

# Global grain market

By the International Grains Council

Despite a recent downward correction, world grain prices mostly registered sizeable net gains in October. US market fundamentals had some impact, especially earlier in the month when there was still nervousness about the unusually late maize and soybean harvests, but external factors played a major part.

These included a marked dip in the value of the US dollar and a renewed spate of heavy speculative activity in commodity markets.

Recent fund selling coincided with reduced crop concerns as harvesting gathered pace.

Wheat export prices rose by between \$10 and \$25 over the month, with US Soft Red Winter wheat values in particular registering big gains due to planting hold-ups caused by the late soybean harvest.

Adverse US Midwest weather triggered a surge in US maize futures, with a falling US dollar and higher crude oil prices adding to the upward momentum and attracting more fund buying.

A subsequent heavy liquidation of positions by speculative funds was triggered by an improved harvest outlook and a slowing of export sales in favour of South American suppliers, with Argentina's exporters registering nearly 1.4 million tonnes of newly allocated licences.

Oilseed markets took their lead from US soybeans, whose price volatility reflected a minimal 2008-09 carryover, heavy export sales and harvest delays – values moved steeply higher before giving back some of the gains in the second half of October.

## OUTLOOK FOR 2009-10

Grains production forecasts increased again in October to a total of 1760 mt being only 33 mt short of last year's record.

The main increase is in the US maize crop.

World grains consumption is now set to increase by 1.4 per cent over 2008-09, although the rate of growth is smaller than in the past two years as the use of maize by the US ethanol industry slows.

Projected global feed use of grain, at 752 mt, is marginally higher than in 2008-09.

World grain stocks will continue to recover in 2009-10. The total is put at 373 mt.

Global grain export availabilities are expected to be ample in 2009-10, with Russia and Ukraine remaining leading exporters despite their smaller harvests.

## Wheat

Forecast world wheat production is up one million tonnes at 667 million, still 20 million below last year's record.

Estimates for major EU producers are lower – milling quality is generally similar to last year, but average protein content is down.

Despite weather delays to spring wheat harvesting in Canada and the US, overall

wheat yields in both countries are higher than anticipated.

Forecasts for Argentina and Brazil are reduced by unfavourable conditions but further rains in Australia boost prospects there.

Projected global consumption is unchanged at 643 mt, three million more than in 2008-09.

Forecast feed use, especially in the US, is lower than before but there are small increases to the projections for human food and industrial use (ethanol and starch).

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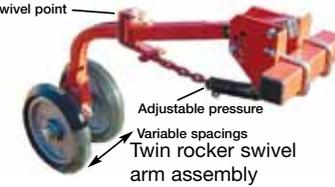
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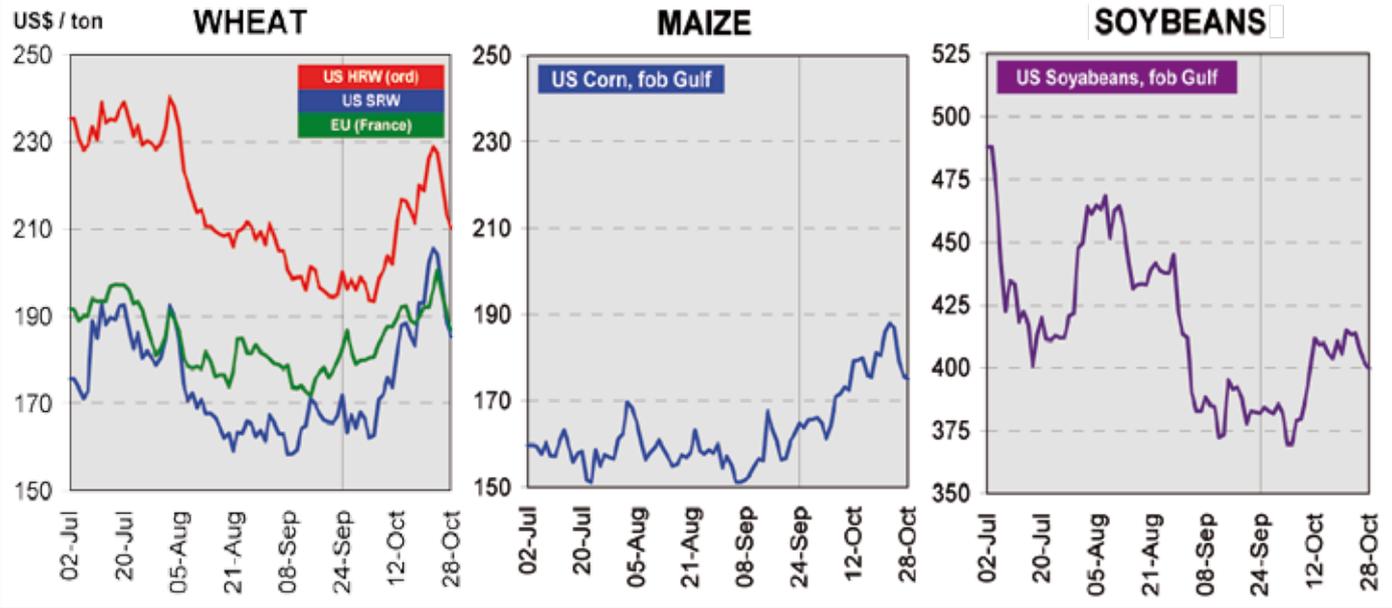
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**FIGURE 1: IGC global export prices**



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Wheat stocks in the major exporters are projected at a four-year high of 49 mt. The US carryover will be the highest since 2001.

Global ending stocks are now forecast at 188 mt, 23 million more than at the end of 2008-09.

**Maize**

The production forecast is increased by four mt to 789 million, almost equal to last year's high level. Wet weather and freezing temperatures further delayed the US harvest, but record yields are expected to increase the crop to 330 mt, 23 million more than in 2008 and only one million short of 2007's all-time high.

Yields in China are lower than anticipated and the crop forecast is further reduced by three mt to 154 million, 12 million less than last year.

Rains continued to benefit plantings in Argentina although the area will be less than in 2008.

Projected global maize consumption in 2009-10 is 800 mt. World end-year stocks are projected at 137 mt – increases in the US and Brazil will offset a reduction in China.

**Global wheat planting in 2010**

Planting of winter wheat in the northern hemisphere mostly progressed well despite wet weather in North America and dry conditions in parts of Europe, the Black Sea region and Near East Asia.

Some growers, especially in the US, have been prompted by the recent fall in wheat prices to reduce sowings, and the global wheat area in 2010 is expected to be smaller than this year's. ■

<b>IGC global grain estimates (million tonnes) – October 29, 2009</b>					
	2005-06	2006-07	2007-08	2008-09 est	2009-10 forecast October 2009
<b>Wheat</b>					
Production	621	598	609	687	<b>667</b>
Trade	110	111	110	136	<b>116</b>
Consumption	625	611	614	640	<b>643</b>
Stocks	136	123	118	165	<b>186</b>
Year/year change	-4	-13	-5	+47	<b>+23</b>
Five major exporters**	55	39	28	46	<b>49</b>
<b>Maize</b>					
Production	698	709	795	790	<b>789</b>
Trade	79	87	101	83	<b>84</b>
Consumption	701	725	775	778	<b>800</b>
Stocks	132	116	136	148	<b>137</b>
Year/year change	-3	-16	+20	+12	<b>-11</b>
<b>Total grains*</b>					
Production	1607	1588	1697	1793	<b>1760</b>
Trade	215	222	239	247	<b>226</b>
Consumption	1620	1629	1686	1723	<b>1747</b>
Stocks	320	279	290	360	<b>373</b>
Year/year change	-13	-41	+11	+70	<b>+13</b>
Five major exporters**	144	101	94	122	<b>126</b>

\*Wheat and coarse grains  
\*\*Argentina, Australia, Canada, EU, United States



The 2009 global maize crop is forecast to be the third biggest on record.