

# Economic situation

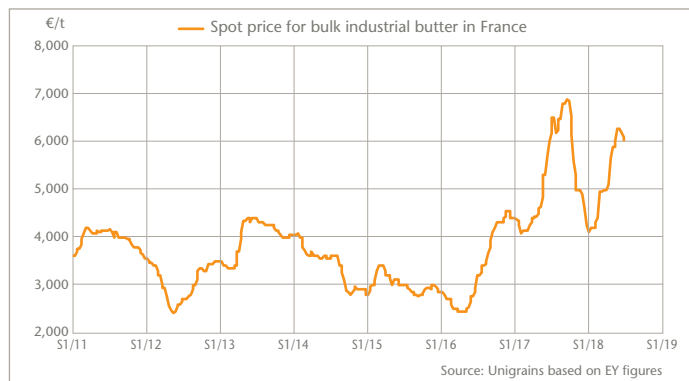
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## Soft wheat FOB Rouen



In the first half of 2017-2018, French wheat came under strong competitive pressure on the international markets, especially from Russian origin. Prices then went on to recover, supported by the emergence of concerns about crop conditions in a number of strategic areas, primarily the United States, then Australia, the Black Sea and finally Europe. The euro's depreciation against the dollar in the last quarter also played a part in improving the competitiveness of our wheat and helped accelerate exports to third countries. While prices recovered substantially in the second half, the average for the season remained particularly low, around €160/t on a July basis, and this has been the case for the last three campaigns. It is difficult to make a forecast at this critical juncture before the first harvests in the northern hemisphere, all the more since there was some nervousness at the beginning of harvest, with all eyes on Black Sea countries and Europe. Factors to keep an eye on will, of course, be the volumes actually achieved in these regions, but also the magnitude of corn production in the Americas. If the corn crop is good, wheat can afford to lose market share in animal feed and improve its performance.

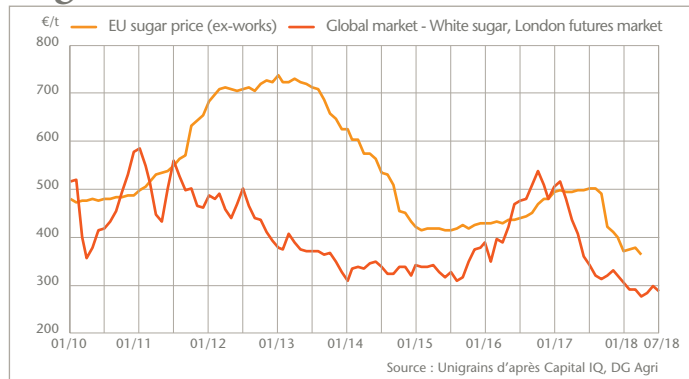
## Butter



After having reached a historically high level, flirting with €7,000/t in the autumn of 2017 when there was a shortage, the Atla spot price for bulk industrial butter fell at the end of the year with the seasonal increase in EU milk collection. Prices then soared again in early 2018, rising back to above €6,000/t in mid-May.

The increase in collection ended up being moderate and additional volumes were mainly used for cheese production. While butter prices remain at a high level, this is not the case for its byproduct, skim milk powder, given the stocks accumulated in the European Union during the phasing out of milk quotas. These stocks are starting to decline, with the recovery in global demand for milk powder leading to remarketing, notably from April. In the first four months of 2018, however, butter production rose only moderately. EU butter stocks remained at a very low level at end-April, lower than in April 2017. Global demand remains sustained and EU milk collection started its seasonal decline, which is set to continue until November. Butter prices are expected to reach very high levels in the second half of 2018.

## Sugar



World sugar prices reached all-time lows in the first half of 2018, with white sugar on the London market falling under the €300/t mark. The rise in global production in the 2017- 2018 marketing year is estimated at +10% (ISO), leaving a surplus of around 10m tonnes, i.e. 5% of global production. The explosion of production in India (+10m tonnes) and in Thailand (+4.5m tonnes) was particularly disruptive. In Europe, where production also increased sharply (+3.4m tonnes, or +20%) due to the abolition of the quota system in October 2017, the average price of sugar ex-works plummeted to €360/tonne.

The prospect of a significant rise in prices in the next 12 months remains limited, despite strong momentum in the Brazilian ethanol market (RenovaBio programme, high oil prices) and the downturn in Brazilian sugar cane production, weighed down by the lack of investment in plantations. On the one hand, the real is continuing to depreciate in 2018 against the backdrop of a severe political and economic crisis, on the other hand production is expected to continue to reach high levels in India, Thailand and Europe.

## Euro-dollar exchange rate



## Oil

