Wheat & Maize: 2016/17 Market Situation and Outlook – An IGC Perspective

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TENTH SESSION OF THE AMIS GLOBAL FOOD MARKET INFORMATION GROUP

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Wheat Supply & Demand

<table>
<thead>
<tr>
<th>Wheat Supply &amp; Demand</th>
<th>13/14</th>
<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
<th>y/y change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening stocks</td>
<td>170</td>
<td>188</td>
<td>203</td>
<td>218</td>
<td>+7.6%</td>
</tr>
<tr>
<td>Production</td>
<td>717</td>
<td>730</td>
<td>736</td>
<td>747</td>
<td>+1.5%</td>
</tr>
<tr>
<td>Total supply</td>
<td>887</td>
<td>919</td>
<td>939</td>
<td>965</td>
<td>+2.8%</td>
</tr>
<tr>
<td>Total use</td>
<td>699</td>
<td>716</td>
<td>721</td>
<td>734</td>
<td>+2.1%</td>
</tr>
<tr>
<td>of which: Food</td>
<td>474</td>
<td>482</td>
<td>487</td>
<td>493</td>
<td>+2.3%</td>
</tr>
<tr>
<td>Feed</td>
<td>134</td>
<td>245</td>
<td>245</td>
<td>252</td>
<td>+4.7%</td>
</tr>
<tr>
<td>Industrial</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>+2.2%</td>
</tr>
<tr>
<td>Closing stocks</td>
<td>188</td>
<td>203</td>
<td>218</td>
<td>231</td>
<td>+5.0%</td>
</tr>
<tr>
<td>Trade (Jul/Jun)</td>
<td>157</td>
<td>153</td>
<td>165</td>
<td>164</td>
<td>-0.3%</td>
</tr>
</tbody>
</table>

Reflecting strong gains in yields, seen at record levels in a number of large exporters, global production is forecast to rise to a fresh peak in 2016/17.

Consumption to increase further, with trend-like gains in food demand and a strong rise in use for livestock feed.

World trade (Jul/Jun) is set to remain high, but with slightly reduced buying by Iran, the EU and Indonesia. Russia is set to be the single largest exporter.

Inventories are seen at their highest ever level. Stocks in the major exporters are forecast at a six-year peak.
Wheat: While production is forecast at (another) record high, quality is a concern.

Change vs. 2015/16

World
8 Exp.
EU-28
Russia
US
Canada
Ukraine
Australia
Argentina
Kazakh.
China
India
N Africa

World total

-16
-12
-8
-4
0
4
8
12
16

98/99
01/02
04/05
07/08
10/11
13/14
16/17
(f'cast)

Wheat: Recent key changes to IGC crop forecasts

EU
Russia
USA
Ukraine

Mar
Apr
May
Jun
Jul
Aug
Sep

-11.0m from high
+12.0m from low
+10.4m
+5.0m
Wheat: Large crops are also in prospect in the main southern hemisphere exporters

**Australia**

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (m t)</th>
<th>Harvested area (m ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
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<tr>
<td>2010</td>
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<tr>
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<td>2015</td>
<td></td>
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<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Argentina**

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (m ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td></td>
</tr>
<tr>
<td>2009</td>
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<td>2016</td>
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<td>2017</td>
<td></td>
</tr>
</tbody>
</table>

Wheat: World consumption seen at a fresh high in 2016/17

**World food use y/y change**

- Feed
- Food

**World feed use y/y change**

- Other

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Wheat: Feeding of wheat could be the second highest ever

But much will depend on prices relative to alternatives

EU feeding down, but gains in CIS, US, FE Asia

Wheat: Fourth consecutive world stocks expansion expected at end 2016/17, to fresh record

Major exporters account for half the gain. Big rise in China, but India may be lower.

The proportion of global stocks in China the highest since 2000/01
Wheat: Quality problems could lead to changes in export flows

- Russia could be single largest exporter, but logistics could be a problem. Ukraine may export more.
- Export prices have moved in favour of US HRW recently, but are good quality supplies sufficient to meet potential demand? SRW still expensive and sales are lagging.
- EU export licence awards off to a strong start, but expected to slow. Shipments could be down steeply from the high levels of the past few years.

Wheat: US fob prices most competitive for several years, including against Black Sea

Widespread quality concerns reflected in wider premiums for the best milling grades

US$ fob

220
210
200
190
180
170
160
29 Apr 13 May 27 May 10 Jun 24 Jun 08 Jul 22 Jul 05 Aug 19 Aug 02 Sep 16 Sep 30 Sep

HRW 12.5%
Germany B-quality
HRW 11%
France Grade 1
Black Sea
The 2016/17 maize crop is forecast to be the biggest ever, up 6% y/y. Gains driven mainly by the US, but with some recovery too in Brazil.

Consumption is seen rising above 1.0bn for the first time on record, with use for feed up by 5% y/y.

Reduced buying by the EU, China and South Africa will lead to a small drop in trade.

Inventories are forecast to be well above average, with exporter stocks at a near-30 year high.

Maize: World production to surge back above 1.0bn tons in 2016/17

Change vs. 2015/16

World total

World production to surge back above 1.0bn tons in 2016/17

Change vs. 2015/16

World total
Maize: US yields seen at unprecedented levels

Production and yields

Yields vs. 20-year linear trend

Maize: An increasingly popular choice in Ukraine and Russia

Production m t
Harvested area m ha

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Maize: Policymakers in China try to remedy supply & demand imbalances

Maize: Global use in 2016/17 seen rising above 1bn t, for the first time
Maize: Inventories seen at a near-30 year high

Maize: Trade (Jul/Jun) is forecast down by 3% from the previous year’s record
Maize: Export prices have dropped from earlier highs

- US: Prices weighed by expectations for a record crop
- Argentina: Quotations weighed by seasonal pressure and a pick-up in farmer selling
- Brazil: Thin market activity amid tighter supplies
- Black Sea: New crop is much more competitive

Price spreads have begun to narrow

Thank You