

INTERNATIONAL GRAINS COUNCIL

GRAIN MARKET

REPORT

GMR No. 391

30 July 2009

SUMMARY

WORLD ESTIMATES

	million tons					09/10 forecast	
	05/06	06/07	07/08	08/09 est	25.06	30.07	
	WHEAT						
Production	621	598	609	687	652	654	
Trade	110	111	110	132	112	113	
Consumption	625	611	614	643	644	642	
Stocks	136	122	118	161	168	174	
year/year change	-4	-14	-4	+43		+13	
5 major exporters**	55	39	28	45	42	42	

MARKET COMMENTARY

Seasonal harvest pressures and improved prospects for northern hemisphere spring-planted crops forced most grain and oilseed prices lower in July, especially in the first two weeks, with the steepest declines seen in US maize (corn) and soyabeans. Initially, sharp falls in crude oil and other commodities added to the negative tone, triggering heavy speculative selling, but these mostly recovered in the second half of the month. Although **wheat** markets were still concerned about Argentina's next crop and the impact of adverse weather on milling quality in the US and Europe, the generally ample global supply position and recent sharp falls in other grains lowered wheat export prices by between \$5 and \$20. Despite a much-reduced surplus in Ukraine, Black Sea offers remained competitive. Greatly improved prospects for the US **maize** crop, following a major upward revision in the plantings estimate and generally favourable weather, dominated market sentiment for this grain with Chicago nearby futures plunging by nearly 20%. US export sales were strong, although new business was mostly routine. EU export quotations for feed **barley** remained steady, while prices at Ukraine ports weakened somewhat. US **soyabean** prices fell heavily, with the early-July losses in crude oil an added factor, but it was the marked improvement in the production outlook that dominated, even as old-crop supplies tightened further. **Rice** markets in Asia were steady to slightly firmer in July, while in the US, rough-rice futures rallied on concerns about new-crop supplies. In the dry bulk **ocean freight market**, rates for grain moved higher due to active chartering, especially in the Atlantic. This contrasted with falls in the Capesize sector, triggered by reduced mineral demand.

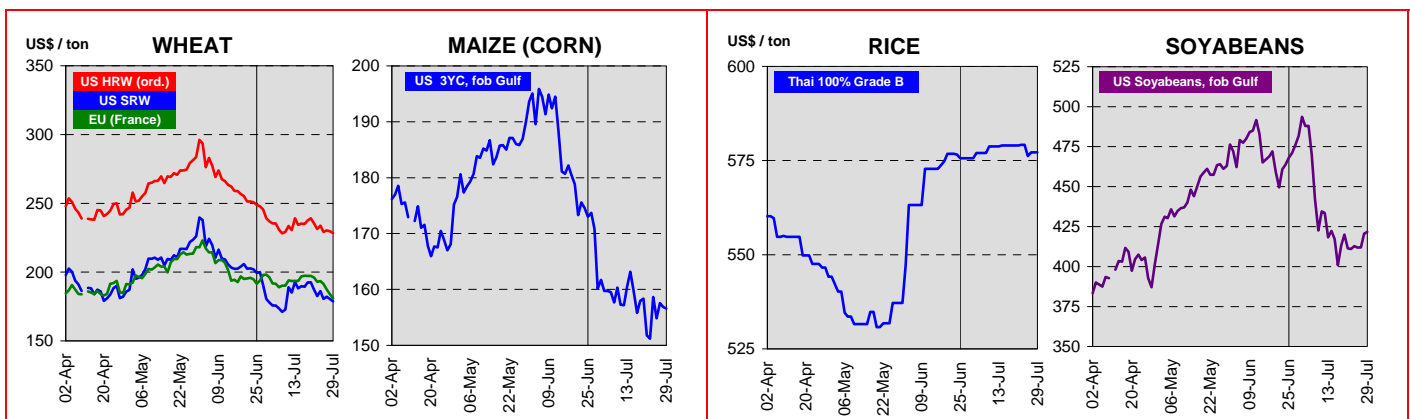
	million tons					09/10 forecast	
	05/06	06/07	07/08	08/09 est	25.06	30.07	
	MAIZE						
Production	698	709	795	787	768	781	
Trade	79	87	101	83	83	84	
Consumption	701	725	775	777	788	793	
Stocks	132	116	136	145	117	133	
year/year change	-3	-16	+20	+9		-12	

	million tons					09/10 forecast	
	05/06	06/07	07/08	08/09 est	25.06	30.07	
	TOTAL GRAINS*						
Production	1607	1588	1697	1790	1715	1733	
Trade	215	222	239	244	221	223	
Consumption	1619	1629	1687	1728	1731	1736	
Stocks	320	279	289	351	327	348	
year/year change	-13	-41	+10	+62		-3	
5 major exporters**	144	100	93	119	96	107	

* Wheat and coarse grains

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

EXPORT PRICES



OUTLOOK FOR 2009/10

A marked upturn in **production** prospects, especially for maize (corn), significantly lifts the grains* crop forecast for 2009/10, also boosting the projected carryover. Total output is placed at 1,733m. tons, 18m. higher than previously, but still 3% below the 2008/09 record of 1,790m., due to smaller crops expected in Europe, the CIS and North America. This month's increased forecast results from higher estimates in the US (mainly maize), China and India (both mainly wheat). While production is expected to fall, grains **consumption** is forecast to rise by 0.5% in 2009/10, to 1,736m. tons, though this is significantly less than in 2008/09, when it climbed by 2.4%. Feed use of grains will fall by 10m. tons as processors use more oilseeds and industrial co-products such as distillers dried grains. However, a further rise in ethanol use of grains of 15m. tons (+12%), to 133m., will lift the consumption total above last year's. Because of the higher production forecast, global grain carryover **stocks** are projected at 348m. tons, 21m. more than in June and quite close to the amount estimated for the end of 2008/09 (351m.). The much-improved outlook for the US maize crop helps lift the projection for the *five major exporters* by 11m. tons, to 107m., but this is still 12m. less than their estimated 2008/09 carryover. Substantially bigger stocks in other countries, notably in China, will largely offset the declines expected elsewhere. World **trade** in grains is forecast to fall to 223m. tons in 2009/10, some 9% below last year's record, with the steepest reductions in Near East Asia and North Africa, where harvests are significantly better. The forecast is 1.5m. tons higher than last month. The sharpest falls in exports are forecast in the EU and Ukraine but those by Russia will likely decline only slightly, due to an ample carryover from last year's bumper crop.

WHEAT: The **production** forecast is 2m. tons higher, at 654m., 5% below last season's record 687m. Prospects have improved in Russia, the US, China and Morocco, but forecasts for the EU, Canada and Argentina are lowered. World wheat **consumption** in 2009/10 is placed 2m. tons lower than last month, at 642m., still close to the past year's record (643m.). The forecast of global *feed* use of wheat is lowered by

2.2m. tons, to 103.1m. (109.1m.), due to smaller than previously projected supplies in some countries and more competition from maize. World **stocks** are forecast to rise by 13m. tons at the end of 2009/10, to 174m., the highest since 2001/02, with much of the increase due to a rebound in China. World **trade** in wheat in 2009/10 is forecast at 113.1m. tons, up by 1.0m. from last month, but 18.8m. below last year's record, partly due to improved crops in Near East Asia, especially in Iran, Turkey and Syria. Exports by the CIS are forecast to be some 6.0m. tons below those in 2008/09. Following a reduced crop, Ukraine's shipments are forecast to fall by more than half, to 6.0m. tons (13.0m.). After another increase in the production estimate and taking into account large carry-in stocks, the forecast of Russia's exports is raised by 1.6m. tons, to a record 18.6m. (18.2m.).

MAIZE: The world **production** forecast is increased by 13m. tons, to 781m. (787m.), following a big upward revision of US plantings and improved prospects in the EU, China and Africa. **Consumption** in 2009/10 is forecast at a record 793m. tons, up by 2% on the previous year. Feed, industrial and food uses are projected to rise from 2008/09, again with the sharpest increase expected in industrial demand, although growth in ethanol use in the US is slowing. The forecast of world *feed* consumption is raised by 3m. tons, to 473m., up 0.3% on the 2008/09 total. The forecast of world **stocks** at the end of 2009/10 is significantly larger than previously: at 133m. tons, it is up 16m. from a month ago, but still 12m. below the 2008/09 estimate. The increase reflects an upward revision in production and bigger than anticipated opening stocks. The projection of US closing stocks is 11m. tons higher than in June, at 37m. The forecast of world maize **trade** in 2009/10 (July/June) is 0.5m. tons higher than a month ago, at 83.7m. (82.8m.). The 1% increase over 2008/09 is due to firmer feed demand and smaller crops in some countries. US marketing year exports in 2009/10 (September/August) are forecast at 51.0m. tons (45.7m.), up by 2.0m. from last month.

* *Wheat and coarse grains*

MAIN MARKET EVENTS SINCE 25 JUNE 2009

30 Jun	Jordan: bought 100,000 t barley from Ukraine USA: USDA Acreage report: maize area raised by 0.8m ha from end-Mar, to 35.2m ha (+1%), soyabeans by 0.6m, to 31.4m (+2%). All wheat lifted by 0.5m ha, to 24.2m (-5%)	10	Canada: AAFC: 2009 all wheat crop forecast cut by 3.8m t, to 22.1m (-23%), barley by 2m, to 8.8m (-25%)
5 Jul	Saudi Arabia: purchased 400,000 t wheat from the EU/US/Canada	13	India: Govt: due to concerns about late monsoon, to rescind authorisation for wheat exports of 0.9m t on 3 Jul
7	Philippines: restores 7% duty on feed wheat imports USA: CFTC: to meet with market players to determine need for regulatory measures in commodities futures	16	USA: CME soyabeans close below \$10/bu for first time since end-Apr
8	Egypt: purchased 175,000 t EU/US wheat Russia: Ag. Min.: 2009 grain crop forecast cut by 5m t, to 85m (-21%)	21	Egypt: bought 60,000 t Russian wheat Argentina: Buenos Aires Grain Exch.: 09/10 wheat output projected at 7.4m t (-12%),
10	USA: USDA 09/10 projections: maize crop raised by 9m t, to 312.2m (+2%), ending stocks lifted by 11.7m t, to 39.4m (-12%)	22-24	USA: CME corn & MGE wheat futures close at 7-mth lows
		23	China: failed to sell soyabean reserves in 0.5m t auction due to high prices
		24	India: Farm Minister: Govt. to stop exports of wheat and rice through "diplomatic channels"
		29	Algeria: bought 0.5m t opt.-origin soft wheat, likely from the EU (France)