

# INTERNATIONAL GRAINS COUNCIL

## GRAIN MARKET REPORT

GMR No. 370

23 August 2007

### SUMMARY

#### WORLD ESTIMATES

					million tons	
	03/04	04/05	05/06	06/07 est	07/08 forecast	
					26.07	23.08
<b>WHEAT</b>						
Production	556	628	620	591	<b>614</b>	<b>607</b>
Trade	102	110	109	111	<b>107</b>	<b>107</b>
Consumption	595	617	624	610	<b>617</b>	<b>614</b>
Stocks	128	140	136	117	<b>112</b>	<b>111</b>
<i>year/year change</i>	-38	+12	-4	-19		<b>-6</b>
5 major exporters*	43	58	57	36	<b>30</b>	<b>29</b>

#### MARKET COMMENTARY

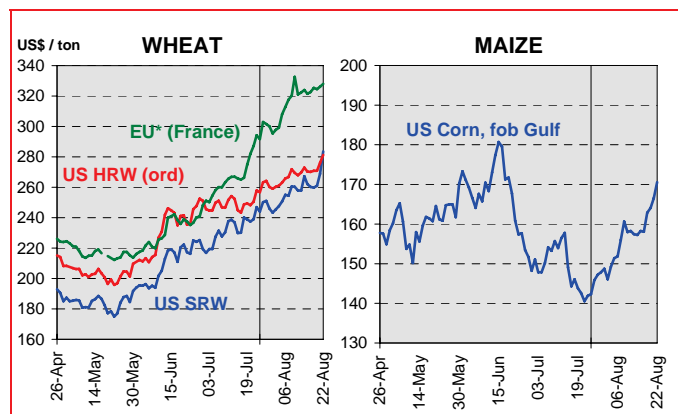
Against a background of tightening global supplies grain export prices moved sharply higher in August, led by gains of between \$20 and \$35 in wheat. Another sharp increase in ocean freight rates further lifted landed costs for importers. In addition to the impact of adverse summer weather on northern hemisphere **wheat** crops, especially on yields and quality in Europe, markets were underpinned by strong demand from importers seeking to secure their needs as international prices rose further. EU prices, in particular, surged to new highs. US futures were buoyed by very large weekly export sales figures, as supply forecasts in some other exporters were being trimmed. Russia was also a major seller of wheat. Despite a significant upward revision in the US **maize** (corn) crop forecast, and spillover from recent losses in financial markets, export prices of this grain advanced by over \$20, also reflecting steeply rising wheat values, lingering crop uncertainties, limited nearby availabilities at US Gulf ports and rises in internal barge rates. Tightening exportable supplies before Australia's next harvest also prompted a sharp rally in **barley** export prices, while **sorghum** values were supported by heavy import demand, especially in the EU. **Oilseed** markets, too, strengthened in August, but an initial rally in US soyabean futures, triggered by crop concerns, was replaced by a more bearish sentiment as the outlook improved. EU rapeseed values posted net gains over the period, largely because of worries over the size of the next crop. In contrast, Asian **rice** prices eased slightly but tight supplies and solid export demand supported values, especially of broken grades. Dry bulk **ocean freight rates** set new records on continued strong demand for minerals, port congestion in the Pacific and higher volumes of grain trade, with several key grain rates, notably those from the US Gulf to Asia, having doubled over the past year.

					million tons	
	03/04	04/05	05/06	06/07 est	07/08 forecast	
					26.07	23.08
<b>MAIZE</b>						
Production	625	713	695	696	<b>752</b>	<b>755</b>
Trade	80	76	79	87	<b>85</b>	<b>88</b>
Consumption	644	686	700	720	<b>763</b>	<b>762</b>
Stocks	104	132	127	103	<b>92</b>	<b>96</b>
<i>year/year change</i>	-19	+28	-5	-24		<b>-7</b>

					million tons	
	03/04	04/05	05/06	06/07 est	07/08 forecast	
					26.07	23.08
<b>TOTAL GRAINS</b>						
Production	1478	1649	1602	1567	<b>1658</b>	<b>1653</b>
Trade	208	212	214	223	<b>217</b>	<b>220</b>
Consumption	1541	1601	1615	1623	<b>1673</b>	<b>1670</b>
Stocks	281	328	315	259	<b>241</b>	<b>242</b>
<i>year/year change</i>	-62	+47	-13	-56		<b>-17</b>
5 major exporters*	98	156	149	93	<b>86</b>	<b>88</b>

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

#### EXPORT PRICES



\* After export refunds

## GRAIN SUPPLY AND DEMAND IN 2007/08

The outlook for grain **production** declined in August, with reduced crop forecasts in Europe and elsewhere, especially for wheat, outweighing substantial upward revisions for US maize (corn) and sorghum. World output in 2007 is forecast at 1,653m. tons, 5m. less than in July but remaining some 86m. tons above the previous year. Mainly because of the overall tightening of feed supplies and higher prices, the global grain **consumption** forecast is trimmed by 3m. tons, to 1,670m. However, this results in a rise of 47m. tons over 2006/07, with bio-fuel use of grain to reach 109m. tons. The recent upward revision in US grain supplies lifts the **stocks** total for the *five major exporters* at the end of 2007/08 by 2m. tons from last month, to 88m., but this still represents a fall of 5m. from their opening level and compares with 149m. the year before. Global closing stocks are projected at 242m. tons, down from an estimated 259m. at the end of 2006/07. World **trade** in grains in 2007/08 is expected to fall by 2m. tons, to 220m. However, the figure is raised by nearly 4m. from last month, partly because of a higher figure for EU imports.

**WHEAT:** The forecast of world wheat **production** is reduced by 7m. tons, to 607m., but is still 16m. higher than in 2006. The EU crop is placed 3.9m. tons lower than before, and the estimate for Canada is reduced by 2m. tons. Because of a cut in the feed use forecast, largely due to high prices, world **consumption** is placed at 614m. tons (610m.), down by 3m. from July. Although much of the reduction in the world crop estimate is offset by lower consumption, forecast wheat **stocks** at the end of 2007/08 are placed 2m. tons lower than previously, at 111m. (117.2m.), the smallest since 1979/80, with those in the five major exporters expected to be especially tight. World **trade** in wheat and wheat flour in 2007/08 is expected to dip by 3.3m. tons, to 107.4m, following bigger crops

in India and Brazil. However, the total is 0.5m. higher than last month, with milling wheat demand in several importers appearing more robust than anticipated, despite high prices and record ocean freight rates. Reduced availabilities in several exporters have significantly boosted US export prospects.

**MAIZE: Production** is forecast at a record 755m. tons, up 3m. from July, and 8.5% higher than the previous year, with the US crop figure lifted by a further 10m. tons, to 330m. However, crop conditions in several other northern hemisphere producers, including the EU and China, deteriorated. Due mainly to a sharp rise in industrial use, world maize **consumption** is forecast at a record 762m. tons. The projection is near-unchanged from a month ago, with a reduced feed use estimate for the EU offset by a higher forecast in the US. With a larger US crop forecast, world carryout **stocks** are forecast 4m. tons higher than last month, at 96m. (103m.), but these would still be the smallest since 1983/84. The 2007/08 **trade** forecast is lifted by 2.4m. tons, to a record 87.6m. (87.4m.), the result of strong import demand, especially in the EU and Mexico. The US export figure is raised to reflect the higher crop forecast and the increased trade estimate.

## RECENT FEED USE TRENDS AND AVIAN INFLUENZA

Highly Pathogenic Avian Influenza (HPAI) in poultry continues to be effectively controlled as most countries are better prepared for its early detection and rapid introduction of control measures. However, prospects for this and other meat sectors, are being affected by the recent surge in grain prices. Although overall meat production continues to rise, slightly less grain is expected to be used for livestock feed in 2007/08, while use of competitively-priced oilmeals and by-products of industrial processors continue to grow.

## MAIN MARKET EVENTS SINCE 26 JULY 2007

27	<b>Algeria:</b> announced purchases of 0.3m t mainly European wheat <b>Iraq:</b> bought 0.2m t US wheat		
30	<b>Jordan:</b> bought 0.1m t wheat, likely Russian		
31	<b>Canada:</b> Federal Court ruled that Government did not have authority to regulate, without parliamentary approval, end to CWB's monopoly on sales of barley to maltsters and exporters on 1 Aug	16/21	<b>Iran:</b> bought 0.36m t US maize from private exporters, the first purchases since 2003/04 <b>Australia:</b> wheat exports in containers and bags to be deregulated on 27 Aug
2 Aug	<b>Jordan:</b> bought 0.1m t opt-origin feed barley	17	<b>Tunisia:</b> bought 167,000 t wheat and 112,000 t barley, both opt-origin
8	<b>Ch Taipei:</b> halved import tariffs on 7 commodities, incl. wheat, to 3.25%, and wheat flour, to 8.75% <b>Kazakhstan:</b> reached agreement to supply 0.3m t wheat to Jordan annually <b>Morocco:</b> approved imports of 0.13m t EU wheat	22	<b>Egypt:</b> bought 55,000 t Russian wheat, taking purchases since 26 Jul to 1.44m, incl. 0.7m from Russia and 0.66m from US <b>USA:</b> CBOT wheat nearby contract closes at fresh 11-yr peak <b>Syria:</b> to provide around 0.27m t wheat from reserves to cover regional shortages; follows earlier cancellation of some export contracts
10	<b>USA:</b> USDA: lowers 2007 wheat crop forecast by 0.7m t, raises maize by 5.4m t	23	<b>India:</b> issued tender for unspecified quantity of wheat <b>Canada:</b> official wheat crop forecast cut to 20.3m t
15	<b>Ukraine:</b> Prime Minister: despite drought, 2007 wheat crop forecast at 15m t (14m)		
16	<b>EU:</b> Strategie Grains: 2007 soft wheat crop cut		

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