INTERNATIONAL GRAINS COUNCIL

GRAIN MARKET REPORT

GMR No. 402

29 July 2010

WORLD ESTIMATES

million tons

	06/07	07/08	08/09	09/10 est	10/11 forecast 24.06	10/11 forecast 29.07
WHEAT						
Production	598	609	686	677	**664**	**651**
Trade	111	110	136	124	**120**	**120**
Consumption	610	613	639	648	**658**	**655**
Carryover stocks	124	121	168	197	**201**	**192**
year/year change	*-13*	*-3*	*+47*	*+29*		***-5***
5 majors**	40	31	48	53	**50**	**50**
MAIZE (CORN)						
Production	710	795	796	805	**824**	**823**
Trade	87	101	84	84	**88**	**88**
Consumption	725	775	779	817	**830**	**830**
Carryover stocks	117	136	153	140	**137**	**134**
year/year change	*-16*	*+19*	*+17*	*-13*		***-6***
TOTAL GRAINS*						
Production	1588	1697	1798	1782	**1776**	**1753**
Trade	222	239	249	235	**234**	**234**
Consumption	1629	1685	1722	1761	**1781**	**1774**
Carryover stocks	281	293	369	390	**387**	**369**
year/year change	*-41*	*+12*	*+76*	*+21*		***-21***
5 majors**	102	97	125	131	**128**	**117**

* Wheat and coarse grains
** Argentina, Australia, Canada, EU, United States

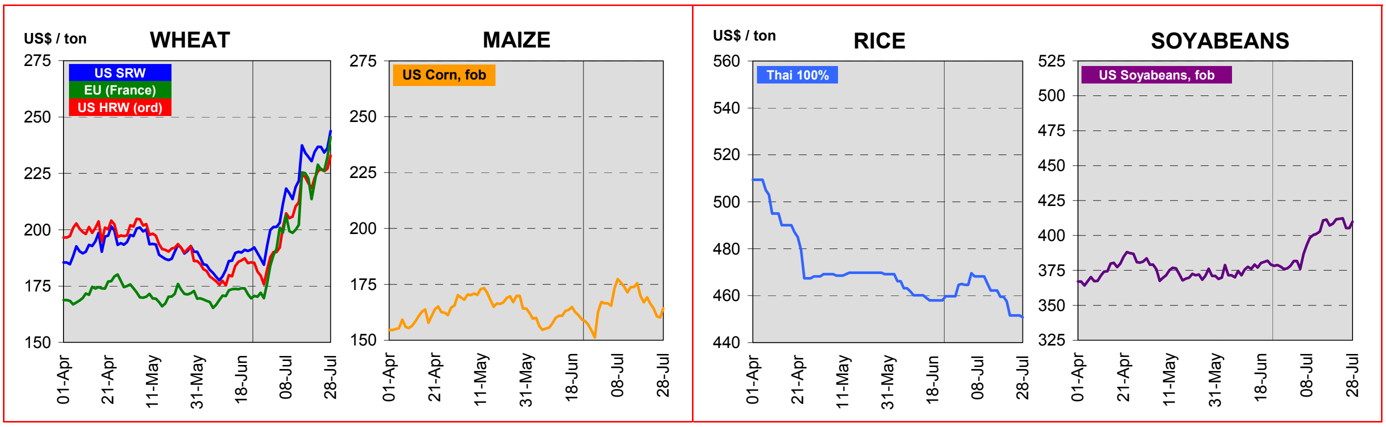
million tons (milled basis)

	05/06	06/07	07/08	08/09	09/10 forecast 24.06	09/10 forecast 29.07
RICE						
Production	418	420	433	447	**441**	**441**
Trade	29	32	29	29	**30**	**30**
Consumption	415	420	430	437	**441**	**440**
Carryover stocks	76	77	80	90	**90**	**91**
year/year change	*+3*	*+1*	*+3*	*+10*		***+1***

MARKET COMMENTARY

Heightened market concerns about the outcome of this year's harvests in some key northern hemisphere exporters, especially wheat and barley in the Black Sea region, propelled prices of grains and oilseeds upwards in July. However, rice markets weakened further over the period. Milling **wheat** export quotations in the EU and the Black Sea region climbed by around $70 per ton in response to reports of significant drought-induced yield losses in some areas, with markets also speculating about possible export restrictions in Russia and Ukraine. However, substantial new wheat sales were still being recorded from those countries. Wheat futures in the US reached their highest levels in over a year, with considerable speculative activity, but export values nevertheless became increasingly competitive against other origins, with this year's ample availabilities likely to spur a sharp recovery in foreign sales. US **maize** futures, having initially slumped to nine-month lows at the end of June, climbed steeply in early July in response to somewhat reduced US supply forecasts and the rally in wheat, but the gains over the period as a whole were quite modest, reflecting the generally favourable crop outlook. For **oilseeds**, much of the focus was on diminishing US old crop supplies of soyabeans as the season neared its end and the continued fast pace of exports, especially to China. In contrast to the generally bullish tone of world wheat and coarse grains markets, international **rice** prices again moved lower in the absence of significant new buying in Far East Asia and the broadly favourable outlook for India's next crop, although much depends on the final outcome of the summer monsoon. **Ocean freight rates** for grains and other dry bulk cargoes fell further in July although there were recent signs of increased chartering activity.

EXPORT PRICES



GRAINS* OUTLOOK FOR 2010/11

Prospects for the next grains crop have been significantly affected by the past month's adverse conditions in parts of the Black Sea region, the EU and Canada. Total wheat and coarse grains **production** is now forecast 23m. tons lower than before, at 1,753m., down from the previous year's near-record 1,782m. The impact has been mainly on northern hemisphere wheat and barley crops, lowered by 13m. and 7m. tons, respectively, with little change in the maize figure. The reduced crop prospects have prompted a downward revision in the feed use forecast, with global **consumption** now projected to rise by only 0.8%, to 1,774m. tons; increases in industrial and food use will outweigh a reduction in feed use. With the global crop forecast cut by more than consumption, world carryover **stocks** of grain in 2010/11 are placed 18m. tons lower than before, at 369m. This is 21m. tons less than the estimated 2009/10 carryover but broadly similar to the year before. World **trade** in grains in 2010/11 (July/June) is forecast at 234m. tons, almost unchanged from June, with the crop problems in recent months mainly affecting exporters rather than importing countries. The forecast is only slightly under last year's 235m. tons and well below the 2008/09 record of 249m. Trade in wheat is forecast to decline by some 4m. tons, but maize is set to rise by almost the same amount. Offsetting the expected reductions in exports by Russia and Ukraine are significant increases in shipments forecast for the US and Argentina, with global availabilities remaining ample.

WHEAT: A prolonged period of dry weather and high temperatures significantly reduced yield prospects in Russia, Kazakhstan, parts of Ukraine and north-western areas of the EU, while wet weather and flooding were detrimental for crops in Canada and parts of south-eastern Europe. The forecast of world wheat **production** in 2010 is cut by 13m. tons, to 651m. (677m.), although this would still be the third highest on record. A sharp reduction in feed use cuts the forecast of world wheat **consumption** in 2010/11 by 3m. tons, to 655m. (648m.). The reduced production outlook lowers the forecast of carryover **stocks** at the end of 2010/11 by 9m. tons, to 192m., but this is only modestly down from last season's eight-year high. World wheat **trade** in 2010/11 is forecast at 120.4m. tons, slightly up from last month but down by 4.0m. from the estimate for 2009/10, mostly due to improved milling wheat supplies in Near East Asia. This month's sharply lower crop expectations in Kazakhstan, Russia and Ukraine are reflected in reduced export forecasts, offset by a major increase in US exports, in particular.

MAIZE (CORN): World maize **production** in 2010/11 is forecast at a record 823m. tons (805m.), almost unchanged from a month ago; downward revisions for the US and the EU are broadly offset by improved prospects in China, Ukraine and Indonesia. World maize **consumption** is forecast to rise to a record 830m. tons in 2010/11, up by almost 2% from the previous year. Total feed use in 2010/11 is forecast to rise to 483m. tons (478m.). Growth in industrial use of maize will again outstrip the rise in feed consumption. Global **stocks** at the end of 2010/11 (respective marketing years) are forecast to fall to a four-year low of 134m. tons with the US figure lowered from last month to reflect greater than anticipated domestic use and a reduced 2010 crop estimate. Firm feed demand is expected to support world maize **trade** in 2010/11 (July/June), with total imports forecast to rise to 88.1m. tons (84.4m.). China has recently purchased a number of cargoes from the US.

RICE SUPPLY AND DEMAND IN 2009/10

Global rice **output** in 2009/10 is estimated to have declined by 1%, to 441m. tons following the heavy fall in output in India. Although rice **consumption** is expected to expand by 0.7%, world carryover **stocks** are forecast to be show little change; those in the five leading rice exporters are expected to fall slightly, to 25.3m. (26.3m.). Due to a slower than expected pace of shipments to sub-Saharan Africa, the forecast of world **trade** in calendar 2010 is cut slightly from last month. However, at 29.6m. tons, it would still be 2% higher than in 2009, underpinned by stronger import demand from Far East Asia, notably the Philippines.

** Wheat and coarse grains*

MAIN MARKET EVENTS SINCE 24 JUNE 2010

24 Jun	**Algeria**: bought 400,000 t opt.-origin milling wheat
26	**Egypt**: GASC bought 120,000 t wheat from Russia
28	**Thailand**: bought 110,000 t feed wheat from Black Sea origins
30	**USA**: USDA Acreage report: maize area cut 0.3m ha, soyabeans up 0.3m, all wheat up 0.2m. Studies report for maize also bullish
5 Jul	**China**: Canada Ag. Min.: signed deal with COFCO to sell 0.5m t wheat by end-2011
5/19/23	**Bangladesh**: bought 210,000 t opt.-origin milling wheat
7	**Tunisia**: bought 75,000 t opt.-origin feed barley
7/20	**Egypt**: GASC bought 180,000 t wheat from Russia
8	**Canada**: AAFC: all wheat crop f'cast cut by 3.3m t to 20.9m t (-21%), barley by 1m to 7.8m (-18%)
9	**USA**: USDA 10/11 f'casts: wheat crop 4.0m t higher, exports up 2.7m, end stocks up 2.7m. Maize crop down 3.2m t and with a lower carry-in, end stocks 5.1m lower
14	**China**: CNGOIC: recent rains beneficial for maize crop, output f'cast at 168m t (+2%)
	Ukraine: Ag. Ministry: grain production f'cast down 3.3m t, to 42.2m (-8%)
15	**EU**: Stratégie Grains: grain production f'cast cut by 6.8m t, to 281.0m (-4%)
19	**Iraq**: bought 350,000 t opt.-origin wheats
20	**Kazakhstan**: Ag. Ministry: grain production f'cast down 1.0m t, to 13.5-14.5m (20.8m)
21	**Algeria**: bought up to 300,000 t opt-origin milling wheat, likely from EU (France)
27	**Russia**: Dep. Econ Min.: grain production f'cast at below 80.0m t (97.0m).
28	**US/EU**: US wheat futures at 13-month highs, NYSE Euronext wheat at a 22-month high

CONTENTS AND WEBSITE MENU

(N.B: Text and tables highlighted in blue are available in electronic version only)

GMR COMMENTARY

TABLES