

Grain market overview

By Rabobank Food and Agribusiness Research

GLOBAL

February global grain prices fell to their lowest levels in two months and were around 60 per cent lower than year-earlier levels as world stock levels rebounded with record world wheat production.

Apart from the drought in Argentina and parts of Australia, almost all producing regions experienced idyllic conditions over the past 12 months.

US futures and cash prices continue to trade at a premium to competitor exporter markets such as the Black Sea region and the European Union.

Despite logistical constraints in both Canada and Australia in recent months, US exports are significantly lagging year-earlier levels and will need to become more price competitive in coming months in order to reach the USDA forecast estimate of 1 billion bushels for the 2008–09 season.

Rabobank expects CBOT nearby wheat prices to trade in the US\$5 to 6 per bushel range throughout 2009. The upside of this range appears safe unless there is a rapid deterioration in Northern Hemisphere seasonal conditions or a collapse in the US dollar.

Currently the low of this range appears more at risk in mid 2009 given the current weakening demand scenario and absence of any real production issues.

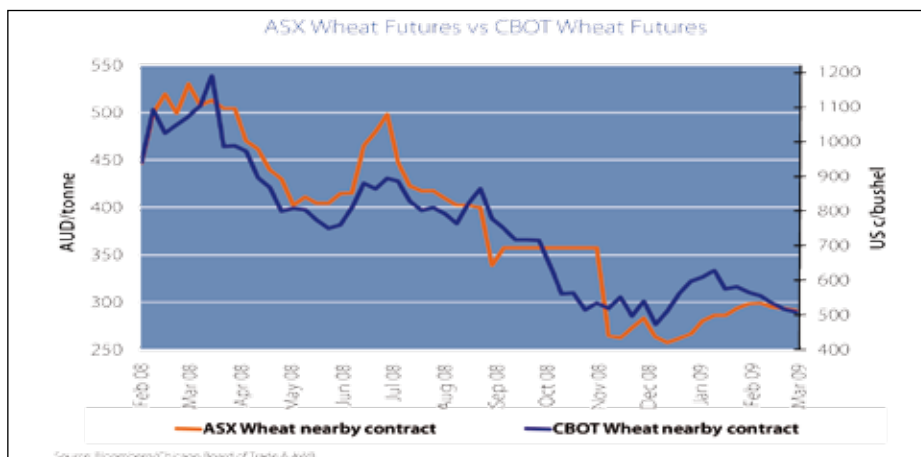
The price records set in 2008 are unlikely to be challenged without a production disaster.

AUSTRALIA

Australia's wheat production estimate for the 2008–09 season was increased to 21.4 million tonnes in mid-February by ABARE. This was a 64 per cent increase on the 2007–08 season due to record plantings and a recovery from drought conditions in a number of cropping regions.

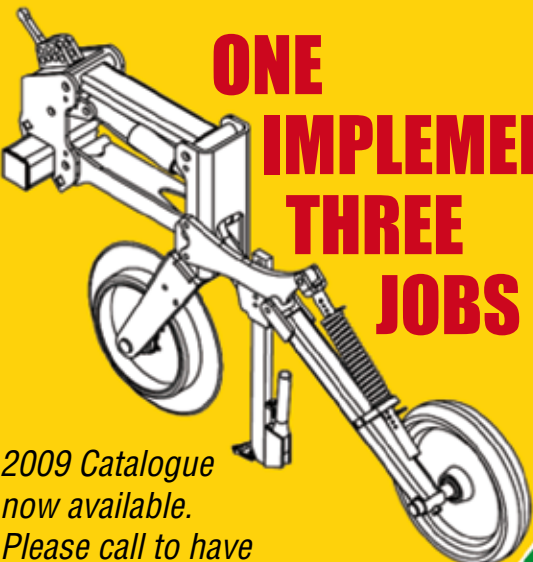
Export pace has been relatively slow in the first year of deregulation for bulk wheat exports, following the abandonment of the AWB monopoly.

Growers have been cautious to sell into a declining market and rail and port logistical capacity has been challenged. Australian wheat exports for 2008–09 are expected to reach 12.5 mt, just below the five-year average. ■



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