



Grain Market Report

GMR 451 – 22 January 2015

HIGHLIGHTS

The forecast of world **total grains** (wheat and coarse grains) production in 2014/15 is boosted by 12m t from the last report, to a record 2,002m t. Most of the change is for maize (corn), including a reassessment of historical output in Argentina, but there are also notable upward revisions for the EU (wheat, maize) and Canada (wheat), while the maize harvest in the US is adjusted downward. Although global demand is also raised, the end-2014/15 carryover is lifted by 3m t, to 432m, a gain of 30m y/y (year-on-year) and the most since the mid-1980s.

At 474m t, world **rice** output in 2014/15 is little changed from November and last year. The projection for global carryovers is maintained at 102m t, but the forecast for the major exporters is cut by 1m, to 32m, with a 16% y/y drop reflecting heavy falls in India and Thailand. World trade in 2015 is revised higher, but would still be slightly short of last year's record on smaller deliveries to Far East Asia.

Reflecting small increases for key producers, global **soyabean** production in 2014/15 is up by 4m t from before, to a record 312m, a rise of 10% y/y. With only part of the gain absorbed by higher use, end-season inventories are placed about 2m t above the previous figure, at a peak of 42m, including nearly 25m in the major exporters. Mainly due to an upgrade for China, world trade is lifted slightly, to 116m t, some 5% larger y/y.

The IGC **Grains and Oilseeds Index (GOI)** weakened by 6% since the November GMR. Amid increasing global crop prospects, there was a particularly steep drop for soyabeans. Concerns about Black Sea export curbs contributed to temporary strength for wheat, but values retreated again as availabilities elsewhere were considered adequate. Maize was up for most of the period, buoyed by hopes for stronger buying by China, but the focus returned to heavy world supplies more recently, contributing to an overall decline in prices.

WORLD ESTIMATES

	11/12	12/13	13/14 est.	14/15 f'cast	
million tons					
TOTAL GRAINS^{a)}				27.11	22.01
Production	1850	1793	2000	1990	2002
Trade	271	269	307	297	300
Consumption	1854	1818	1933	1965	1973
Carryover stocks	360	335	402	429	432
<i>year/year change</i>	-4	-25	67		30
Major exporters^{b)}	124	96	118	147	148
WHEAT					
Production	695	655	713	717	717
Trade	145	141	155	150	151
Consumption	698	677	695	712	708
Carryover stocks	191	169	187	193	196
<i>year/year change</i>	-2	-22	18		9
Major exporters^{b)}	68	48	52	59	63
MAIZE (CORN)					
Production	875	865	991	982	992
Trade	98	99	120	113	114
Consumption	875	863	947	963	973
Carryover stocks	130	132	175	195	194
<i>year/year change</i>	1	2	43		19
Major exporters^{c)}	32	33	52	71	69
million tons (milled basis)					
RICE					
Production	467	472	475	475	474
Trade	39	39	42	41	42
Consumption	458	468	478	482	482
Carryover stocks	108	112	109	102	102
<i>year/year change</i>	8	4	-3		-8
Major exporters^{d)}	37	40	38	33	32
million tons					
SOYABEANS					
Production	241	272	284	308	312
Trade	94	99	111	115	116
Consumption	254	267	281	297	300
Carryover stocks	23	28	31	40	42
<i>year/year change</i>	-13	5	3		12
Major exporters^{e)}	6	9	12	22	25

Figures may not add due to rounding

a) Wheat and coarse grains

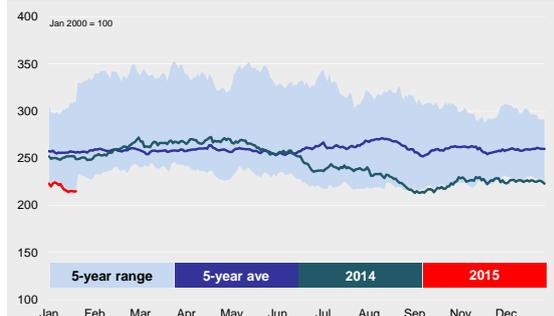
b) Argentina, Australia, Canada, EU, Kazakhstan, Russia, Ukraine, US

c) Argentina, Brazil, Ukraine, US

d) India, Pakistan, Thailand, US, Vietnam

e) Argentina, Brazil, US

IGC GRAINS & OILSEEDS INDEX (GOI)



See: http://www.igc.int/grainsupdate/igc_goi.xlsb

OVERVIEW

- **The forecast of world total grains production in 2014/15 is boosted by 12m t from before, to a record 2,002m, marginally higher y/y.**
- **Global grains stocks are projected to expand by 30m t y/y, to 432m, the most in around 30 years.**
- **Export constraints have cut prospects for Russia's wheat shipments, but availabilities are ample elsewhere.**
- **Underscoring tighter supplies, global rice stocks are seen falling by 7% y/y, and would be below average for the first time in seven seasons.**
- **After a further upgrade, world soyabean production is placed 10% higher y/y, at a fresh record, with end-season carryovers expected to grow by 39%.**

Total grains: Supply and demand summary

	11/12	12/13	13/14	14/15	y/y
			(est.)	(f'cast)	change
Opening stocks	364	360	335	402	+20.0%
Production	1,850	1,793	2,000	2,002	+0.1%
Total supply	2,214	2,153	2,335	2,404	+2.9%
Total use	1,854	1,818	1,933	1,973	+2.0%
<i>of which: Food</i>	625	630	645	656	+1.7%
<i>Feed</i>	797	777	844	870	+3.1%
<i>Industrial</i>	307	297	315	321	+1.9%
Closing stocks	360	335	402	432	+7.3%
<i>major exporters^{a)}</i>	124	96	118	148	+25.6%
Trade (Jul/Jun)	271	269	307	300	-2.3%

a) Argentina, Australia, Canada, EU, Kazakhstan, Russia, Ukraine, US

A 12m t upward revision boosts the 2014/15 world **total grains** (wheat and coarse grains) production forecast to a record 2,002m t, marginally higher y/y. Much of the adjustment is for maize, including bigger than previously forecast crops in Argentina, Brazil, the EU and Ukraine, but a reduced figure for the US. Given large opening inventories, total supply is placed 3% up y/y, and, even with a solid rise in consumption, global closing stocks are seen reaching a near 30-year peak of 432m t.

The world trade (Jul/Jun) forecast is slightly higher than before, at 300m t, only 2% below last season's record. Following the introduction of restrictions, the projection of wheat shipments by Russia is cut sharply, but export availabilities elsewhere are estimated to be more than adequate to compensate. *Market Focus* explores the implications of the recent approval of certain GM maize varieties by China, with an increase in the country's purchases considered unlikely in the near term.

Prospects for 2015/16 winter **wheat** remain mostly favourable in the northern hemisphere. Crops in the US and Russia suffered from adversely cold weather at times, while conditions have been mostly favourable in

the EU, India and Turkey. World production is provisionally forecast at 701m t, a fall of 2% from the 2014/15 record, but still 2% above the five-year average. Assuming broadly unchanged consumption, global stocks may retreat slightly, to 189m t, mainly because of reductions from high opening levels in the EU and Russia. At 150m t, global trade in 2015/16 (Jul/Jun) is projected to be little changed y/y.

The 2014/15 global **rice** outturn is expected to broadly match the previous year's record. With consumption anticipated to rise by around 1% y/y, aggregate end-season carryovers are set to drop by 7m t, to 102m, and would be below average for the first time in seven years. Much of the fall reflects reductions in leading exporters, namely India and Thailand. China is expected to remain the world's biggest importer in calendar 2015, primarily of white rice. However, with purchases elsewhere in Asia forecast to fall, world trade is seen edging below last year's peak. Underpinned by likely heavy sales to Africa, Thailand's exports could reach a new high of 11m t.

With record crops expected in leading producers, 2014/15 world **soyabean** output is seen some 10% larger y/y. While consumption is expected to increase by around 19m t, to a new record, on expanding feed and food sector demand – especially in Asian markets – global stocks are still projected to increase by 39% y/y. This reflects anticipated heavy accumulation in the major exporters, with US inventories more than four times bigger than in 2013/14. Despite some evidence of a recovery in crush margins, China's imports are set to grow relatively modestly after last year's big rise, as world trade (Oct/Sep) increases by 5%, to a fresh peak.

MARKET SUMMARY

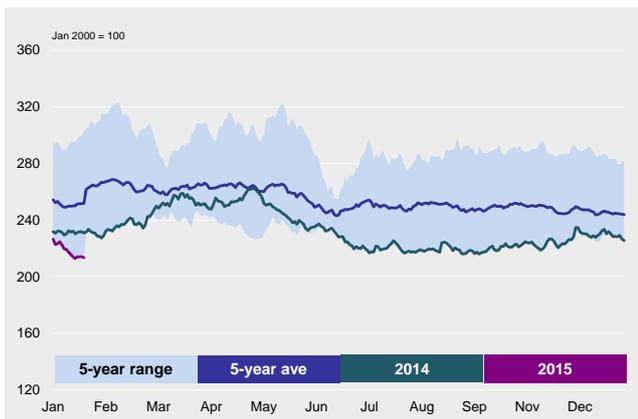
The IGC GOI fell by a net 6% compared to the last report, and is down 14% from a year ago. After some consolidation in December, which saw wheat and maize values firm in reaction to policy developments in Russia and China, markets turned lower in January, as the heavy outlook for exportable supplies was reinforced by mostly favourable weather for South American rowcrops. While losses were quite broad-based, soyabean prices were down particularly sharply, with the sub-Index some 20% lower compared to the same time last year.

IGC Grains & Oilseeds Prices Index (GOI)

	GMR 451	Change**	y/y change
IGC GOI	215	-6.0%	-13.7%
Wheat sub-Index	213	-5.7%	-7.6%
Maize sub-Index	190	-3.3%	-14.8%
Barley sub-Index	223	-0.9%	-7.1%
Rice sub-Index	169	-1.9%	-4.2%
Soyabeans sub-Index	207	-8.8%	-19.8%

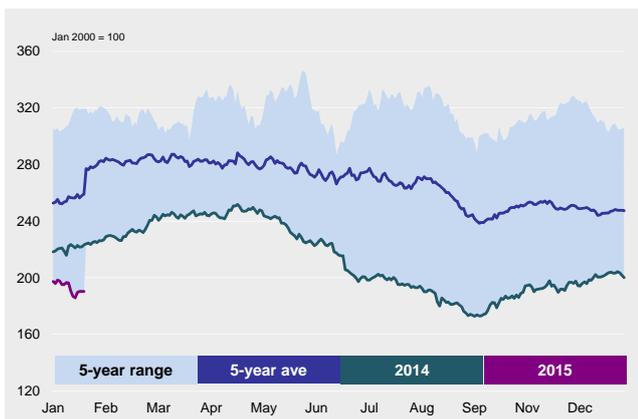
*Jan 2000=100, **Change vs. GMR 450

Wheat: GOI sub-Index



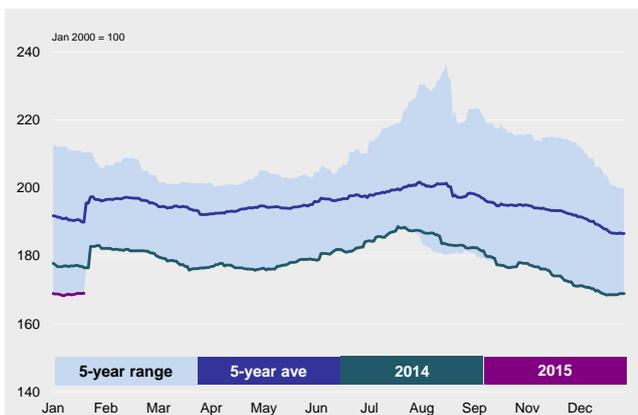
After a volatile period, the IGC GOI **wheat** sub-Index was down by a net 5% compared to late November. Prices were initially buoyed by official efforts to curb Russia's shipments but, with supplies deemed ample elsewhere, markets fell in January. After a near six-month rally, durum prices have recently weakened.

Maize: GOI sub-Index



World **maize** export prices turned lower amid stiff global competition and ample availabilities, with the IGC GOI sub-Index down by 3% from the last GMR. Markets were underpinned at times by hopes for an upturn in buying by China and by occasionally slow producer selling. Spreads between origins remained thin.

Rice: GOI sub-Index



White and parboiled **rice** export values weakened in generally quiet activity. While there was some buying interest from Africa, fresh demand was limited and Asian exporters were keen to stay competitive. The IGC GOI sub-Index was down 2% from two months earlier.

Soyabeans: GOI sub-Index



An increasingly heavy 2014/15 supply outlook weighed on world **soyabean** export prices over the past eight weeks. Although weather was not always favourable in Brazil and Argentina, output in South America is on track to surpass all records. US prices fell on declines in CME futures and Gulf premiums.

The IGC Grains and Oilseeds Index (GOI) provides a trade-weighted measure of the major grains and oilseeds export quotations, with January 2000 taken as its base of 100. More detailed analysis, including US dollar fob export prices and commentary on other grains & oilseeds markets is included within the report.

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