

# World grain market

By International Grains Council

After the previous month's steep increases, spurred partly by gains in other commodities and equities, international grain and oilseed prices fell back heavily in June, triggered by speculative and technical selling in US futures markets.

A firmer US dollar and seasonal factors also played a role, with the US winter

wheat harvest in full swing and plantings of maize (corn) finally completed. Wheat export values dipped by up to \$40, partly reflecting ample stocks, harvest pressure and a generally favourable outlook for the global crop, despite concerns about yields and quality in some areas.

Maize prices were initially supported by

continued US planting concerns and a reduced official crop forecast, but the market weakened on profit taking, focusing instead on generally beneficial growing weather.

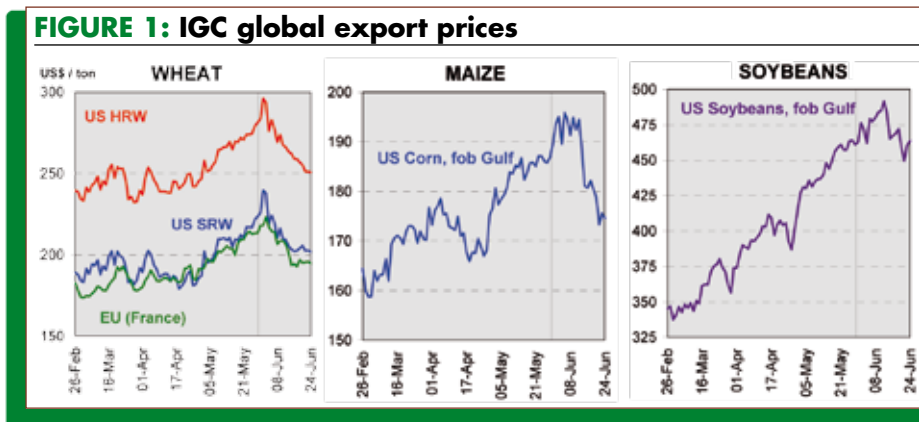
Prices of EU and Black Sea origin barley fell by up to \$25 as export demand faltered.

Although export prices of soybeans also retreated from mid-June highs, they are little changed from a month ago, reflecting bullish nearby fundamentals as 2008-09 supplies dwindle before the next US harvest later this year.

Heavier losses were seen in European rapeseed (canola) markets where harvests are due to start soon.

Dry bulk ocean freight markets, after the previous months' sharp rise, showed further gains in the Capesize sector on substantial mineral chartering activity, but Panamax and Handysize rates, more relevant for grains, fell slightly in June.

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**Outlook for 2009-10 production, use and stocks**

The world grains production forecast is cut by a further six million tonnes (mt) in June to 1,715 mt, 66 below the 2008 record. Reductions in the EU and Argentina, because of insufficient rain, and in North America following overly wet conditions (which may also affect grain quality) more than offset improved prospects in Russia, Kazakhstan and China.

Consumption in 2009-10 is put at 1,731 mt, five less than previously, mostly because of reduced US feed use. Total use remains nine mt up from last year, chiefly because of further growth in ethanol manufacture.

Global grain stocks are projected at 327 mt – the fall of 16 mt from this year is wholly due to reductions in the EU and US. Combined stocks in the five major exporters are put at 96 mt (117 mt).

The world grain trade forecast for 2009-10 is unchanged from May at 221 mt, 15 less than this year's exceptionally high level. Europe's imports will be particularly small, while bigger crops will limit the needs of Near East Asia and North Africa.

Argentina's export prospects have worsened in the past month because of limited supplies, but the forecast of Russia's sales moved closer to the 2008-09 record.



Spring wheat and canola is very late in western Canada (photo taken July 14) and as a result will be a positive influence on global price.

**Wheat outlook 2009-10**

World wheat production is forecast at 652 mt, unchanged from last month and 35 below the 2008 record.

Winter crops developed well in most of Europe and Russia but spring wheat devel-

opment in parts of western Canada and northern US States continued to lag under cool and wet conditions. Australia had favourable rains but dry weather in Argentina hindered planting.

The projection of global wheat consumption is up one mt at 644, the same as in 2008-09. Global wheat stocks are forecast to increase by eight mt in 2009-10 to 168 – one mt more than in May. Reduced carryover projections for the five major exporters are more than offset by an increase in China.

The wheat trade forecast remains at 112 mt, 13 below the revised estimate for 2008-09. Projected shipments by Argentina, Canada and Ukraine are reduced from last month but those by Russia increased.

**Maize outlook 2009-10**

Maize production in 2009-10 is forecast at 768 mt, three down from May and 15 less than in 2008-09.

Poor planting weather reduced sowings in the US, but the crop is in better condition than last year – at 302 mt, the forecast is marginally less than in 2008.

In the EU, the impact of severe drought earlier in the season is reflected in reduced crop estimates for Hungary and Romania. Rains in China further improved yield prospects and the crop could total 160 mt, only six less than last year's.

Global maize consumption is put at a record 788 mt, up 11 from 2008-09. The forecast is 4 mt lower than last month, mainly because of reduced meat demand in the US. Maize feeding in China is expected to grow, and moderate increases are expected in other Asian countries and parts of Latin America. Total feed use of maize is put at 470 mt (the same as the previous year), while global industrial use is expected to reach 200 mt, six per cent up from 2008-09.

Mandated ethanol production in the US will increase by 14 per cent in 2010, resulting in a nine mt rise in maize demand by the sector, to 104 mt.

Global closing stocks are projected to fall to a three-year low of 117 mt (down one mt from the May forecast). US stocks may fall by 15 mt to their lowest since 2003-04, but China's are again set to grow.

The world maize trade forecast remains at 83 mt, the same as in 2008-09. Some countries will increase purchases due to smaller domestic crops, while firmer feed demand in some importers should also underpin trade. Reduced competition from Argentina and Ukraine will boost export opportunities for the US and Brazil. ■

| <b>IGC global grain estimates (million tonnes) – June 25, 2009</b> |         |         |         |             |                            |
|--|---------|---------|---------|-------------|----------------------------|
|  | 2005-06 | 2006-07 | 2007-08 | 2008-09 est | 2009-10 forecast June 2009 |
| <b>Wheat</b>   |         |         |         |             |                            |
| Production   | 621     | 598     | 609     | 687         | <b>652</b>                 |
| Trade  | 110     | 111     | 110     | 125         | <b>112</b>                 |
| Consumption  | 625     | 611     | 614     | 644         | <b>644</b>                 |
| Stocks   | 135     | 121     | 116     | 160         | <b>168</b>                 |
| Year/year change   | -4      | -14     | -5      | +44         | <b>+8</b>                  |
| Five major exporters**   | 54      | 38      | 27      | 46          | <b>42</b>                  |
| <b>Maize</b>   |         |         |         |             |                            |
| Production   | 696     | 708     | 788     | 782         | <b>768</b>                 |
| Trade  | 79      | 87      | 101     | 83          | <b>83</b>                  |
| Consumption  | 700     | 724     | 772     | 777         | <b>788</b>                 |
| Stocks   | 132     | 116     | 132     | 137         | <b>117</b>                 |
| Year/year change   | -3      | -16     | +16     | +5          | <b>-20</b>                 |
| <b>Total grains*</b>   |         |         |         |             |                            |
| Production   | 1604    | 1584    | 1687    | 1781        | <b>1715</b>                |
| Trade  | 215     | 222     | 239     | 236         | <b>221</b>                 |
| Consumption  | 1617    | 1626    | 1680    | 1722        | <b>1731</b>                |
| Stocks   | 319     | 277     | 284     | 343         | <b>327</b>                 |
| Year/year change   | -13     | -42     | +7      | +59         | <b>-16</b>                 |
| Five major exporters**   | 143     | 99      | 92      | 117         | <b>96</b>                  |

\*Wheat and coarse grains

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