

Persisting Drought in Europe Negatively Impacting Corn, Sunflower Crop

As Europe remains in the throes of severe drought, much attention continues to be paid to probable impacts on a variety of crops. Outcomes for spring grains and spring oilseeds harvests are a particular point of concern.

By August 20, vast swaths of Western and Southern Europe were experiencing a level of drought that carries a sizeable risk of impact on agriculture, according to data compiled by the European Commission's Global Drought Observatory. Among impacts on the energy sector, drinking water supply and other areas, the agency said the "exceptional water stress and heat stress have substantially reduced yields of the main crops." Compared to the five-year average, estimates for EU yields of corn, soybeans and sunflower seed were 12–16% lower.

"Corn is definitely the most impacted by the dryness—EU 27 corn output is expected to be the lowest since 2007," said H el ene Duflot, grain analyst at Strat egie grains. Duflot noted that France, Germany, Romania, Bulgaria and Hungary were the most affected by the persisting drought. "Sunflowers and soybeans—spring oilseeds that were at a key moment of crop development during the heatwave—were also affected by high temperatures and the water deficit."

Even crops that are usually able to weather dry conditions, such as sunflower seeds, are suffering from the heatwave. "Despite higher acreage versus 2021, sunflower seed production is now forecast lower than 2021," said Duflot, adding that the excessive temperatures combined with a lack of rain is anticipated to negatively impact sunseed yields. The crop is mostly grown for human consumption, though some is also used for biofuels.

Still, lower sunflower seed yields should be at least partially offset by large stocks recently accumulated in Eastern Europe, according to Duflot. "Crushers bought record volumes of Ukrainian sunseed. The strong slowdown in crushing activities led to the accumulation of millions of tons of unused sunseed."

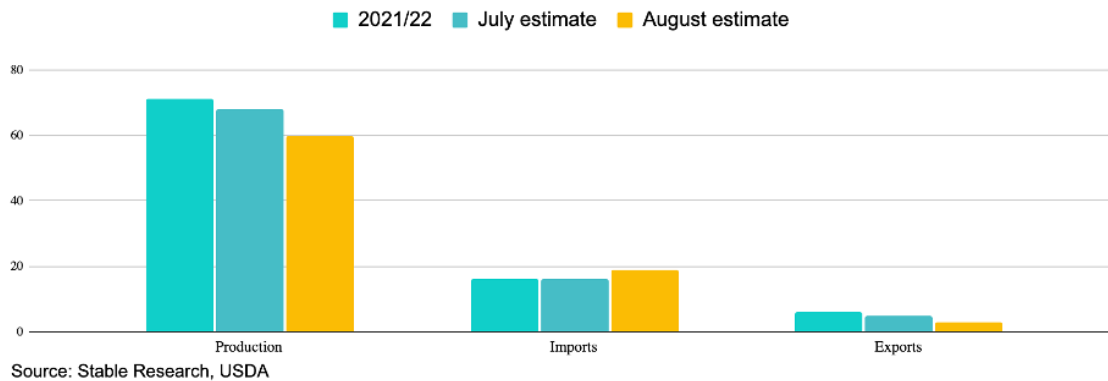
The supply outlook for European corn will likely remain constrained amid low local availability and disrupted supply chains due to the war, Duflot noted.

"Even if Ukraine exports corn by railways in the western part of the country, volumes are much lower than the pre-war port capacity. We thus expect stronger imports from the U.S. and even record imports from Brazil. Despite high imports, the EU corn situation will still be very tight," said Duflot.

The USDA currently estimates EU corn production for 2022/23 at 60 million metric tons, 15% lower on year and 10% below the five-year average.

EU corn production and trade flows

(million metric tons)



Source: Stable Research, USDA

Ukraine will not offer meaningful near-term supply relief

The recent resurgence in Ukrainian grain exports, though a positive signal, is not expected to significantly unburden the European market in the coming months.

“Exports out of Ukraine will not be normal in the coming weeks and months. The pace for exports by sea will slowly and partially recover,” said Duflot. While logistical constraints, insurance costs and the ongoing war will continue to curb exports out of Ukraine, the analyst does anticipate slight improvements for sunflower oil and corn exports. “That may help partially supply the European market,” added Duflot.