

INTERNATIONAL GRAINS COUNCIL

GRAIN MARKET

REPORT

GMR No. 375

28 February 2008

SUMMARY

WORLD ESTIMATES

	million tons					07/08 forecast	
	03/04	04/05	05/06	06/07 est	24.01	28.02	
	WHEAT						
Production	556	628	620	592	603	604	
Trade	102	110	110	110	104	104	
Consumption	594	616	624	610	611	611	
Stocks	129	141	138	120	110	113	
<i>year/year change</i>	-38	+12	-3	-18		-7	
5 major exporters**	44	60	59	39	25	27	

MARKET COMMENTARY

Grain and oilseed prices scaled new peaks in another turbulent month, with erratic, and often baffling, developments in US wheat futures a particular focus. While there was no fundamental change in the supply outlook, markets remained extremely volatile. In many developing countries, the steep increases in wheat, maize, rice and vegetable oil prices are becoming particularly burdensome. Measures were taken in several countries to cut import tariffs or to lift consumer subsidies for certain food staples. The unprecedented price swings coincided with record oil and gold prices and increased fund activity in several key grain and oilseed futures exchanges. Tight nearby supplies of premium quality North American spring **wheat**, combined with extraordinary investment fund activity, lifted Minneapolis wheat futures to their highest level ever, with daily trading limits for the nearby contract eventually removed in all three US futures exchanges. Top quality milling and durum wheats traded at more than double those of other US wheat classes, nominal US Northern Spring quotations at one stage reaching \$1,000 per ton (fob). There were also concerns about possible new restrictive measures by some exporters anxious about the impact of overly large outflows on domestic food prices. While the outlook for the next wheat crop remained broadly favourable, this did not greatly dent the market's bullish sentiment. **Maize** (corn) export prices also moved higher in February, partly led by wheat and continuing evidence of heavy feed and industrial demand, but there was little change in the fundamental outlook. A higher than anticipated US planting forecast and the reopening of Argentina's export registry exerted only a mildly bearish influence. Market developments in other grains were more mixed, with some **barley** values actually declining and those of **sorghum** showing only modest gains. New records were established in **oilseeds** markets, as US soyabean prices responded to the sharp gains in wheat and vegetable oils, with potential demand from China still seen as considerable. **Rice** export prices in Thailand soared by nearly one-quarter, to nearly \$490, due to continued strong international demand and tight market supplies. Renewed heavy demand for raw materials in Asia drove Capesize **freight rates** sharply higher but less so in the Panamax and Handysize sectors.

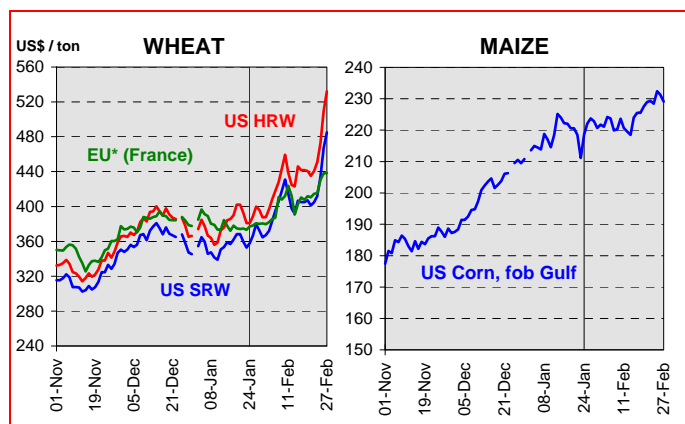
	million tons					07/08 forecast	
	03/04	04/05	05/06	06/07 est	24.01	28.02	
	MAIZE						
Production	628	713	695	698	765	766	
Trade	80	76	79	88	96	97	
Consumption	647	686	699	720	770	770	
Stocks	105	132	127	105	101	101	
<i>year/year change</i>	-18	+27	-5	-22		-4	

	million tons					07/08 forecast	
	03/04	04/05	05/06	06/07 est	24.01	28.02	
	TOTAL GRAINS*						
Production	1481	1649	1602	1572	1657	1659	
Trade	208	212	215	221	227	228	
Consumption	1543	1601	1615	1624	1676	1676	
Stocks	282	330	317	264	244	247	
<i>year/year change</i>	-63	+48	-13	-52		-18	
5 major exporters**	99	158	150	99	83	86	

* Wheat and coarse grains

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

EXPORT PRICES



* After export refunds

GRAIN SUPPLY AND DEMAND IN 2007/08

World grain **production** is put at 1,659m. tons, 1m. more than January's estimate and 5.4% up from last year. Wheat production was disappointing but the maize harvest was a record. Global grains **consumption** is placed at 1,676m. tons. Ethanol production will use about 94m. tons of maize and 6m. tons of other grains. Meat output continues to grow, lifting feed needs. The new estimate of global ending **stocks** is 247m. tons, 3m. more than previously, but still the lowest for thirty years. Despite high grain prices, forecast **trade** is up 1m. tons at 228m. tons, 7m. more than last year. Shipments of wheat will fall but those of maize and sorghum will increase.

WHEAT: The 2007 **production** estimate is raised by 1m. tons to 604m. Total 2007/08 **consumption** remains at 611m. tons. While wheat feeding will be the lowest for twelve seasons, food use will be 0.8% more than in 2006/07. The forecast of end-season **stocks** in the five major exporters is up 2m. tons at 27m. due to higher crop estimates for Australia and sluggish EU exports. At only 7.4m. tons, US carryovers will be the lowest since 1947. Forecast world **trade** in 2007/08 remains at 104m. tons, 6m. tons down from last year. Continued strong sales by the US raise its forecast exports. EU sales accelerated in February, as its wheat became more competitive, while Argentina's export registry is set to reopen in March. Export restrictions are limiting sales by Russia and Ukraine.

MAIZE: Good yields in Brazil more than offset crop damage in Argentina and the world **production** estimate is up 1m. tons, at 766m. tons. Forecast **consumption** is unchanged at 770m. tons despite increasing prices. Livestock demand remains robust, even in developing countries, and use for ethanol continues to grow in the US. There is no change in projected end-year **stocks** (101m. tons, including 36.5m. in the US). Forecast world maize **trade** is 97m. tons, 1m. up from January, reflecting strong demand from the EU, South America and Near East Asia. US marketing year exports will set a record 62m. tons, but China's sales have slowed and Argentina's forecast is reduced because of its worsening crop prospects. Brazil is now expected to ship 10.5m. tons, almost up to last year's record.

GRAIN PRODUCTION IN 2008

Most major producers expect larger **wheat** crops in 2008 as high prices prompt increased plantings. Production is forecast at a record 646m. tons, 42m. more than in 2007. Weather conditions in winter wheat areas in the EU and the CIS remain favourable but in the US a lack of rain in the southern Plains is causing concern, and severe frosts may have damaged China's crop. Spring wheat areas in North America need more rain. World **maize** plantings are forecast 3% lower than in 2007. In the US, a 5% decline is projected as farmers move to plant more soybeans, wheat and other crops. Assuming adequate water supplies, strong demand for maize should see areas in the EU increase substantially. Total **barley** plantings are forecast to increase by 2% with most of the growth in the EU and CIS.

OUTLOOK FOR RICE AND OILSEEDS TRADE

Prospects for total **rice** trade in 2008 (29.4m. tons) are unchanged from last month. Despite rising prices the total will be 2% up from last year, mostly because of increased purchases by Bangladesh, following crop damage, and Iraq. An improved crop should reduce Indonesia's requirements.

In a new set of trade estimates for the major oilseeds, included in the GMR for the first time, **soybeans** trade in 2007/08 (October/September) is forecast at a record 75.8m. tons, the 5m. ton increase over last year driven by rising consumption in Asia, particularly China. US exports will be down after its smaller crop, but ample supplies will enable Brazil and Argentina to expand their sales. Global **soyameal** trade is forecast 6% higher than last year because of strong demand from Asia and the EU. Argentina's exports will be sharply higher but those by Brazil and the US will go down. **Rapeseed/canola** imports are forecast to increase to 7.7m. tons because of strong demand from China.