

## GRAIN MARKET VOLATILITY LIKELY IN THE NEW YEAR

A change in the occupant of the White House in January introduces uncertainty into the outlook for grain markets. If President Trump follows through on his promise of tariffs on imports from China, that is likely to result in tariffs on US exports and in particular, soybeans. Were that to happen, soybean prices in the US would drop while the price of soybeans sourced from South America would rise. The overall effect on the price of soybeans and soybean meal is hard to predict, however, greater volatility in prices would be a good bet. Another area to watch is the policy of the new administration with regard to biodiesel, a major source of new demand for soybean oil.

China is not an important importer of corn so the effect of a tariff war between China and the US would have little or no effect on corn. For corn, the most important international customer is Mexico, another country that may experience higher US tariffs. It seems unlikely that Mexico would alter their purchase of US corn regardless of US tariff policies but again, it does increase uncertainties and may lead to greater

volatility in prices. As with soybeans and biodiesel, the stance of the new administration toward ethanol can have an effect on corn prices.

Ignoring for a moment the looming policy changes, the world bear market in grain appears to be over. A large harvest this year in the US of corn and soybeans combined with continued growth in production in South America means that poultry producers worldwide are currently enjoying low grain prices. However, the market probably hit bottom this year. What comes next is likely to be a bull market of rising prices over the next few years.

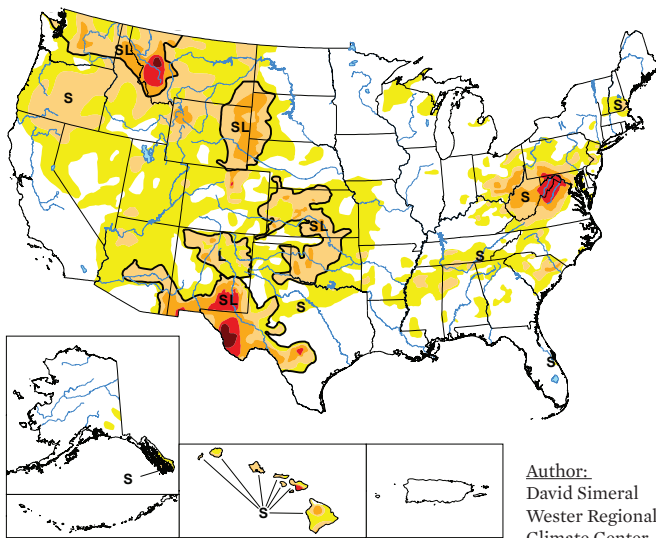
Besides politics, another factor that influences grain production is, of course, the weather. The US drought monitors below show a sharp deterioration in the US Corn Belt from August to December. The dryness came too late to affect production this year. However, a continuation of the drought would affect production next year. In South America the rain arrived just in time for a good planting season in both Argentina and Brazil.

### U.S. DROUGHT MONITOR

**August 6, 2024**

(Released Thursday, Aug 8, 2024)

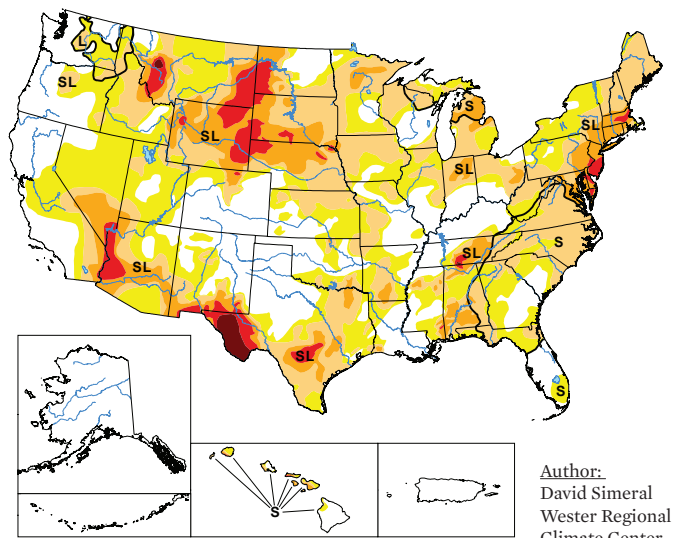
Valid 8 a.m. EDT



**December 3, 2024**

(Released Thursday, Dec 5, 2024)

Valid 7 a.m. EDT



**DROUGHT IMPACT TYPES:**

- ~ Delineates dominant impact
- S** = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- D** = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

**INTENSITY:**

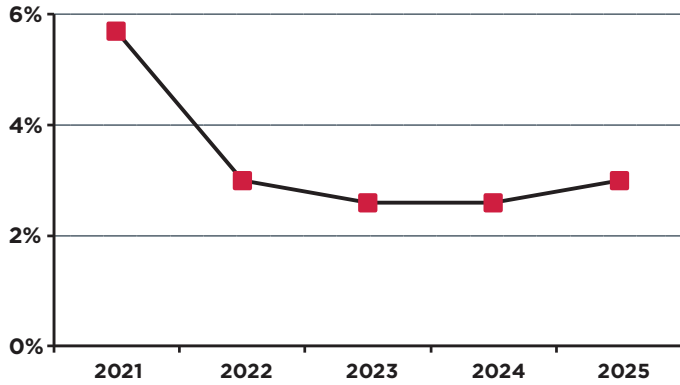
- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>



The global economy is set to grow at a faster pace next year as inflation continues to cool but could falter if tariffs rise and governments fail to narrow wide budget deficits. A growing economy would increase the demand for grain.

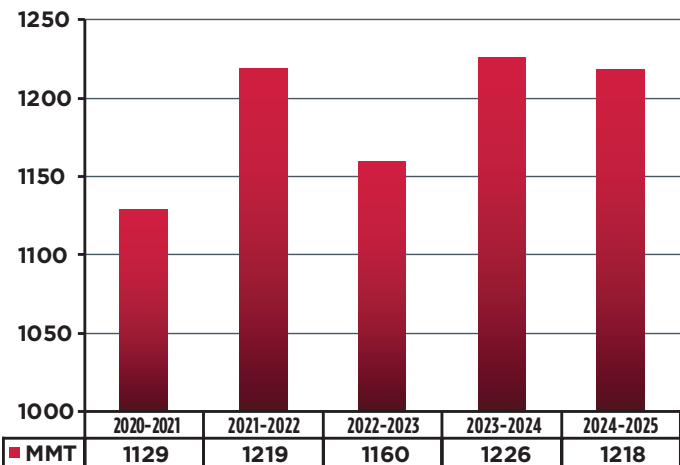
### World Economic Growth - World Bank



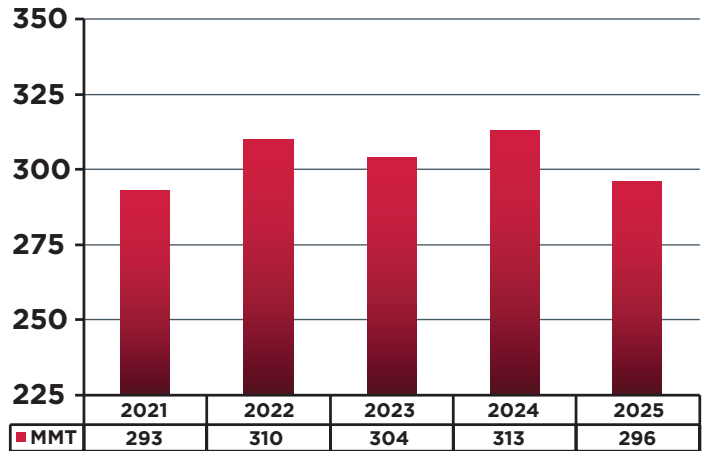
### CORN

The latest WASDE report projects that world and U.S. corn production and ending inventory will be lower this crop year (2024-2025). That may well indicate the beginning of a new bull market. The average farm price in the U.S. last crop year was \$4.55 per bushel (\$182 per metric ton). The average this entire crop year could be slightly lower, however, the trend is likely to be up. The lowest price in Chicago (and the end of the bear market) probably took place in August of this year at the end of the last crop year.

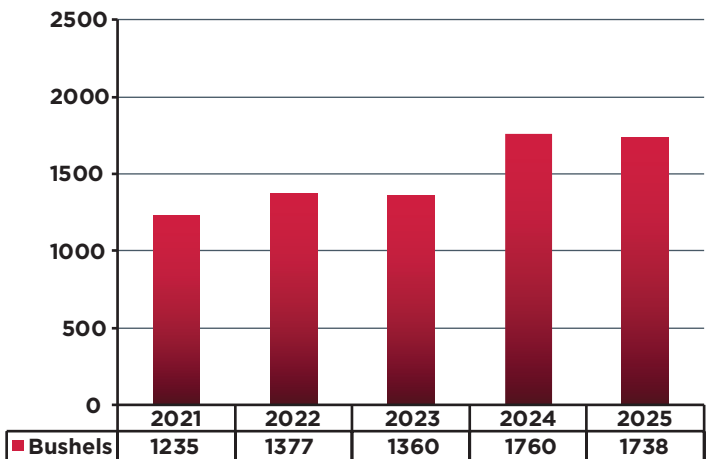
### World Production of Corn Million Metric Tons - USDA



### World Ending Stock of Corn Metric Tons - USDA



### U.S. Ending Stock of Corn Millions of Bushels - USDA



### Argentina Corn Supply and Demand WASDE December - Million Metric Tons

	2021-2022	2022-2023	2023-2024	2024-2025
Harvest	50	35	50	51
Imports	0	0	0	0
Exports	36	24	32	36
Ending Inventory	1	1	4	3

### Brazil Corn Supply and Demand WASDE December - Million Metric Tons

	2021-2022	2022-2023	2023-2024	2024-2025
Harvest	116	137	122	127
Imports	2	1	1	1
Exports	47	56	46	48
Ending Inventory	4	10	6	3

### Ukraine Corn Supply and Demand WASDE December - Million Metric Tons

	2021-2022	2022-2023	2023-2024	2024-2025
Harvest	42	27	32	26
Imports	0	0	0	0
Exports	27	27	29	23
Ending Inventory	5	2	2	1

### China Corn Supply and Demand WASDE December - Million Metric Tons

	2021-2022	2022-2023	2023-2024	2024-2025
Harvest	273	277	288	292
Imports	22	19	23	14
Exports	0	0	0	0
Ending Inventory	209	206	211	204

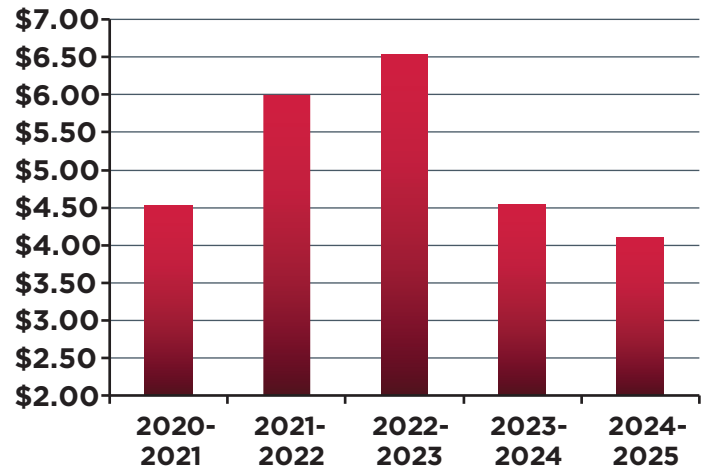
### U.S. Corn Supply and Demand WASDE December - Million Metric Tons

	2021-2022	2022-2023	2023-2024	2024-2025
Harvest	381	346	390	385
Imports	1	1	1	1
Exports	62	42	58	63
Ending Inventory	35	34	44	44

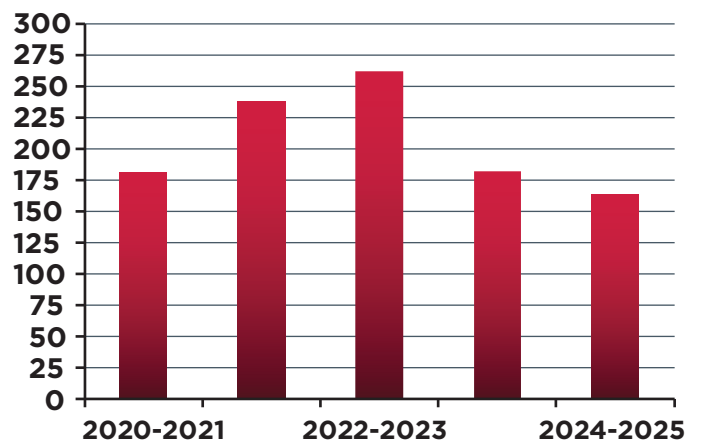
### U.S. Corn Supply and Demand - WASDE December Millions of Bushels

	2022-2023	2023-2024	2024-2025
Harvest	13,651	15,341	15,143
Supply Total	15,066	16,729	16,928
Ethanol	5,176	5,471	5,500
Exports	1,661	2,292	2,475
Feed	5,487	5,814	5,825
Total Use	13,706	14,069	15,190
Ending Inventory	1,360	1,760	1,738
Farm Price	\$6.54	\$4.55	\$4.10

Average U.S. Farm Price of Corn \$/Bushel  
USDA



Average U.S. Farm Price of Corn \$/Metric  
Ton USDA



## SOYBEANS

The price of soybean meal probably reached a low point for this bear market recently at \$284 per short ton (\$312 per metric ton). Continued rising production in South America may act to delay the next bull market. Another factor is the effect of a possible tariff war. The U.S. benchmark price of soybean meal is projected to average only \$300 (\$330 per metric ton) in this crop year.

### Argentina Soybean Supply and Demand WASDE December - Million Metric Tons

	2021-2022	2022-2023	2023-2024	2024-2025
Harvest	44	25	48	52
Imports	3	9	7	6
Exports Beans + Meal	31	25	32	33
Ending Inventory	24	18	24	29

### Brazil Soybean Supply and Demand WASDE December - Million Metric Tons

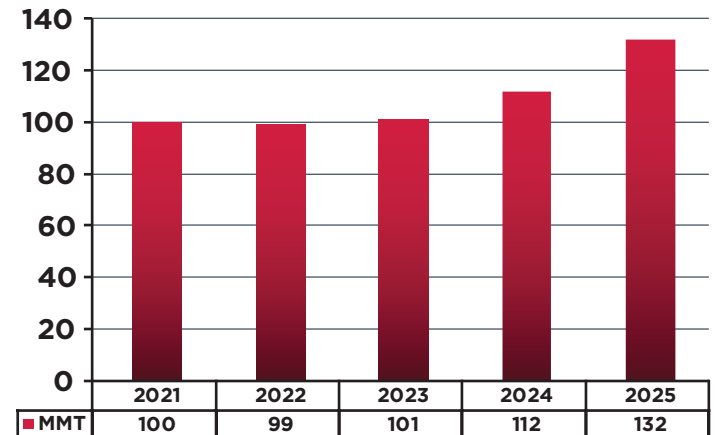
	2021-2022	2022-2023	2023-2024	2024-2025
Harvest	125	162	153	169
Imports	1	1	1	1
Exports Beans + Meal	100	116	127	125
Ending Inventory	21	37	27	34

### U.S. Soybean Supply and Demand WASDE December - Million Metric Tons

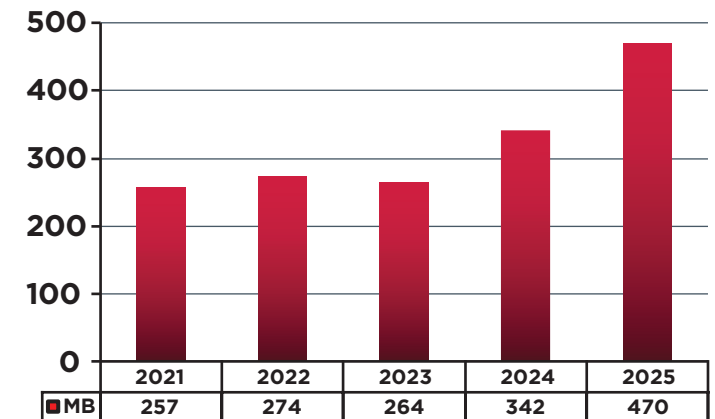
	2021-2022	2022-2023	2023-2024	2024-2025
Harvest	122	116	113	121
Imports	1	1	1	1
Exports Beans + Meal	70	67	60	66
Ending Inventory	7	7	9	12

World and U.S. ending stocks will be higher at the end of this crop year and the average price of soybeans and soybean meal over the entire crop year be lower. Nevertheless, the low point in the bear market in Chicago may have occurred just recently.

### World Ending Stock of Soybeans in MMT - USDA



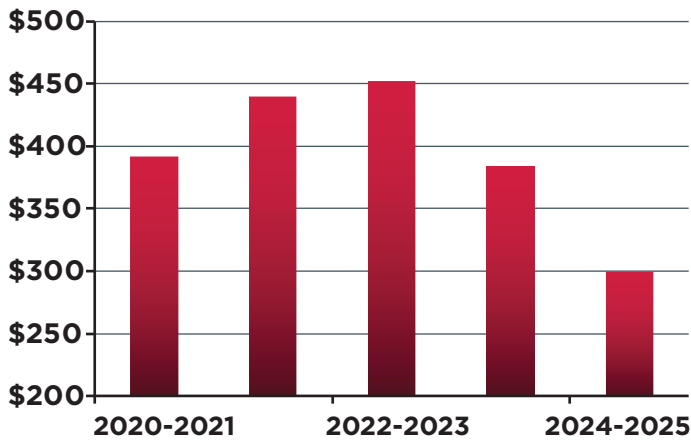
### U.S. Ending Stock of Soybeans in Millions of Bushels - USDA



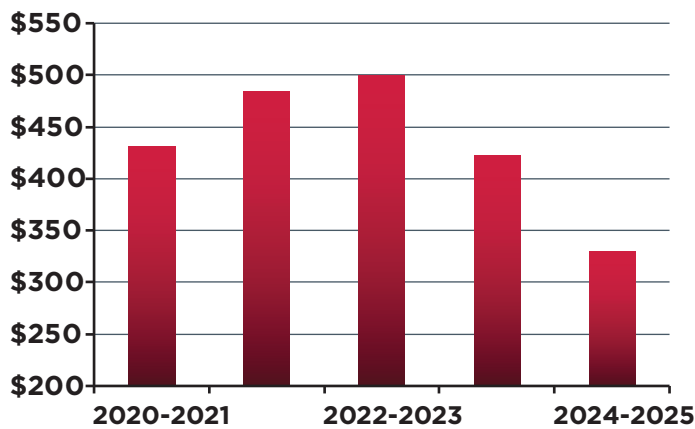
### U.S. Soybeans - USDA - WASDE December Millions of Bushels

	2022-2023	2023-2024	2024-2025
Harvest	4,270	4,162	4,461
Total Supply	4,569	4,447	4,818
Export	1,992	1,695	1,825
Total Use	4,305	4,105	4,348
Ending Stock Inventory	264	342	470
Meal Price short ton	\$452	\$384	\$300

Average U.S. Crop year Price of SBM Short Ton USDA



Average U.S. Crop year Price of SBM Metric Ton USDA

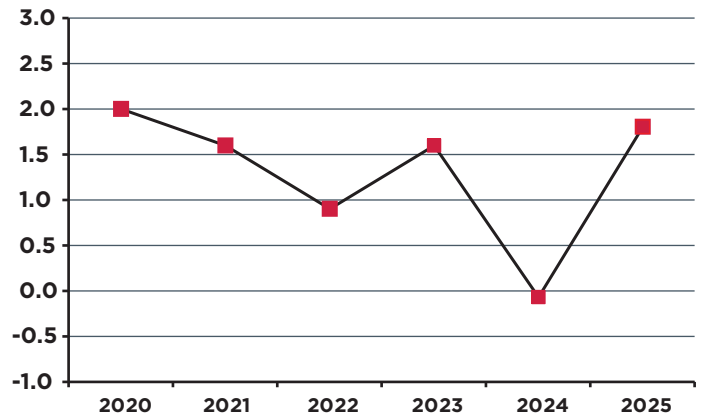


## CHICKEN INDUSTRY

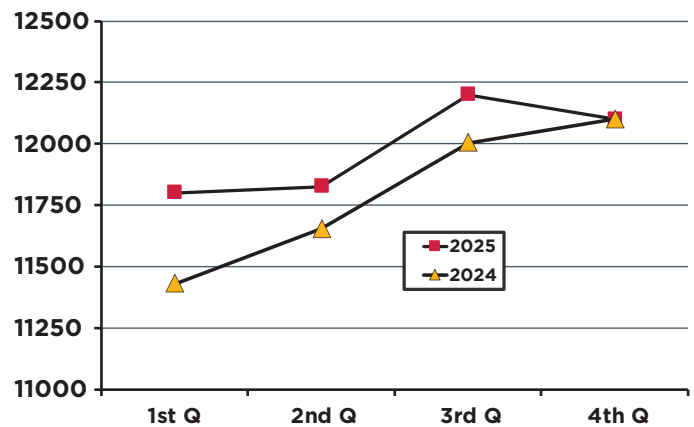
Slow growth in the world economy recently is reflected in the slow growth of world chicken production. This year, world production did not increase at all according to the USDA October report. It is likely that world growth will accelerate starting in 2025.

U.S. production increased by an estimated 1.7% in 2024 and is projected to increase 1.6% in 2025. Interestingly, production in the 4th quarter of 2024 is projected to increase instead of decreasing as it usually does in the last quarter.

Increase in World Broiler Chicken Production in % - USDA

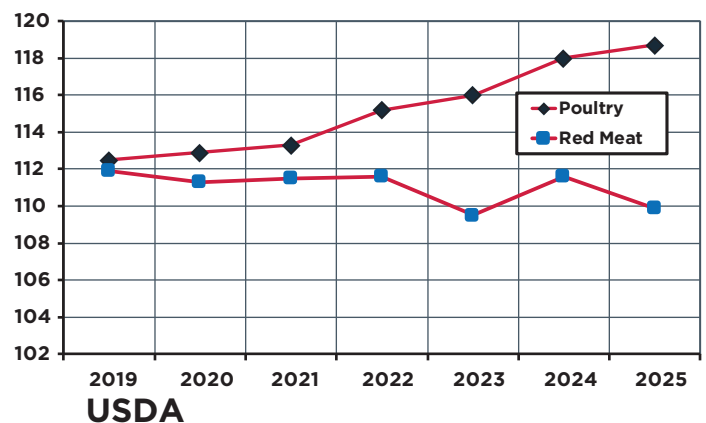


U.S. Quarterly Broiler Production - Million Pounds - USDA



Poultry per capita consumption in the U.S. continues to take market share from red meat. Between 2021 and 2025, red meat per capita consumption fell by 2 pounds (1 kilo) while poultry consumption rose by 6.6 pounds (3 kilos).

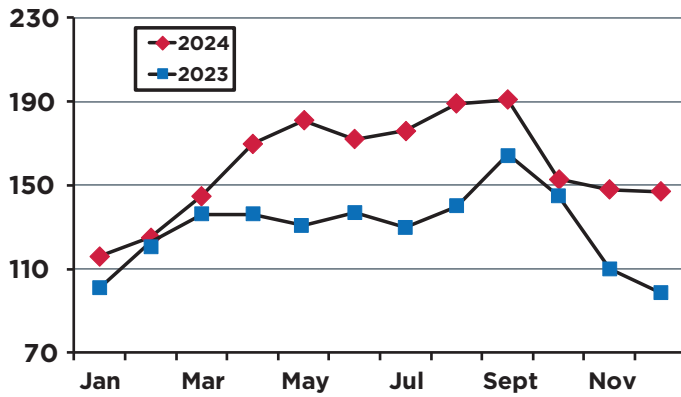
U.S. Per Capita Consumption of Red Meat and Poultry lbs.



## DEBONED BREAST

The spot prices of deboned breast in the U.S. rose surprisingly fast in the first five months of 2024 helped by high prices for competing meats. Prices are holding up remarkably well at the end of the year despite the unusual increase in production in the 4th quarter.

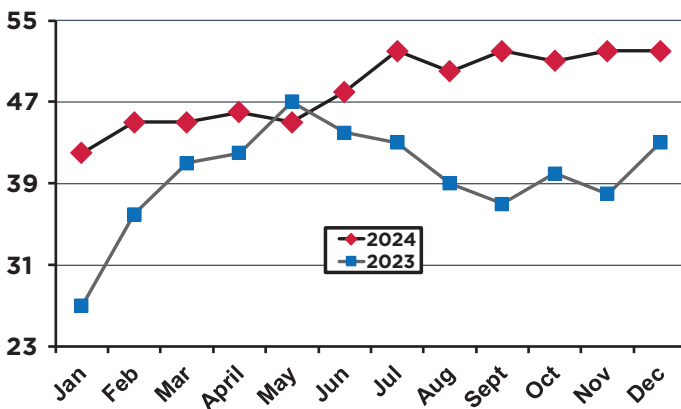
Breast B/S - 2023-2024 USDA - National Price - Cents/lb Future Months Estimated



## FROZEN LEG QUARTERS FOR EXPORT

Exports of frozen leg quarters dropped by 12% in the first 8 months of the year in part due to the higher value of the dollar and in part to increased consumption in the US. Overall prices are higher this year compared to last.

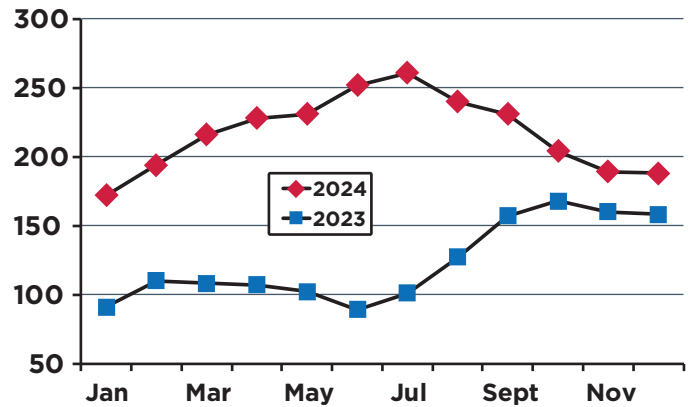
Leg Quarter Price - 2023-2024 Cents per Pound - USDA Frozen Bulk Export Future Months Estimated



## WINGS

Wing prices are slowly declining from their remarkable high earlier this year. Wing prices can be expected to remain higher than deboned breast as demand continues to be strong.

Whole Wing Prices - 2023-2024 USDA - National Price - Cents/lb Future Months Estimated



When calculated using spot prices, chicken production is profitable. However, declining chicken prices and rising grain prices are seasonally reducing the profitability of chicken production in the US.

### U.S. Broiler Chicken Industry Profitability December US Measure

Frozen Leg Quarters	\$0.52 /pound
Deboned Breast	\$1.48 / pound
Wings	\$1.88 / pound
Chicago Corn	\$4.48 / bushel
Soybean Meal	\$284 / short ton
Total Wholesale Cost per pound	\$0.99
Revenue per pound (spot price)	\$1.09
Gain (Loss) per pound	<b>\$0.10</b>

## U.S. Broiler Chicken Industry Profitability December Metric Measure

Frozen Leg Quarters	\$1.14 / kilo
Deboned Breast	\$3.26 / kilo
Wings	\$4.14 / kilo
Chicago Corn	\$176 / ton
Soybean Meal	313 / ton
Total Wholesale Cost per pound	\$2.17
Revenue per pound (spot price)	\$2.39
Gain (Loss) per pound	<b>\$0.22</b>

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*Dr. Paul Aho is an international agribusiness economist specializing in projects related to the poultry industry and has been a prolific writer in trade journals in both the United States and in Latin America. Dr. Aho now operates his own consulting company called "Poultry Perspective". In this role, he works around the world with poultry managers and government policy makers.*



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