

RAW MATERIALS FEBRUARY 2025

Raw material markets have been bit more stable than before. Some prices of natural spices have risen due to poor harvests in producing countries. The price level of spices has also been raised by the fact that EU-compliant qualities have been less available. Shipments from the Far East still transiting through Africa, and there are still delays in deliveries due to congestion in Far Eastern ports. Asia has just celebrated the Chinese New Year, which causes delays in production and transportation even after the holiday season.

Energy prices have risen in Europe, especially for gas. The reason for the rise has been the cessation of gas deliveries from Russia to Europe via Ukraine. Energy reserves have been smaller during the winter season in Europe. The price of crude oil rose due to the situation in the Middle East and has been on an upward trend until the beginning of the year.

Additional charges have been added to transportation, related to the EU Emissions Trading System (ETS), which aims to reduce greenhouse gas emissions. Maritime transport is integrated into the emissions trading system in three phases, the first of which, covering 40% of emissions, was implemented in 2024. By 2025, the ETS is expected to cover 70% of emissions. By 2026, 100% of verified emissions will be chargeable. Environmental fees and drivers shortage have also increased road transport costs in Europe.

U.S. trade wars with various countries and countermeasures by these countries may in future increase raw material prices in the form of various customs tariffs.

CORN

Corn prices have been falling in the autumn. Demand in Europe was also lower. At the beginning of the year, the price of corn has gone up after the USDA WASDE report. The report significantly reduced the estimate of ending stocks for 2024/2025. These changes reflect the tightening of the global corn supply-demand balance, which puts upward pressure on the grain markets. There are also concerns about drought in Argentina and heavy rains in Brazil, which may affect global availability. In France, the area under corn cultivation is expected to decrease due to rising production costs such as fertilizers. Last year's poor harvest has led farmers to consider other crops. Ukraine's corn stocks are also smaller than before. In Ukraine, dry weather conditions and warmer-than-normal weather are causing concern for the winter crop.

WHEAT

The global wheat price was on the rise towards end of the year. This has been partly due to the situation in the Middle East and increased demand in China. In Argentina and Australia, wheat production is lower than before due to poor weather conditions. As a result, China has also bought wheat from Europe, as the yield in China has been smaller due to rains. Russia's export quota and lower production in major growing

areas are expected to raise prices in the second half of the year. Tariffs caused by the U.S. trade war are expected to cause price fluctuations in the grain markets. Demand for wheat in Europe has been lower. In Ukraine, dry weather conditions as well as warmer than normal weather cause concern about the winter crop. Warm weather conditions in Russia have also affected the winter crop due to the low snow cover.

POTATO

The prices of processed potato products have risen in Europe due to increased demand and limited potato availability. Production costs and fertilizer costs have also increased. The price level of imported potato starch has risen slightly due to crop related factors, while the price level of domestic starch has remained unchanged.

TAPIOCA

The price of tapioca in Thailand has come down slightly due to lower demand and higher stock levels. However, sea freight and longer delivery times increase the cost of tapioca.

SOYBEAN

Heavy rains in Brazil have delayed the soybean harvest. However, a good harvest is forecasted in Brazil. The ongoing drought in Argentina has caused the crop forecast to decline. The previous crop in the U.S. was good, but trade policy decisions towards China and Canada, might affect the price level in the future. In addition, the price level is affected by U.S. decisions on the use of soybeans for biofuel production. In China, soybean use is expected to increase for the needs of the feed industry. In Serbia, the soybean crop was poor, and the yield per hectare was significantly lower than normal.

SUGAR

The price of sugar has fallen in Europe as production has increased due to a larger area under cultivation due to more favourable price level. The world market price of sugar has also been on a downward trend. In Brazil, sugarcane production forecasts fell slightly due to dry weather conditions, although rains at the end of the year eased the situation. Production in Australia was slightly lower due to rains. In India, volumes were slightly lower than the previous year. Most of the sugar in India is used for ethanol production or to the domestic market consumption. The state regulates the amount of sugar exports in India. Sugar production in Thailand is expected to increase. Global sugar consumption is on the rise, while production is on a downward trend.

DAIRY PROTEINS

Milk powder prices were on the rise in the autumn due to rising demand. The price increase is particularly visible in Europe for whole milk powder. Price fluctuations occur as a result of changes in demand. Whey and milk protein prices have been high due to limited availability and increased demand, e.g., for sports nutrition.

EGG POWDERS

The demand for eggs strengthened strongly at the end of the year in wholesale and industry use. This strong increase in demand caused a shortage of availability due to the imbalance between production and demand. The effects of avian influenza in the major producing countries in Europe have led to price increases. In the U.S. egg prices have been at record highs due to avian influenza and increased demand. Stocks have been the lowest in five years as demand rose sharply at the end of the year. The price increases of feed raw materials such as wheat and corn also affect the prices of animal proteins.

MEAT PROTEINS

Meat protein prices have been stable due to the decline in pork prices in Europe.

THICKENERS

The prices of thickeners such as carrageenan and xanthan gum have been on a downward trend.

VEGETABLE OIL

The price of vegetable oil has been on an upward trend due to lower production and low stock levels. The price of oils is also affected by the possible tariff effects of the trade war, which may direct the use of rapeseed to other oilseeds.

FOOD ADDITIVES

The prices of ascorbic acid derivatives have risen partly due to speculation in the countries of origin and sea freight costs. The prices of food phosphates have also fallen slightly.

DRIED ONIONS AND GARLIC

The price level of dried onions has generally remained unchanged, although the price of fresh onions has risen. Production costs such as energy, labor, packaging, and transportation costs in the countries of origin have increased. The price level of garlic in India and China remains high due to increased demand. The aforementioned production and transportation costs have also risen for garlic. In China, speculation significantly affects the price level of garlic and causes price fluctuations.

PEPPERS

Pepper prices remain high. In Vietnam, the harvest has been delayed, and the new harvest will be collected in February/March. The harvest is smaller than before due to poor weather conditions and reduced cultivation area. Due to lower price level, farmers switched to other agricultural commodities crops such as coffee.

In India, demand has increased, also the harvest is 30% smaller than the previous harvest. In Brazil, the price level also remains high due to lower stock levels, on the other hand the new harvest is expected to be better.

Overall, global production has decreased, and stock levels have declined compared to increased demand. Delivery times from the countries of origin have lengthened, and sea freight prices are high.

The price of allspice remains high due to the previous poor harvest, the new harvest will not be available until autumn.

PAPRIKA

The prices of paprika flakes have risen in China due to a smaller harvest than the previous year. The lower price level in previous years has led to a decrease in cultivation. Prices are also driven up by the reduced availability of raw materials that comply with EU pesticide legislation.

NATURAL SPICES

The price of ginger has risen due to a poor harvest in Nigeria, and prices have also risen in other producing countries. The price of cardamom has risen due to a poor harvest caused by drought. The price level of cumin has decreased. The prices of herbs have generally remained unchanged, with a few exceptions.

COCOA

The world market price of cocoa remains very high due to limited availability. Weather conditions in the major production areas in Africa have been more dry than usual.

ORANGE PRODUCTS

The prices of orange-based products have risen sharply due to the availability of raw materials. The persistent threat of greening disease in orange trees has damaged orange trees in major producing countries such as Mexico, Brazil, and the USA. Greening disease is caused by bacteria, and the fruits fall from the trees unripe and bitter. Additionally, the disease destroys orange trees.

TOMATO POWDER

Rains in Spain affected the yield of tomato and water shortages and hot weather have troubled production areas. The price of tomato powder has slightly decreased but remains still relatively high.

COCONUT MILK POWDER

The price level of coconut milk powder has risen due to a shortage of coconuts caused by the El Niño weather phenomenon, heavy rains, drought, and heat in the producing countries.

We share with you this information to the best of our knowledge. As you know most of raw materials are product of nature and therefore subjected to weather conditions and world trade conditions. Our Market Update is based on our current view on the market.