

INTERNATIONAL GRAINS COUNCIL

GRAIN MARKET

REPORT

GMR No. 395

26 November 2009

SUMMARY

WORLD ESTIMATES

	million tons					09/10 forecast	
	05/06	06/07	07/08	08/09 est	29.10	26.11	
	WHEAT						
Production	621	598	609	687	667	668	
Trade	110	111	110	136	116	118	
Consumption	625	611	614	639	643	643	
Stocks	136	123	118	165	188	191	
<i>year/year change</i>	-4	-13	-5	+47		+26	
5 major exporters**	55	39	28	45	49	51	

MARKET COMMENTARY

Grain export prices generally firmed in November, but individual market movements were far from uniform. US wheat prices initially climbed steeply, largely because of technical and speculative futures trading, especially in Chicago, while increases in maize (corn) and soyabeans were tempered by harvest pressure. In the Black Sea region, higher prices reflected a gradual tightening of export availabilities. Asian rice export prices showed the biggest increases. The fluctuating value of the US dollar had a considerable influence on day-to-day grain trading although, overall, the rate of decline in the currency was less marked than in the previous two months. **Wheat** price gains ranged between \$10 and \$30 over the month as a whole, although in the US export values at one stage had climbed by as much as \$40 as the result of substantial non-commercial activity, notwithstanding the bearish underlying fundamentals. In Australia, prices were lifted by a combination of extreme November heat, which reduced yields in the south-east of the country, and rains disrupting harvesting, first in Western Australia and more recently in south-eastern states. US **maize** prices recorded modest gains, with bouts of speculative buying and a cut in the official crop estimate partly balanced by seasonal pressure as the harvest finally neared completion, as well as continued slow export demand. Similar seasonal factors affected US **soyabeans**, although values moved strongly higher in the second half of the month, boosted by a weaker dollar and better than expected domestic and export demand. Asian **rice** export prices firmed considerably in the past month, especially in Vietnam, where broken rice values advanced by as much as one-fifth, mainly in response to substantial tenders by the Philippines.

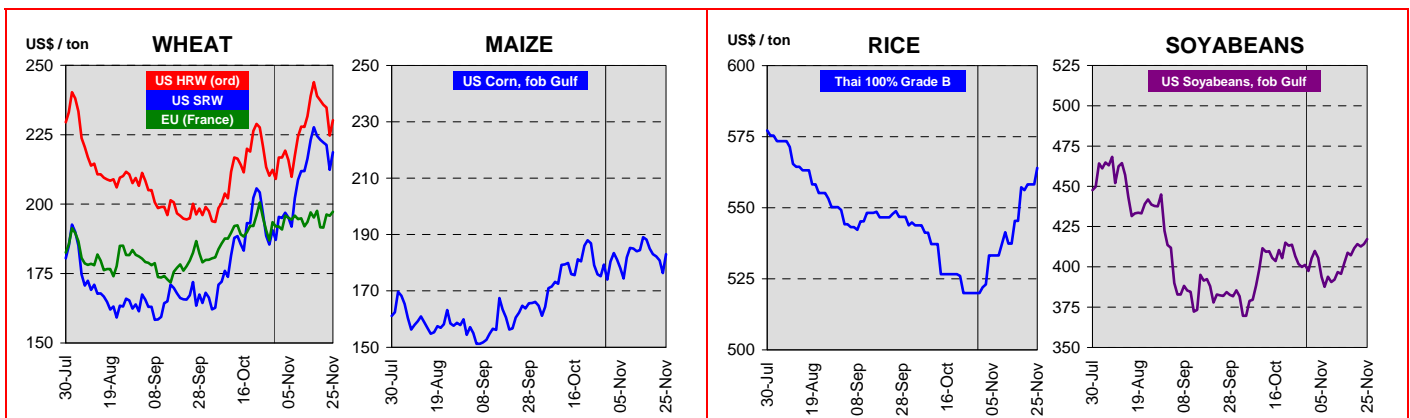
	million tons					09/10 forecast	
	05/06	06/07	07/08	08/09 est	29.10	26.11	
	MAIZE						
Production	698	709	795	791	789	787	
Trade	79	87	101	83	84	84	
Consumption	701	725	775	778	800	800	
Stocks	132	117	136	148	137	134	
<i>year/year change</i>	-4	-15	+19	+12		-14	

	million tons					09/10 forecast	
	05/06	06/07	07/08	08/09 est	29.10	26.11	
	TOTAL GRAINS*						
Production	1606	1588	1697	1793	1760	1759	
Trade	215	222	239	247	226	228	
Consumption	1619	1629	1687	1723	1747	1746	
Stocks	320	279	290	360	373	373	
<i>year/year change</i>	-13	-41	+11	+70		+13	
5 major exporters**	144	101	94	121	125	125	

* Wheat and coarse grains

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

EXPORT PRICES



OUTLOOK FOR 2009/10

Grains **production** estimates are trimmed from last month, following reductions in US (mainly maize) and Australia (wheat and barley). The new total is 1,759m. tons, 34m. below last year's record. The projection of world grains **consumption** is down 1m. tons at 1,746m. Industrial use may increase by 8% to 257m. tons, but little growth is likely in animal feed use. World grain **stocks** will climb further. The total is now put at 373m. tons, 13m. more than at end-2008/09. About half of the increase will be in the US. Grain sales continue their strong early-season pace and forecast **trade** is increased by 2m. tons to 228m., still 19m. below last year's record. Compared with 2008/09, North Africa and Near East Asia will import less after their good harvests. Most leading exporting countries other than the US will supply less grain than last year, the main reductions being for the EU and Ukraine.

WHEAT: Forecast world **production** is increased by 1m. tons to 668m, 19m. below last year's record. The EU's estimate is raised by 1.7m. tons after a better than expected harvest in Italy, while Kazakhstan's crop of 15m. tons was also larger than anticipated. Wet weather in Brazil affected crop quality and extreme heat reduced Australia's prospects, but Argentina's improved slightly. Projected global **consumption** remains at 643m. tons, 4m. more than in 2008/09. Competition from barley and biofuel co-products is reducing wheat feeding in the EU, but feed wheat imports by several countries in Asia have been larger than expected. Wheat **stocks** in the five major exporters are now projected to increase by 6m. tons during 2009/10, to 51m., 2m. more than last month's figure: the world total is 191m. tons, the highest since 2002. With lower domestic use and exports, US carryovers are set to reach a 10-year high of 24m. tons. The continued fast rate of purchases, particularly by Asian countries, justifies a rise of 2m. tons in the world wheat **trade** forecast to 118m., still 18m. below last season's record. Export forecasts for the EU, Canada, Kazakhstan,

Ukraine and Australia are all increased, but that for the US is reduced because of its slow sales pace.

MAIZE: The **production** forecast is down 2m. tons at 787m., after small reductions in the US, EU and Brazil. In the US, where harvest progress has been the slowest for 35 years, crop quality is below normal and extensive and costly drying is needed. Plantings are slow in Argentina as farmers prioritise soyabeans, but conditions in South Africa are favourable. Forecast global maize **consumption** is unchanged at 800m. tons, 22m. up from last year. Nearly 60% will be used for animal feed, with firm demand in China, the US and Brazil, although economic difficulties in other countries are restraining their meat consumption and feed demand. World industrial use is put at 202m. tons, 15m. more than in 2008/09, and food use is estimated at 90m. tons. The projection of global end-year **stocks** is cut by 3m. tons to 134m. (148m.), reflecting lower production estimates in major suppliers. The maize **trade** forecast is unchanged at 84m. tons. Forecast US exports (September-August) are reduced by 1m. tons from last month, to 53m., because of strong competition, including from Black Sea feed wheat.

WHEAT PLANTING FOR 2010

At this early stage, total wheat areas in 2010 are forecast at 222m. ha. 1.5m. less than in 2009 but still 2% above the five-year average. Conditions for winter wheat planting in the northern hemisphere generally remain good. Harvested areas in the EU should be similar to last year, but in Russia and Ukraine they could be smaller than in 2009, when frost damage was below normal. In the US, expected low returns could encourage some farmers, to grow less, especially in Soft Red Winter wheat areas, affected by planting delays. The overall US harvested area is forecast at 19.7m. ha., 2.5% down from 2009. Areas in China are expected to be similar to this year's but India may grow more after an increase in government support prices.

MAIN MARKET EVENTS SINCE 29 OCTOBER 2009

30 Oct	Iraq: bought 300,000 t wheat from Australia, Russia and the US	12	Jordan: bought 100,000 t feed barley, Jan (likely from Ukraine)
	Brazil: Abitriogo: will need to import about 3m t wheat from non-Mercosur countries in 2010	15	China: introduced tighter blackleg disease restrictions on imports of canola/rapeseed
2 Nov	EU: Commission: approved three varieties of GM maize for import and consumption	17	Turkey: sold 175,000 t milling wheat, 25,000 t durum, 25,000 t feed wheat and 100,000 t feed barley in export tender
6	Philippines: bought 250,000 t rice from Vietnam, Jan/Apr		USA: CME wheat closes at a 5-month high
6-25	Egypt: GASC bought 890,000 t wheats, incl. 655,000 t from Russia and 235,000 t from the EU (France & Germany)	18	Bangladesh: bought 100,000 t milling wheat (likely from Ukraine)
9-23	Philippines: issued 3 tenders (Dec) to buy 1.8m t rice for 2010 delivery	19	Australia: Local analysts: heat and rains have reduced wheat/barley crop prospects
11	USA: USDA 09/10 f'casts: maize crop down 2.5m t, to 328.2m (+7%), closing stocks 1.1m lower, at 46.1m. Wheat exports cut by 0.7m t, to 23.8m (-14%). Soyabean crop up 1.8m t, to 90.3m (+12%), exports at 36.1m	20	EU: Commission: 1.4m t barley offered into intervention (as at 19 Nov)
	Canada: CWB: harvesting of key crops almost complete	24	Jordan: bought 150,000 t Black Sea milling wheat (likely from Ukraine)
		25	USA: CME soyabeans close at a 3-month high
		26	China: Govt. to procure domestic maize and soyabeans from 1 Dec to 30 Apr