Global grain market
Very tight wheat and barley outlooks / Maize to balance?

Gabriel Omnès (wheat analyst) and Laurine Simon (maize analyst)

25 October 2018
Wheat and barley prices already up

The sharpest increase for barley
Maize prices pressured to the floor by good harvests in US and Ukraine

25/10/2018  Grain Outlook
Strong reduction in wheat and barley global crops

-35 Mt for **wheat** and -5 Mt for **barley** mostly in EU and Russia

+44 Mt for **maize** thanks to bumper crops in USA/Ukraine and the recovery expected in South America (higher areas)
Maize very attractive against other feed grain

- Fob Ukraine: maize 50 $/t cheaper now and discount expected to widen
- Delivered Asia: maize cheaper than wheat by about 45 $/t
Wheat to lose demand in animal feed to the benefit of maize
Global wheat Supply and Demand

- Record-low production since 2013/14
- Feed use slashed by low competitiveness (-13 Mt)
- Very conservative prospects for human/industrial demand (+3 Mt only)
- World trade to step back (Turkey, India, Asia, record high North African crops...)
- BUT dwindling stocks in main exporting countries
Strong early exports out of Russia despite lower supply

- Russian exports currently forecast at 33 Mt...
- ... but it could be less

As of October 12 for 2018/19
But the countdown has started: Black Sea wheat still the cheapest — not for long?

Delivered Egypt
Exports will decrease from Black Sea, Australia, EU to the benefit of USA

- Exports from Black Sea, EU, Australia will be capped by lower supply
- US Bumper stocks and higher crop will allow increasing exports from the USA
Wheat stocks/use ratios sharply down by main exporters

- Surpluses accumulated for the past 3 years will disappear in main exporting countries, including Russia, USA and EU...

... leading to the lowest Stock/Use ratio in main exporting countries since 2013/14
Global barley stocks to dive

- Global barley production collapsed in 2018/19 (except in North Africa)...
- ... facing a demand only slightly down in China and Saudi Arabia

End June barley stocks/use ratios

- Very low Stock/Use ratio in main exporting countries despite lower domestic use

Global barley stocks to dive

25/10/2018

Grain Outlook

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Conclusion on 2018/19

- **Wheat**: very tight situation with further increase potential especially in Russia

- **Swing factors:**
  - Russian political decisions
  - Argie/Aussie crops
  - demand in importing countries
  - dry weather in the EU for wheat sowings

- **Barley**: further increase potential before sagging under harvest pressure

- **Swing factors:**
  - private purchases in Saudi (when?)
  - cut in Australian crop
  - China/US trade war
Global maize Supply and Demand

- Production sharply up combined with ample stocks
- Feed use poised to increase steeply...
- ... pulling up import needs
- Stocks to stay comfortable
Higher maize imports in several countries, especially in the EU

- Record-high imports expected in the EU (21 Mt)
- Asian imports set to increase due to low feed wheat competitiveness
- Global trade expected up by 10 Mt
Good competitiveness of Black Sea maize

- Ukraine is the most competitive maize to Mediterranean countries, followed by Rom/Bulg. maize and US maize
- French maize not competitive
Exports expected sharply up from Ukraine, Brazil and the USA - By contrast, Russian exports to plunge

- Ukraine will benefit from high competitiveness delivered in the EU
- US exports at record high level
- Fall of Russian exports stemming from a poor harvest

<table>
<thead>
<tr>
<th>Country</th>
<th>Maize Exports (Mt)</th>
<th>Change (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine</td>
<td>23.6</td>
<td>4.9</td>
</tr>
<tr>
<td>Brazil</td>
<td>31.1</td>
<td>2.9</td>
</tr>
<tr>
<td>USA</td>
<td>62.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Serbia</td>
<td>2.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Argentina</td>
<td>1.0</td>
<td>0.7</td>
</tr>
<tr>
<td>EU-28</td>
<td>26.3</td>
<td>-2.9</td>
</tr>
<tr>
<td>Russia</td>
<td>2.3</td>
<td>-2.8</td>
</tr>
</tbody>
</table>

Grain Outlook
Declining albeit still ample global maize stocks

- Stocks/Use ratio set to stay high in South and North-America
- S/U ratio in main exporters still reflecting a very comfortable global situation

Maize stocks/use ratios

US maize price Fob Gulf $/t

25/10/2018

Grain Outlook
Conclusion on 2018/19

- **Maize**: much more comfortable SD compared with wheat will prevent maize to rally, gaining huge demand for feed use with unusually wide discount against wheat

- **Swing factors**:  
  - Farmers’ retention (esp. in the US)  
  - wheat prices rising more than expected  
  - bad weather impacting maize crops in S. America

![Graph showing EU Black Sea maize, US corn Fob Gulf, and Ukrainian maize prices over time.](image-url)
Our forecasts for 2019/20
Wheat acreage expected up worldwide for 2019/20

- +3% worldwide (+6 Mha) under the lead of Russia, the USA and the EU
- +60 Mt of soft wheat weather permitting
Wheat situation to ease in 2019/20, weather permitting

### World Wheat Supply & Demand

<table>
<thead>
<tr>
<th></th>
<th>16/17</th>
<th>17/18</th>
<th>18/19</th>
<th>19/20</th>
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</thead>
<tbody>
<tr>
<td>carry-in stocks</td>
<td>232</td>
<td>234</td>
<td>232</td>
<td>204</td>
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<tr>
<td>production</td>
<td>729</td>
<td>734</td>
<td>697</td>
<td>755</td>
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<td>trade</td>
<td>161</td>
<td>161</td>
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<td>168</td>
</tr>
<tr>
<td>consumption</td>
<td>727</td>
<td>736</td>
<td>725</td>
<td>746</td>
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<tr>
<td>of which feed</td>
<td>135</td>
<td>137</td>
<td>124</td>
<td>133</td>
</tr>
<tr>
<td>carry-out st.</td>
<td>234</td>
<td>232</td>
<td>204</td>
<td>213</td>
</tr>
<tr>
<td>stocks-to-use ratio</td>
<td>32%</td>
<td>32%</td>
<td>28%</td>
<td>29%</td>
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</tbody>
</table>
Maize stocks to decrease in 2019/20 but still high, esp. in main exporters

World Maize Supply & Demand

<table>
<thead>
<tr>
<th>Mt</th>
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</thead>
<tbody>
<tr>
<td>carry-in stocks</td>
<td>258</td>
<td>305</td>
<td>278</td>
<td>263</td>
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<tr>
<td>production</td>
<td>1046</td>
<td>996</td>
<td>1040</td>
<td>1063</td>
</tr>
<tr>
<td>trade</td>
<td>144</td>
<td>155</td>
<td>165</td>
<td>173</td>
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<tr>
<td>consumption</td>
<td>999</td>
<td>1022</td>
<td>1056</td>
<td>1076</td>
</tr>
<tr>
<td>of which feed</td>
<td>582</td>
<td>595</td>
<td>622</td>
<td>635</td>
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<tr>
<td>carry-out st.</td>
<td>305</td>
<td>278</td>
<td>263</td>
<td>249</td>
</tr>
<tr>
<td>stocks-to-use ratio</td>
<td>30%</td>
<td>27%</td>
<td>25%</td>
<td>23%</td>
</tr>
</tbody>
</table>

For 2018/19, Black Sea prices (Ukraine and EU Black Sea) should be lower than expected, as in 2018/19. Global situation not expected to be tight, except if wheat prices rise more than expected.

World maize supply & demand is still high, esp. in main exporters. Carry-in stocks are expected to decrease more than expected.
Barley stocks to bounce back — much more comfortable situation but still fragile

<table>
<thead>
<tr>
<th>World Barley Supply &amp; Demand</th>
<th>Mt</th>
<th>16/17</th>
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<th>18/19</th>
<th>19/20</th>
</tr>
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<tbody>
<tr>
<td>carry-in stocks</td>
<td>28</td>
<td>27</td>
<td>25</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>production</td>
<td>148</td>
<td>144</td>
<td>139</td>
<td>151</td>
<td></td>
</tr>
<tr>
<td>trade</td>
<td>28</td>
<td>29</td>
<td>26</td>
<td>27</td>
<td></td>
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<td>consumption</td>
<td>150</td>
<td>146</td>
<td>142</td>
<td>148</td>
<td></td>
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<tr>
<td>of which feed</td>
<td>106</td>
<td>102</td>
<td>98</td>
<td>104</td>
<td></td>
</tr>
<tr>
<td>carry-out st.</td>
<td>27</td>
<td>25</td>
<td>21</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>stocks-to-use ratio</td>
<td>18%</td>
<td>17%</td>
<td>15%</td>
<td>17%</td>
<td></td>
</tr>
</tbody>
</table>

French barley price Fob Rouen $/t

25/10/2018
Any questions?

- **Maize analyst:** Laurine Simon
- **Feed/Malting barley analyst:** Hélène Duflot
- **Soft/Durum wheat analyst:** Gabriel Omnès
- **Crop analysts (EU/Black Sea):** Benoît Fayaud, Jean-Sébastien Jacquet, Laurine Simon
- **Animal Feed analysts:** Damien Jouen, Hémeline Macret, Laurent Crastre
- **Biofuel analyst:** Madeleine Breguet
Soft wheat harvested area (kha) - 2019

EU28 area
+5.5% compared to 2018

Rains needed by mid-November

2019 vs 2018

- +11% and more
- +3% / +10%
- -2% / +2%
- -3% / -10%
- -11% and less

EU28
2018: 22.9 Mha
2019: 24.2 Mha
2014-2018 av: 23.9 Mha

Grain Outlook
Barley harvested area (kha) - 2019

EU28 area
-1% compared to 2018

Dry conditions could affect winter barley sowings benefiting to spring barley

2019 vs 2018

- +11% and more
- +3% / +10%
- -2% / +2%
- -3% / -10%
- -11% and less

EU28
2018: 12390 Kha
2019: 12300 Kha
2014-2018 av: 12230 Kha

Grain Outlook
25/10/2018
World wheat trade to decline for the first time since 2014/15 despite food demand growth

Imports need cut by:
- Lower feed demand (Asia)
- Economic hurdle (Turkey, Venez.)
- Better crop in some importing countries (South Africa, India)
Black sea wheat still the cheapest ...

Morocco

Algeria

- French wheat
- German wheat (12,5)
- Argentinian wheat (11,5)
- Ukrainian wheat (11,5)
- US HRW

25/10/2018 Grain Outlook