INTERNATIONAL GRAINS COUNCIL

GRAIN MARKET REPORT

GMR No. 367 **24 May 2007**

SUMMARY

WORLD ESTIMATES

million tons

WHEAT	03/04	04/05	05/06	06/07 est	07/08 forecast 26.04	07/08 forecast 24.05
Production	556	628	620	593	**623**	**621**
Trade	102	110	109	107	**107**	**109**
Consumption	595	617	624	610	**622**	**624**
Stocks	128	140	136	118	**117**	**115**
year/year change	-38	+12	-4	-18		**-3**
5 major exporters*	41	55	56	36	**38**	**34**

million tons

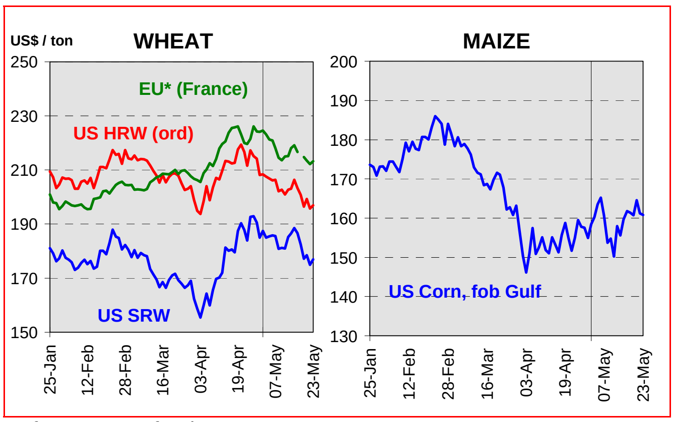
MAIZE	03/04	04/05	05/06	06/07 est	07/08 forecast 26.04	07/08 forecast 24.05
Production	625	713	695	696	**746**	**751**
Trade	80	76	79	85	**84**	**84**
Consumption	644	686	700	726	**755**	**761**
Stocks	104	131	125	95	**85**	**85**
year/year change	-19	+27	-6	-30		**-10**

million tons

TOTAL GRAINS	03/04	04/05	05/06	06/07 est	07/08 forecast 26.04	07/08 forecast 24.05
Production	1476	1648	1601	1569	**1666**	**1666**
Trade	208	212	214	216	**217**	**219**
Consumption	1539	1602	1614	1629	**1670**	**1680**
Stocks	281	327	314	255	**245**	**240**
year/year change	-62	+46	-13	-59		**-14**
5 major exporters*	95	149	149	90	**89**	**86**

* Argentina, Australia, Canada, EU, United States

EXPORT PRICES



* After export refunds

MARKET COMMENTARY

Against the background of tight supplies, international price developments reflected nervousness about recent crop developments, although markets did not all move in the same direction. Wheat values mostly declined, those of maize (corn), were volatile, but showed little overall change, while oilseeds, especially US soyabeans, advanced sharply, further boosted by strengthening crude oil and palm oil prices. In many importers, further rises in ocean freight rates considerably lifted landed costs. World **wheat** prices retreated from the previous month's highs, largely because of improving crop conditions in the US and Australia, although it became apparent that the adversely dry and warm April weather in Europe and parts of the CIS had reduced yield potential. Black Sea wheat was the exception, displaying a more bullish tone. Initial concerns about the impact of overly wet weather on the next US **maize** crop prompted substantial speculative buying. The first official crop forecast, while a record, was below market expectations, and indicated that US ending stocks would stay very low. However, weather premiums eased later in the month. Argentine export prices were underpinned by slow harvest progress and strong export demand following the resumption of export registrations. Concerns about **barley** crop prospects in Europe and Ukraine, combined with tight old crop supplies, supported this market during May. The surge in **oilseed** prices was partly prompted by strengthening energy and palm oil values, but US soyabeans in particular were boosted by concerns about a substantial cut in stocks by the end of 2007/08 as areas are diverted to maize. **Rice** prices in Asia stayed firm, despite a somewhat easier supply outlook, with export demand remaining strong, but fob values of US milled rice fell to 9-month lows on reduced buying. The dry bulk **ocean freight** market continued to strengthen, especially in the early part of May, on solid demand for minerals and grains. IGC's new Grain Freight Index (GFI)* surged by nearly 900 points, to 7,568.

* See section on ocean freight rates

GRAIN SUPPLY AND DEMAND IN 2007/08

Prospects for the next grain harvest remain broadly favourable, although an unusually dry and warm early spring in Europe significantly reduced yield potential. The world grain **production** forecast is near-unchanged at a record 1,666m. tons (1,569m.), with reduced yield prospects in the EU and Morocco offset by improvements elsewhere. However, it will again not match forecast **consumption**, placed at 1,680m. tons (1,629m.), 10m. more than projected previously. The use of maize (corn) in US ethanol output is again projected to climb steeply. As a consequence, world carryover **stocks** in 2007/08 are placed even lower than before, at 240m. tons. Global **trade** in grain is expected to rise for the fourth successive year, to a record 219m. tons (216m.). The biggest increases will be in wheat and in barley.

WHEAT: Forecast **production** is 2m. tons lower than last month at 621m. tons, 28m. up from last year. Dry spring weather significantly reduced crop prospects in the EU and Morocco but heavy rains much improved the outlook in Australia. The US winter wheat crop is likely to yield substantially more than last year despite April's frost. In Canada, a switch from wheat to oilseeds and barley is expected to reduce output. World wheat **consumption** is forecast at 624m. tons, up 2m. from last month as a result of greater feed use in the US, where maize will remain in tight supply. Food consumption growth in some developing countries is being contained by high import costs. The new closing **stock** projections for 2007/08 are sharply lower, especially in the EU. The total may be only 115m. tons, the smallest since 1981, with less than 34m. held in the *five major exporting* countries. **Trade** in 2007/08 is now expected to reach 109m. tons, 2m. more than the last forecast, due to renewed purchases by India to maintain safe stock levels, more imports by the EU from Black Sea sources, and larger shipments to Morocco after its poor harvest.

MAIZE: **Production** in 2007 is forecast to reach a record 751m. tons. The projection is 5m. up from last month as plantings in South America are expected to respond to strong prices relative to soyabeans. The largest increase will be in the US where the area is expected to be up 15% and weather conditions, while mixed, have recently improved. Taking account of increased supplies, the world **consumption** forecast for 2007/08 is 6m. tons higher than a month ago at 761m. Most of the increase is in industrial uses, especially in the US where demand for maize to make ethanol is soaring because of strong energy prices and official policies promoting biofuels. At 86m. tons, it will for the first time exceed the amount exported. The forecast of global closing **stocks** remains unchanged from last month at 85m. tons, including only 23m. in the US. World maize **trade** is forecast at 84m. tons, the same as last month, and also similar to the 2006/07 estimate. Strong feed demand will continue to support imports by Mexico, Malaysia and some other countries, but high prices will trim purchases by Japan and South Korea. Increased competition from Argentina and Brazil is likely to reduce US exports.

RICE TRADE IN 2007

Reflecting stronger than anticipated deliveries to Iran, world rice trade in 2007 is forecast 0.2m. tons higher than before, at a record 29.4m. (28.6m.). Increased purchases by Indonesia will account for most of the expected increase in world import demand following a crop shortfall and depleted reserves. Among the leading exporters, the existence of large intervention stocks (mainly from the 2005/06 crop) means that Thailand is particularly well placed to meet the projected increase in trade.

MAIN MARKET EVENTS SINCE 26 APRIL 2007

27 Apr	**India**: STC issued 1m t wheat import tender **Australia**: heaviest April rains in 10 years seen benefiting winter crop planting
3 May	**USA**: Wheat Quality Council: despite April freeze damage, 2007 Kansas HRW wheat crop forecast at 10.7m t (+35%)
4	**Tunisia**: bought 42,000 t Black Sea wheat **Turkey**: bought 55,000 t European maize
8	**Argentina**: reopened maize export registry for 3m t of 2006/07 crop
9	**Morocco**: granted 157,000 t subsidised feed barley import licences
11	**USA**: USDA 2007/08 forecasts: wheat production 59.2m t (+20%), end-stocks 12.8m (+14%). Maize production 316.5m t (+18%), domestic use 266.5m (+12%), inc. for ethanol 86.4m (+58%), end-stocks 24.1m (+1%). Soyabean production 74.7m t (-14%)
11	**India**: Farm Minister: wheat imports could reach 4-5m t this year
16	**Ukraine**: wheat and rye export quotas removed **Iraq**: bought 250,000 t US/Canadian wheats **Jordan**: bought 100,000 t feed barley
17	**EU**: Strategié Grains: 2007 grain crop forecast lowered 5m t, to 279.6m due to dry conditions **Morocco**: Government: 2007 cereals crop forecast at 2.1m t (-80%) **Argentina**: maize export commitments for 2007/08 up 1.8m t in single week, to 13.5m t
19	**Egypt**: bought 120,000 t Russian/Kazakh wheats; May wheat purchases at 475,000 t
23	**Pakistan**: suspended wheat exports due to recent surge in prices