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INTERNATIONAL GRAINS COUNCIL

# GRAIN MARKET REPORT

GMR No. 397

25 February 2010

## SUMMARY

### WORLD ESTIMATES

million tons

| WHEAT | 05/06 | 06/07 | 07/08 | 08/09 est | 09/10 forecast 21.01 | 09/10 forecast 25.02 |
|---|---|---|---|---|---|---|
| Production | 621 | 598 | 609 | **686** | **674** | **675** |
| Trade | 110 | 111 | 110 | **136** | **119** | **120** |
| Consumption | 625 | 610 | 614 | **639** | **642** | **643** |
| Stocks | 136 | 123 | 118 | **165** | **197** | **197** |
| *year/year change* | -4 | -13 | -5 | **+47** | | **+32** |
| 5 majors** | 55 | 39 | 29 | **46** | **55** | **55** |

million tons

| MAIZE | 05/06 | 06/07 | 07/08 | 08/09 est | 09/10 forecast 21.01 | 09/10 forecast 25.02 |
|---|---|---|---|---|---|---|
| Production | 698 | 709 | 795 | **791** | **791** | **797** |
| Trade | 79 | 87 | 101 | **84** | **84** | **85** |
| Consumption | 701 | 725 | 775 | **778** | **803** | **807** |
| Stocks | 132 | 117 | 136 | **149** | **137** | **140** |
| *year/year change* | -4 | -15 | +19 | **+13** | | **-9** |

million tons

| TOTAL GRAINS* | 05/06 | 06/07 | 07/08 | 08/09 est | 09/10 forecast 21.01 | 09/10 forecast 25.02 |
|---|---|---|---|---|---|---|
| Production | 1606 | 1588 | 1697 | **1793** | **1768** | **1774** |
| Trade | 215 | 222 | 239 | **248** | **229** | **231** |
| Consumption | 1619 | 1629 | 1686 | **1722** | **1744** | **1746** |
| Stocks | 320 | 279 | 291 | **362** | **385** | **390** |
| *year/year change* | -13 | -41 | +12 | **+71** | | **+28** |
| 5 majors** | 144 | 101 | 95 | **122** | **136** | **138** |

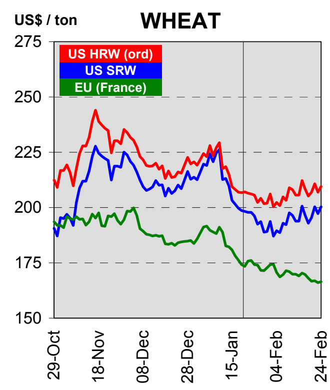
* Wheat and coarse grains

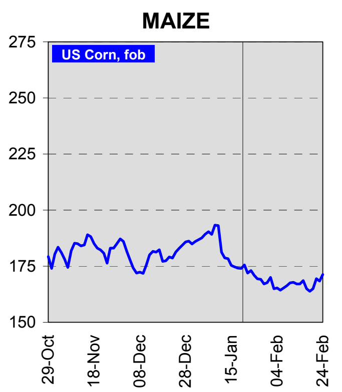
** Argentina, Australia, Canada, EU, United States

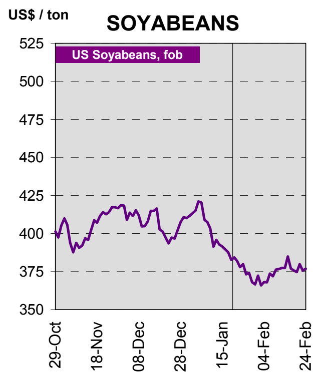
### MARKET COMMENTARY

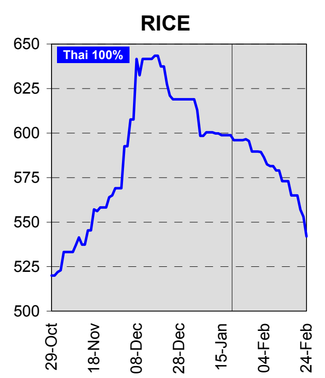
Generally bearish fundamentals, including large upcoming maize and soyabean harvests in South America, dominated nearly all grain and oilseed markets in the past month, with prices mostly in retreat. However, US futures exchanges were often supported by currency and other non-grain market factors, with frequent bouts of speculative fund buying to cover accumulated net short positions. The strengthening US currency against the euro helped to push EU export quotations lower. International **wheat** markets weakened in the face of ample export supplies and generally favourable prospects for the next northern hemisphere crop, with several countries taking the opportunity to add to their purchases. While US values were supported by spells of speculative futures buying, declining stocks of high-protein milling wheat further boosted spring wheat prices. **Maize** export prices in the US, while also influenced by technical features and currency movements, slipped further in February as crop prospects improved in Argentina and Brazil and an initial official projection suggested a rise of 3% in US plantings. Export prices for **oilseeds** recently displayed increased volatility, despite expectations of a huge South American soyabean harvest. Currency changes and energy market developments were largely responsible, although official data indicating somewhat tighter than anticipated US soyabean supplies in 2009/10 were mildly supportive. Asian **rice** export prices fell back further from their end-2009 peaks as buying activity waned during the region's February holidays and traders awaited the outcome of main and second crops in Vietnam and Thailand. **Ocean freight rates** in the grains sector declined slightly in the past month, partly influenced by the seasonal downturn in Asian demand for minerals.

## EXPORT PRICES



## OUTLOOK FOR 2009/10

The estimate of world grains **production** is increased by 6m. tons, to 1,774m., only 1% short of the 2008 record. The biggest change is in Argentina where favourable weather substantially lifted maize production prospects; they also improved in Brazil. Projected global **consumption** is up 2m. tons, at 1,746m. tons, 24m. more than in 2008/09. Industrial use of grains is forecast at 259m. tons, 2m. higher than in January, but feed use is slightly lower due to strong competition from alternative feedstuffs. World grain **stocks** at the end of 2009/10 are projected at 390m. tons, 5m. more than last month, including 138m. in the five majors. The continued fast pace of shipments results in an increase of 2m. tons in the world grains **trade** forecast to 231m., still 17m. below the 2008/09 record.

**WHEAT:** Estimated world **production** is lifted by 1m. tons from last month, to 675m., the second largest on record. Forecast global **consumption** is up 1m. tons, at 643m., a fall in feed use being more than offset by increases in the food and industrial sectors. End-season wheat **stocks** in the 5 majors are projected at 55m. tons, similar to January's estimate, and 9m. up from last season. Stocks in the US will be particularly large. Reported shipments to date indicate that some countries are importing larger than expected amounts with lower export prices helping to offset higher ocean freight costs. Forecast world wheat **trade** is increased by a further 1m. tons, to 120m., still short of last year's record 136m.

**MAIZE**: The new **production** forecast is 797m. tons, 6m. up from last month and surpassing the 2007 record. Good weather boosted crop prospects in Argentina and Brazil. Global maize **consumption** is forecast at a record 807m. tons, 4m. more than expected last month. Two-thirds of the 29m. increase from 2008/09 is accounted for by greater industrial uses, especially for ethanol. World **stocks** at the end of 2009/10 are projected at 140m. tons, 3m. more than in January but 9m. lower than the previous season's carryover. The maize **trade** forecast is raised by 1m. tons, to 85m., reflecting larger than expected shipments to Canada, Brazil and Syria; EU imports are put at a four-year low. Larger supplies in Argentina and Brazil will enable them to export more than in 2008/09, but US export prospects are again reduced: the new forecast is 51m. tons.

## PROSPECTS FOR 2010

The world **wheat** area forecast in 2010 is increased by 1m. ha., to 222m. ha, 0.8% below the previous year's high level. Assuming trend yields, production is projected at 659m. tons, 6m. more than in January, but still 16m. short of the 2009 total. Moisture supplies in the EU and the CIS remained favourable, adequate snowcover protecting the crops against some severe frosts. Assuming average yields, output in the EU may increase but a small decline is likely in Russia and Ukraine. Some farmers in Canada's spring wheat areas may switch to more profitable crops such as oilseeds and pulses. In the US, late harvesting of maize and oilseeds and wet weather reduced winter wheat plantings: there was a particularly sharp decline in Soft Red Winter wheat. Spring wheat sowings are unlikely to increase because of low profitability. Total US wheat production is projected at 54m. tons, 6m. less than in 2009. Rains helped crop development in China but unless yields are again above average, the crop will be smaller than last year. India's harvest is forecast similar to last year's 80m. tons. Production may increase in Iran, but fall slightly in Turkey. Crop conditions remain favourable in North Africa after rains replenished water reserves.

World **maize** plantings are forecast to increase by 1.6%, with bigger areas projected for the US, CIS and South America. **Barley** sowings are expected to decline in the EU and the CIS.

## MAIN MARKET EVENTS SINCE 21 JANUARY 2010

| | |
|---|---|
| **25 Jan** | **Turkey:** sold 200,000 t milling wheats, 50,000 t durum and 125,000 t barley in export tender |
| **27** | **Egypt:** GASC bought 180,000 t wheats from Russia |
| | **Ukraine**: Ag. Min.: winter crops mostly unaffected by severe frosts |
| **29** | **Algeria:** bought up to 1.0m t milling wheat from EU (France) |
| **4 Feb** | **Russia:** Ag. Ministry: 2010 winter grain area at 17.8m ha (+1%), crops developing well |
| **8** | **Iraq:** bought 0.4m t milling wheat from Canada |
| **4/18** | **Egypt:** GASC bought 540,000 t wheats, incl. 360,000 t Russia, 120,000 t EU (France) and 60,000 t Kazakhstan |
| **9/10** | **India:** govt. to permit exports of 250,000 t wheat to Nepal from state reserves |
| **10** | **USA:** USDA 09/10 f'casts: maize ethanol use raised by 2.5m t, to 109.2m (+17%). Soyabean stocks cut by 1.0m t, to 5.7m |
| **11** | **S Korea:** bought up to 165,000 t opt.-origin feed wheat (likely Black Sea or Brazil) |
| **16** | **Australia:** ABARE: 2009 wheat crop est. trimmed by 0.3m t, to 21.7m (+3%) |
| **17** | **Argentina:** Ag. Ministry: due to high yields, 09/10 maize crop f'cast at 19-21m t (13.1m) |
| **18** | **Pakistan:** Govt.: 2010 wheat production f'cast to be close to 24m t target |
| | **USA:** USDA Agri. Outlook Forum: 2010 maize plantings f'cast at 36.0m ha (+3%), soyabeans at 31.2m (-1%), all wheat at 21.8m (-9%) |
| | **EU:** as at 14 Feb, 3.4m t barley offered into intervention |
| **24** | **South Africa:** 09/10 maize crop f'cast at 12.9m t (+7%) |

# CONTENTS AND WEBSITE MENU

**(N.B: Text and tables highlighted in blue are available in electronic version only )**

## GMR COMMENTARY



## TABLES