

Economic climate

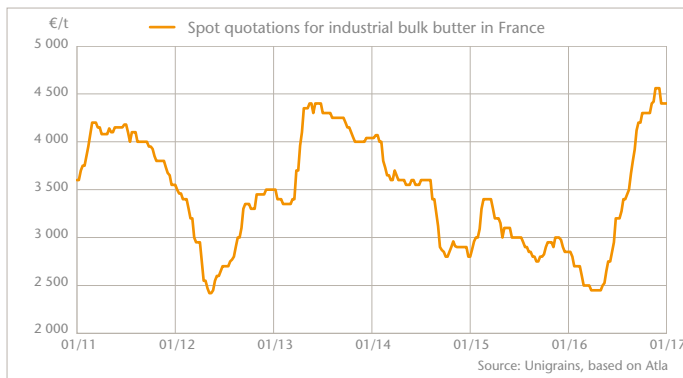
Text completed on 18 January 2017

Soft wheat FCA Rouen



The 2016/2017 cereal situation is exceptional in that it features all the negative components that a farmer can encounter during a campaign. As the result of adverse weather conditions last spring, soft wheat production volumes are down by 31 %. We need to go back to 1986 to find such a low yield! Quality has also been affected, with wheat test weight being the principal limitation. This comes against a background of poorer prices as other producer countries have not suffered the same setbacks — on the contrary. With volume estimated at 752 mt by the IGC in January 2017, world production has reached a record high. Hence, despite scant national results, prices have barely risen. The current strength of the dollar against the euro has had a slight tempering effect. The impact is felt most when it comes to exports, with an expected fall of 47% in our foreign sales, rising to 63% if we count third countries only.

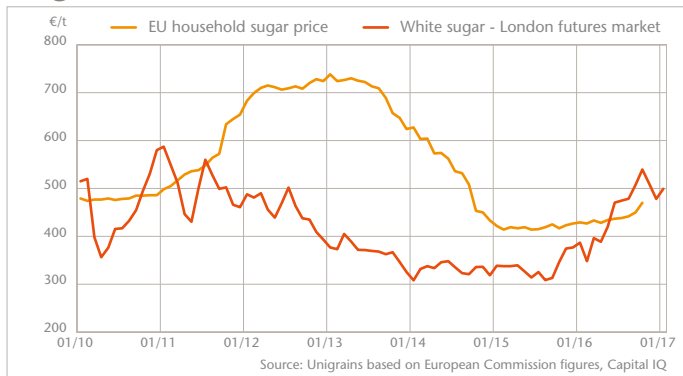
Butter



Industrial bulk butter prices on the spot market have again reached record levels (a peak at €4,560/ton at the start of December in France, according to Atla quotes) following a swift rebound from May 2016 onwards. This recovery reflects tight conditions on the milk fat market and fears of a shortage among buyers. It comes within a context of a turnaround in the balance on the world dairy market, after a long period of over-production, robust demand and a quasi-absence of surplus butter stock in the EU.

Worldwide, demand for butter is sustained in developed countries (USA, Canada, Japan, etc.) and in emerging countries (China, Mexico, Philippines, etc.). Production has been affected by a fall in milk collection since June 2016 in all the main production areas (except the USA) and especially the EU, where the trend has been assisted by aid for a voluntary reduction in milk deliveries introduced by the European Commission at the end of 2016. Since early 2017, scarce availability has maintained butter prices at very high levels.

Sugar



The rise in world sugar prices, felt since September 2015 in response to a bleaker outlook for global production, has been stemmed since autumn 2016. In just over a year, the white sugar price increased from €300/t to €550/t (London futures market). It has now stabilised at around €500/t.

The deficits attained after the 2015/2016 and 2016/2017 (still underway) campaigns should reduce stocks from 45% to 34% of world consumption in October 2017, their lowest level for over ten years. To achieve a global balance, the 2017/2018 campaign would need to reach a record production levels but conditions at plantations in Brazil and India are far from optimum. In other words, a new rise in world prices cannot be ruled out.

In Europe, the latest ex-works prices (EU average in October 2017) come to €470/t, still below world prices. In addition, EU stocks are low. Under these conditions, it would not be surprising to see the average price stabilise around €500/t in 2017, versus approximately €430/t in 2016.

Euro-Dollar parity



Oil

