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Press Release

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The supply of ingredients derived from Corn and Soy are expected to tighten in the next few months, predicts Paul Harrison of Hawkins Watts Ltd.

“The states of Iowa and Illinois are the two largest corn producing states in the USA, and have both been severely affected by the recent floods in the Midwest. Estimates from the US Department of Agriculture predict that up to 20% of Iowa’s corn crop may have been lost as a result of the flooding, representing almost 5% of the total US corn crop. However some parts of the Midwest haven’t seen the worst of it yet. Predictions are that as flood waters crest moving south more levees will break and result in further flooding and crop loss.”

Corn prices had been pushed up by demand for ethanol and food ingredients prior to the floods and have moved up to almost \$8 per bushel in the last few days, about 70% ahead on this time last year. Corn is the source of many common food ingredients including Dextrose, Fructose and Maltodextrin.

Soy beans, already in short supply due to increased demand for corn, have also climbed higher on the Chicago Board of Trade. Soy beans closed at record levels of almost US\$16 per bushel, and have doubled in price in the last 13 months. “Pricing for both Corn and Soy in the last few weeks has gone ballistic” said Harrison.

Flooding has also hindered shipping logistics in the USA with barge transport on the Mississippi river and rail freight both affected by the floods. Ocean freight capability continues to be tight, affected by high oil prices and a shortage of shipping containers.

“Thankfully our main supplier has been very resourceful and we have managed to buy forward for all our major contracts. Other soy and corn processors haven’t been as lucky and I don’t think there’s going to be much buffer stock for New Zealand manufacturers looking to make spot market purchases in the coming months.”

Hawkins Watts Ltd is a supplier of specialty ingredients and New Zealand agents for ADM Corn products and selected ADM Specialty Ingredients.

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