

World grain market

By the International Grains Council

During February grain and oilseed prices scaled new peaks in another turbulent month, with erratic, and often baffling, developments in US wheat futures a particular focus.

While there was no fundamental change in the supply outlook, markets remained extremely volatile. In many developing countries, the steep increases in wheat, maize, rice and vegetable oil prices are becoming particularly burdensome. Measures were taken in several countries to cut import tariffs or to lift consumer subsidies for certain food staples.

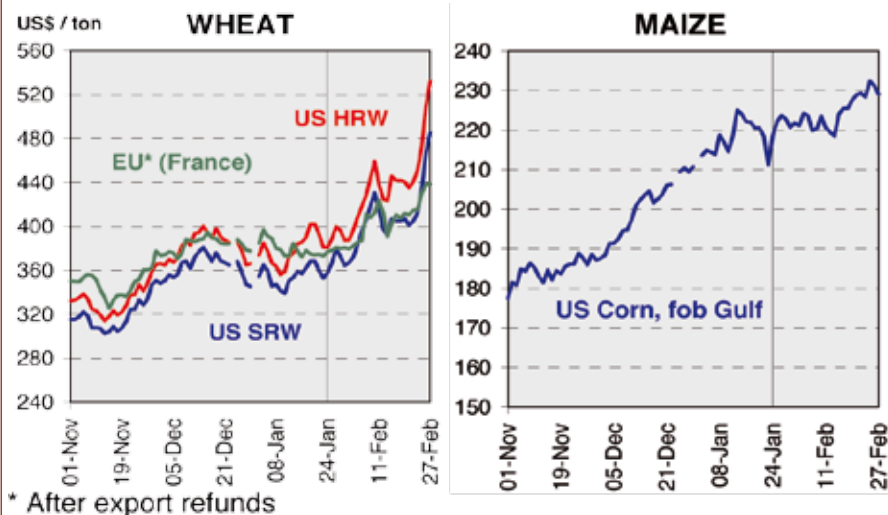
The unprecedented price swings coincided with record oil and gold prices and increased fund activity in several key grain and oilseed futures exchanges.

Tight nearby supplies of premium quality North American spring wheat, combined with extraordinary investment fund activity, lifted Minneapolis wheat futures to their highest level ever, with daily trading limits for the nearby contract eventually re-

moved in all three US futures exchanges. Top quality milling and durum wheats traded at more than double those of other

US wheat classes, nominal US Northern Spring quotations at one stage reaching \$US1000 per tonne (fob).

FIGURE 1: Export prices for wheat and maize



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While the outlook for the next wheat crop remained broadly favourable, this did not greatly dent the market's bullish sentiment.

Maize export prices also moved higher in February, partly led by wheat and continuing evidence of heavy feed and industrial demand, but there was little change in the fundamental outlook.

GRAIN PRODUCTION IN 2008

Most major producers expect larger wheat crops in 2008 as high prices prompt increased plantings. Production is forecast at a record 646 million tonnes, 42 mt more than in 2007.

Weather conditions in winter wheat areas in the EU and the CIS remain favourable but in the US a lack of rain in the

Southern Plains is causing concern, and severe frosts may have damaged China's crop. Spring wheat areas in North America need more rain.

World maize plantings are forecast three per cent lower than in 2007. In the US, a five per cent decline is projected as farmers move to plant more soybeans, wheat and other crops. Assuming adequate water supplies, strong demand for maize should see areas in the EU increase substantially.

Total barley plantings are forecast to rise by two per cent with most of the growth in the EU and CIS.

From IGC Grain Market Report – 28/02/08. ■

| IGC global grain estimates (million tonnes) – February 28, 2008 | | | |
|---|-------|-------|-------------------|
| World total grains | 05-06 | 06-07 | 07-08 (projected) |
| Production | 1602 | 1572 | 1659 |
| Trade | 215 | 221 | 228 |
| Consumption | 1615 | 1624 | 1676 |
| Total grain stocks | 317 | 264 | 247 |
| (Stocks in 5 major exporting countries) | 150 | 99 | 88 |
| World wheat | | | |
| Production | 620 | 592 | 604 |
| Trade | 110 | 110 | 104 |
| Consumption | 624 | 610 | 611 |
| Total wheat stocks | 138 | 120 | 113 |
| (Stocks in 5 major exporting countries) | 59 | 39 | 27 |
| World maize | | | |
| Production | 695 | 698 | 766 |
| Trade | 79 | 88 | 97 |
| Consumption | 699 | 720 | 770 |
| Total maize stocks | 127 | 105 | 101 |



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