Cereals market situation

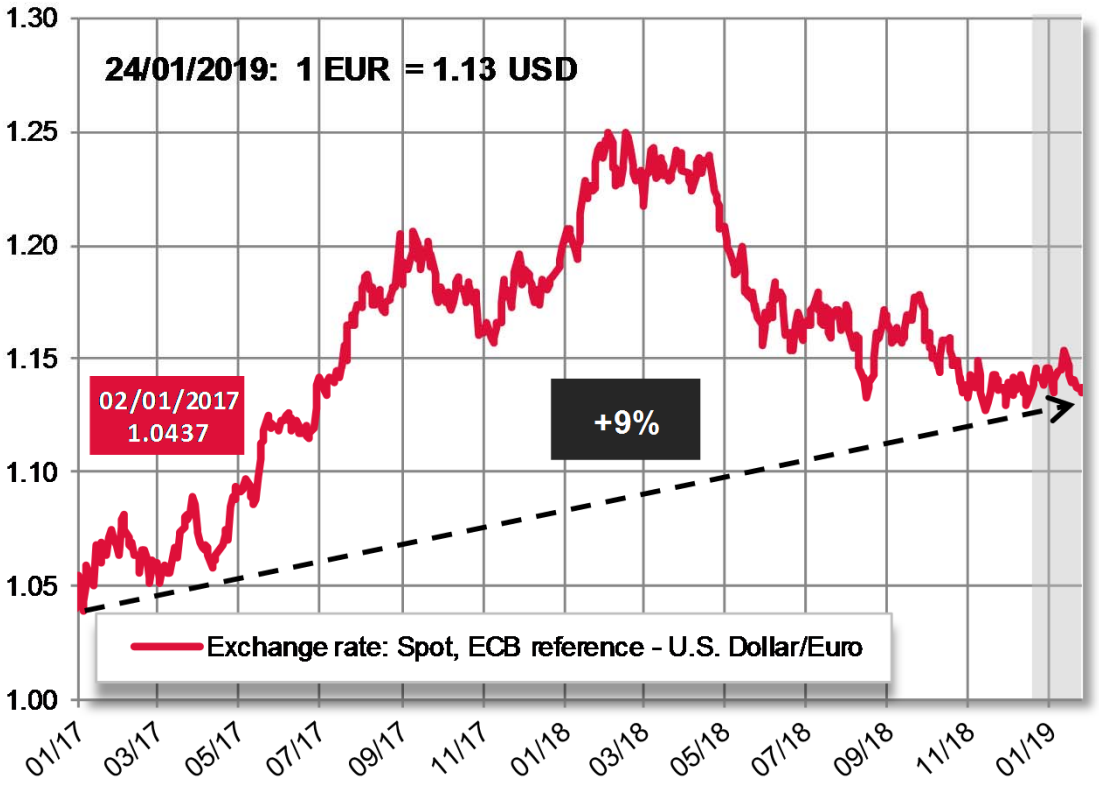
Committee for the Common Organisation of Agricultural Markets

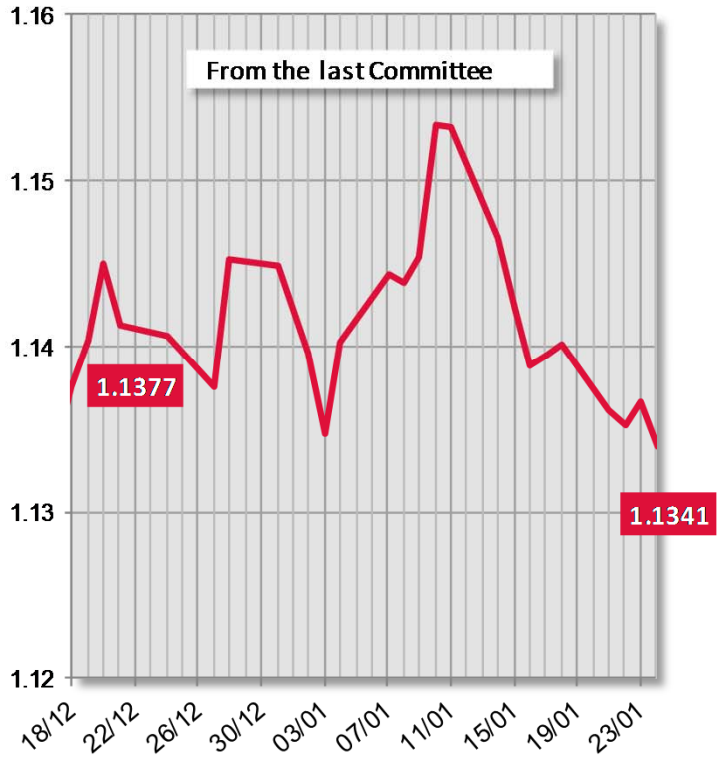
30th January 2019

Agriculture and Rural Development

Exchange Rates

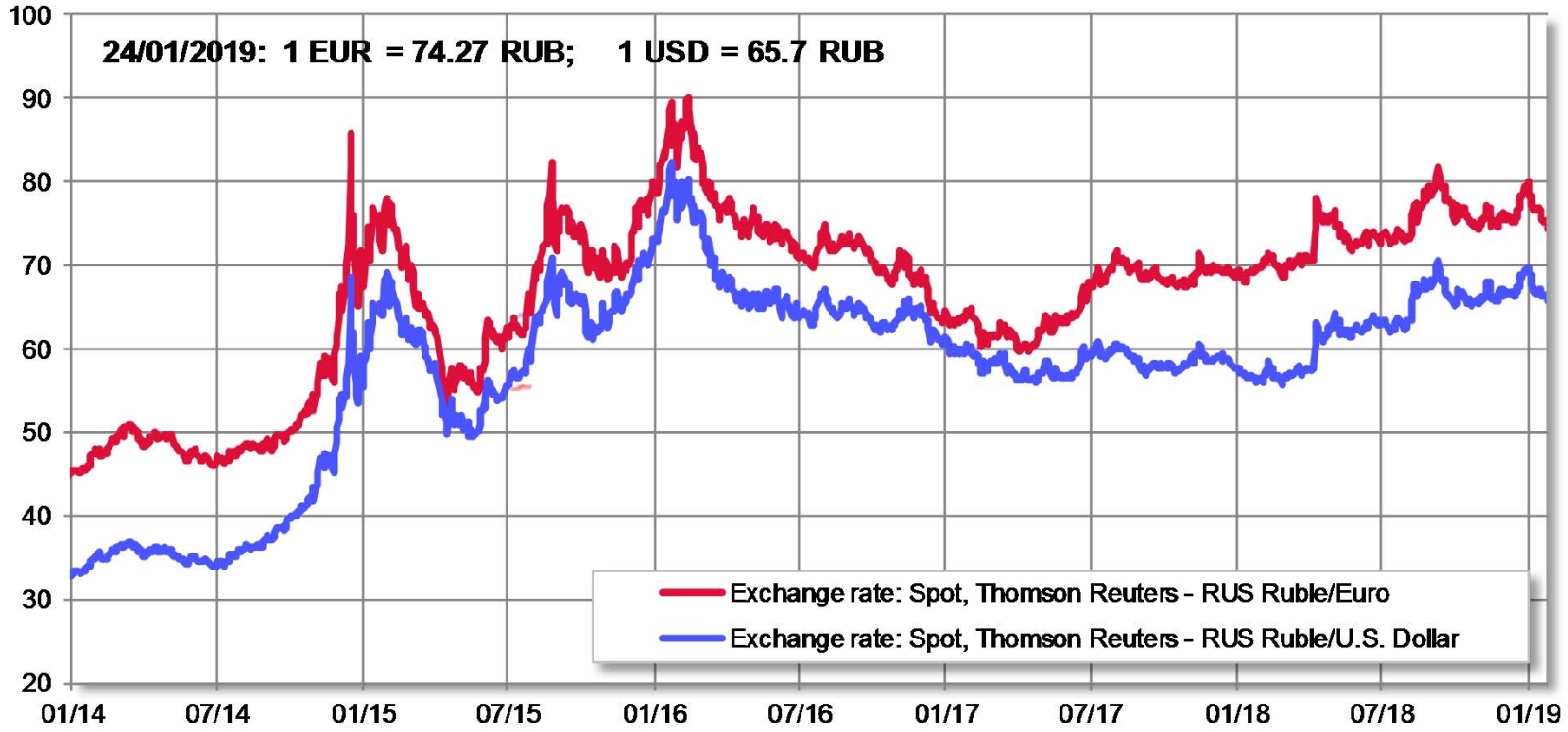
Euro – US Dollar exchange rate



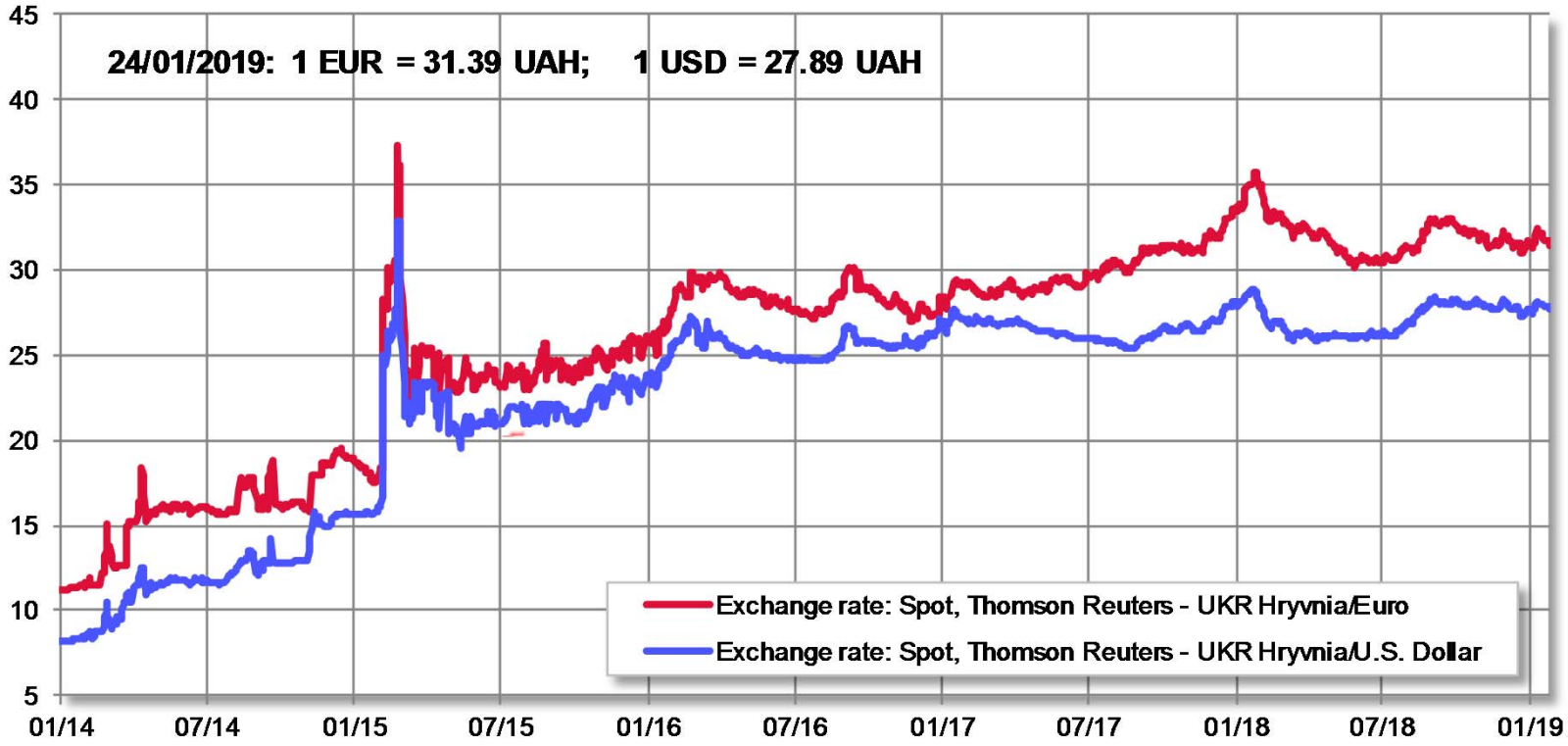


Agriculture and Rural Development

Euro and US Dollar – Russian Rouble exchange rate



Euro and US Dollar - Ukraine Hryvnia exchange rate



Crude oil price ($/barrel)



European Commission

Baltic Dry Index



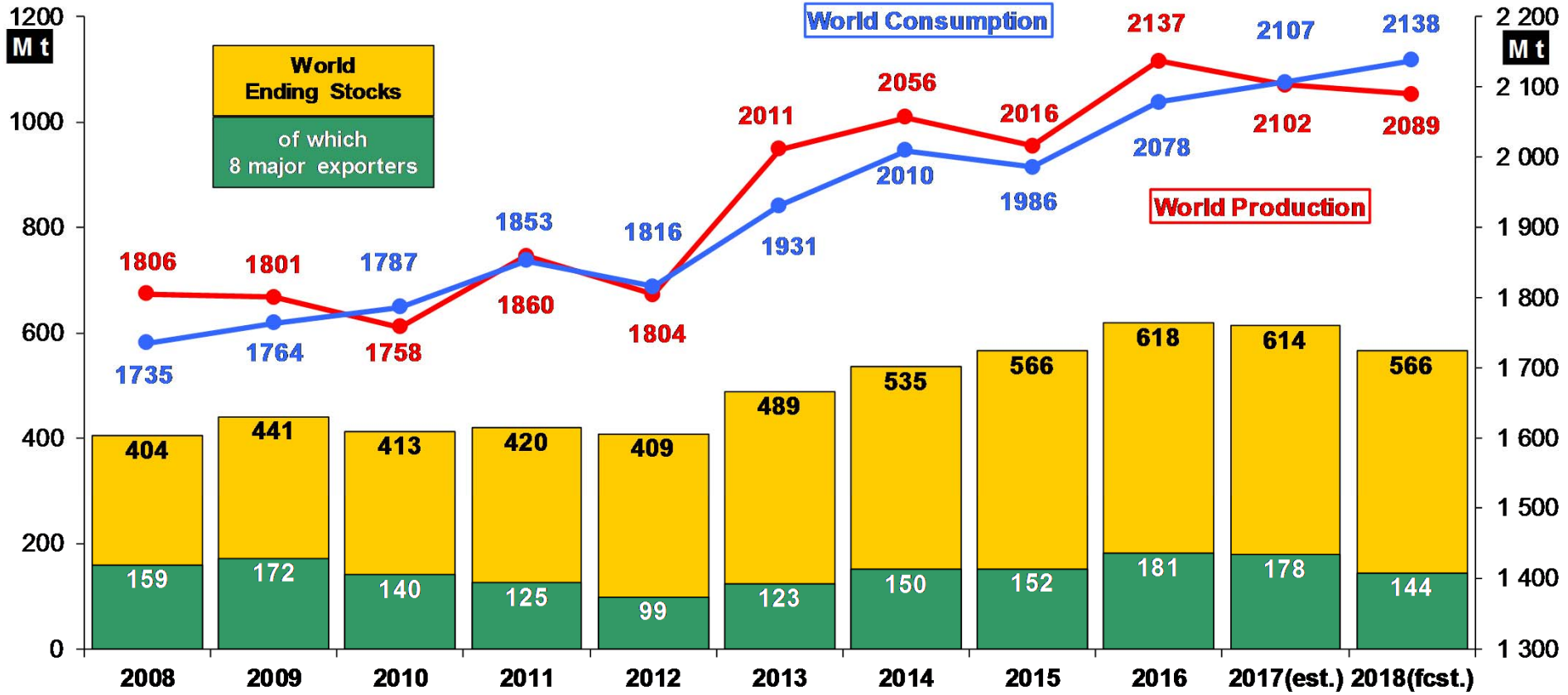
Agriculture and Rural Development

World Cereals Forecasts

International Grains Council

European Commission

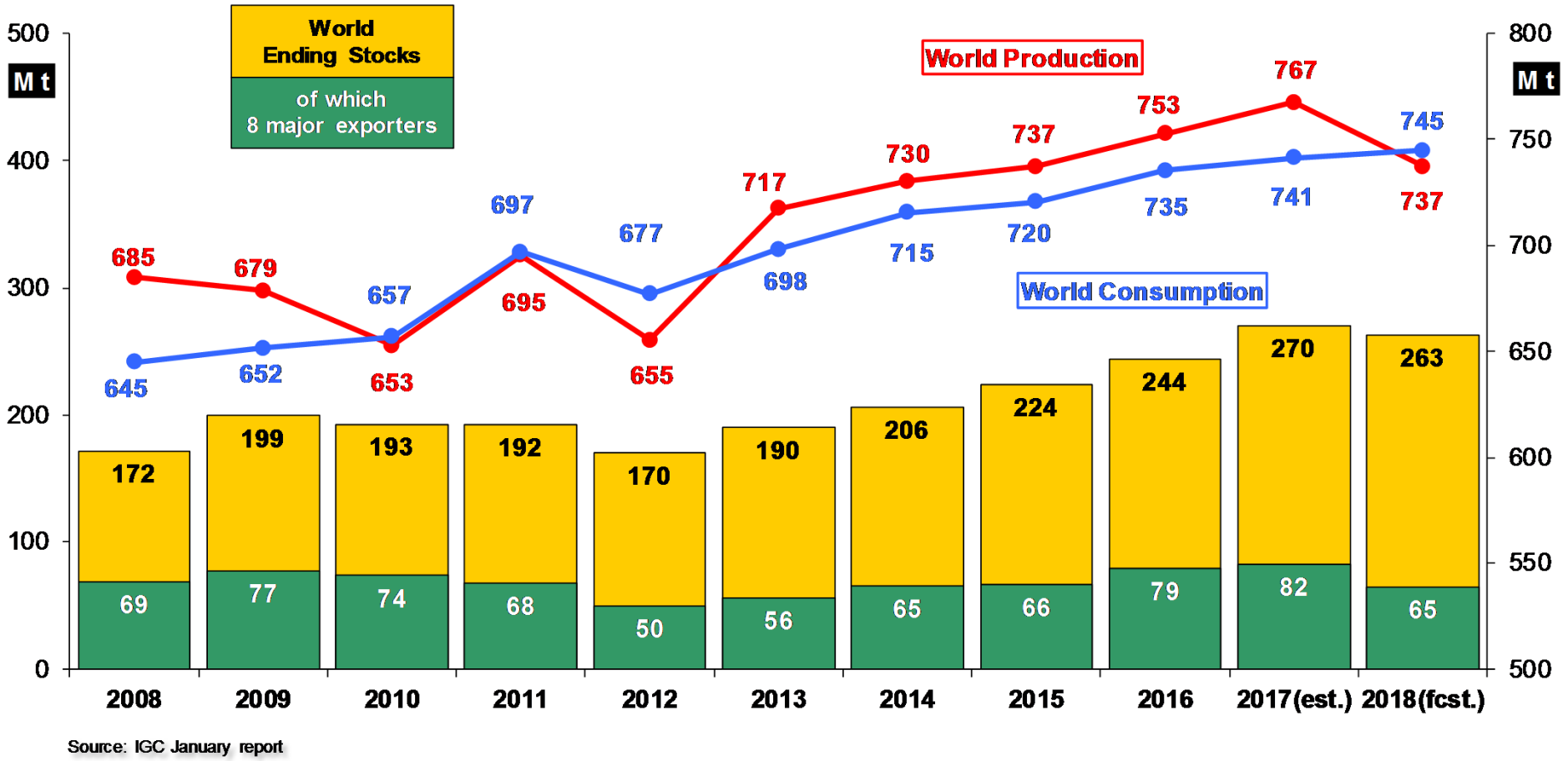
World cereals: IGC



Source: IGC January report

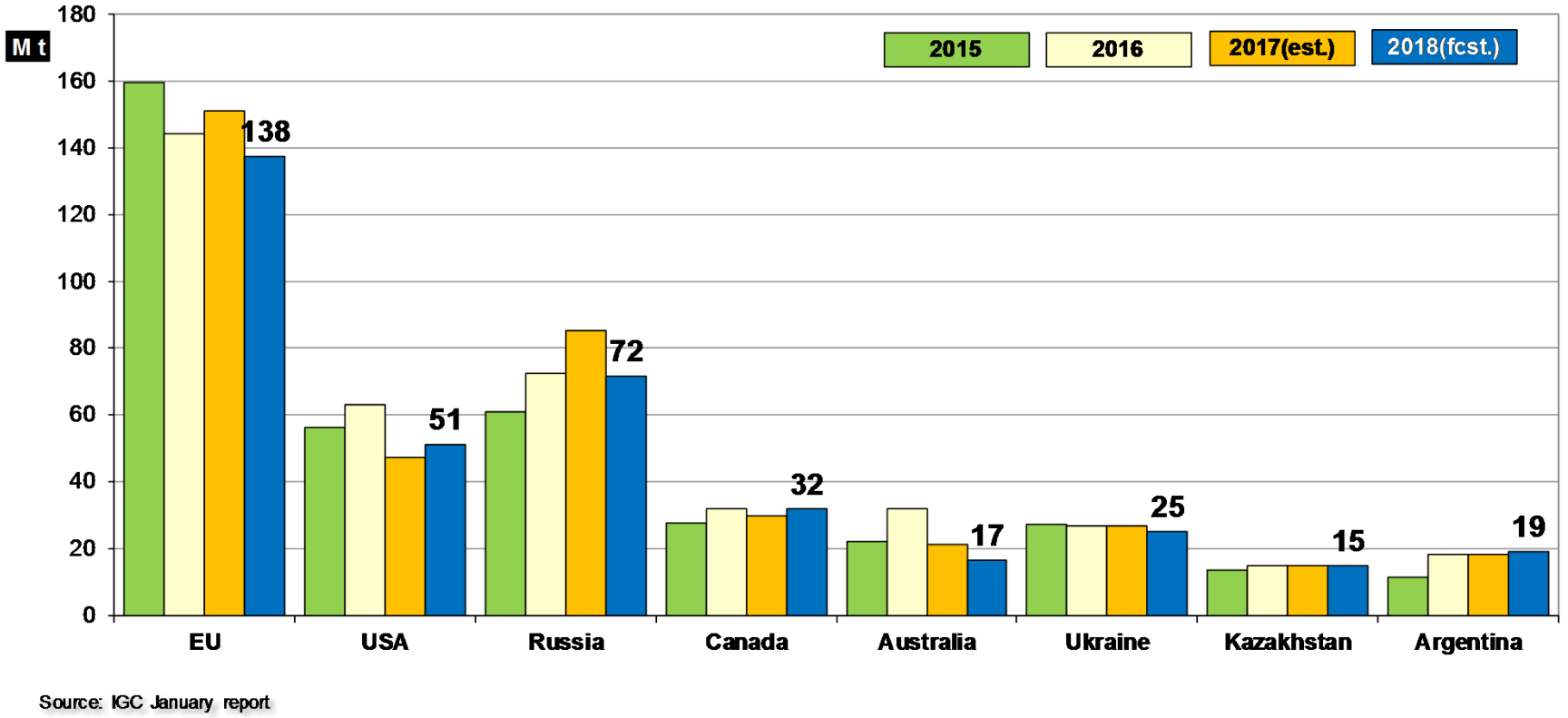
Agriculture and Rural Development

World wheat: IGC



Source: IGC January report

IGC: Wheat production forecast



Source: IGC January report

Agriculture and Rural Development

Summary of the IGC Grain Market Report

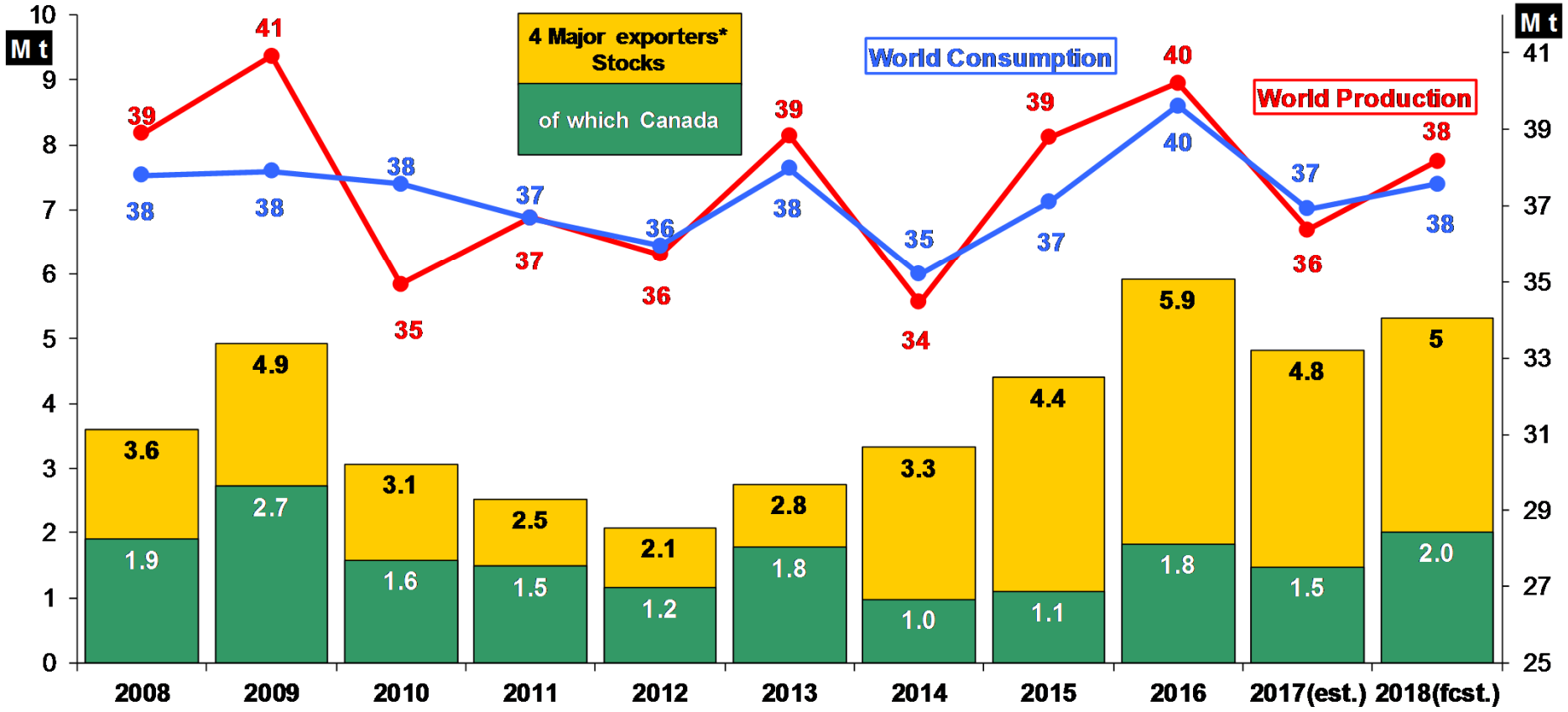
(GMR 495 of 24/01/2019)

Outlook for 2018/19

Wheat production in selected countries (all wheat; million tonnes)

	15/16	16/17	17/18 (estimate)	18/19 *(forecast)*	***m/m change*** *(m t)*	**y/y change**
EU-28	159.6	144.2	151.4	**137.7**	*+1.0*	-9.1 %
USA	56.1	62.8	47.3	**51.3**	-	+8.3 %
Canada	27.6	32.1	30.0	**31.8**	*+0.8*	+6.0%
Russia	61.0	72.5	85.1	**71.6**	*+2.1*	-15.9 %
Ukraine	27.3	26.8	27.0	**25.0**	-	-7.3 %
Australia	22.3	31.8	21.2	**16.6**	-	-21.9%
China	130.2	128.9	138.2	**134.7**	-	-2.6 %
India	86.5	86.0	98.5	**99.7**	*+4.2*	+1.2 %
World	**737.3**	**752.5**	**767.4**	**737.3**	***+8.8***	**-3.9 %**

World durum wheat: IGC



*4 major exporters: Canada, EU, Mexico and USA

Source: IGC January report

Agriculture and Rural Development

Summary of the IGC Grain Market Report

(GMR 495 of 24/01/2019)

Outlook for 2018/19

Total grains: mainly due to a larger wheat crop total grains production was increased by 10m from November to 2,089m t (-13m or -0.6% y/y). World consumption is estimated only 1m higher from before at 2,138m t (+31m or +1.5% y/y), incl. 712m t for food (+1.3% y/y), 942m t for feed (+1.5%) and 367m t for industrial use (+2.4%). Ending stocks are forecast at 566m t (-48m or -7.9% y/y), incl. 294m t in China (52.0% of total).

Wheat*:* world production estimate was raised by 9m to 737m t as increases for EU, RUS, KZH, CAN, India and Turkey exceeded a small cut for Pakistan. The adjustments are based on updated official estimates. For **RUS** the crop was raised on larger official area figure. The **KZH** forecast was increased by 0.8m to 15m t (+1.4% y/y), while for **Turkey** up by 0.8m to 20m t (-7%).

Wheat harvests were completed in **AUS** (16.6m) and **ARG** (19.1; +3.1%) with forecasts unchanged from before.

Summary of the IGC Grain Market Report

(GMR 495 of 24/01/2019)

Outlook for 2018/19

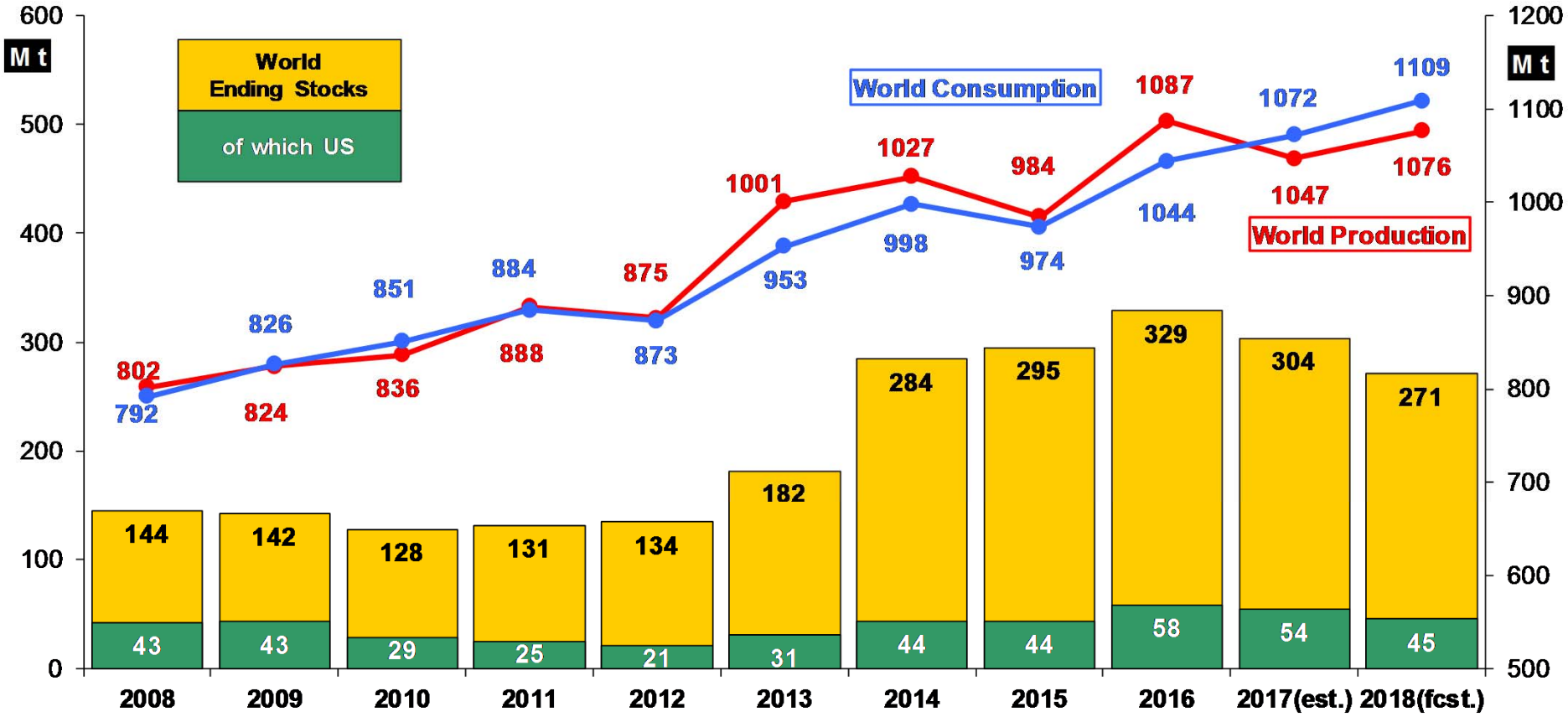
Wheat: world consumption is now estimated at 745m t (+6m from last report and +0.5% y/y), with food use estimated at 520m t (+1.5%) and feed use at 142m t (-1.4%), incl. 55m for the **EU**. Most of the increase is for higher feed use.

Ending stocks were slightly increased to 263m t (-2.8% y/y) from before representing the first reduction in 6 years. Of the total China accounts for 125m t (+8.6% y/y) representing 47.5% of world total.

With 33.5m t (-7.6m y/y) **RUS** to remain the largest exporter, followed by the **US** (28.5), **CAN** (24m) and the **EU** (19.8m).

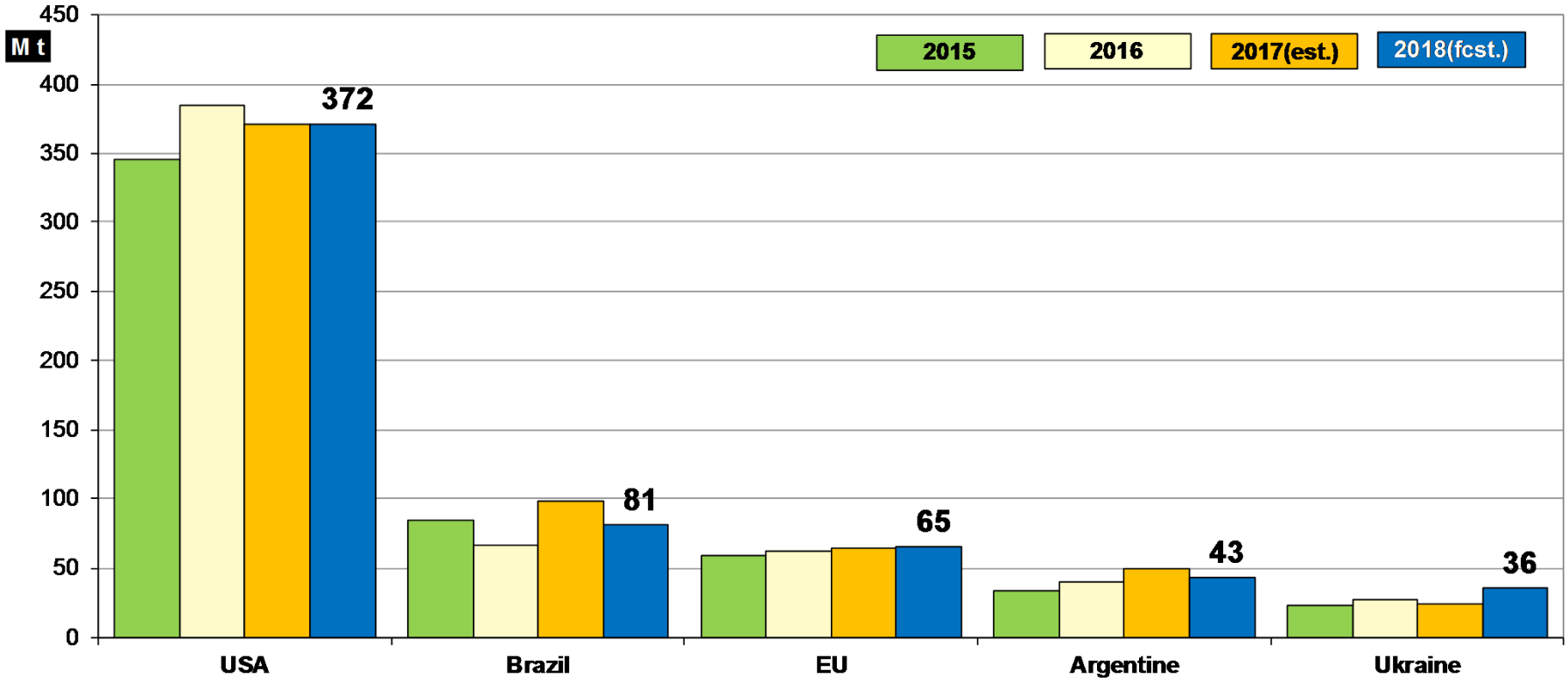
Wheat outlook for 2019/20: world harvested wheat area is projected at 220.1m ha (+0.9% y/y), incl. 26.6m for the **EU** (+4.6%), 27.2m for **RUS** (+0.8%), 7.1m for **UKR** (+3%) and 16.1m for **US** (+0.1%). Assuming normal weather and trend yields world production is tentatively seen at 751m t (+2% y/y). With continued growth of food demand wheat consumption is projected to reach 751m t as well (+1%).

World maize: IGC



Source: IGC January report

IGC: maize production forecast



Source: IGC January report

Agriculture and Rural Development

Summary of the IGC Grain Market Report

(GMR 495 of 24/01/2019)

Outlook for 2018/19

Maize production in selected countries (million tonnes)

	15/16	**16/17**	**17/18** *(estimate)*	**18/19** *(forecast)*	***m/m change*** *(m t)*	**y/y change**
EU-28	59.0	62.6	64.6	**65.0**	*+3.5*	+0.6 %
USA	345.5	384.8	371.0	**371.5**	-	+0.2 %
Ukraine	23.3	28.0	24.1	**35.5**	*+2.0*	+47.2 %
Russia	13.2	15.3	13.2	**11.2**	*+0.2*	-15.5%
Brazil	67.0	97.8	80.8	**93.5**	*-1.6*	+15.8 %
Argentina	39.8	49.5	43.3	**49.5**	-	+14.3 %
China	224.6	219.6	215.9	**219.9**	-	+1.9 %
World	**983.1**	**1,087.0**	**1,046.7**	**1,075.9**	***+2.5***	**+2.8 %**

Agriculture and Rural Development

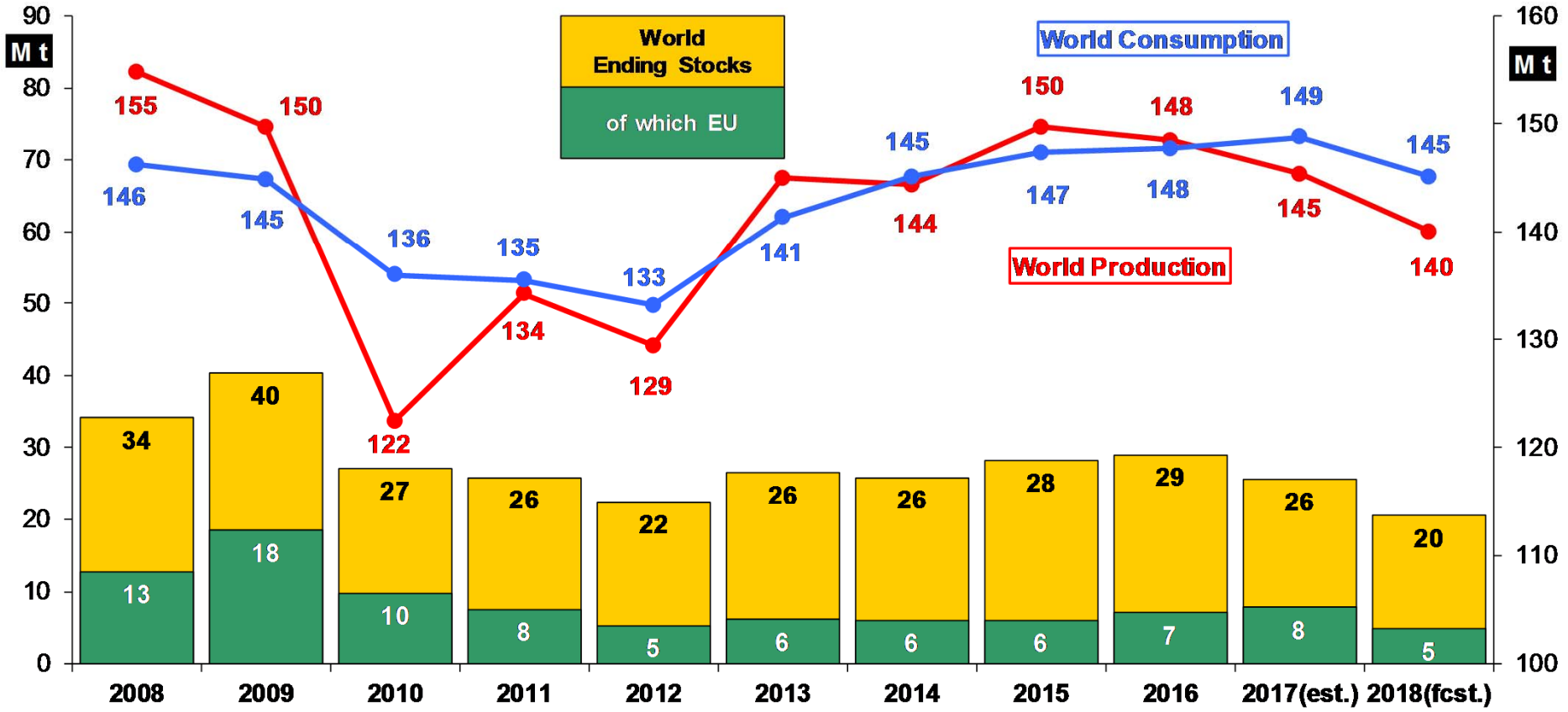
Summary of the IGC Grain Market Report
(GMR 495 of 24/01/2019)
Outlook for 2018/19

Maize: World production is forecast at 1,076m t (+2.5m from before; +2.8% y/y), the 2nd largest on record, reflecting record harvest in **UKR** and above-average crops in the **US** and **South America**. Average yield reached 7.9 t/ha in **UKR** boosted by abundant rainfall. In **BRA** the conditions have been mixed due to hot and dry weather in the southern regions. In the Central-West region planting of the 2nd crop (*safrinha)* started ahead of schedule. Sowing was nearly completed in **ARG** and thanks to ample rains crop conditions are better than last season. Persisting dryness in **South Africa** is expected to reduce area, therefore the crop estimate was cut by 1.6m to 10.7m t (-21%).

Maize consumption is projected at a new record of 1,109m t (-3.7m from Nov; +3.4% y/y), incl. 642m t for feed (+3.9%; 62m (+2m) for **EU**) and 304m t for industrial use (+2.8%). Led by larger import needs in the EU, MEX and Vietnam global trade is projected at a new record of 160m t (+5.3%) with **EU** imports now estimated at a record 20.8m t (+1.4m from Nov; +2.6m y/y).

Ending stocks are estimated at a 5-year low of 271m t (-11%), incl. 167m in **China** (61.7% of world total).

World barley: IGC



Source: IGC January report

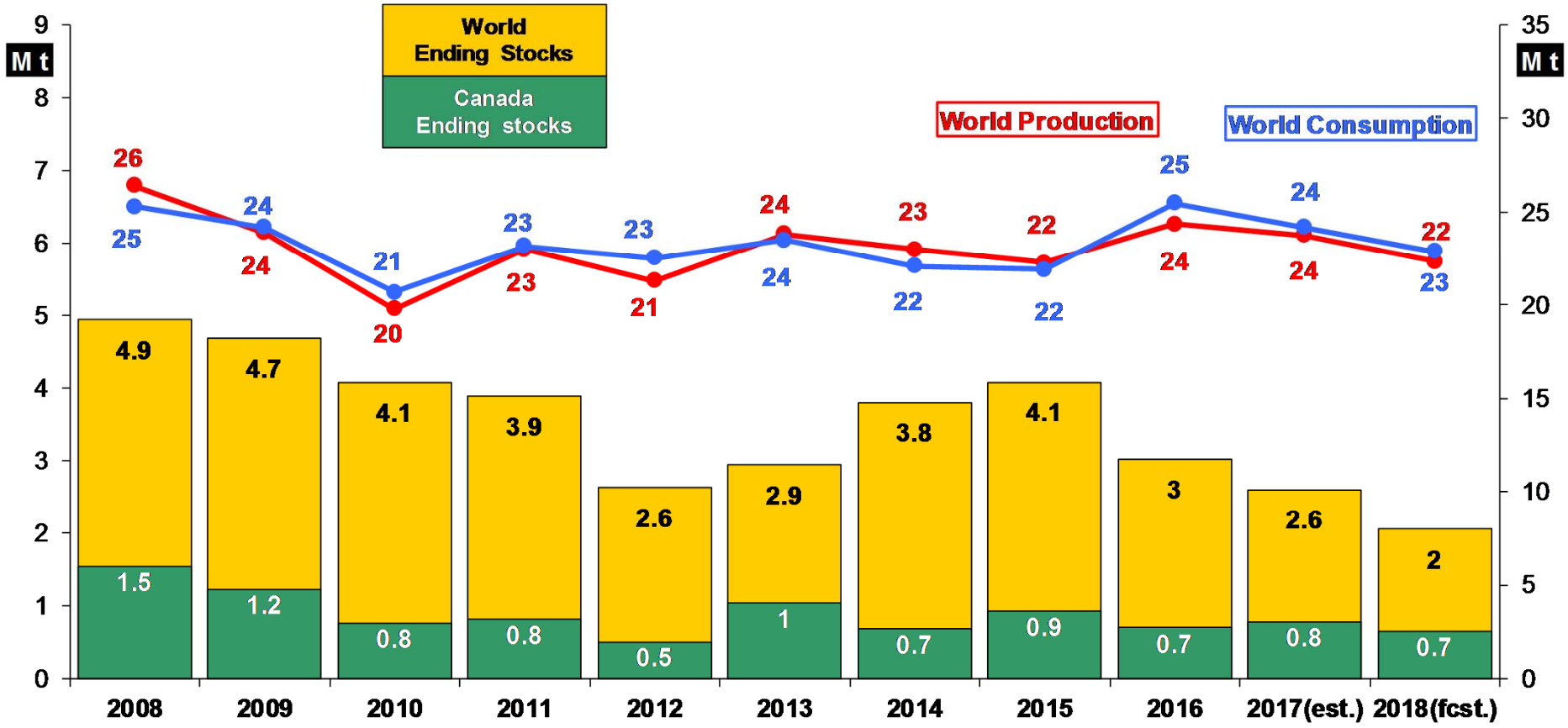
Agriculture and Rural Development

Summary of the IGC Grain Market Report
(GMR 495 of 24/01/2019)
Outlook for 2018/19

Barley production in selected countries (million tonnes)

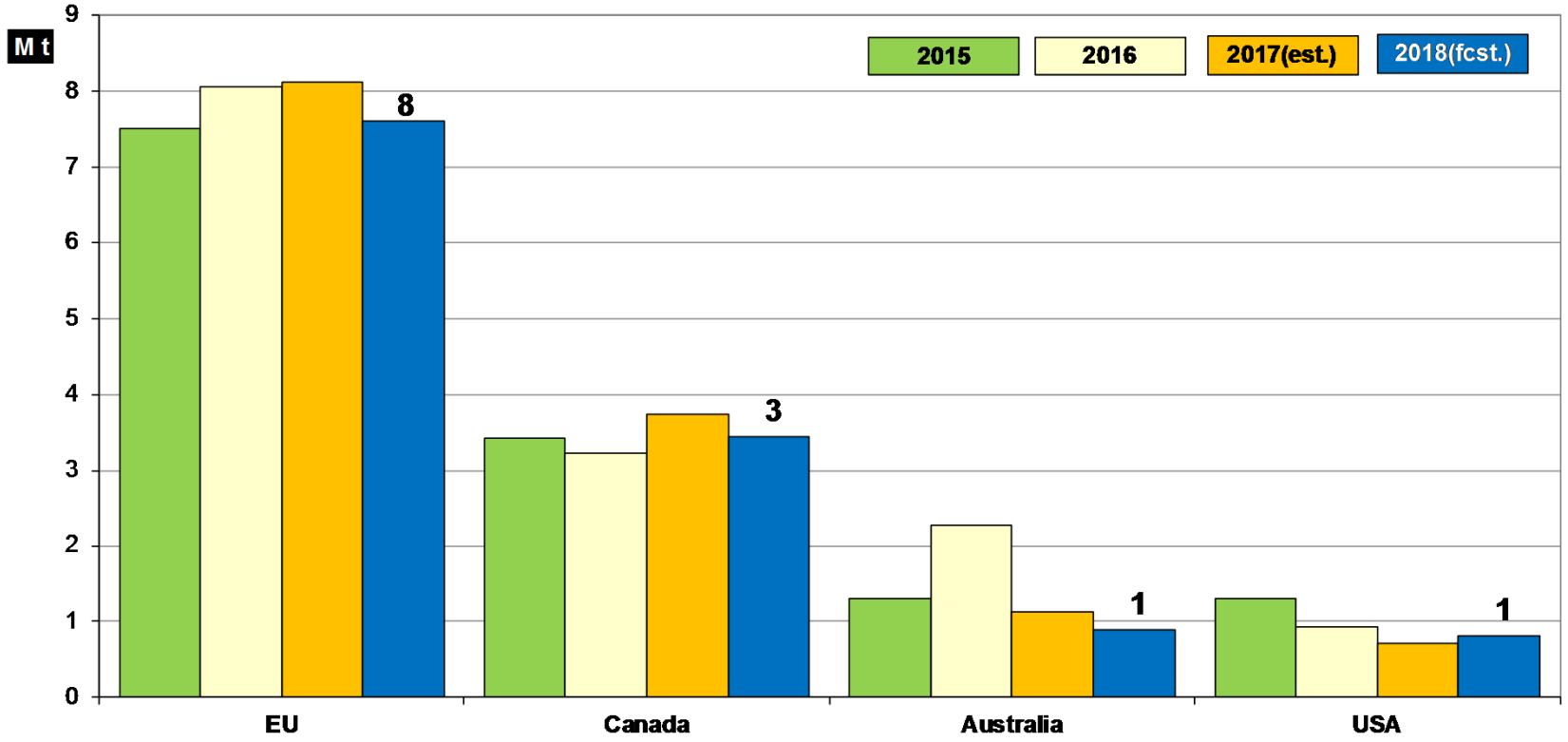
	15/16	16/17	17/18 *(estimate)*	18/19 *(forecast)*	*m/m change* *(m t)*	y/y change
EU-28	61.4	59.5	58.6	**55.9**	*-0.8*	-4.5 %
Russia	17.1	17.5	20.2	**16.7**	-	-17.3 %
Ukraine	8.7	9.9	8.7	**7.6**	-	-12.6 %
Australia	9.0	13.5	8.9	**7.2**	-	-19.4%
Canada	8.3	8.8	7.9	**8.4**	*+0.2*	+6.2 %
World	**149.8**	**148.5**	**145.3**	**140.0**	***+0.4***	**-3.7 %**

World oats: IGC



Source: IGC January report

IGC: oats production forecast



Source: IGC January report

Summary of the IGC Grain Market Report

(GMR 495 of 24/01/2019)

Outlook for 2018/19

Barley: world production forecast was raised slightly, up 0.4m to 140m t (-5.3m y/y), still a 6-year low due to decreasing average yields. Lower estimates for the **EU** and **Turkey** (-0.2m to 7m t) were offset by increases for **ARG** (+0.5m to 4.5m t), **CAN** and **KZH** (+0.6m to 4.2m t).

Reflecting tight supplies and decreasig feed use consumption is estimated at a 4-year low of 145.1m t (-2.5% y/y), incl. 97m t feed use (-2.7%) of which 36.0m for the **EU**. Global imports are forecast at 29.3m t incl. 8.2m t (+0.4m y/y) to **Saudi Arabia** and 7.2m to **China** (-1.4m m/m; -1.5m y/y). **EU** exports cut by 0.3m m/m to 7.8m t (+2.0m y/y) reflecting slow export flow so far.

Oats: world production forecast lowered by 0.8m to 22.4m t (-5.9% y/y), incl.: 7.6m in the **EU** (-6.3% y/y), 4.7m in **RUS** (-13.7%) and 3.4m in **CAN** (-8%). Consumption is seen 0.7m lower at 22.9m t (-5.3%), incl. feed use at 15.5m (-7%) and food at 5.1m (+2.2%). Stocks to fall sharply to 2.1m t (-21%).

Cereals Market News and Prices

Market News 1. (30-1-2019)
Russia

- **RUS** *(Rosstat)*: Preliminary data for 2018/19: total **grains** production reached 112.9m t (-16.7% y/y), incl. **wheat** at 72.1m (-16.2%), **barley** at 17.0m (-17.8%), **maize** at 11.2m (-15.5%) and **oats** at 4.7m (-13.7%).
- **RUS** *(Customs)*: **Wheat** exports during 1/07 – 31/12 2018 reached 24.3m t (+13.5% y/y).
- **RUS** *(Customs):* as of 21/Jan 2018/19 **grain** exports reached 29.4m t (+4% y/y), incl. **wheat** at 24.7m (+13%), **barley** at 3.1m (-15%) and **maize** at 1.2m (49%).
- **RUS** *(SovEcon)*: 2018/19 (Jul/Jun) **grains** and pulses export forecast raised by 0.8m to 44.6m t (48.9m previous year), incl. **wheat** up 0.5m to 35.6m (40.4m). (*Ag.Min. forecast*: 42m t grains, incl. 36m t wheat.)
- **RUS** *(IGC):* Gov' plans to resume intervention grain tenders. In 2018/19 about 0.5m t has been sold out of the 1.5m t target.
- **RUS** *(Ag.Min)* 2019/20 **grain** production is tentatively seen at 108-110m t, incl. 67m t **wheat**.

Market News 2. (30-1-2019)
Ukraine/Turkey

- **UKR** *(Ag. Min.)*: as of 23 January 2018/19 **grain** exports reached 26.6m t (+16% y/y), incl. **wheat** at 11.2m (-6%), **maize** at 11.4m (+64%) and **barley** at 3.3m (-17%). *(Memorandum of Understanding for 2018/19: 8m t of milling wheat and 8m t of feed wheat can be exported. As over 80% of the milling wheat target has been already reached the AgMin. invited traders to respect the MoU.)*

- **Turkey** has set duty-free grain import quotas for 2019 at a total of 2.6m t, incl. 1m t of wheat, 0.7m t of maize and 0.7m t of barley. The Turkish Grain Board will handle all imports.

Market News 3. (30-1-2019)
U.S. Grain export inspections w/e 24/JAN/2019

Commodity	MY 2018/19	MY 2017/18	Change
Maize	**21 489 433**	13 797 157	+ 55.8 %
Sorghum	**571 795**	2 138 494	- 73.3 %
Soybeans	**20 459 989**	33 407 868	- 38.8 %
Wheat	**14 376 513**	16 214 549	- 11.3 %

Marketing Year = June/May for wheat and September/August for maize, sorghum and soybeans; www.ams.usda.gov/mnreports/wa_gr101.txt

- US **maize** exports remained strong at around 1 million tonnes per week
- US **wheat** exports increased somewhat reflecting improved competitiveness reaching 500-550,000 tonnes per week, although last week fell to 360,000 t.

Market News 4. (30-1-2019)
U.S. – Planted Area Estimates

(Source: IEG Vantage; 23 01 2019)

	2018 USDA (1,000 ha)	IEG (1,000 ha) 2019	Delta y/y (%)
MAIZE	36.074	37.030	***102,65%***
SOYBEANS	36.076	34.886	***96,70%***
SORGHUM	2.344	2.282	***97,38%***
BARLEY	1.029	1.075	***104,44%***
OATS	1.111	1.122	***100,95%***
ALL WHEAT	19.344	19.086	***98,67%***
Winter Wheat	13.166	12.753	***96,86%***
HRW	*9.277*	*8.987*	***96,88%***
SRW	*2.459*	*2.367*	***96,28%***
White	*1.431*	*1.399*	***97,74%***
Other spring wheat	5.342	5.577	***104,39%***
Hard Red	*5.133*	*5.361*	*104,45%*
White spring	*208*	*215*	*103,50%*
Durum wheat	836	757	***90,56%***

Market News 5. (30-01-2019)

Canada: Outlook for Principle Field Crops in 2019/20

(source: AAFC; crop year = Aug/July)

25-01-2019	2017/18	2018/19 f'	2019/20 f'	y/y
Durum prod' (m t)	4.96	5.75	**4.90**	-14.7%
exports (m t)	4.39	4.20	**4.50**	+7.1%
All wheat prod'(m t)	29.98	31.77	**33.00**	+3.9%
exports (m t)	21.87	22.90	**23.00**	+0.4%
Barley prod' (m t)	7.89	8.38	**8.90**	+6.2%
exports (m t)	2.82	2.45	**2.50**	+2.0%
Oats prod' (m t)	3.73	3.44	**3.55**	+3.2%
exports (m t)	2.35	2.50	**2.48**	-1.0%
Canola prod' (m t)	21.33	20.34	**20.50**	+0.8%
Exports (m t)	10.72	11.00	**11.20**	+1.8%

Market News 6. (30-1-2019)
China

China Agricultural Supply and Demand Estimates for 2018/19

11 January		Forecast (Mt)	+/- prev' f'cast (Mt)	2016/17 (Mt)	+/- y/y
Maize	Production	257.3	+ 42.3	259.1	- 1%
	Consumption	*285.3*	*+ 34.5*	*270.3*	*+ 6%*
	Feed use	*178.0*	*+ 21.5*	*172.0*	*+ 3%*
	Industrial	*84.5*	*+ 9.5*	*75.0*	*+ 13%*
	Imports	1.5	- 1.0	3.5	- 57%
Soya beans	Production	16.0	+ 0.2	15.3	+ 5%
	Consumption	*102.8*	*-*	*107.1*	*- 4%*
	Imports	83.7	-	94.1	- 11%

Market News 7. (30-1-2019)
China

- **China** *(IGC)*: Government intends to sell remaining older **maize** stocks in 2019 and inventories are expected to return to normal levels then. Due to tighter supplies and increasing demand area sown for maize could expand.
- **China** *(Sinograin):* amid efforts to reduce inventories, sales of grains and oilseeds stocks through state auctions totalled 132.7m t in 2018, with maize inventories reduced by 100m, rice (paddy) by 17m, wheat by 10.7m and soya beans by 2m.
- **China** *(Customs)*: Cumulative **maize** imports during Jan-Dec 2018 reached 3.5m t (2.8m previous year), **barley** at 6.8m (8.9m), **wheat** at 3.1m (4.4m) and **sorghum** at 3.7m (5.1m).
- **China** *(IGC)*: according to trade sources China is considering purchasing 3.0 - 7.0m t of US wheat, depending on the progress of current trade discussions.

Market News 8. (30-1-2019)
Brazil

CONAB January report on **2018/19** S&D forecasts:

- **Maize:** full season maize crop slightly up with area seen at 5.1m ha and ave yield at 5.38 t/ha. Estimates for *safrinha* maize crop unchanged m/m with first area estimate to be released in February. Domestic use put at 62.5m t (+4%) & exports 31m t (+35%), both unchanged m/m.

- **Soya bean** crop forecast now slightly below last year's record reflecting lowered yield estimate (3.32 t/ha) due to dry and hot weather in southern Brazil during December.

10-01-2019	**Forecast**	**+/- previous f'cast**	**Previous year**	**+/- y/y**
Wheat prod (m t)	5.4	-0.1	4.3	+27%
Consumption (m t)	*11.0*	-	*11.0*	*+0%*
Soybeans prod (m t)	118.8	-1.3	119.3	-0%
Soy exports (m t)	*75.0*	-	*83.9*	*-11%*
Maize prod (m t)	91.2	+0.1	80.8	+13%
Maize 1st crop	*27.5*	*+0.1*	*26.8*	*+2%*
Maize 2nd crop	*63.7*	-	*54.0*	*+18%*

Market News 9. (30-1-2019)

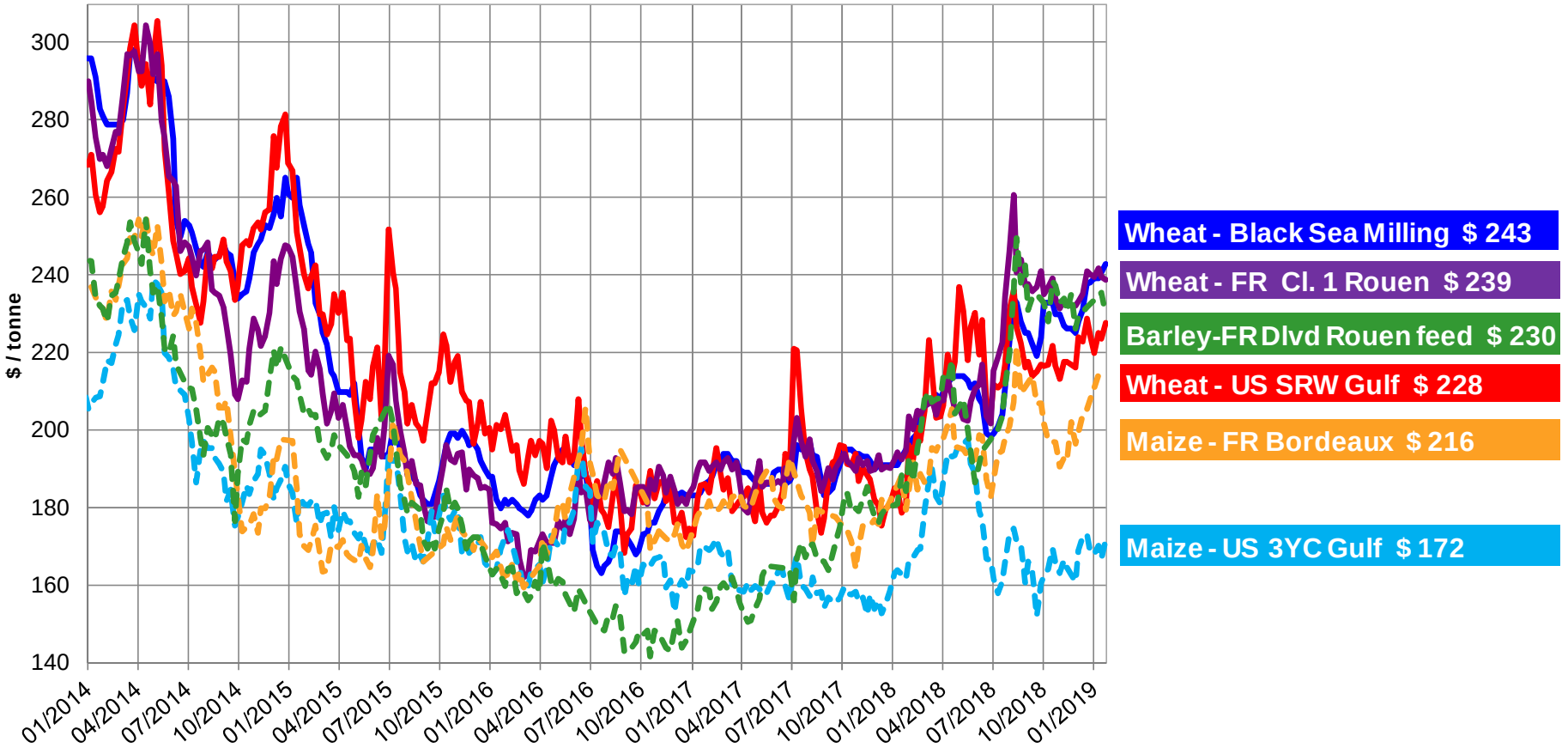
- **ARG** *(BAGE):* **Wheat** harvest completed with crop reaching a record of 19m t from a harvested area of 6.1m ha. Due to adverse weather conditions average yield fell by 3.1% y/y to 3.12 t/ha. **Barley** harvest also finished with final crop seen at 4.1m t (+8% y/y) with average yield reaching a record 4.33 t/ha. **Maize** planting completed on 5.4m ha or 93% of the projected final area of 5.8m ha (+5.5% y/y).

- **ARG** *(Ag. Min.)*: 2018/19 **wheat** production forecast now seen at 19.3m t (18.5m last year) and **barley** at 5.1m t (3.7m) with area estimated at 1.4m ha (1.0m).

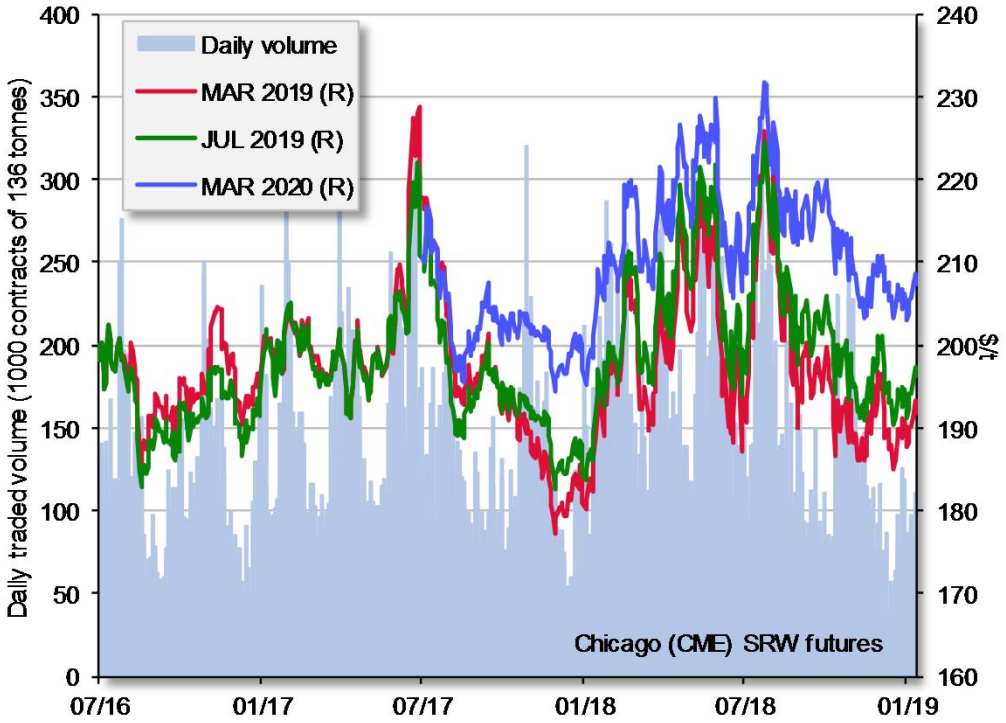
- **MOR** *(IGC):* suspension of **wheat** import duties extended to 30/4/2019.

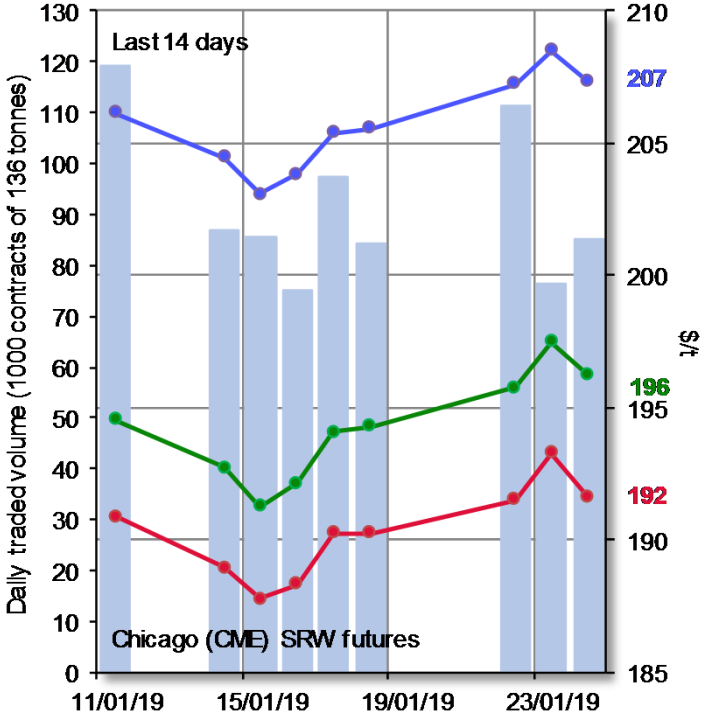
- **Iran** *(AgMin)*: **wheat** production in 2019/20 estimated at 13.5m t from a planted area of 5.9m ha. If realized this would cover domestic demand of 12.5-13.5m t.

World cereal prices ($/t)



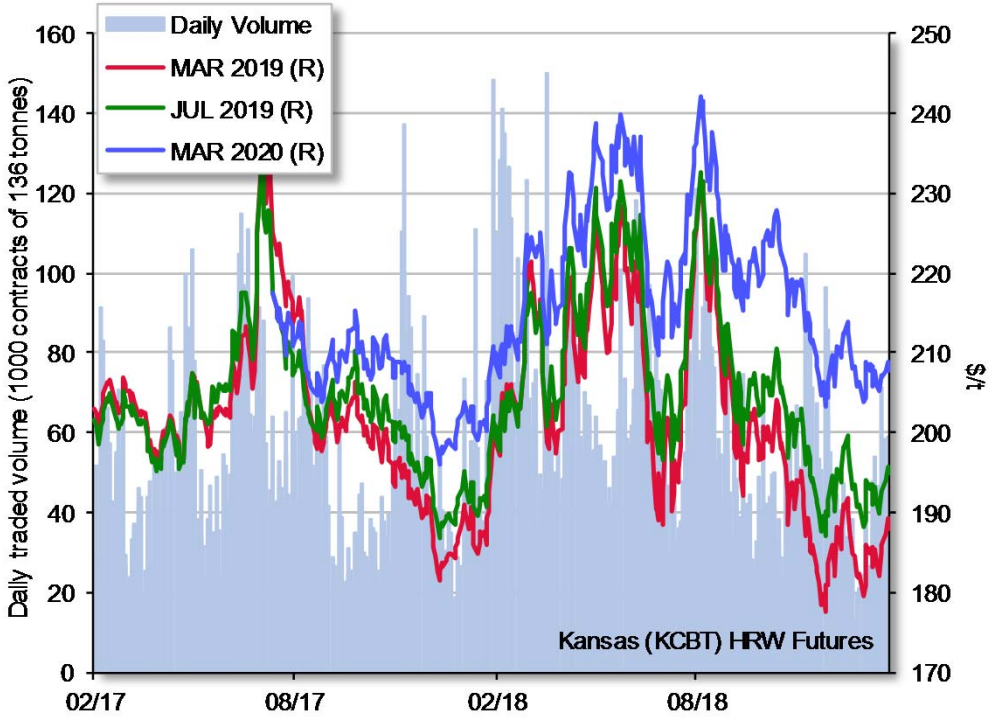
US CME SRW wheat futures

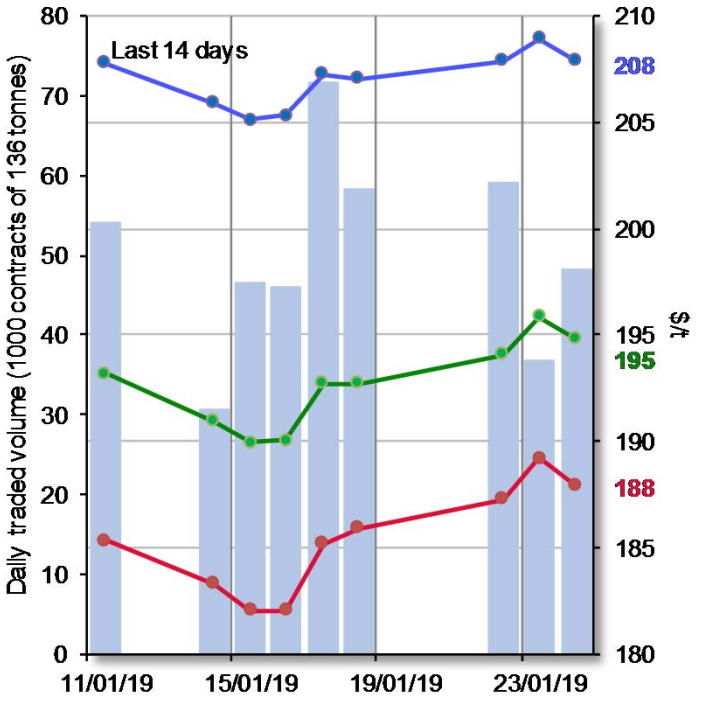




Agriculture and Rural Development

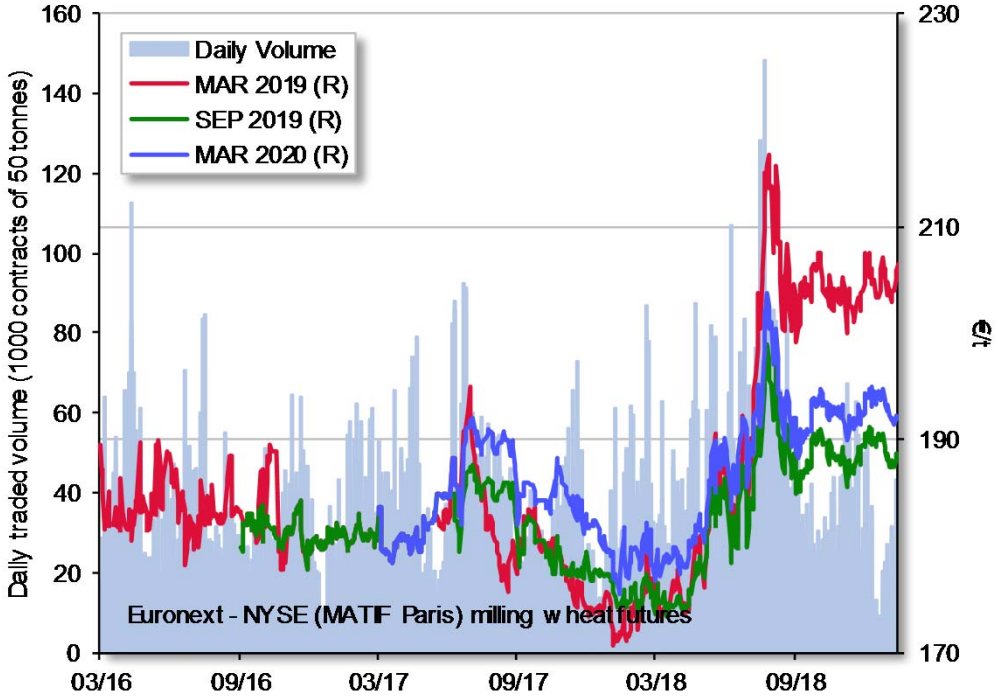
US KCBT HRW wheat futures

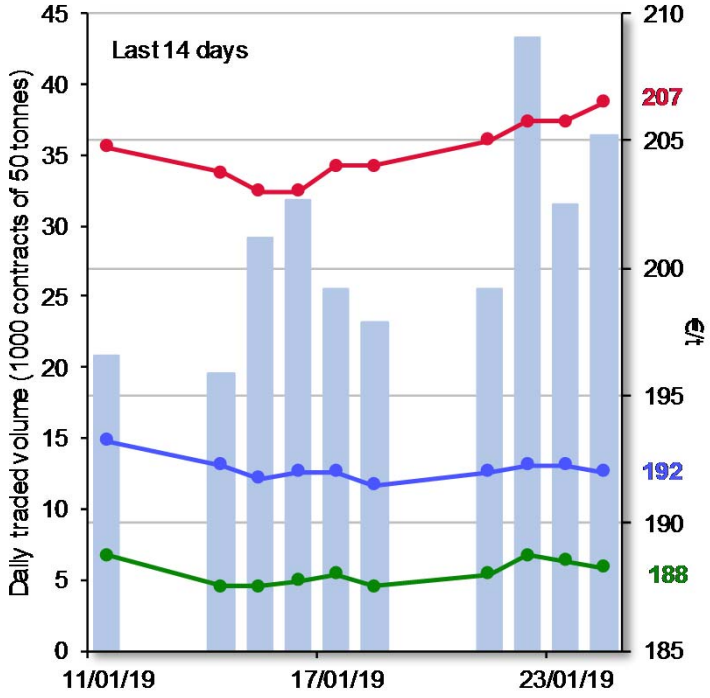




Agriculture and Rural Development

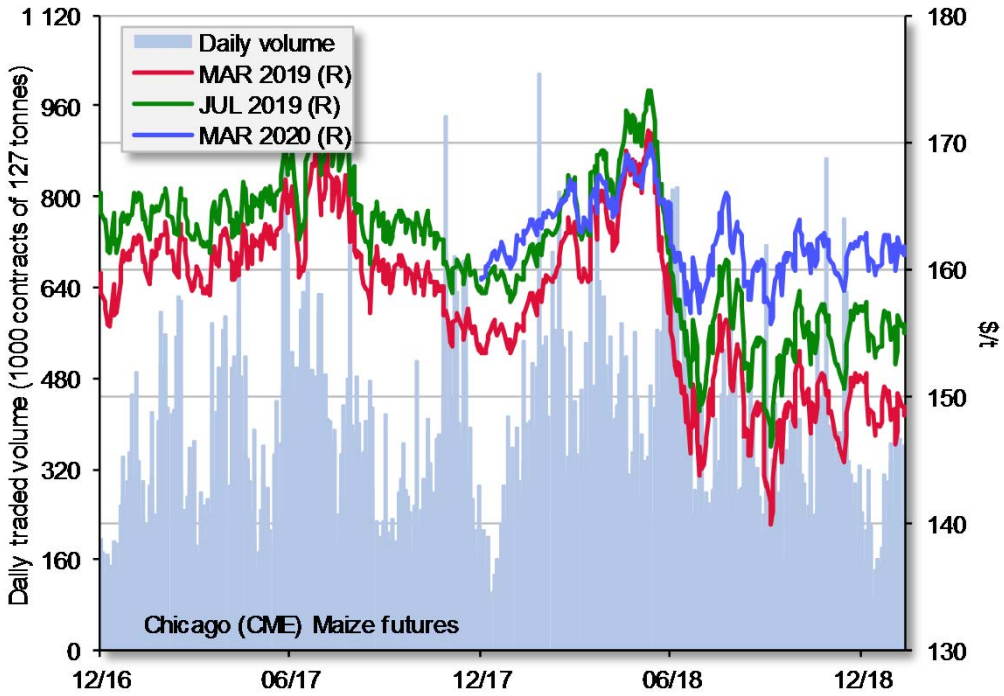
EU Milling Wheat Futures

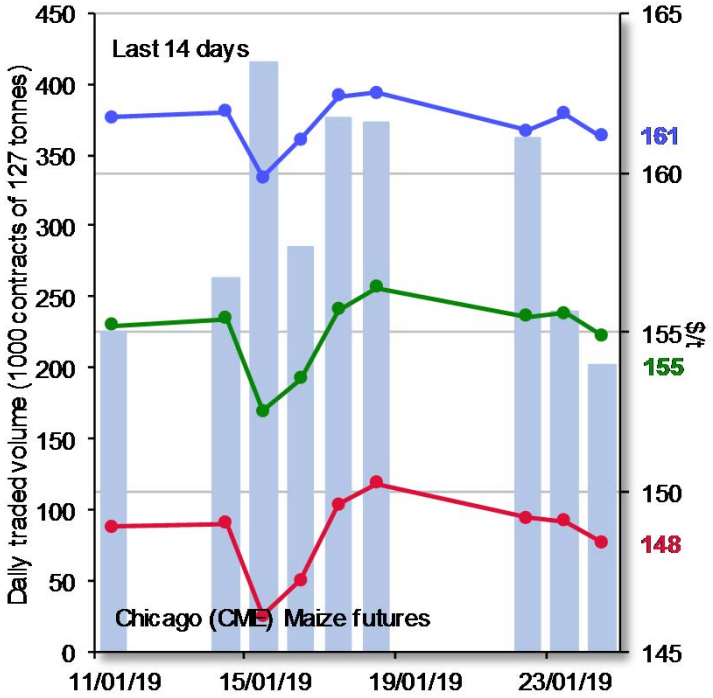




Agriculture and Rural Development

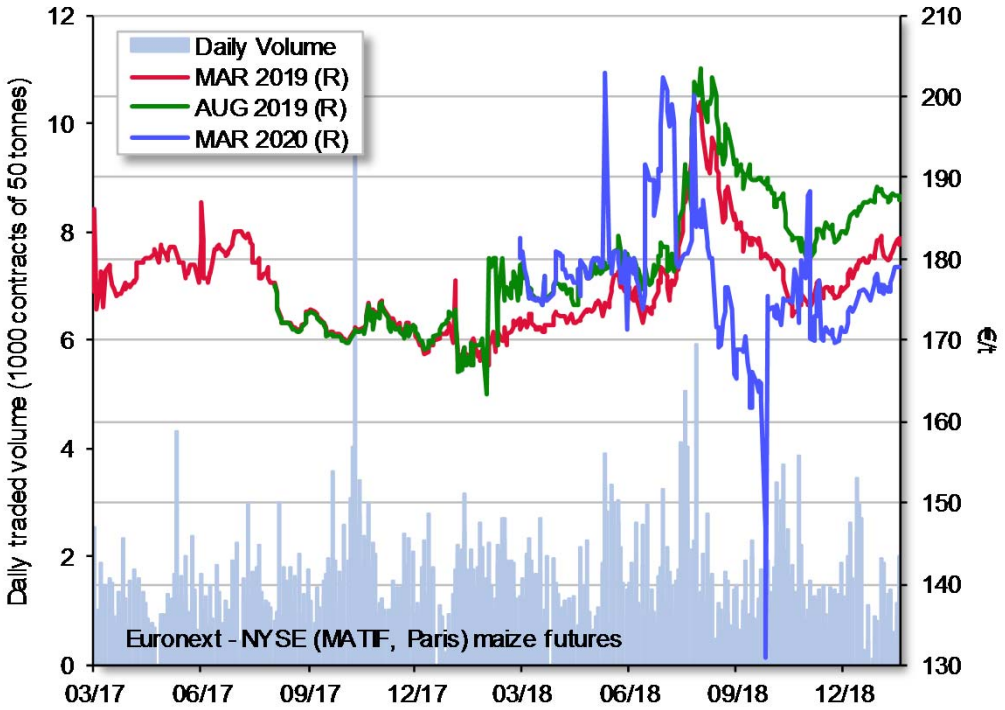
CME maize futures

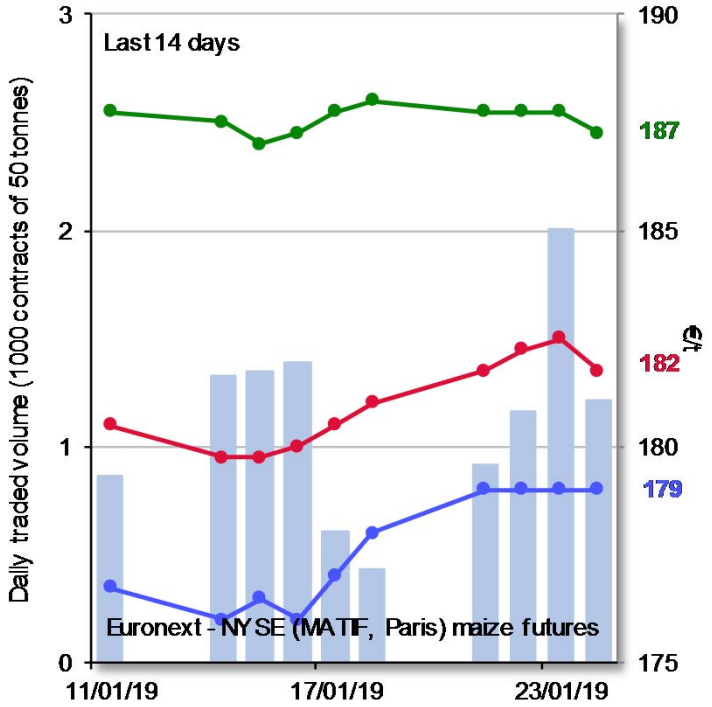




Agriculture and Rural Development

EU maize futures





Agriculture and Rural Development



Trade

Selected cereals trade for the past 6 weeks

Country	Crop	Quantity (in t)	Price ($/t)	Origins	Delivery
Algeria	Wheat	≈ 550 000	*261.5-262 c&f*	optional	Feb/Mar
Egypt	Wheat	120 000	229-233.4 fob *Freight:15.3-17.3 $/t*	ROM: 60 000 UKR: 60 000	Feb
Egypt	Wheat	415 000	*248-250.5 fob* *Freight: 13.8-16.2 $/t*	RUS	Feb/Mar
Egypt	Wheat	360 000	247.8-250.9 fob	FRA: 180 000 ROM: 180 000	March
Tunisia	Wheat	100 000	259.2-260.2 c&f	optional	Feb/Mar
Turkey	Maize	342 000	194-205.5 c&f	optional	Jan/Mar

EU cereals trade 2018/19 (update of Situation at 28/01/2019)

- **Imports:** 18.3m t (13.5m t last year; 9.8m t two years ago)
  - 3.01m t soft wheat ↑ +36% y/y
  - 0.62m t durum wheat ↓ -36% y/y
  - 14m t maize ↑ +43% y/y
  - 0.11m t barley ↓ -71% y/y

- **Exports:** 15.6m t (19.2m t last year; 22.3m t two years ago)
  - 9.5m t soft wheat ↓ -27% y/y
  - 2.8m t barley ↓ -7% y/y
  - 0.47m t durum wheat ↓ -27% y/y
  - 1.12m t maize ↑ +55% y/y

- So far, the EU is a net cereal importer of 2.7m t. Last year at this stage, EU was a net exporter of 5.7m t against 12.5m t two years ago.

Conclusions

- **Wheat** prices slightly lower for EU & US but up for RUS & ARG
- **RUS wheat** prices increased on tightening supplies
- **UKR maize** prices edged higher on strong demand & logistics
- **CAN durum** production to decrease in 2019/20 on lower area
- **IGC** forecasts global **wheat** production to increase in 2019/20
- On *fob* basis US SRW **wheat** most competitive
- On *fob* basis US & ARG remain cheapest origins for **maize**

European Commission

Thank you for your attention!

Market data the for cereals, oilseeds and protein crops are available at the EU Crops Market Observatory .

https://ec.europa.eu/agriculture/market-observatory/crops

Agriculture and Rural Development