

## WAITING FOR THE DUST TO SETTLE ON TARIFF AND POLICY ISSUES

The next few months are likely to see increased volatility in grain prices, as the effect of tariff and policy decisions made by the new US administration dominate the news. The situation should settle down in a few months, providing better visibility on grain prices.

It is interesting to note that although the US imposed new tariffs on China, that country did not include US soybeans in their retaliatory tariffs. If China continues to ignore US soybeans in this new tariff war, the price of US soybeans will be higher than they otherwise would have been with a high Chinese tariff.

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. High tariffs have been imposed on Mexican steel and aluminum. So far, Mexico is continuing to import US corn without a tariff, although that could change

at any moment. The policy stance of the new administration toward ethanol and biodiesel, yet to be determined, can also have an effect on corn prices.

Ignoring for a moment the looming policy and tariff changes, the world bear market of the last three years in grain appears to be over. Poultry producers worldwide are currently enjoying relatively low corn and soybean prices. However, a bull market in corn has already begun and a bull market in soybeans is on the horizon.

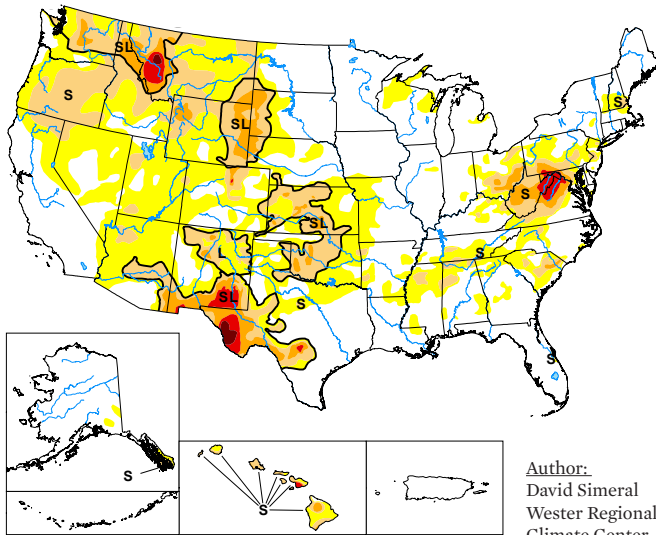
Besides politics, another factor that influences grain production is, of course, the weather. The US drought monitor shows a deterioration in the US Corn Belt from August to February. A continuation of the drought would affect production this year. The latest news from South America indicates that the harvest will be lower than that estimated by the USDA due to floods and drought.

## U.S. DROUGHT MONITOR

### August 6, 2024

(Released Thursday, Aug 8, 2024)

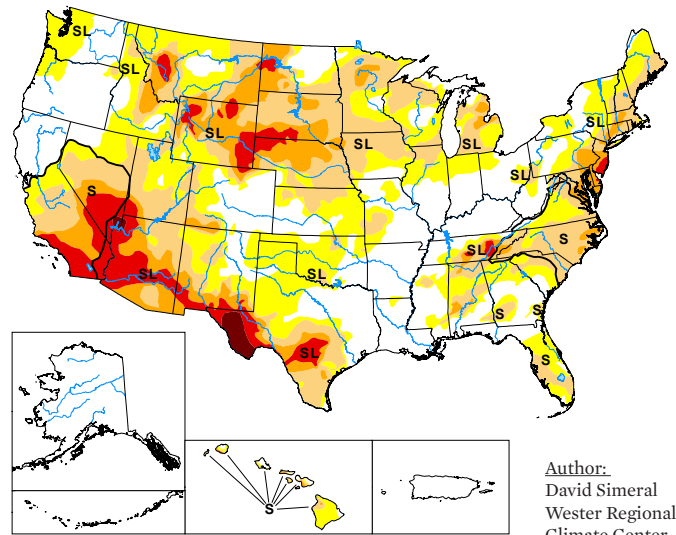
Valid 8 a.m. EDT



### February 4, 2025

(Released Thursday, Feb 6, 2025)

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:

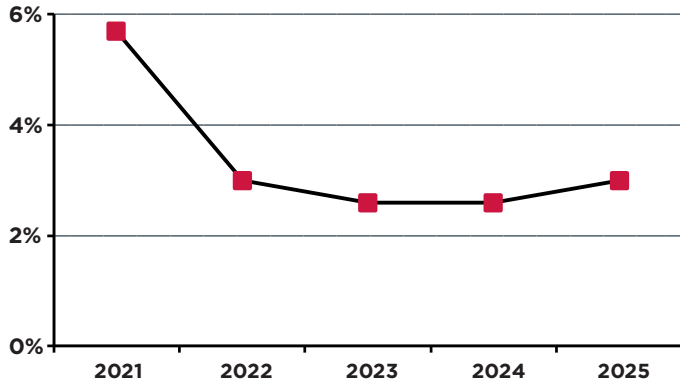
- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

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>



Since 2022, the global economy has been growing at a relatively slow pace. Slow growth is expected to continue in 2025. However, global growth could be reduced depending on the severity of tariff wars.

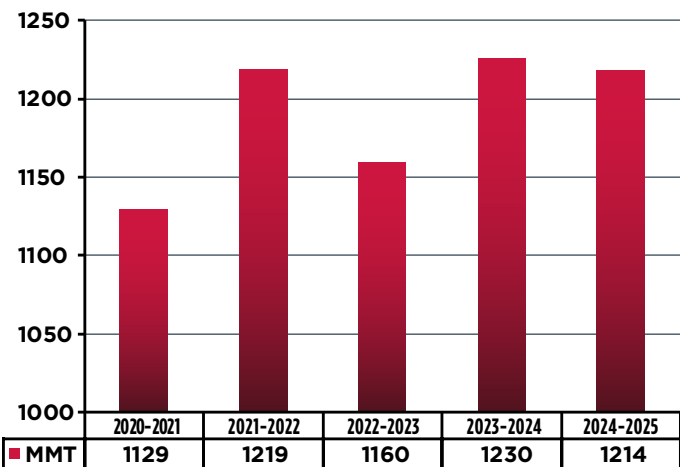
### World Economic Growth - World Bank



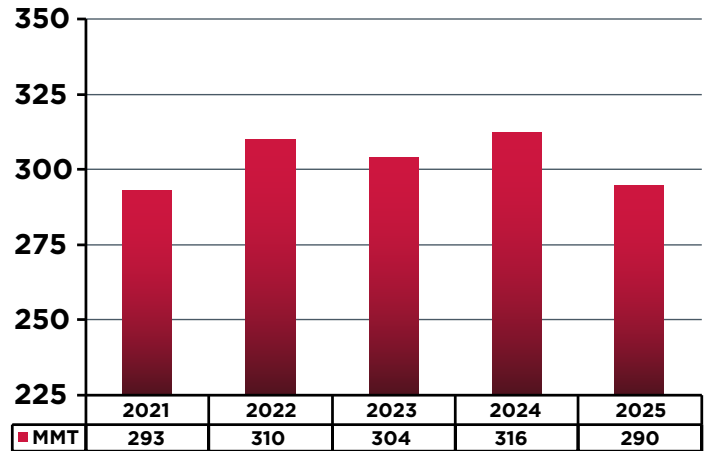
### CORN

The latest WASDE report projects that world and US 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 US last crop year was only \$4.55 per bushel (\$182 per metric ton). The average price this entire crop year is estimated to be lower. However, the latest news from Brazil and Argentina indicates that there will be 8 million fewer metric tons of corn production in the next few months. If true, this is likely to raise the price of corn in this crop year over that of last crop year.

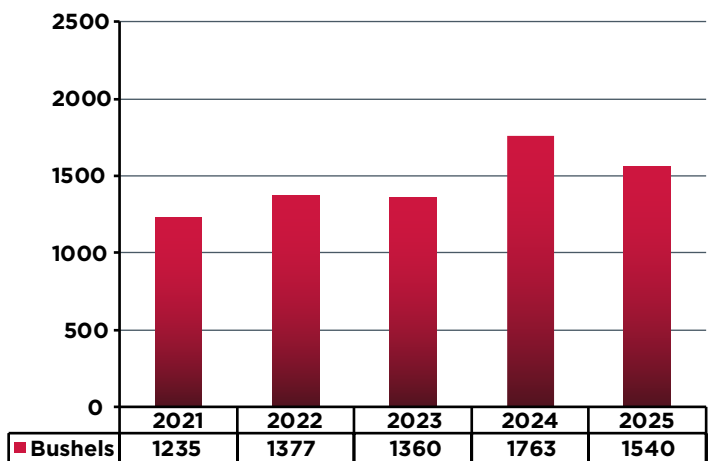
### World Production of Corn Million Metric Tons - USDA



### 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	50*
Imports	0	0	0	0
Exports	36	24	32	36
Ending Inventory	1	1	4	3

\*The Rosario Board of Trade estimates only 46 MMT

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

	2021-2022	2022-2023	2023-2024	2024-2025
Harvest	116	137	122	126*
Imports	2	1	1	1
Exports	47	56	46	46
Ending Inventory	4	10	6	3

\*CONAB estimates 122 MMT

**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	22
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	294
Imports	22	19	23	10
Exports	0	0	0	0
Ending Inventory	209	206	211	203

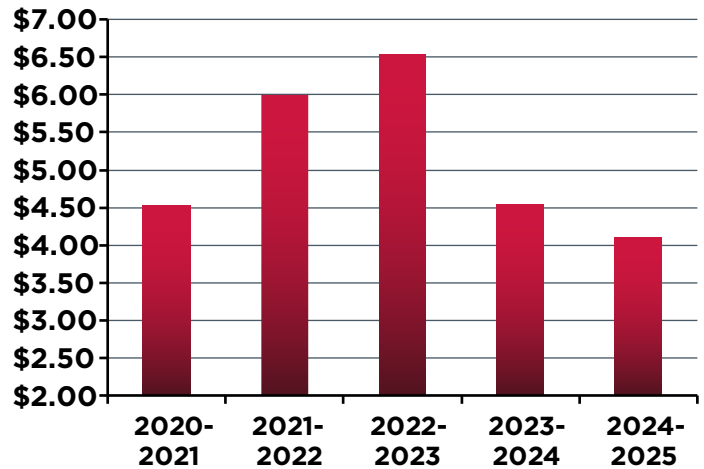
**U.S. Corn Supply and Demand WASDE  
December - Million Metric Tons**

	2021-2022	2022-2023	2023-2024	2024-2025
Harvest	381	346	390	377
Imports	1	1	1	1
Exports	62	42	58	62
Ending Inventory	35	34	44	39

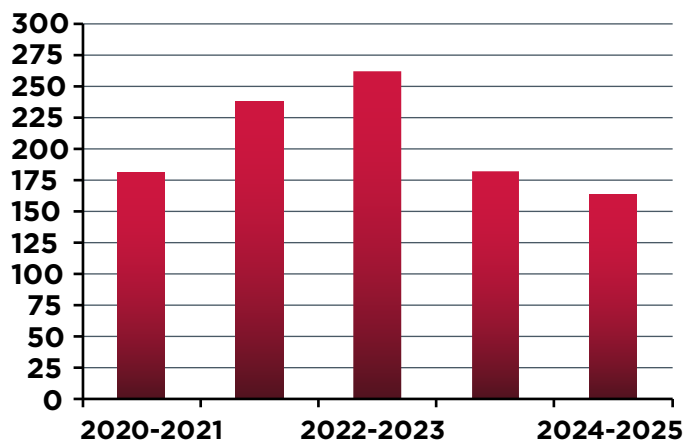
**U.S. Corn Supply and Demand - WASDE  
December Millions of Bushels**

	2022-2023	2023-2024	2024-2025
Harvest	13,651	15,341	14,867
Supply Total	15,066	16,729	16,655
Ethanol	5,176	5,478	5,500
Exports	1,661	2,292	2,450
Feed	5,487	5,805	5,775
Total Use	13,706	14,966	15,115
Ending Inventory	1,360	1,763	1,540
Farm Price	\$6.54	\$4.55	\$4.35

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



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



## SOYBEANS

Like corn, soybeans are likely to be entering into a new bull market. However, the start of the next bull market in soybeans may later than that of corn. The US benchmark price of soybean meal is projected to drop to only \$310 (\$341 per metric ton) in this crop year from \$384 (\$422 per metric ton) last year. The drop may not turn out to be as great as that currently estimated by the USDA. The latest estimates from South America show production to be 5 million metric tons lower than the USDA estimate.

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

	2021-2022	2022-2023	2023-2024	2024-2025
Harvest	44	25	48	49*
Imports	3	9	7	6
Exports Beans + Meal	31	25	32	32
Ending Inventory	24	18	24	26

\*Rosario Board of Trade estimate 47.5

### 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	127
Ending Inventory	21	37	27	31

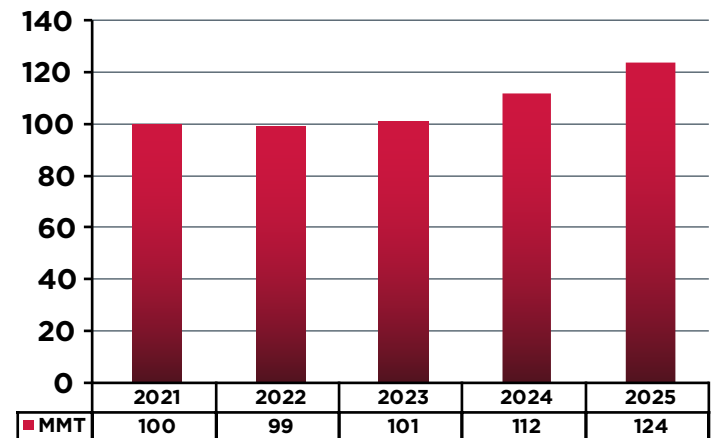
\*CONAB estimates 166 MMT

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

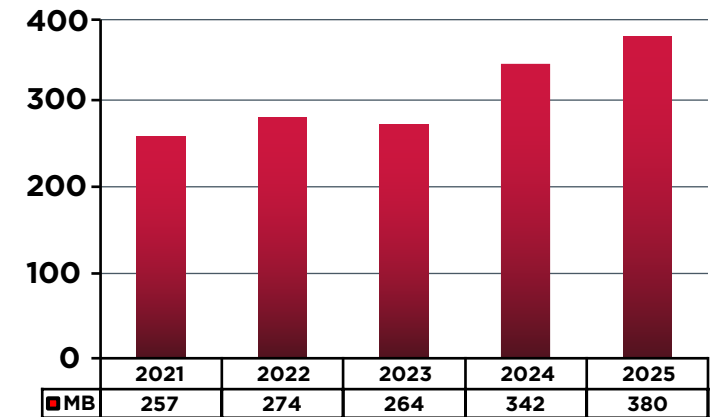
	2021-2022	2022-2023	2023-2024	2024-2025
Harvest	122	116	113	119
Imports	1	1	1	1
Exports Beans + Meal	70	67	60	66
Ending Inventory	7	7	9	10

Even if the latest estimates from South America turn out to be correct, world and US ending stocks are likely to be higher at the end of this crop year. The average price of soybeans and soybean meal can be expected to be lower this crop year.

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



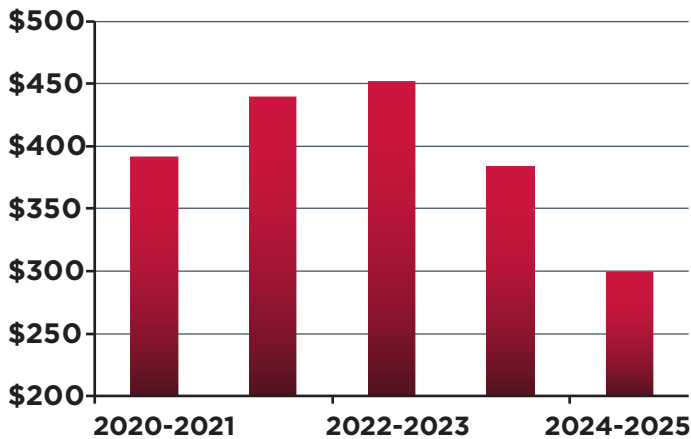
### U.S. Ending Stock of Soybeans in Millions of Bushels - USDA



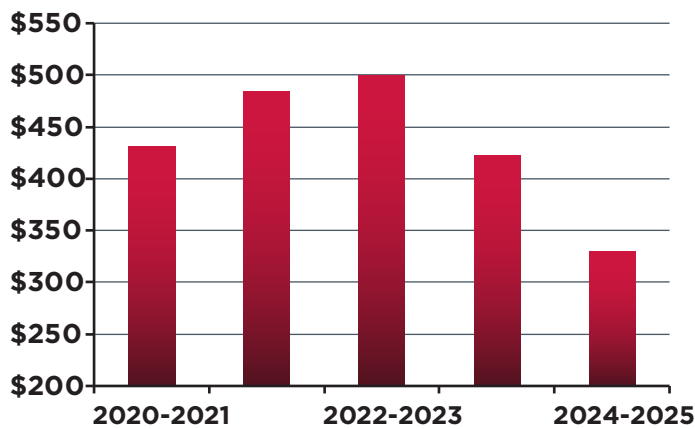
### U.S. Soybeans - USDA - WASDE December Millions of Bushels

	2022-2023	2023-2024	2024-2025
Harvest	4,270	4,162	4,366
Total Supply	4,569	4,447	4,729
Export	1,992	1,695	1,825
Total Use	4,305	4,105	4,349
Ending Stock Inventory	264	342	380
Meal Price short ton	\$452	\$384	\$310

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



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

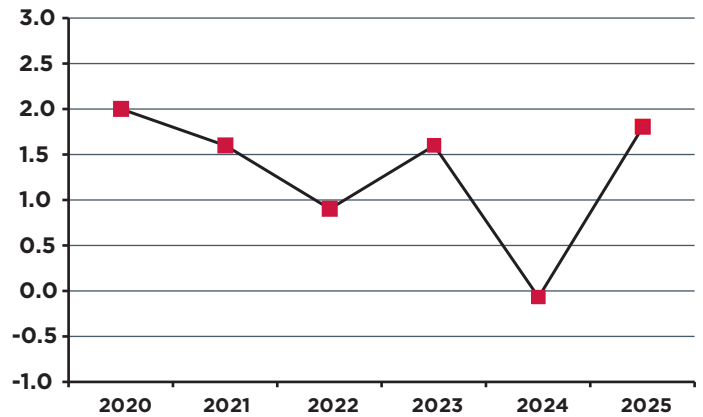


## CHICKEN INDUSTRY

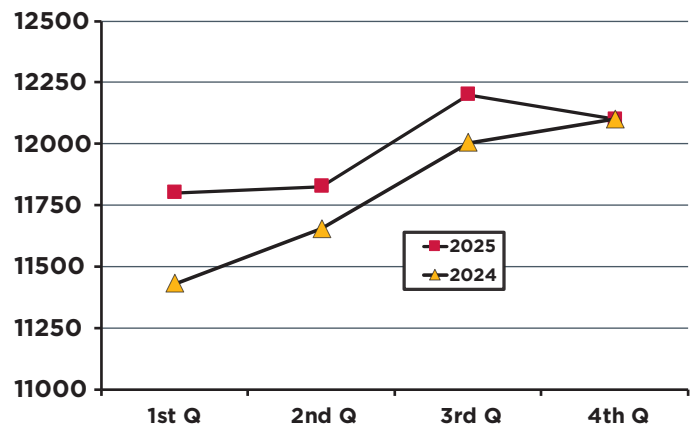
Slow growth in the world economy recently is reflected in the slow growth of world chicken production. Last year, world production did not increase at all, according to the USDA. World production is expected to accelerate to nearly 2% this year.

US production increased by 1.7% in 2024 and is projected to increase 1.4% in 2025. However, avian influenza, which has previously been found primarily affected table egg layers, has recently been found in more broiler flocks. This could have a noticeable effect on total production.

Increase in World Broiler Chicken Production in % - USDA

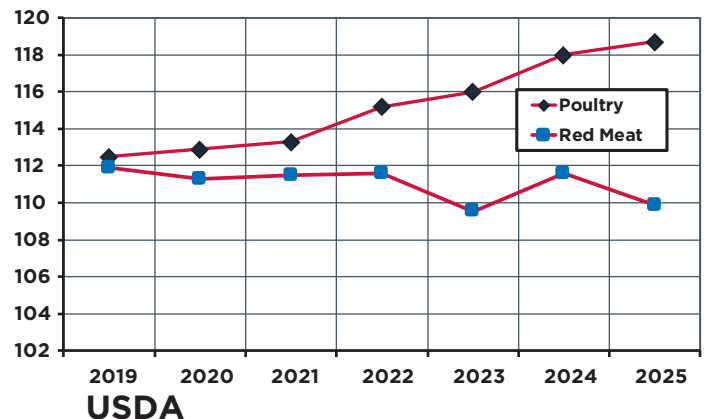


U.S. Quarterly Broiler Production - Million Pounds - USDA



Poultry per capita consumption in the US continues to increase, while consumption of red meat is relatively stable. Between 2019 and 2025, red meat per capita consumption did not increase, while poultry consumption rose by 6 pounds (2.7 kilos).

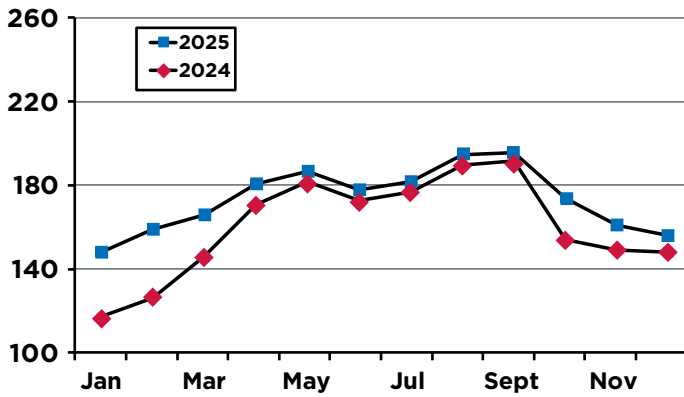
U.S. Per Capita Consumption of Red Meat and Poultry lbs.



## DEBONED BREAST

The spot prices of deboned breast in the US rose surprisingly fast in the first five months of 2024, helped by high prices for competing meats. Prices this year start from a higher level compared to last year but may reach similar seasonal high prices in the spring and summer.

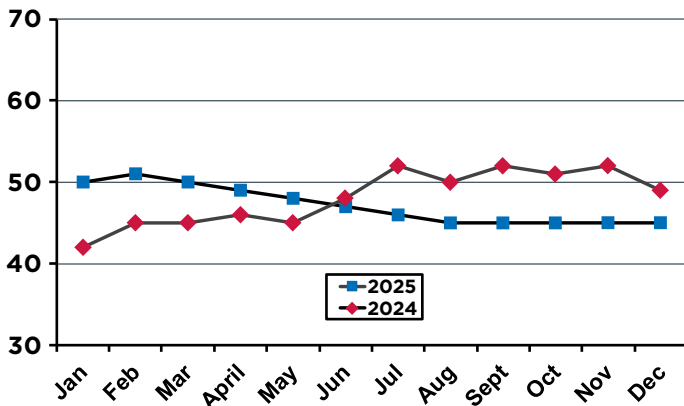
Breast B/S - 2023-2024 USDA - National Price - Cents/lb Future Months Estimated



## FROZEN LEG QUARTERS FOR EXPORT

Mexico is the number one destination for US leg quarter exports, taking 25% of all exports. If there is a retaliation for tariffs imposed on Mexico, legs quarters may be one of the products affected. Although leg quarter prices started the year higher than last year, a lower ending price is penciled in below.

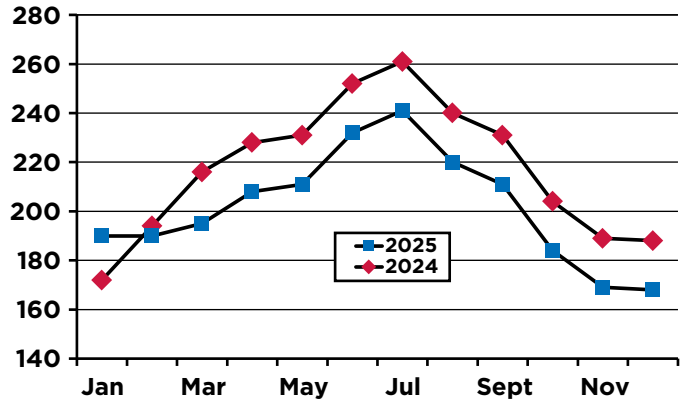
Leg Quarter Price - 2023-2024 Cents per Pound - USDA Frozen Bulk Export Future Months Estimated



## WINGS

Wing prices were remarkably high last year. In the projection below, lower prices this year are projected. There is a limit to how high wing prices can soar above deboned breast meat because “boneless wings” made from deboned breast meat can, in some circumstances, substitute for wings.

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



When calculated using spot prices, chicken production is profitable, which is unusual at this time of year. Profitability can be expected to continue throughout the year.

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

Frozen Leg Quarters	\$0.50 /pound
Deboned Breast	\$1.60 / pound
Wings	\$1.90 / pound
Chicago Corn	\$4.90 / bushel
Soybean Meal	\$294 / short ton
Total Wholesale Cost per pound	\$1.00
Revenue per pound (spot price)	\$1.11
Gain (Loss) per pound	\$0.11

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

Frozen Leg Quarters	\$1.10 / kilo
Deboned Breast	\$3.52 / kilo
Wings	\$4.18 / kilo
Chicago Corn	\$192 / ton
Soybean Meal	\$324 / ton
Total Wholesale Cost per pound	\$2.21
Revenue per pound (spot price)	\$2.44
Gain (Loss) per pound	<b>\$0.23</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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