INTERNATIONAL GRAINS COUNCIL

GRAIN MARKET REPORT

GMR No. 374

24 January 2008

SUMMARY

WORLD ESTIMATES

million tons

WHEAT	03/04	04/05	05/06	06/07 est	07/08 forecast 22.11	07/08 forecast 24.01
Production	556	628	620	592	**603**	**603**
Trade	102	110	110	110	**104**	**104**
Consumption	594	616	624	609	**611**	**611**
Stocks	128	140	137	119	**110**	**110**
year/year change	-38	+12	-3	-18		**-9**
5 major exporters**	43	59	58	38	**26**	**25**

million tons

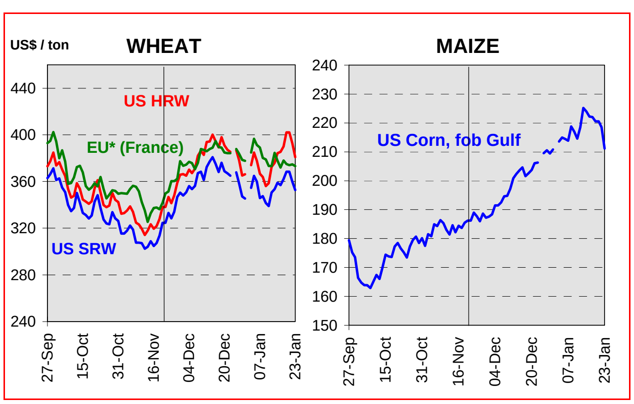
MAIZE	03/04	04/05	05/06	06/07 est	07/08 forecast 22.11	07/08 forecast 24.01
Production	628	713	695	698	**767**	**765**
Trade	80	76	79	87	**95**	**96**
Consumption	647	686	700	720	**762**	**770**
Stocks	105	132	127	105	**111**	**101**
year/year change	-18	+27	-5	-22		**-4**

million tons

TOTAL GRAINS*	03/04	04/05	05/06	06/07 est	07/08 forecast 22.11	07/08 forecast 24.01
Production	1481	1649	1602	1570	**1659**	**1657**
Trade	208	212	215	221	**225**	**227**
Consumption	1543	1601	1616	1623	**1667**	**1676**
Stocks	282	329	316	263	**255**	**244**
year/year change	-62	+47	-13	-53		**-19**
5 major exporters**	98	157	150	97	**97**	**83**

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

EXPORT PRICES



* After export refunds

MARKET COMMENTARY

World grain and oilseed prices remain extremely volatile against a background of supply uncertainties and recent developments in financial, energy and other commodity markets. Prices of wheat and soyabeans, especially US futures, set new records in the past two months, while the outlook for maize (corn) tightened further. The focus in the weeks ahead will be on how northern hemisphere growers respond to price changes when planting their spring crops for 2008, as well as on the outcome of southern hemisphere maize and sorghum crops. Although a sharp downturn in ocean freight rates from recent highs will benefit importers, the biggest falls were in the (non-grain) Capesize sector. **Wheat** markets recently drew strength from a smaller than anticipated rise in US winter wheat plantings and strong demand for remaining North American premium milling grades. However, technical trading and major fund activity resulted in large price swings in futures, often hitting daily limits. Some exporting countries took further steps to safeguard domestic supplies, while several importers reduced or removed import duties on wheat or wheat flour. Despite high prices, international demand for milling wheat remained robust. US **maize** prices, while also volatile, registered substantial net gains as export sales remained strong, exceeding the previous year's by 30% and futures attracted additional speculative fund buying. Recent official US supply and demand data saw a big downward adjustment in the 2007/08 carry-over, while crop prospects in Argentina declined. International feed **barley** prices, while still high, edged lower due to limited buying interest. **Sorghum** values moved up in line with maize, but also responding to strong import demand in the EU. Despite recent declines, prices of **oilseeds** and **vegetable oils** showed further net gains, US soyabean futures in mid-January having broken the long-standing 1973 record. Heavy demand for soyabeans, especially in China, major fund activity in US futures, continued high energy prices and a tight global supply outlook were among the main factors. **Rice** prices too, advanced significantly, due to strong demand from importers, especially for parboiled and lower-quality grades and limited market supplies in some key exporters, including Thailand, whose currency strengthened further against the US dollar. A sharp fall in dry bulk **ocean freight rates**, especially for large (Capesize) vessels, was linked to a slowdown in charter activity and reduced demand for minerals, but rates for Handysize grain vessels stayed relatively firm.

GRAIN SUPPLY AND DEMAND IN 2007/08

World grain **production** is put at 1,657m. tons, 2m. less than estimated in November because of a lower US maize estimate and dry weather in Argentina which is affecting maize plantings. Global **consumption** is raised by 9m. tons, to 1,676m., mainly because of higher forecast US feed use. The new forecast of total ending **stocks** is down 11m. tons at 244m. tons, 19m. below a year before. Stocks in the US and the EU will be particularly small. Sharply rising prices are not constraining grain **trade**: the forecast is raised by 2m. tons, to 227m. Much of the 6m. ton increase is due to the EU's bigger feed needs.

WHEAT: There is no change in the 2007 **production** estimate of 603m. tons. Total 2007/08 **consumption** is also unchanged at 611m. tons, higher estimates of wheat feeding in the CIS and Australia balancing reductions in North America and South Korea. Wheat food use is restrained by high prices in some developing countries, especially in sub-Saharan Africa. In some countries governments are increasing food subsidies, controlling prices and reducing import tariffs to protect consumers. Forecast end-season **stocks** in the main exporters total 25m. tons, 1m. less than previously and a 30-year low. US carryovers could be the smallest since the 1940s at under 8m. tons. World **trade** in 2007/08 remains at 104m. tons. Changes since November include a reduction in India's imports to 2m. tons as its end-season stocks are expected to be adequate, but Pakistan's purchases are rated higher as local food prices rise. Kenya and Sudan are among countries in sub-Saharan Africa whose import estimates are trimmed, but the forecasts for Egypt and Tunisia are raised. In the EU, the suspension of import duties may further boost purchases. Among small changes to the export forecasts are increases for the US and Russia and declines in the EU, Ukraine and China.

MAIZE: **Production** is estimated at 765m. tons, 2m. down from November. There are reductions for the US and Argentina but increases in China and Ukraine. Forecast **consumption** is lifted by 8m. tons, to a record 770m., 7% above the already high 2006/07 level. This is mainly due to a big increase in the US, where hog and poultry numbers are growing: feed needs are also rising in Near East Asia. A 10m. ton reduction in the forecast of end-year **stocks** to 101m tons results from the revised US crop and use estimates. China's stocks are up because of the big crop and actions to limit exports. World maize **trade** (July/June) is expected to reach a record 96m. tons, 1m. more than forecast previously. Imports by the EU are especially large at 10m. tons, with shipments to Near East Asia also rising. US marketing year exports will set a record 62m. tons, 8m. more than in 2006/07. Cancellation of VAT rebates on exports and the imposition of an export tax will bring China's sales, 5m. last year, down to only 1.5m. tons.

GRAIN PRODUCTION IN 2008

Sharply rising **wheat** prices prompted increases in winter wheat sowings in Europe and the US, but dry weather in the south of that country prevented planting targets from being met. There are large area increases in Russia and Ukraine. No significant change is expected in China, and India's areas may fall short of last year's. Competition from other crops may prevent spring wheat sowings from increasing much in the US, but a significant rise is likely in Canada. Total wheat plantings are forecast 5.7m. ha. (2.6%) more than last year, but assuming reasonable weather continues in most main producing areas, the world crop is projected to increase by almost 40m. tons (6.6%), to a record 642m. tons.

Conditions for planting winter coarse grain crops (e.g,. **barley**) have been favourable in Europe, but more snow cover is needed to protect crops in Russia and Ukraine. Early projections suggest **maize** plantings in the US could decline by 5% in favour of soyabeans and wheat, but much will depend on market price developments in the coming months.

MAIN MARKET EVENTS SINCE 22 NOVEMBER 2007

23 Nov	**India**: bought 0.34m t wheat
30 Nov	**Turkey**: reduced grain import duties, incl. wheat, maize and barley
3 Dec	**Australia**: ABARE: 2007/08 wheat crop est. raised by 0.6m t, to 12.7m (9.8m), barley by 0.5m t, to 5.6m (3.7m)
13	**EU**: Stratégie Grains: 2008 soft wheat plantings forecast at 58.6m ha (+4%), barley 14.2m (+3%), maize 8.7m (+11%)
19	**S Korea**: to reduce import duties on wheat, maize and soyabeans for 6 mths from 1 Jan
20	**EU**: suspended most cereal import tariffs for remainder of 2007/08
21	**Argentina**: Ag Sec: despite frosts, 2007/08 wheat crop est. unchanged at 15.4m t
26	**Argentina**: closure of wheat export registry extended indefinitely
28	**Russia**: Govt: to raise wheat export tax to 40% from end-Jan until end-Apr
1 Jan	**China**: introduced export taxes on grains, wheat flour and soyabeans; follows earlier cancellation of value added tax rebates
11	**USA**: USDA: 2007/08 maize ending stocks cut by 9.5m t, to 36.5m
	USA: USDA: 2008 winter wheat area f'cast at 18.9m ha (+4%) incl. HRW at 13.2m (-1%)
14	**USA**: CBOT maize closes at 11-yr high
15	**USA**: CBOT soyabeans ends at all-time high
17	**Egypt**: bought 0.49m t Black Sea/US wheats
	USA: USDA: in w/e 10 Jan, maize export sales at MY high of 2.4m.
18	**USA**: Informa: 2008 maize area at 36.4m ha (-4%), spring wheat 5.1m (-6%), soyabeans 27.9m (+9%)
	USA: MGE wheat ends at fresh all-time high
17/23	**USA**: sharp declines in US grain futures tied to global economic uncertainties
22/23	**Pakistan**: bought 0.57m t opt-origin wheat