

World grain market

By the International Grains Council

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 soybean, especially US futures, set new records in the past two months, while the outlook for maize tightened further.

The near-term focus 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.

Wheat

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. But 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.

Coarse grains

US maize prices had substantial net gains as export sales remained strong, exceeding the previous year's by 30 per cent and futures attracted additional speculative fund buying. Recent US supply and demand data saw a big downward adjustment in the 2007-08 carryover, 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.

Oilseeds

Despite recent declines, prices of oilseeds and vegetable oils showed further net gains – US soybean futures in mid-January having broken the long-standing 1973 record. Heavy demand for soybean, especially in China, major fund activity in US futures, continued high energy prices and a tight global supply outlook were among the main factors.

SUPPLY & DEMAND IN 2007-08

World grain production for 2007-08 is put at 1657 million tonnes. Global grain

IGC global grain estimates (million tonnes) – January 24, 2008			
World total grains	05-06	06-07	07-08 (projected)
Production	1602	1570	1657
Trade	215	221	227
Consumption	1616	1623	1676
Total grain stocks	316	263	244
(Stocks in 5 major exporting countries)	150	97	83
World wheat			
Production	620	592	603
Trade	110	110	104
Consumption	624	609	611
Total wheat stocks	137	119	110
(Stocks in 5 major exporting countries)	58	38	25
World maize			
Production	695	698	765
Trade	79	87	96
Consumption	700	720	770
Total maize stocks	127	105	101

consumption is raised by 9 mt to 1676 mt – mainly because of higher forecast US feed use.

The new forecast of total ending stocks is down to 244 mt – 19 mt 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 to 227 mt. Much of this 6 mt increase is due to the EU's bigger feed needs.

GRAIN PRODUCTION IN 2008

Sharply rising wheat prices prompted increases in winter wheat sowings for 2008 in Europe and the US, but dry weather in the south of the US 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 at 5.7 million hectares – a 2.6 per cent increase on last year, but assuming reasonable weather continues in main producing areas, the world crop is projected to increase by almost 40 mt (6.6 per cent), to a record 642 mt.

Conditions for planting winter coarse grain crops 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 five per cent in favour of soybean and wheat.

From IGC Grain Market Report – 24/01/08. ■

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- ▲ The absence of quality labour is significantly impacting on your profitability?

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