World GRAIN MARKET SITUATION & OUTLOOK

Joint Meeting of the Intergovernmental Group on Oilseeds, Oils and Fats (30th Session), Intergovernmental Group on Grains (32nd Session), and the Intergovernmental Group on Rice (43rd Session)

Santiago, Chile, 4-6 November 2009

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Secretary of the Intergovernmental Group on Grains
Food and Agriculture Organization of the United Nations, FAO

Presentation Outline

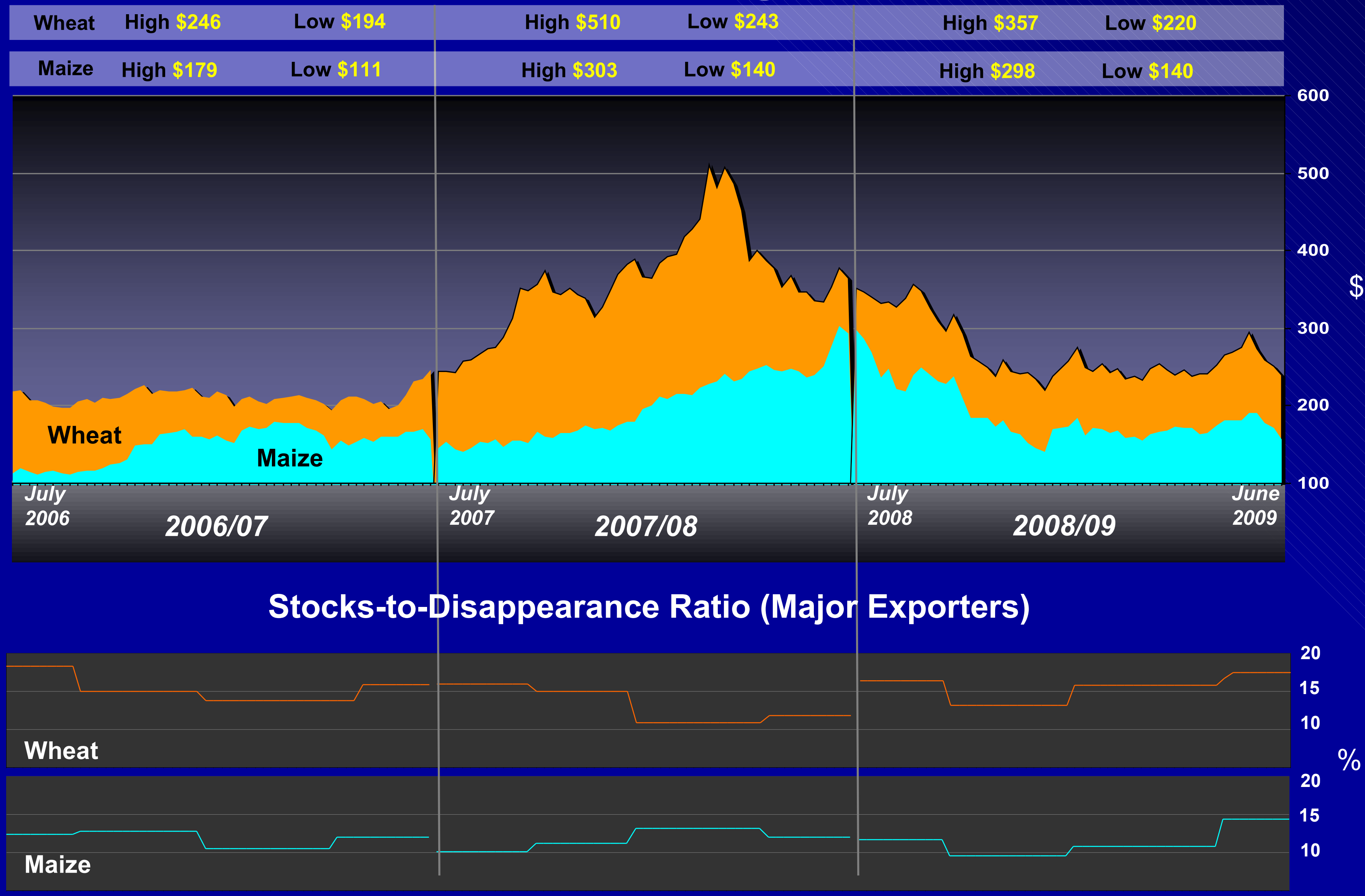
I. **Brief overview of market developments in:**

- 2006/07 Season
- 2007/08 Season
- 2008/09 Season

I. **Grain Markets in 2009/10**

- Latest supply and demand forecasts
- Price developments

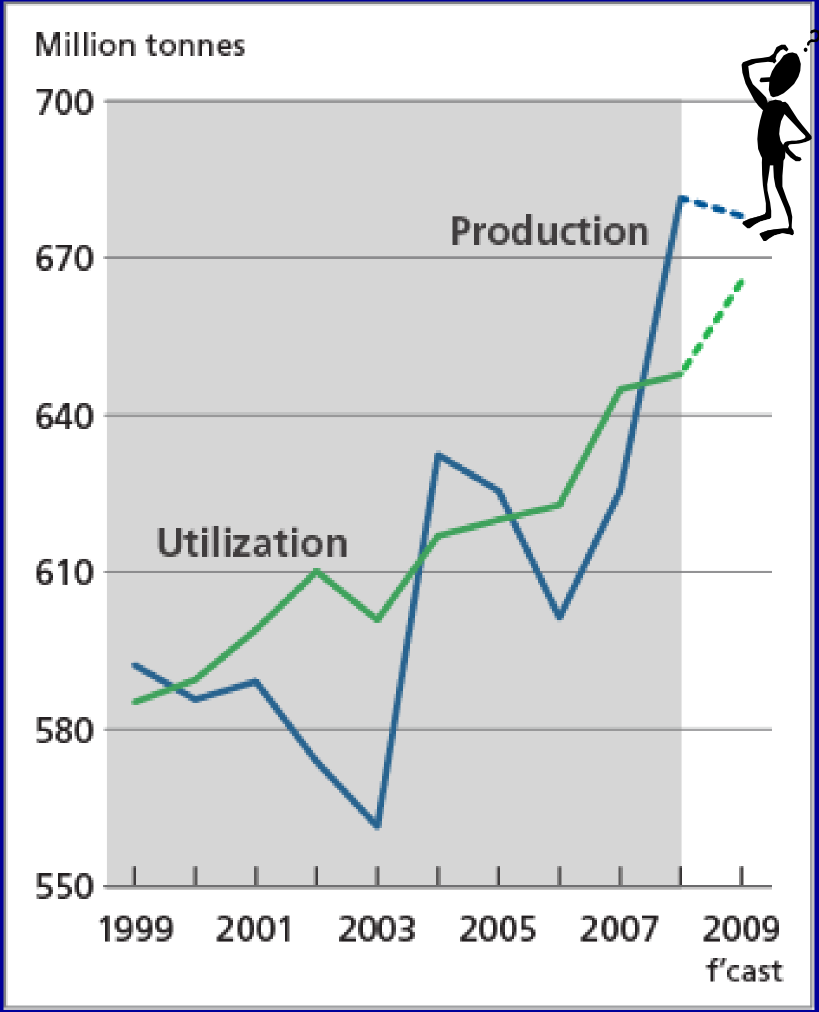
The rise and fall of grain prices



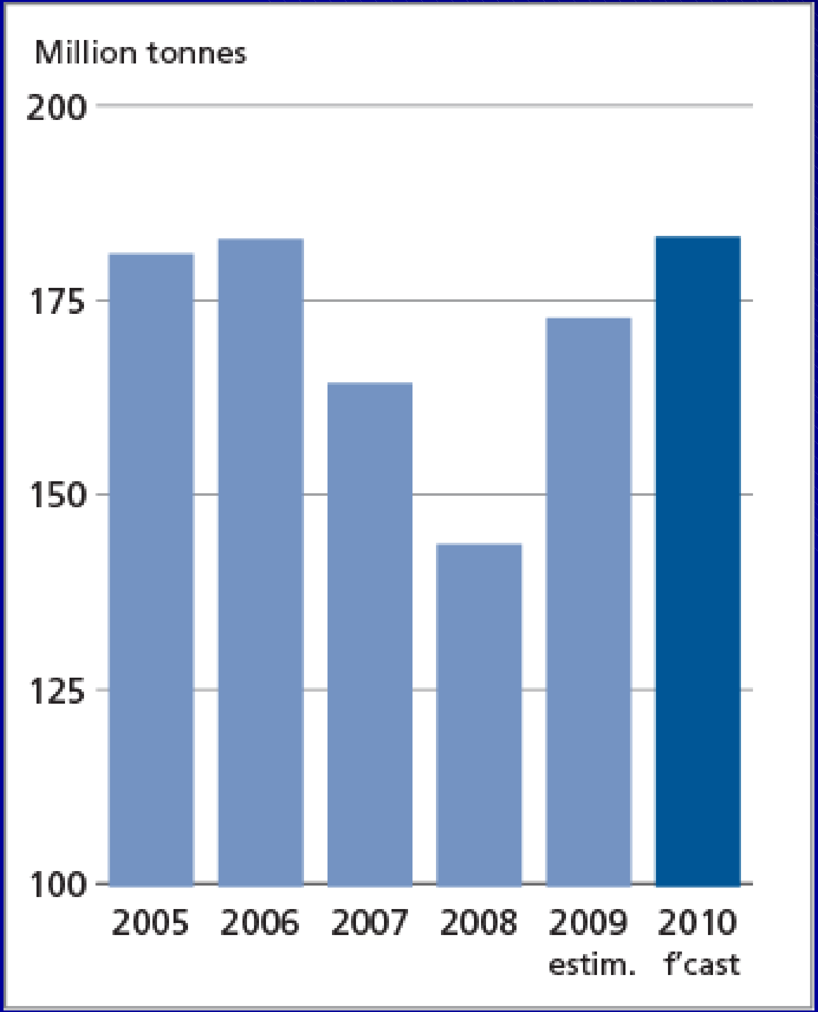
Wheat - U.S. No.2 Hard Red Winter, fob (in USD/tonne)
Maize - U.S. No.2 Yellow, fob (in USD/tonne)

World wheat supply and demand situation in 2009/10

Production and Utilization



Closing Stocks



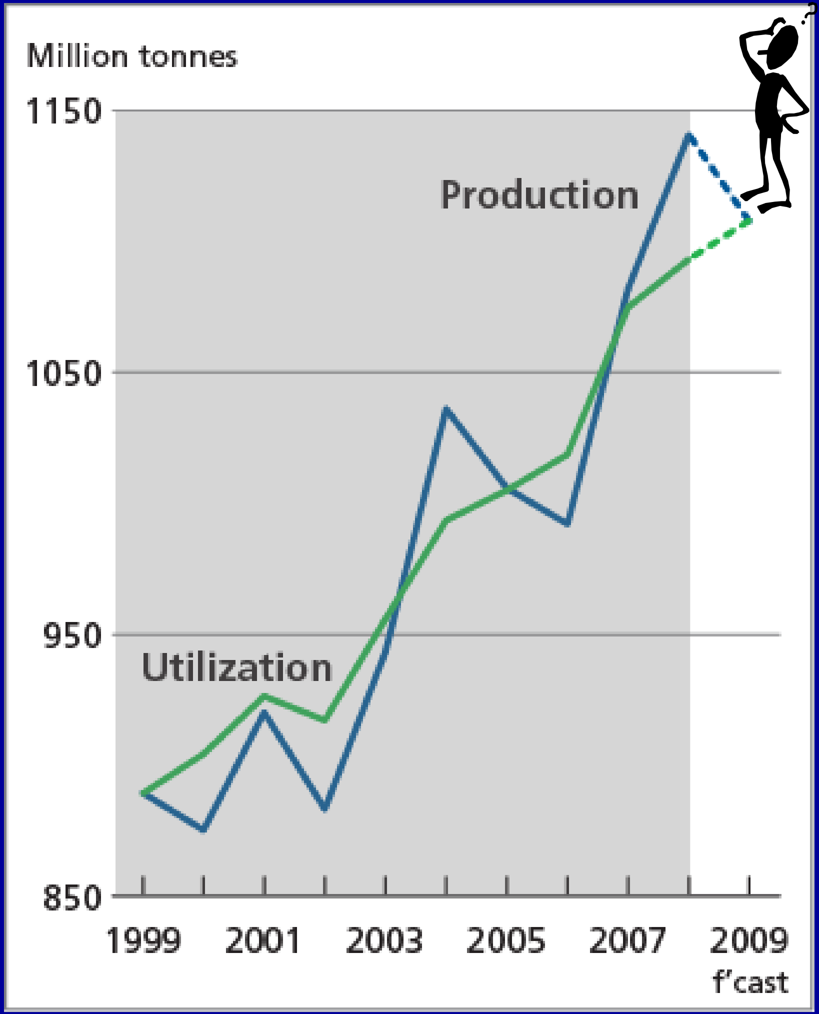
Wheat production: Top producers 2008-2009

Country *	2008 estimate	2009 forecast	2009 over 2008
	(. . . . . million tonnes	. . . .)	(. percent .)
European Union	150.4	137.1	-8.8
China (Mainland)	112.5	115.0	2.2
India	78.6	80.6	2.6
Russian Federation	61.2	61.0	-0.3
United States of America	68.0	60.4	-11.2
Canada	28.6	24.6	-14.1
Pakistan	21.5	24.0	11.6
Ukraine	24.2	20.5	-15.4
Australia	21.4	22.7	6.2
Turkey	17.8	20.5	15.2
Kazakhstan	16.0	17.0	6.3
Iran Islamic Rep. of	9.8	13.0	32.7
Argentina	8.3	7.5	-9.6
Egypt	8.0	8.8	10.3
Uzbekistan	6.1	6.5	5.8
Others	49.1	58.9	19.9
World	681.4	678.0	-0.5

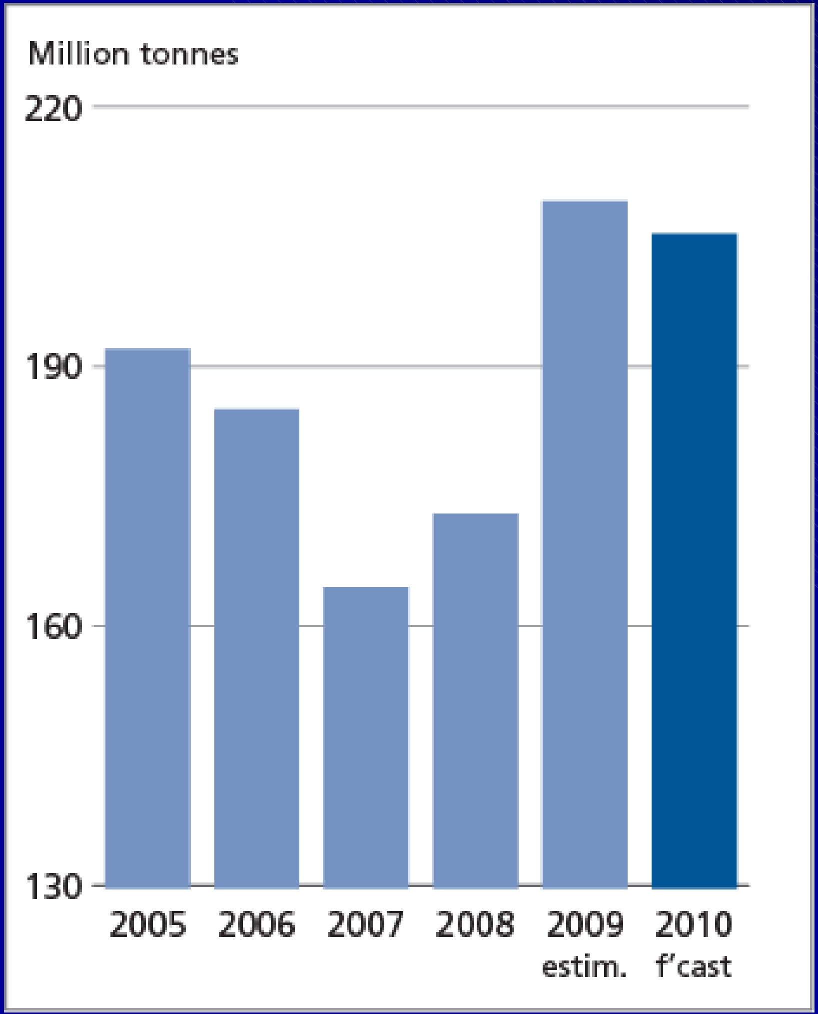
* Countries listed according to their position in global production (average 2007-2009)

World coarse grains supply and demand situation in 2009/10

Production and Utilization



Closing Stocks



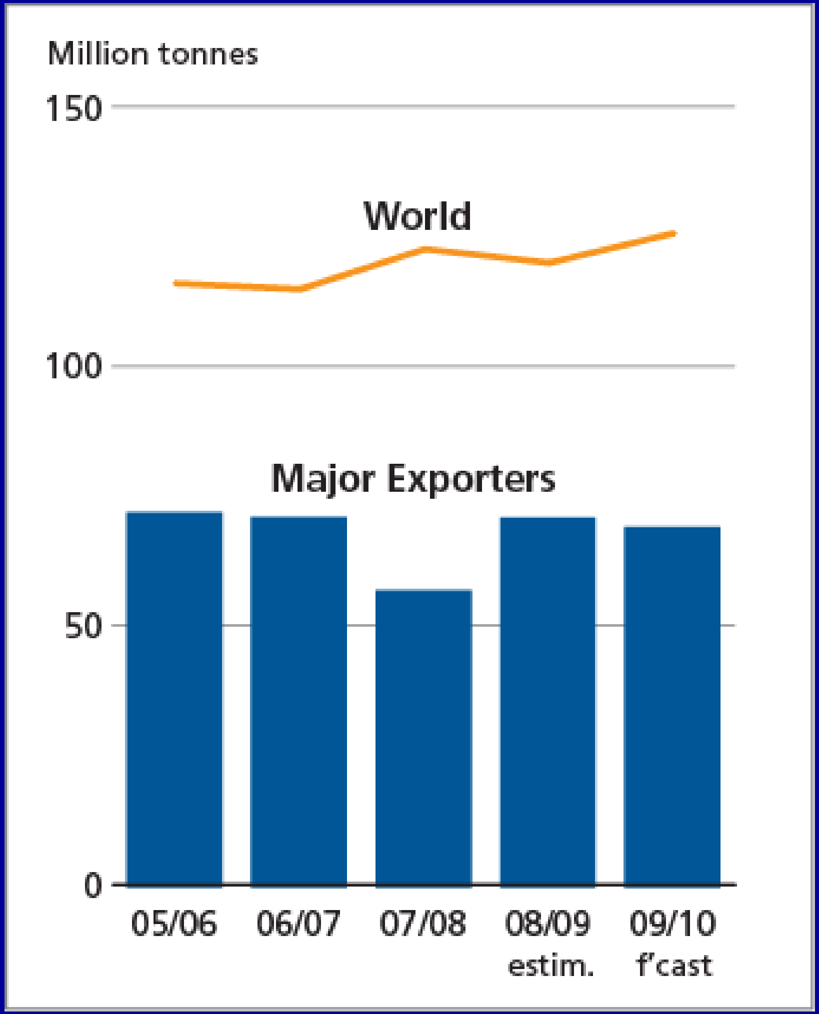
Coarse grain production: Top Producers 2008-2009

Country *	2008 estimate	2009 forecast	2009 over 2008
	(. . . . . million tonnes	. . . .)	(. percent .)
United States of America	326.5	346.6	6.2
China (Mainland)	175.9	167.2	-4.9
European Union	163.2	153.0	-6.3
Brazil	61.6	53.7	-13.0
India	37.0	33.8	-8.6
Russian Federation	41.7	31.7	-24.0
Mexico	31.9	30.1	-5.7
Canada	27.4	22.5	-17.9
Nigeria	26.0	26.0	0.0
Argentina	27.0	16.7	-38.1
Ukraine	24.4	21.6	-11.6
Indonesia	16.3	17.0	4.4
Ethiopia	12.7	11.2	-11.9
Australia	12.8	12.5	-2.2
South Africa	13.7	12.8	-6.3
Others	142.5	151.1	6.0
World	1140.7	1107.6	-2.9

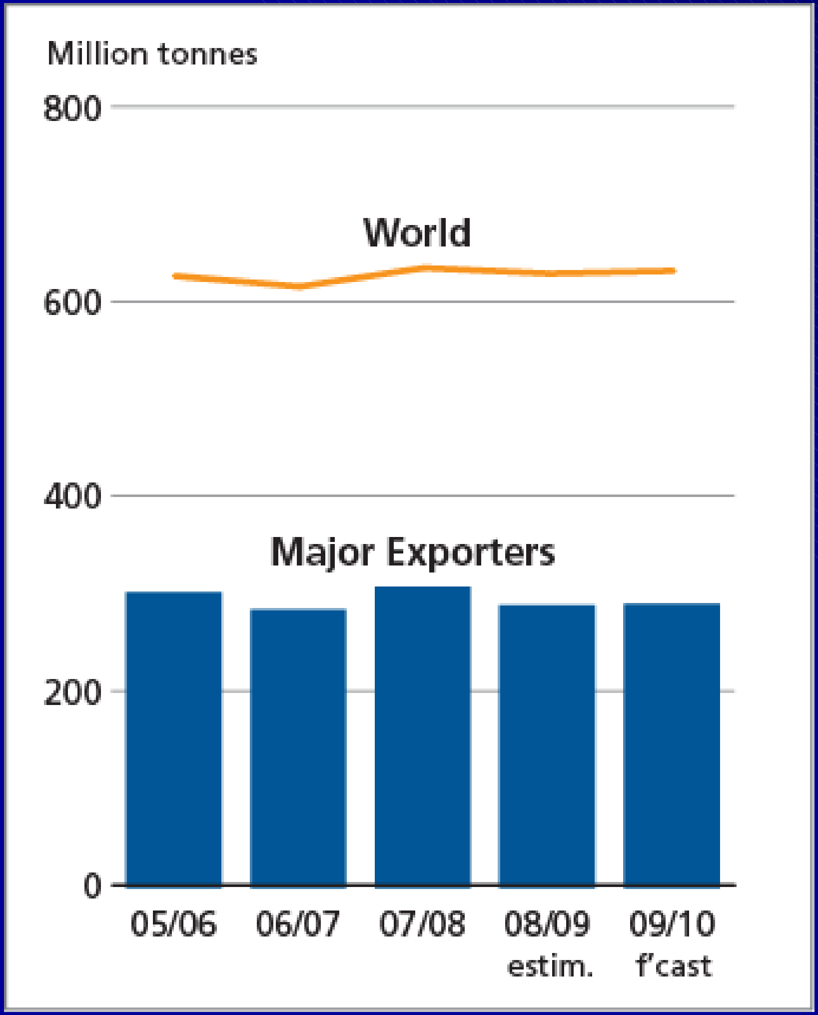
* Countries listed according to their position in global production (average 2007-2009)

Grain feed utilization

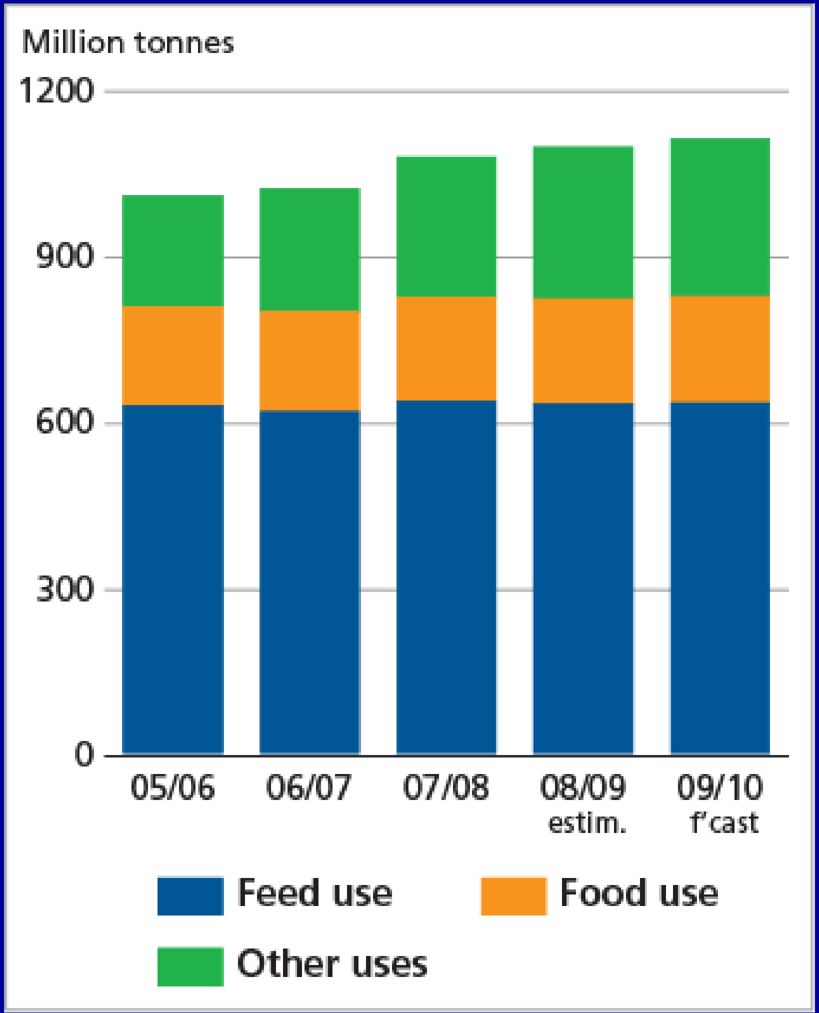
Wheat



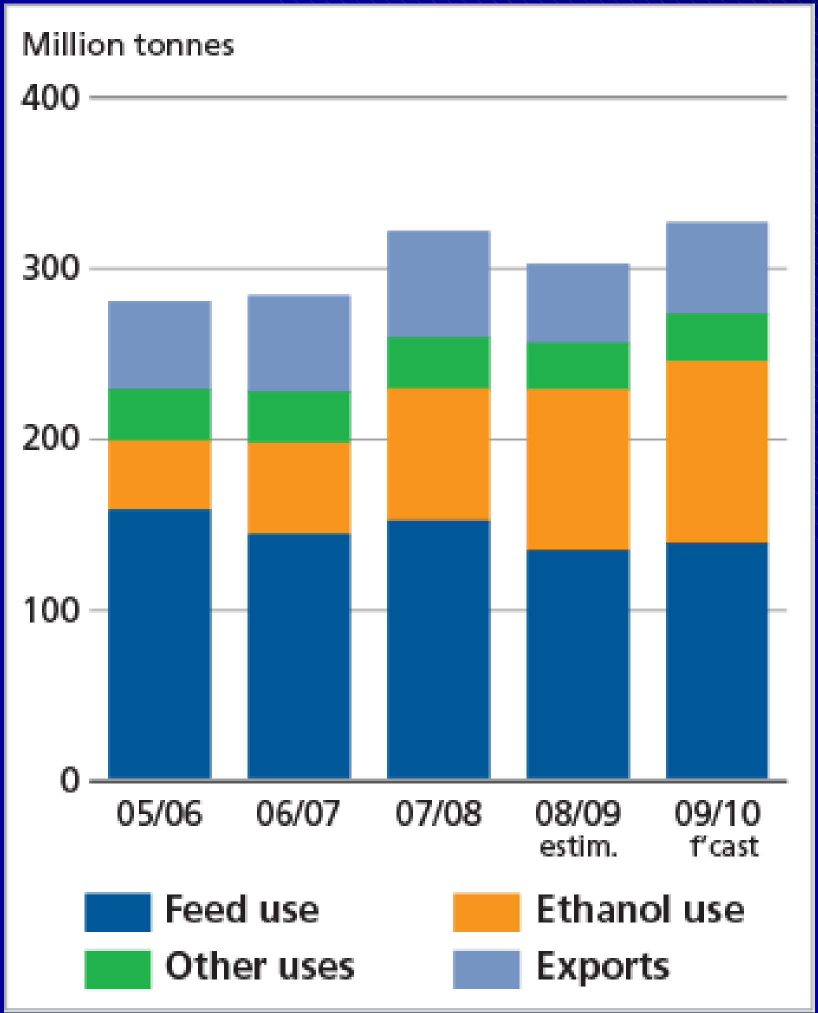
Coarse grains



World coarse grain utilization by type

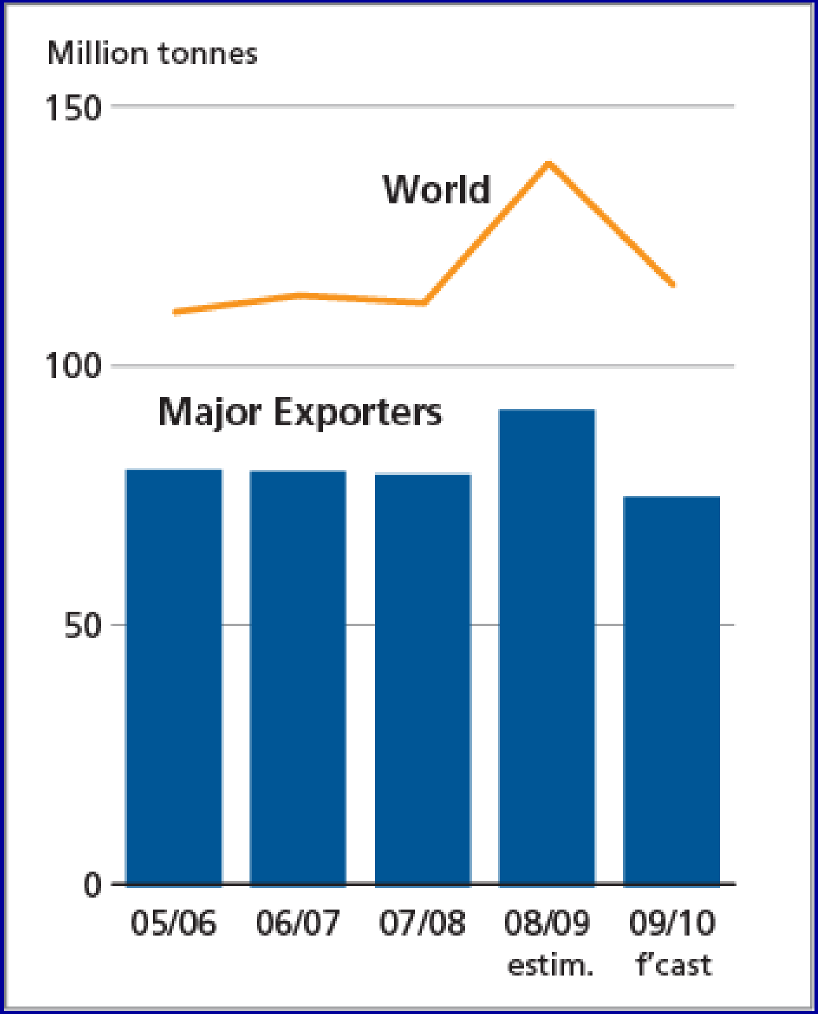


Maize usage and exports in the USA

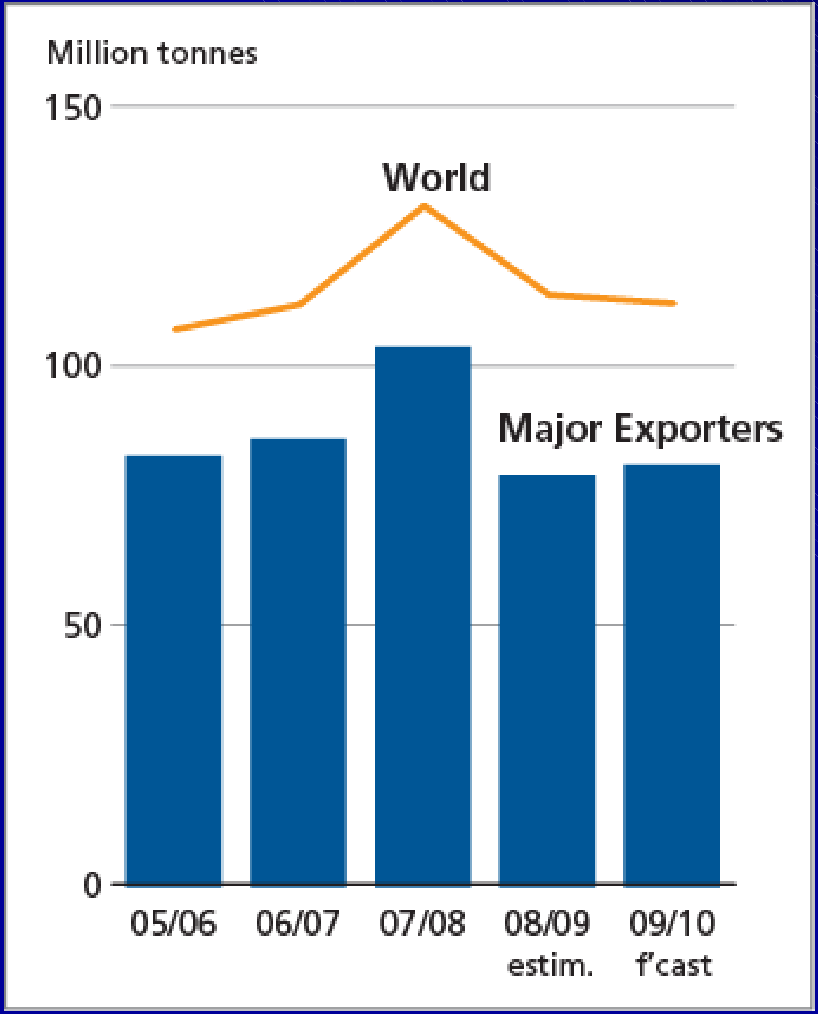


World Trade

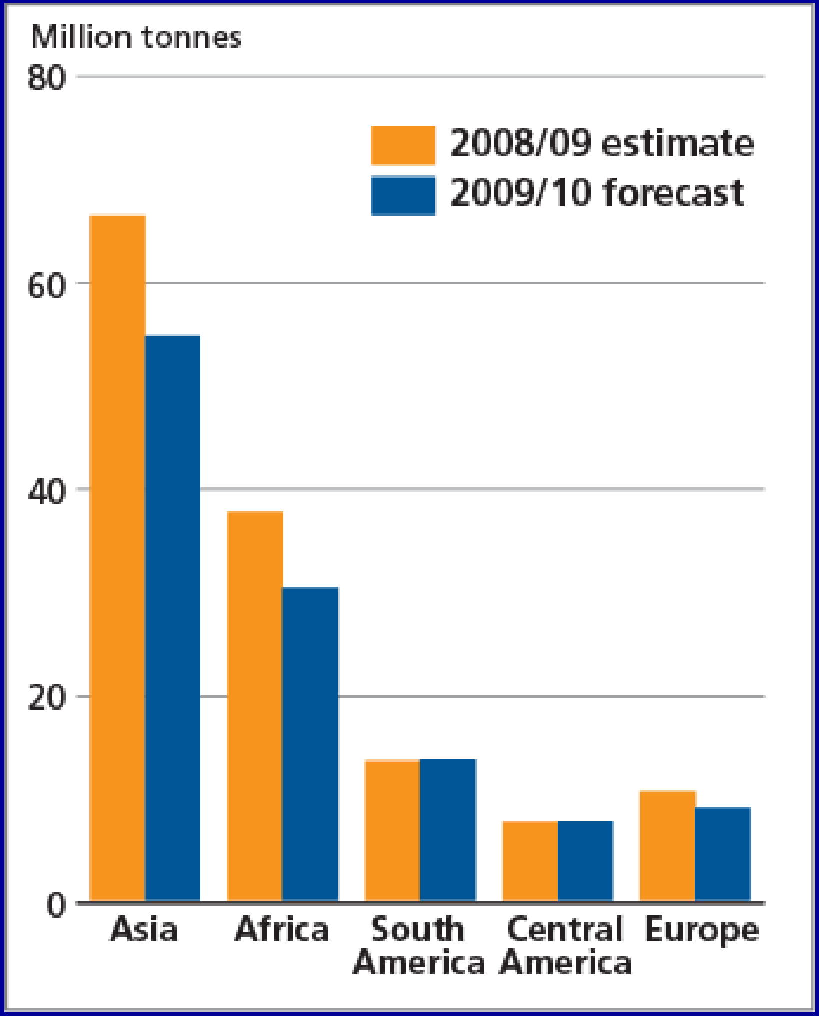
Wheat



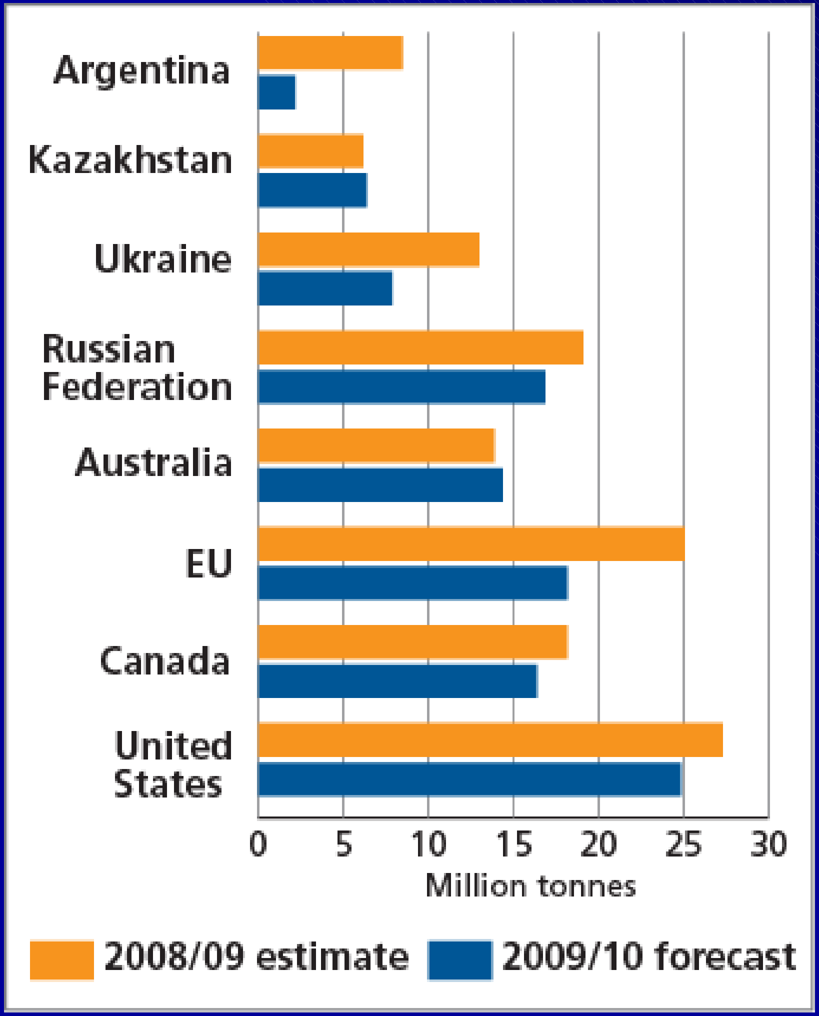
Coarse grains



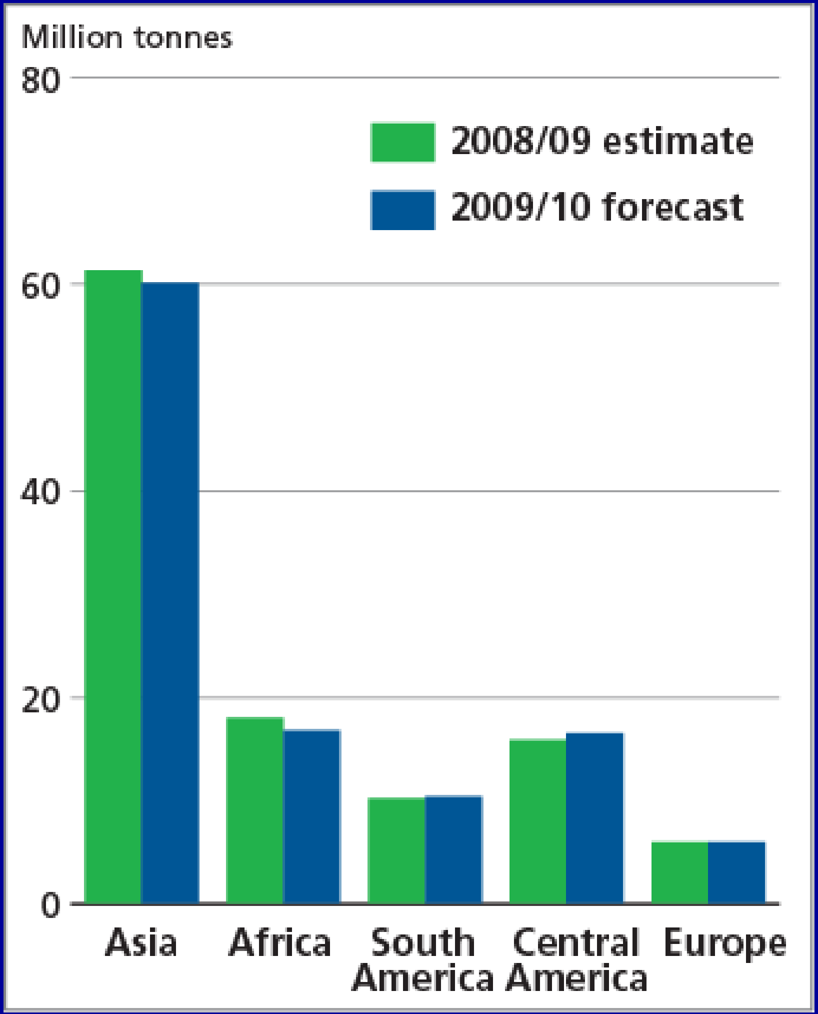
Wheat imports by region



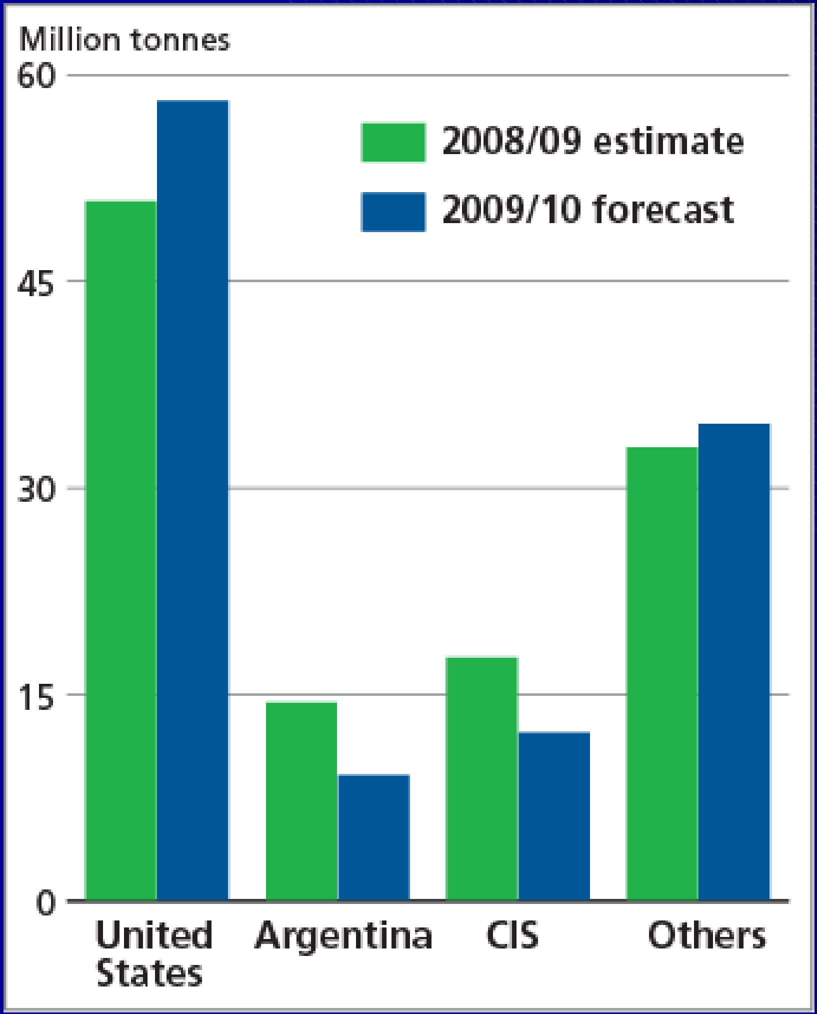
Leading wheat exporters



Coarse grain imports by region

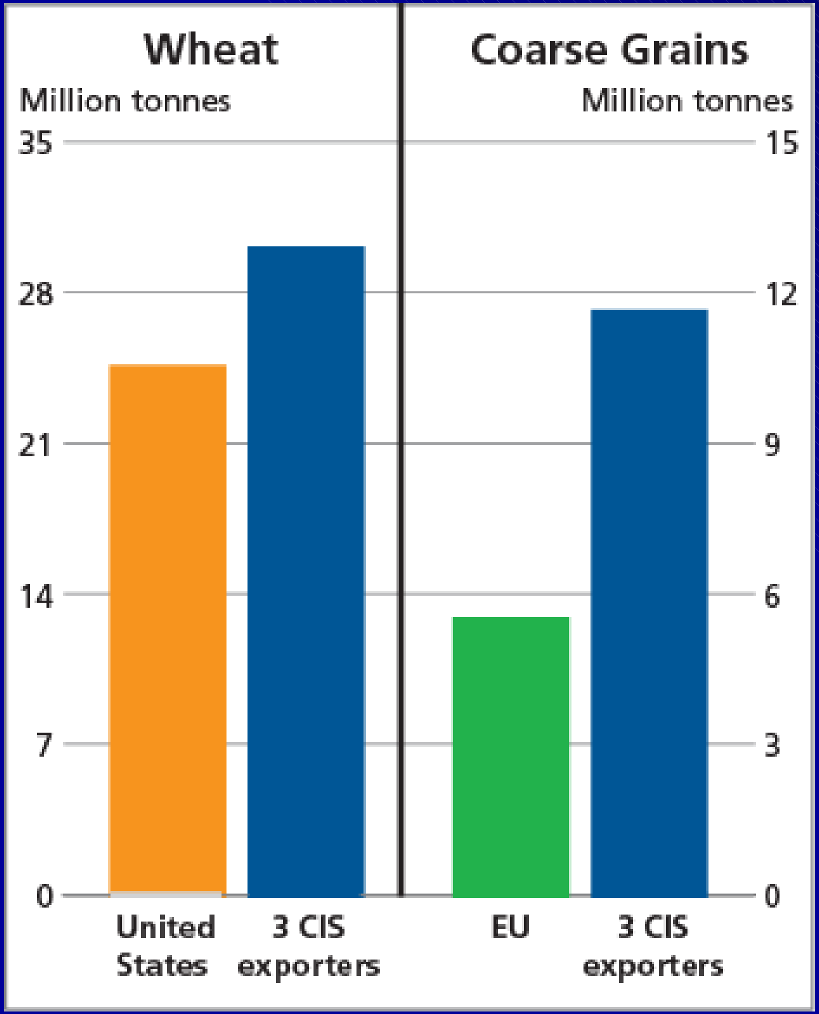


Leading coarse grain exporters



CIS grain exports by type

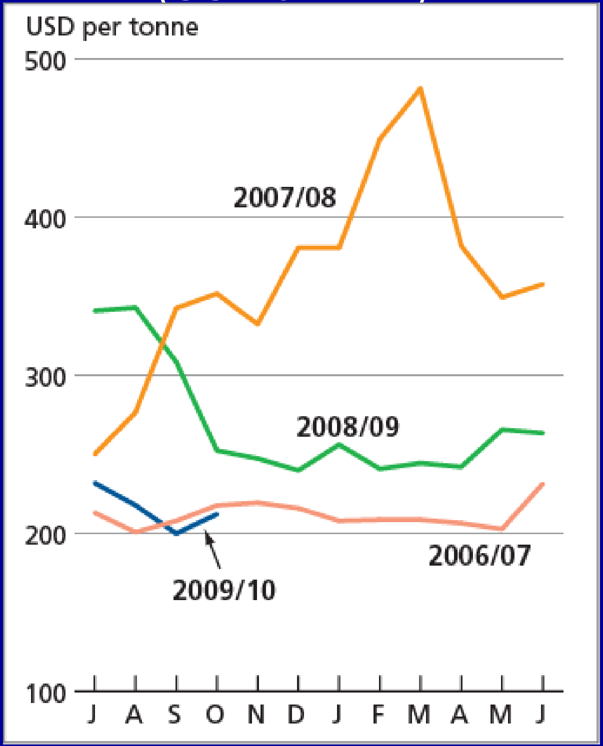
CIS, EU and USA exports in 2009/10



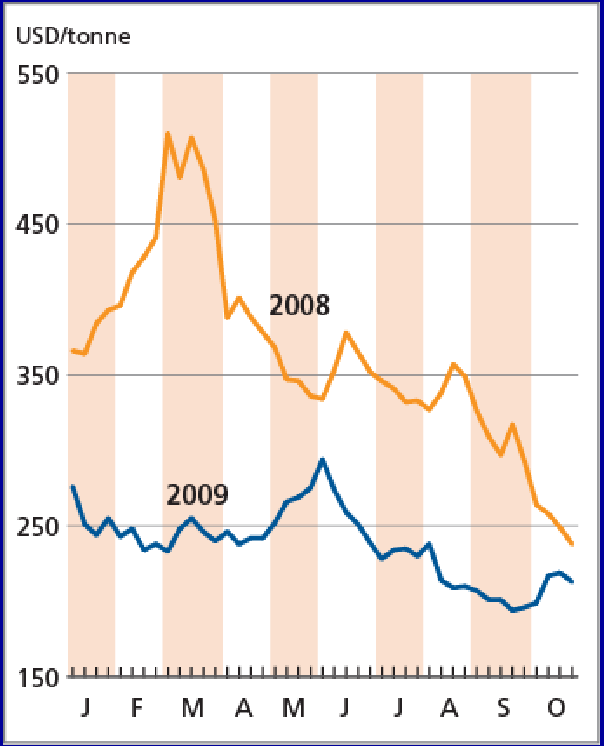
Wheat Prices

Monthly Export Prices

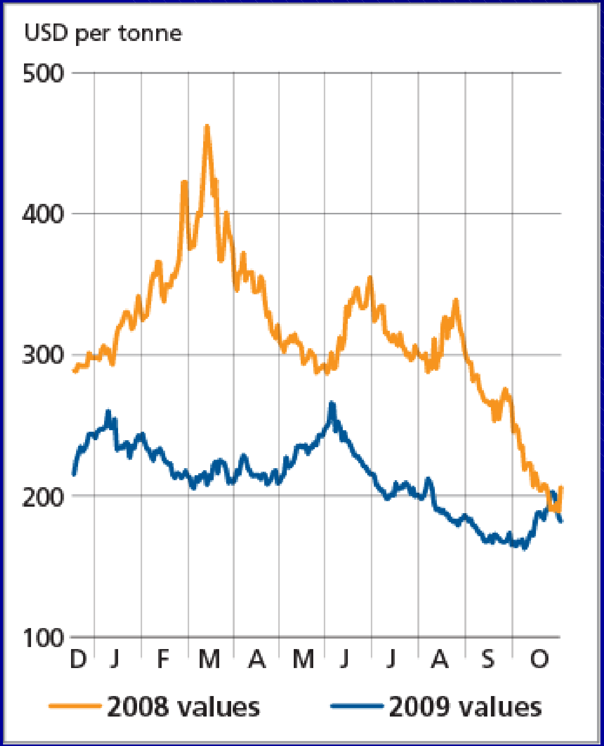
(US No.2 HW)



Weekly Export Prices
(US No.2 HW)



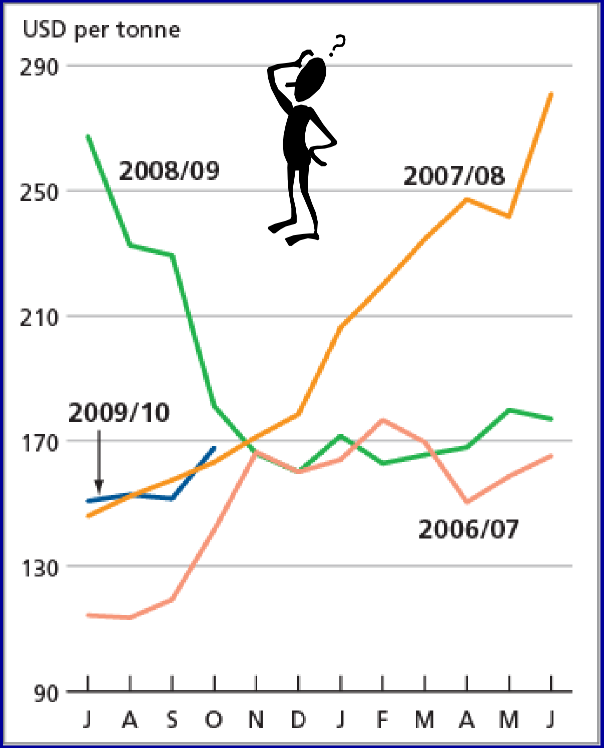
CBOT Futures
(December delivery)



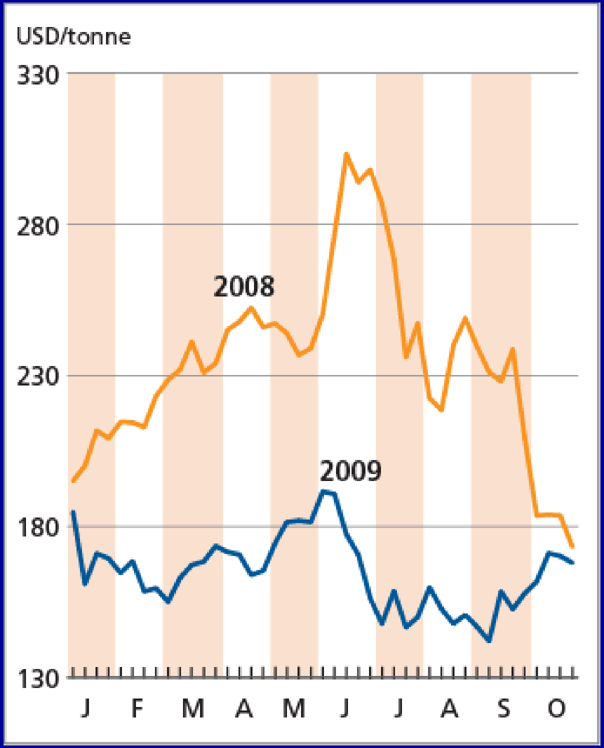
Maize Prices

Monthly Export Prices

(US No.2 Yellow)



Weekly Export Prices
(US No.2 Yellow)



CBOT Futures
(December delivery)

Summary

- Supply: World supply in 2009/10 is expected more balanced than in the previous two seasons, particularly for wheat.
- Demand: The anticipated growth in world grain utilization is down compared to the past two seasons, driven by weaker expansion in feed and industrial usage in developed countries.
- Trade: World trade is forecast to decline sharply, mostly driven by a steep fall in import demand for wheat. Maize trade increases slightly but barley and sorghum decline.
- Stocks: Wheat stocks rise further and remain ample. Coarse grain stocks decline slightly but still adequate. Stock-to-use ratios lower than in the previous season but well above the lows in 2007/08.
- Prices: International prices have fallen sharply since 2008 and remain under downward pressure. Weather developments and planting decisions will be critical in price developments in coming months.
- External developments: Outside market developments continue to influence grain markets: the slide or increase in the US Dollar, the volatile energy sector, developments in equity markets, and general macro economic conditions.

More In….

Food Outlook
Global Market Analysis

FOCUS

Food import bills reach a record high partly on soaring demand for biofuels

Based on FAO's latest analysis, global expenditures on imported foodstuffs look set to surpass US$400 billion in 2007, almost 5 percent above the record of the previous year. The bulk of the increase can be levelled against rising prices of imported coarse grains and vegetable oils, the commodity groups which feature most heavily in biofuel production. Import bills for these commodities are forecast to rise by as much as 13 percent from 2006. More expensive feed ingredients will lead to higher prices for meat and dairy products, raising the expenditures on imports of those commodities. In several cases, such as meat and rice, the import bills are likely to be driven higher also because of larger world purchases. On the other hand, in the case of sugar, generally high and volatile prices could lead to smaller import volumes, the net effect of which is likely to be a drop in the cost of global sugar imports. The rise of international freight rates to new highs also affected the import value of all commodities, putting additional pressure on countries' ability to cover their food import bills.

Among economic groups, developing countries as a whole are anticipated to face a 9 percent increase in aggregate food import expenditures in 2007. The more economically vulnerable countries are forecast to be most affected, with total expenditures by low-income food-deficit countries (LIFDCs) and least developed countries (LDCs) anticipated to rise by 10 percent each from 2006. To put matters in further perspective, the annual food import basket for LDCs in 2007 is expected to cost roughly 90 percent more than it did in 2000, which is in stark contrast to the 22 percent growth in developed country import bills over the same period.

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MARKET SUMMARIES

CEREALS

World cereal production in 2007 is forecast to reach 2 125 million tonnes, up 6 percent from the reduced level in 2006. It would exceed world cereal utilization in 2007/08 which is forecast to grow by 2 percent, to 2 114 million tonnes. As a result, world cereal stocks are likely to rise by 10 million tonnes to 453 million tonnes, still a very low level. World trade in cereals in 2007/08 is forecast at 247 million tonnes, down slightly from 2006/07. While the prospect of a strong recovery in global cereal production in 2007 is a positive development for the 2007/08 marketing season, total supplies in the new season would still be barely adequate to meet an anticipated rising demand, not only from the traditional food and feed sectors but in particular from the fast-growing biofuels industry. As a result, international prices for most cereals are likely to remain high and volatile again in 2007/08.

FAO food price indices (1998-2000=100)

Monthly News Report on Grains

MONTHLY NEWS REPORT ON GRAINS
ISSUE 29 – APRIL 2007

IN THE NEWS:

- Inefficiency and Ineffectiveness Plague US Food Aid, Investigators Find
- Grain Market Report Summary - IGC
- Wheat Procurement Target Likely to Fall Short by 25 Lakhtonnes (India)
- Corn-Based Ethanol Not Enough to Meet U.S, Renewable Energy Requirements
- Because of Drought, Australia May have to Cut Off Water to Farmers
- China's New Regulations on Futures Trading Come into Effect
- Surplus-Swamped Malawi to Export Maize
- CBOT Launching Mini-Ag Futures Contracts of e-cbot
- Wheat Killer Spreads From East Africa to Yemen
- China Corn for Ethanol 16 mln Tons in 2006; Well Over 3 mln Ceiling

NEW FAO PUBLICATION:

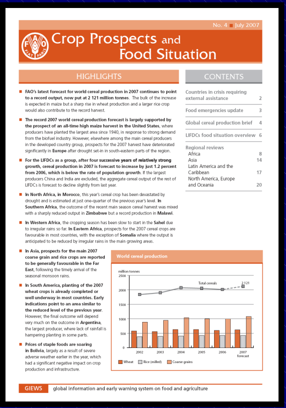
- The State of Agricultural Commodity Markets 2006 (SOCO 2006)

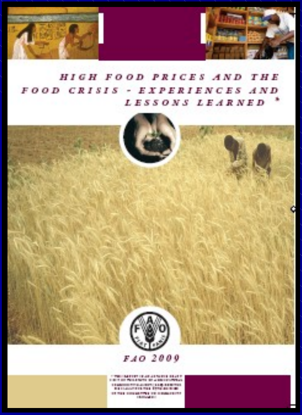
WEB RESOURCE:

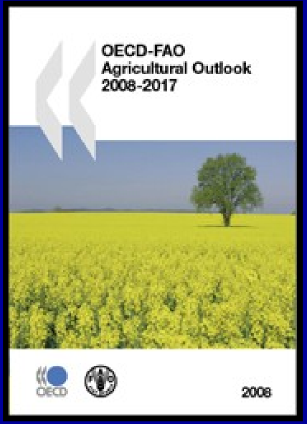
- The Intergovernmental Panel on Climate Change (IPCC) - http://www.ipcc.ch/

SPECIAL MEETING ANNOUNCEMENTS:

- Joint Meeting of the Intergovernmental Group on Grains (31st session) and the Intergovernmental Group on Rice (42nd session) – Istanbul, Turkey, Grand Cevahir Convention Center 14/05/2007 - 17/05/2007
  Website: http://www.fao.org/es/ESC/en/20953/21026/21634/event_110580en.html
  Agenda: ftp://ftp.fao.org/docrep/fao/meeting/011/J9328E.pdf
- International Conference on Commodity Exchanges and their Role in Market Development and Transparency - Istanbul, Turkey, Grand Cevahir Convention Center 15/05/2007 - 16/05/2007
  Website: http://www.fao.org/es/esc/en/20953/21002/21510/event_111108en.html
  Agenda: http://www.fao.org/es/esc/common/ecg/111108_en_ConfAgendaE.pdf







World Food Situation

at www.fao.org (or http://www.fao.org/worldfoodsituation/)

This FAO site offers latest information on food commodity prices, supply and demand and factors that affect global food markets

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World Food Situation Portal: http://www.fao.org/worldfoodsituation
FAO Grains Website: http://www.fao.org/es/esc/en/15/53/index.html