUGGLES TO REACH PRE-COVID LEVELS**




Source: S&P Global Platts

**US ETHANOL SQUASHED WITH COVID RESTRICTIONS IN H1 2020**


Source: S&P Global Platts

However, the coronavirus pandemic has decimated global demand for motor gasoline and in turn, blendstocks like ethanol. The Platts Ethanol Chicago price hit an historical low of 81.05 cents/gal on April 1, pressured by massive stocks and high production.

More recently, ethanol stocks have fallen by more than a quarter from an all-time high of 27.689 million barrels for the week ended April 17 to 19.750 million barrels for the week ended Aug. 7, according to the US Energy Information Administration.

Many ethanol plants have been idled or shut down. Production has fallen from 1.079 million b/d for the week ended Feb. 28 to 926,000 b/d for the week ended Sept. 11, EIA data showed, lending support to ethanol prices.

But while the industry seems to have supply under control, demand remains uncertain. Motor gasoline demand in the US has returned substantially, but remains below pre-COVID-19 levels. Monthly US ethanol exports plummeted 50%-60% year on year in April, May and June, according to US Census Bureau data, as movement restrictions imposed in March were eased.

Feedstock costs continue to be a key driver in ethanol pricing, although the correlation is not as strong as in previous years. Ethanol prices respond to large increases in corn costs, and the ethanol corn crush margin is always a key component in the decision-making process. However, drops in corn values do not have the same impact as they did prior to the COVID-19 pandemic.

Whereas wide crush margins once encouraged producers to raise run rates as high as possible to maximize revenue, ethanol producers seem to have realized that doing so inevitably contributed to swollen stocks that drove down prices. Now producers are looking for sustainable crush margins that can support prices long term and are less likely to increase production for short-term revenue maximization.

Demand from the domestic ethanol industry will continue to provide consistent support for US corn growers, while ethanol's share of biofuel blending mandates should remain at 15 billion gallons/year through 2022 and likely beyond, when the Environmental Protection Agency will have broad authority to set annual blending mandates.

Recent news about new renewable diesel or RD capacity in the US is generating optimism among corn farmers. Distillers corn oil or DCO is a co-product of corn ethanol production and is one of several vegetable oils used as RD feedstock.

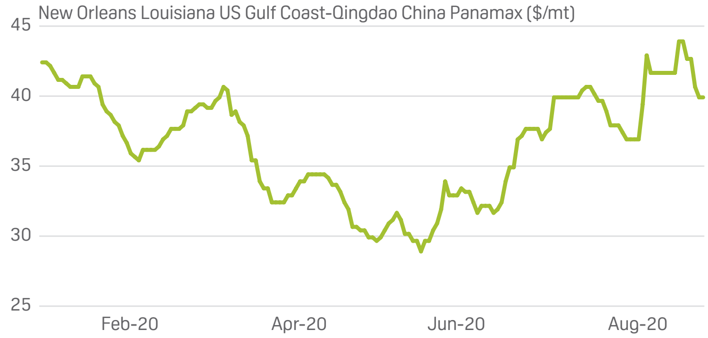
RD production in the US rose 13.1% year on year to 262 million gallons over January-June, according to EPA RIN generation data supported by a federal blending credit, rising RIN values and a favorable carbon-reduction profile. As more facilities come online, ethanol production economics will benefit from the increase in DCO demand.

### USGC phase 1 benefits freight

The switch of soybean trade flow from the East Coast South America or ECSA region to the US Gulf has seen US Gulf fronthaul freight rates for grains rise significantly in recent months, increasing 28% from June to August.

This uptick has come even after more cargoes were offered in the market. Despite this, a significant number of vessels are ballasting towards the US Gulf, which could potentially leave a supply overhang and reduce freight rates once again.

**US-CHINA TRADE DEAL BENEFITS USG CHINA FREIGHT RATES**




Source: S&P Global Platts

Into this mix are the ongoing US-China trade tensions that continue to trouble the market. However, with the recent announcement that China will honor Phase One of the deal with the US, it appears that the stronger rates in the US Gulf may persist.

The resulting effect on the market is a surge in voyage rates from late August, marking the definitive switch to the US Gulf Coast harvest.

### South America bloc takes lead in corn exports

- **Argentina export tax prompts flurry of sales**
- **Brazil currency plunge incentivizes selling**
- **Brazil's corn demand for ethanol challenges exports**
- **South Atlantic freight rates remain strong**

Brazil and Argentina are consolidating their lead as exporters of corn. The combined exports of the two South American countries could reach 71 million mt in the 2019-20 season, representing 41.5% of the world´s total volume, according to the USDA. This is considerable increase from the early 2000s, when South American exports represented around 20% of the global trade flow.

From 2001 to 2020, Argentinian corn production rose from 15 million to 50 million mt and Brazilian production from 41 million to 101 million mt. Technology and logistics were key drivers of the production growth, with investment in seeds and fertilizer technology boosting yields and enabling farmers to seed winter corn across more of the producing regions.

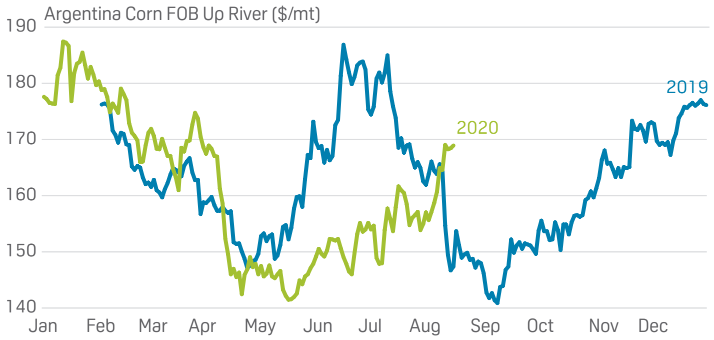
Inland transportation and port capacity investments in Brazil also reduced logistical costs, enabling farmers to increase production and export their grains at competitive prices.

## Argentina's export tax hike accelerates sales

The rate of farmer sales has been high in both Brazil and Argentina over the past year, driven by different factors.

In Argentina, producers sold large volumes of grains and oilseeds in anticipation of an increase in export taxes after a new government took charge on Dec. 10, 2019.

### ARGENTINIAN CORN PRICES ON THE RISE




Source: S&P Global Platts

## Brazil Real collapse incentivizes selling

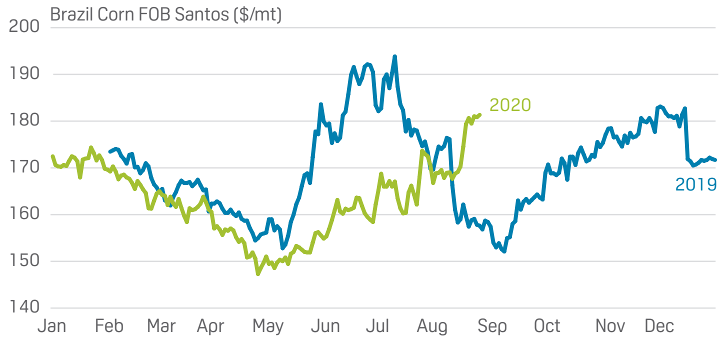
Brazilian producers meanwhile took advantage of a collapse in the value of the Real against the US dollar. A large portion of the winter corn was committed in advance, leaving the remaining stocks to be sold at seasonally higher prices in the fourth quarter.

Brazilian farmers had committed 73% of the corn produced in the country's Center-South by the end of July, up from 69% a year earlier and well above the previous five-year average of 63%, according to analysts AgRural.

### BRAZILIAN REAL WEAKNESS DRIVES FARMER SALES


Source: S&P Global Platts

### BRAZIL CORN PRICES ON THE RISE




Brazil assessment reflects loading 1 month forward. From 16-Dec to 15-Jul every year, the assessment reflects cargoes loading in August.
Source: S&P Global Platts

Sales for the 2021 winter crop are also reportedly accelerated. AgRural estimates the top producing state of Mato Grosso has sold 42% of its 2021-22 winter corn crop, increasing total Center-South sales to 24% of the estimated production, up from 14% last year.

## Brazil's corn ethanol challenges exports

Corn demand in Brazil for ethanol production has grown exponentially over the past four years, from 500,000 mt in 2016 to 3.3 million mt in 2019.

For 2020, Platts Analytics estimates the volume rising a further 67% on year to 5.5 million mt. This increase in corn ethanol production can be attributed to the stagnant growth in sugarcane availability due to the precarious financial state of many mills, which has created a tight balance for ethanol as the fuel market in Brazil continues to expand, and providing corn ethanol the opportunity to flourish.

Brazil's domestic corn demand from feeders is also expected to rise in 2020, despite the decrease in consumption in Q2 when slaughterhouses were closed due to COVID-19.

Market participants are also expecting a year-on-year increase in corn consumption in 2020 due to healthy export demand and margins for pork and poultry. Government aid for low-income families has also provided support to the domestic poultry market.

## South Atlantic freight route remains strong

Despite the South American grains season coming to an end, exports from Brazil and Argentina remain at maximum capacity.

A new assessment for corn shipped from Bahia Blanca in Argentina to Qingdao in China was launched in August. The assessed route has followed a similar trend to its Brazilian counterpart - the Santos-Qingdao 60,000 mt grains route - with the voyage rate of the two routes have steadily increased throughout August, peaking on Aug. 17.

Closer to September, grain routes from South America to China are expected to subside in popularity. However, unseasonal trends are altering the region's outlook.

Typically exports from the region begin to subside during August as the Brazilian harvest season draws to a close. However, due to exceedingly high demand from China, both the US Gulf Coast and the ECSA are exporting to maximum capacity, according to sources. Furthermore, a late harvest has helped Brazil maintain high export volumes during this period of the season, market sources said.

### Black Sea on track to break production, export records

- **Ukraine's 2020-21 corn production, exports seen rising 4%-5%**
- **EU demand for Black Sea corn remains strong**
- **Outlook receives boost from Ukraine stockpiling, Chinese demand**
- **Freight demand from Black Sea to Asia boosts rates**

Ukraine has become the fourth-largest global corn exporter behind the US, Brazil and Argentina in recent years, shipping nearly a quarter of the world's corn exports. Combined with Russia, this could see the Black Sea region break into the top three corn exporters list in 2020-21.

Corn production in Ukraine is expected to hit a record high in the 2020-21 marketing year, creating the potential for record exports, as years of steadily increasing acreage and improvements in agricultural technology leading to higher yields begin to pay off.

Platts Analytics estimates the 2020-21 Ukrainian harvest at 37.4 million mt, up 4% on year and up more than 60% from its 2015-16 volume of 23 million mt. The USDA's forecast in August put production at 39.5 million mt. Platts Analytics estimates are below the USDA's due mainly to lower yield estimates (7.03 mt/hectare vs. USDA's 7.31) as a result of dry weather in August.

Exports account for a big chunk of Ukraine's corn production as its animal sector remains underdeveloped. The USDA estimates that 86% of the country's 2019-20 crop (July-June) crop was exported.

Ukraine's exports have almost doubled in the five years since 2015-16 from 17 million mt to 32 million mt, based on Platts Analytics' estimates. In neighboring Russia, volumes are set to jump 4%-10% from last year. Platts Analytics estimates Russia will harvest 14.8 million mt of corn in 2020-21, setting its export potential at 4.6 million mt.

### Poor wheat crop, export curbs boost corn demand

The largest market for Ukrainian corn is the EU, which takes nearly half the total, followed by China and Egypt. Although the EU's own corn production is expected to increase marginally year on year to 66.8 million mt in 2020-21, a poor wheat crop will lead to more imports of feed grain, according to Platts Analytics.

In addition to more demand, due to wheat export restrictions in 2019-20 by the Ukrainian government to ensure food security amid the pandemic, Ukraine may further increase exports of corn. However, the volumes may be revised later this year depending on the final production results published by the State Statistical Services.

### Stockpiling, Chinese demand to boost Ukraine corn in 2020-21

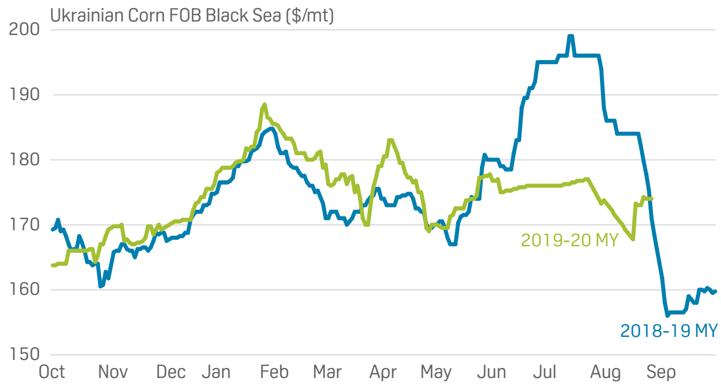
Ukraine's domestic corn prices were negatively impacted by COVID-19 in the first quarter, with demand destruction due to lockdown restrictions pushing prices down 10% from $187.50/mt on Jan. 24 to $169/mt in late March.

The imposition of export restrictions by major Black Sea grain exporters Russia and Romania in March-April and talk of Ukraine following suit to ensure food security saw corn prices briefly claw back most of their loses in April. However, the rally was short-lived as Ukraine decided against imposing restrictions on corn exports. With the majority of the export program exhausted in June, the Ukrainian FOB market entered its summer trading lull earlier than usual amid a lack of corn availability, strong domestic prices and farmer unwillingness to sell.

The outlook for Ukrainian corn prices could be firmer after the recent announcement by the agricultural ministry to increase its ending balance during the 2020-21 season and with China actively restocking in tandem with domestic hog re-population efforts.

Weather of course will remain crucial to crop availability. Dry weather and a lack of soil moisture in major corn producing regions in Ukraine in August saw the Ministry of Economic Development and Agriculture lower its corn production estimates by 2 million mt to 35 million mt on Aug. 18.

**UKRAINE CORN LATE SEASON RALLY STOPPED SHORT**




Source: S&P Global Platts

### Black Sea grain exports drive rates higher

Platts launched a Black Sea to Asia 60,000 mt, grains route assessment Aug. 3. After a number of weeks of muted fixture activity, both long-haul and short-haul voyage rates from the Black Sea jumped markedly in mid-August. With wheat cargoes exported to the Mediterranean and the Far East, demand for ships rose suddenly, pushing time charter hire rates for the ships to year-to-date highs.

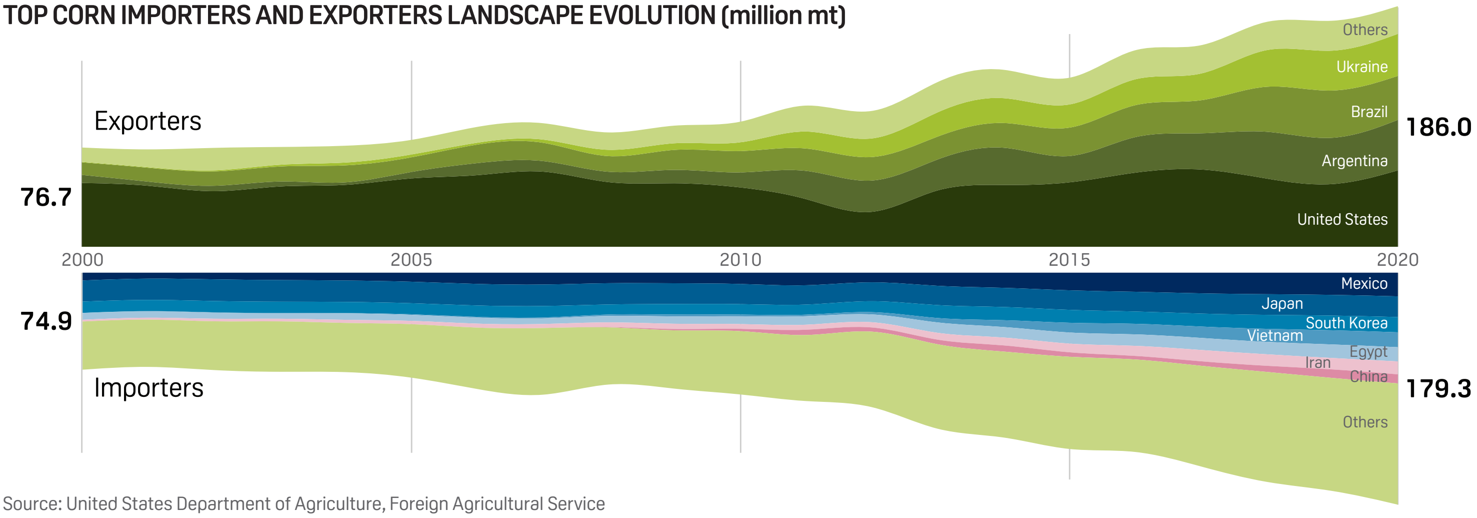
China increased grains imports due poor domestic production, according to sources. This has allowed Black Sea exporters such as Ukraine to take advantage of the extra demand. Ukraine has exported over 6 million mt of grains to China since July 2019, vessel data seen by Platts showed. “The Black Sea is seeing quite a spike; not many ships are opening on the Continent or Black Sea, which is pushing rates higher,” a shipbroker source said.

Vessels have ballasted to the South Atlantic for the later grains surge from Brazil and Argentina as the final cargoes from the region are moved before the harvest season ends.

Tonnage within range of the Black Sea therefore tightened, further pressuring Russian and Ukrainian traders. This has resulted in sharp freight increases as charterers compete for ships. In one dramatic example, on Aug. 18 the Odessa-Qingdao 60,000 mt grains route was assessed up $4.75/mt day on day at $35/mt.

Whether high voyage rates from the Black Sea continue into the next quarter is under question, sources said. However, the current high rates do make the Black Sea corn market less attractive to foreign buyers.

**TOP CORN IMPORTERS AND EXPORTERS LANDSCAPE EVOLUTION (million mt)**




Source: United States Department of Agriculture, Foreign Agricultural Service