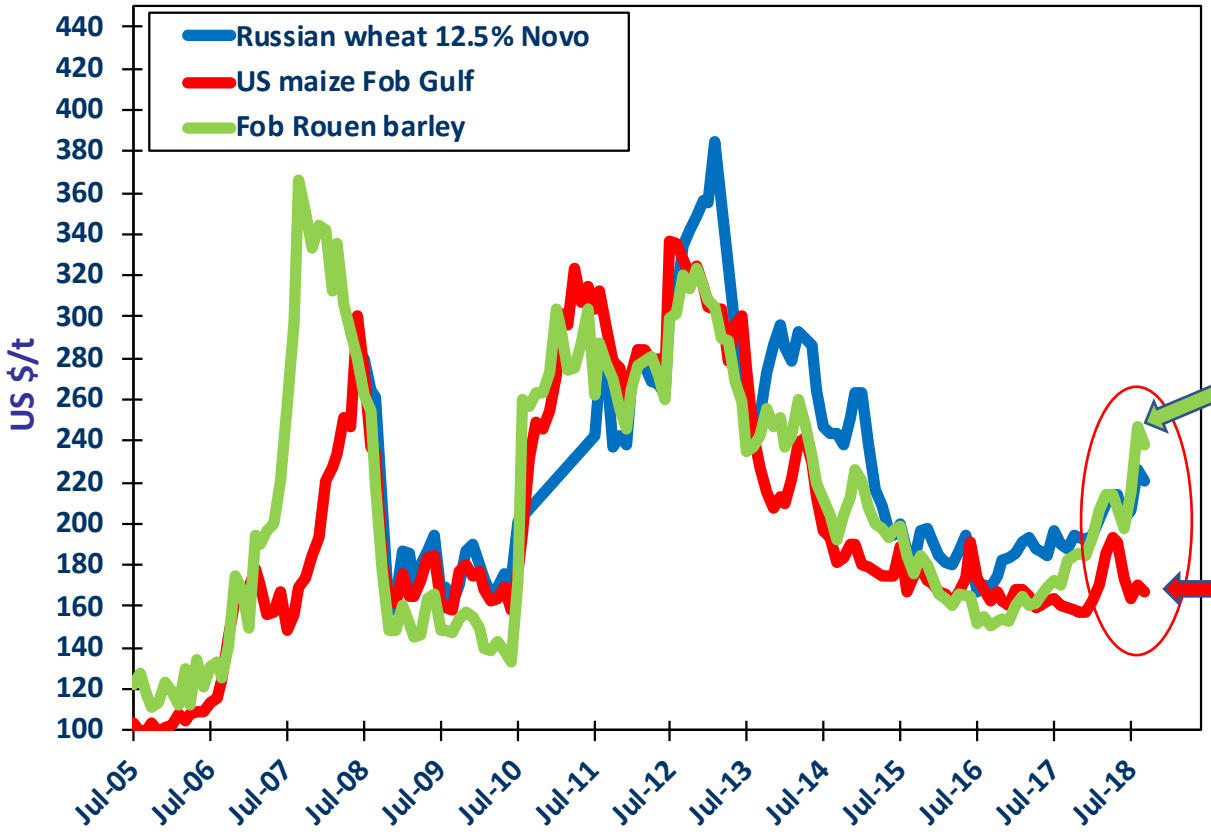
Global grain market

Very tight wheat and barley outlooks / Maize to balance ?

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

25 October 2018

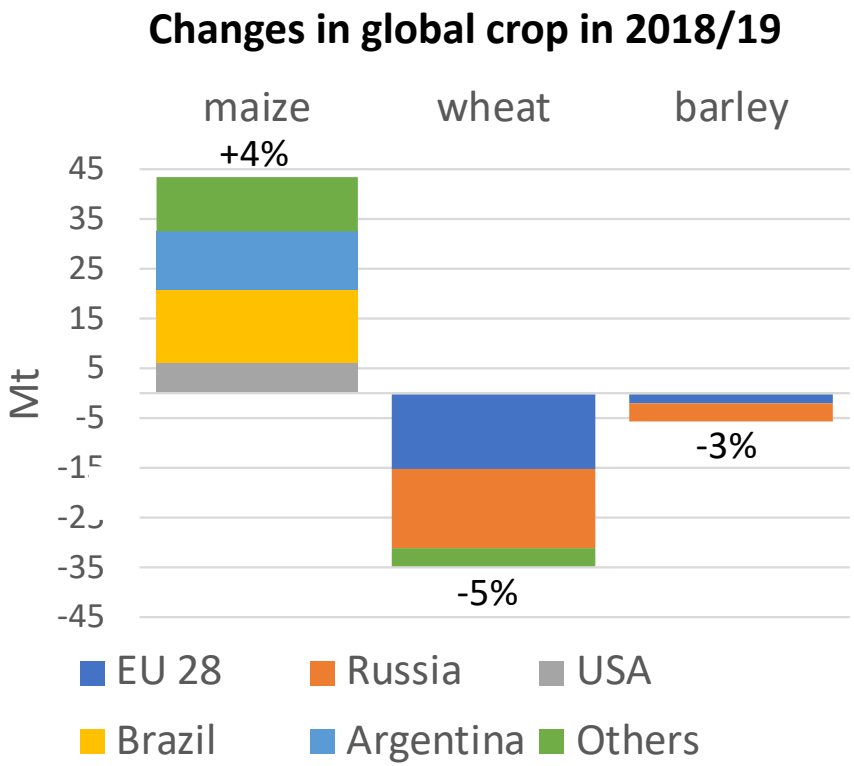
Wheat and barley prices already up



The sharpest increase for barley

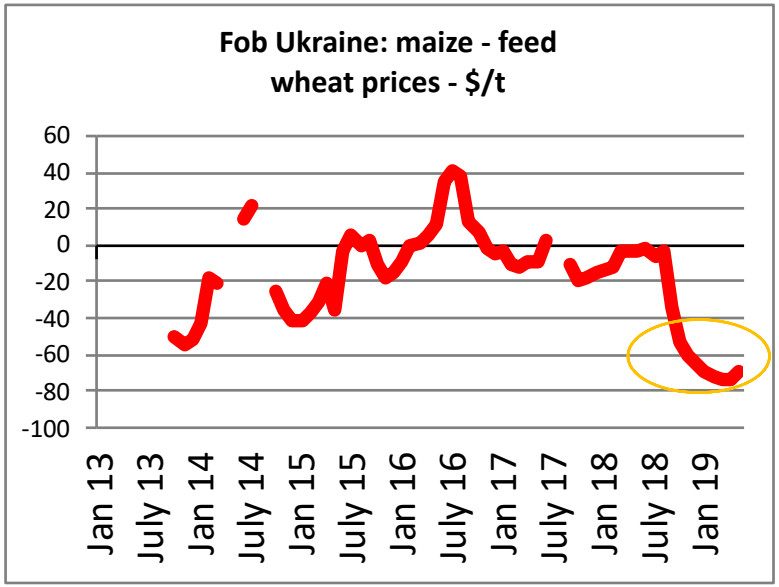
Maize prices pressured to the floor by good harvests in US and Ukraine

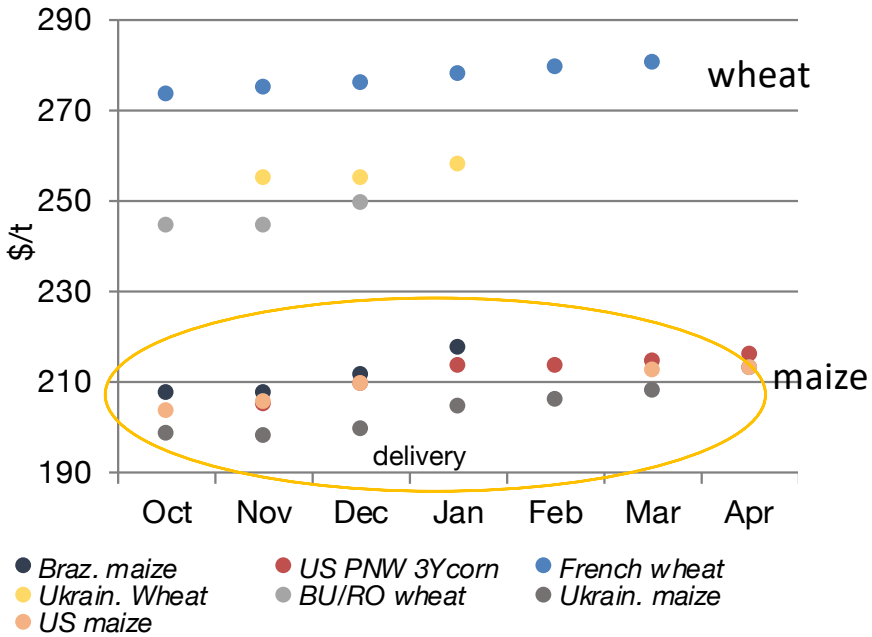
Strong reduction in wheat and barley global crops



- -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)

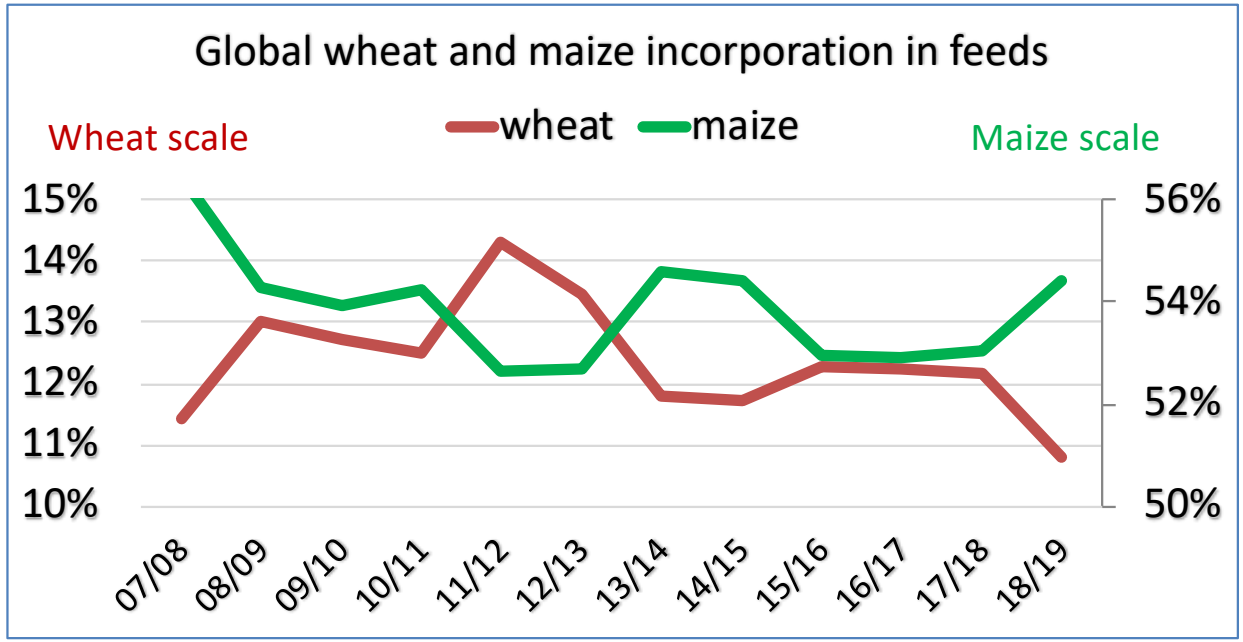
Maize very attractive against other feed grain





- Fob Ukraine: maize 50 $/t cheaper now and discount expected to widen
- Delivered Asia: maize cheaper than wheat by about 45 $/t

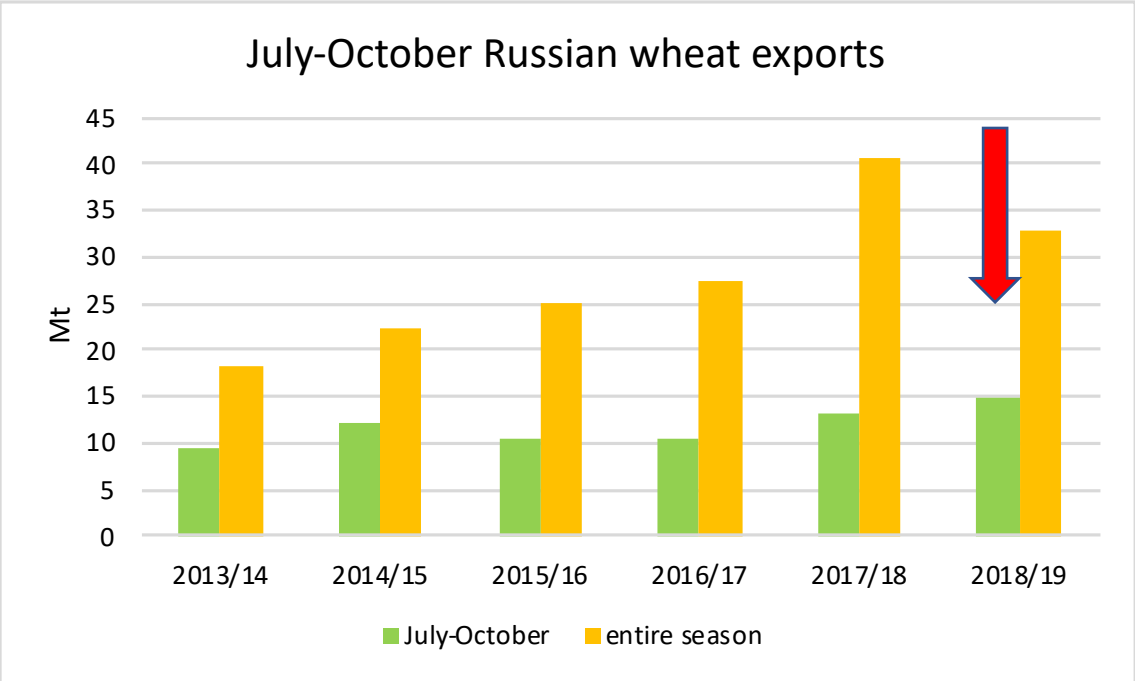
Wheat to lose demand in animal feed to the benefit of maize



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

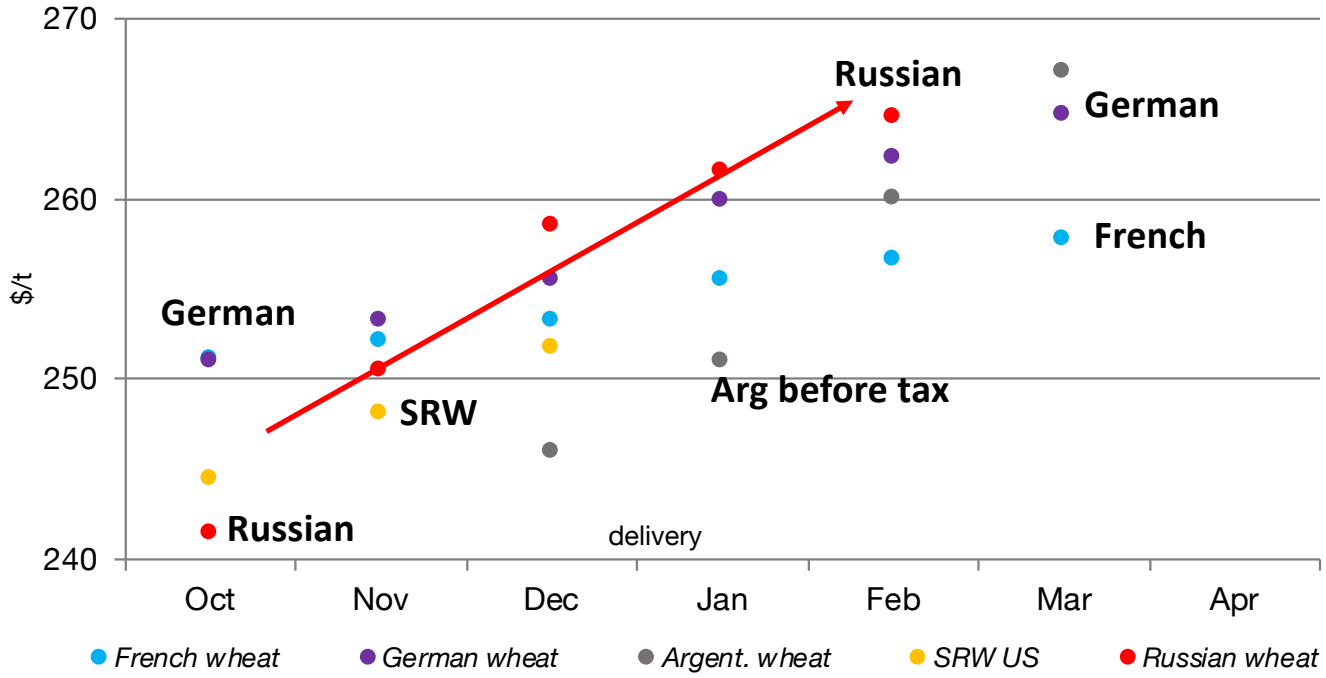
Strong early exports out of Russia despite lower supply



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

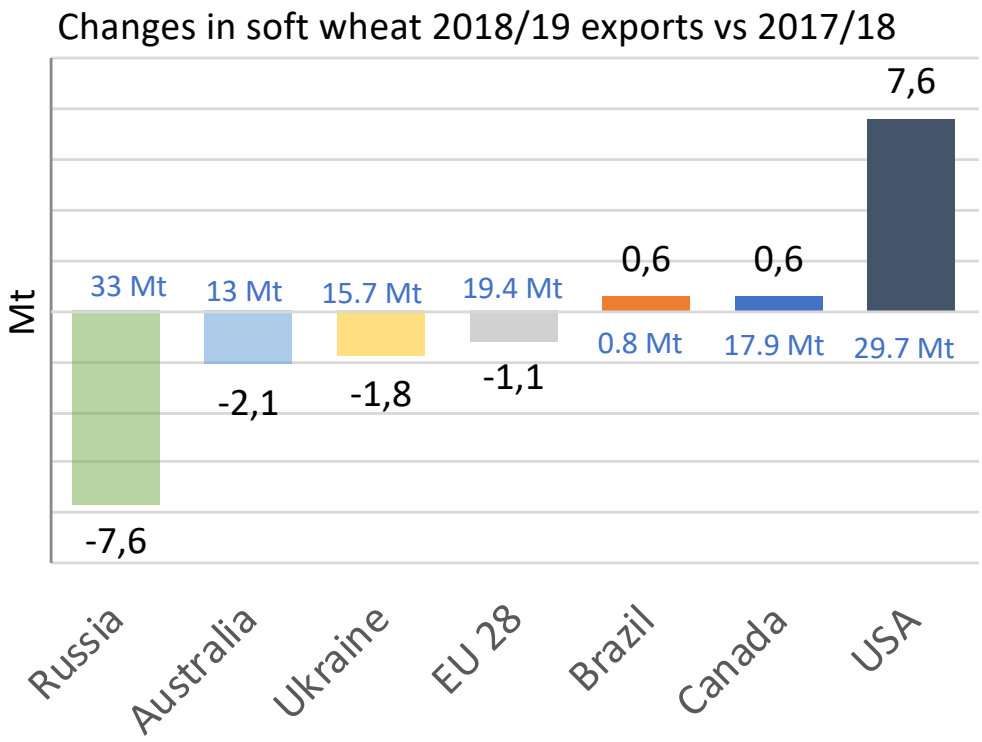
As of of October 12 for 2018/19

But the countdown has started: Black Sea wheat still the cheapest – not for long?



Delivered Egypt

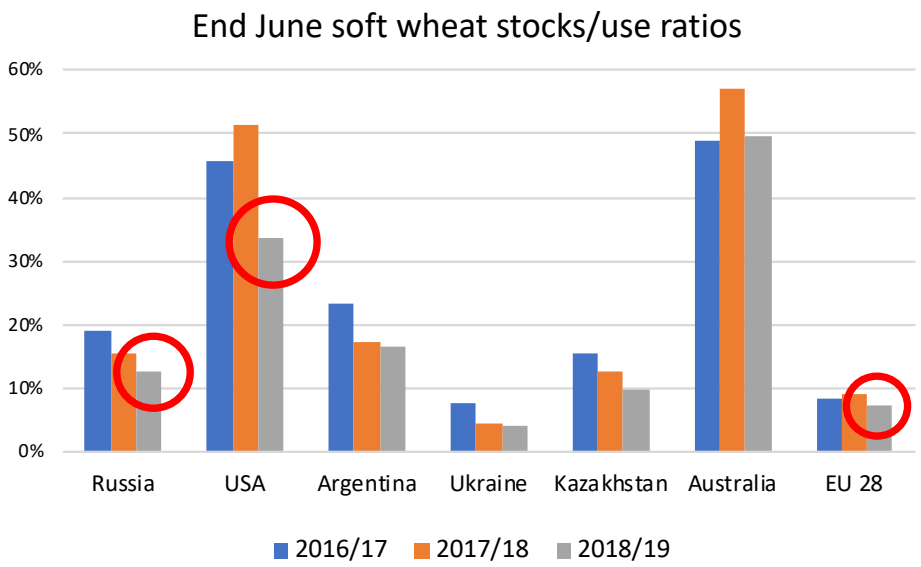
Exports will decrease from Black Sea, Australia, EU to the benefit of USA



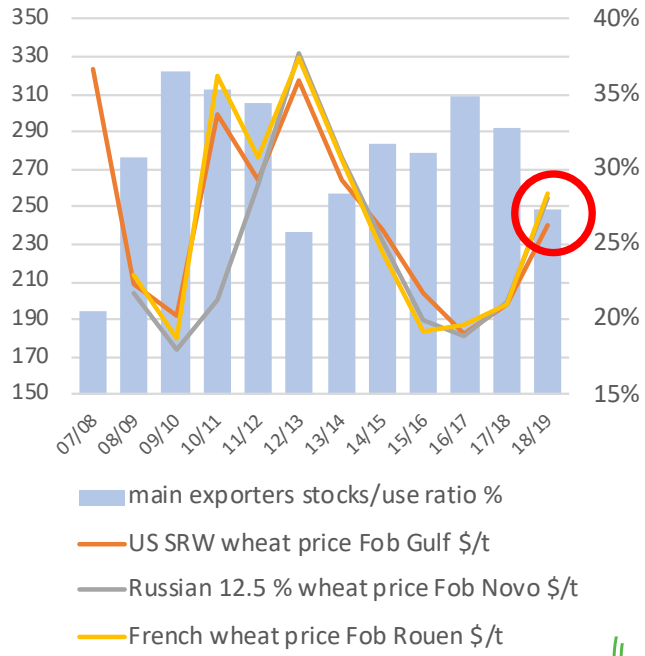
- Exports from Black Sea, EU, Australia will be capped by lower supply
- US Bumper stocks and higher crop will allow increasing exports from the USA

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…

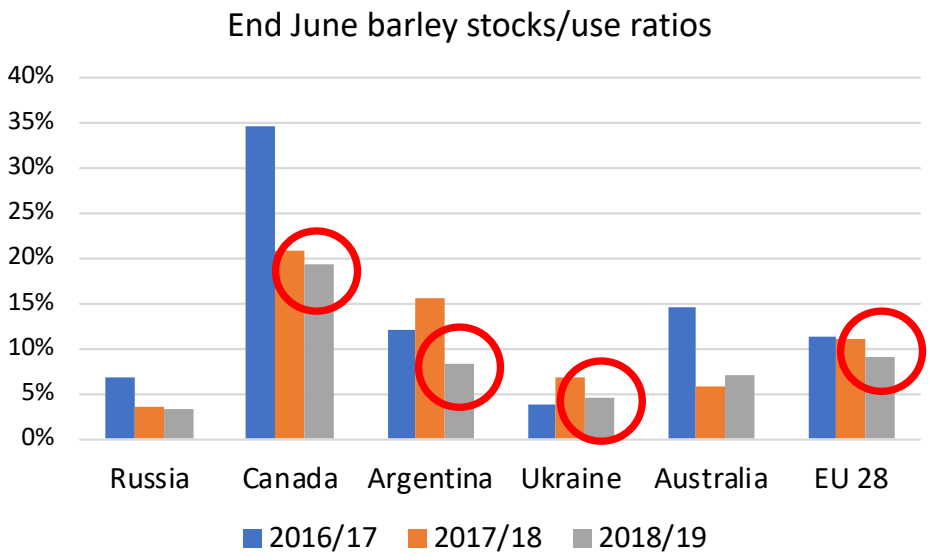


- … leading to the lowest Stock/Use ratio in main exporting countries since 2013/14

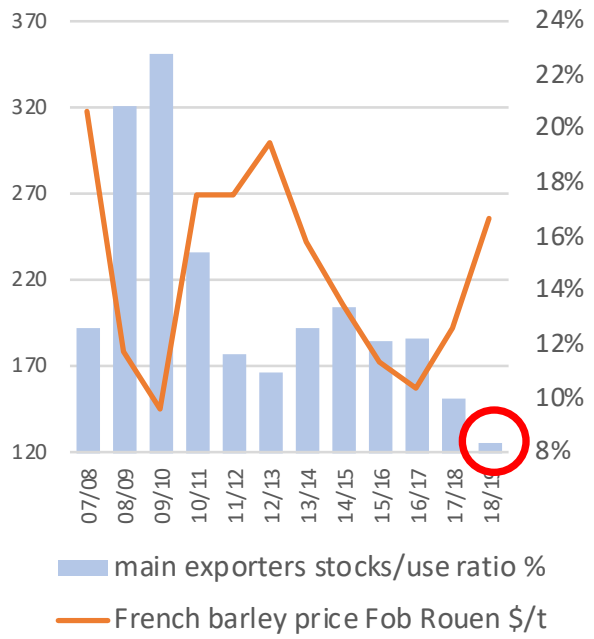


Global barley stocks to dive

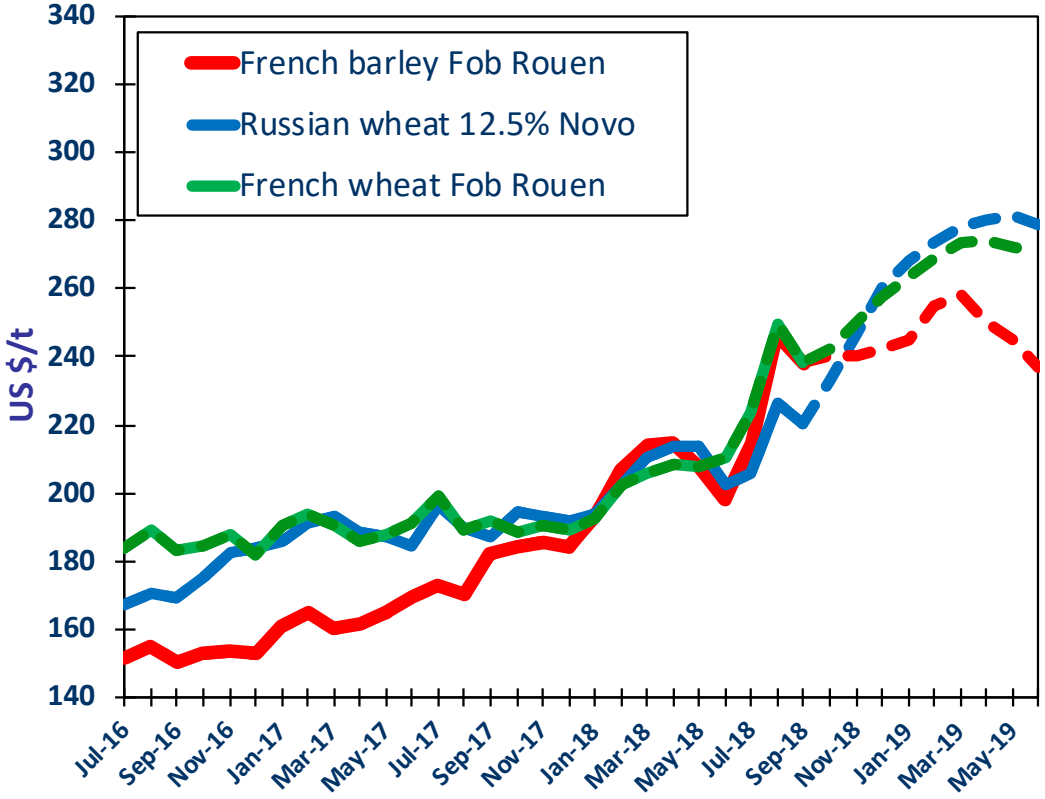
- Global barley production collapsed in 2018/19 (except in North Africa)…
- … facing a demand only slightly down in China and Saudi Arabia



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



Conclusion on 2018/19



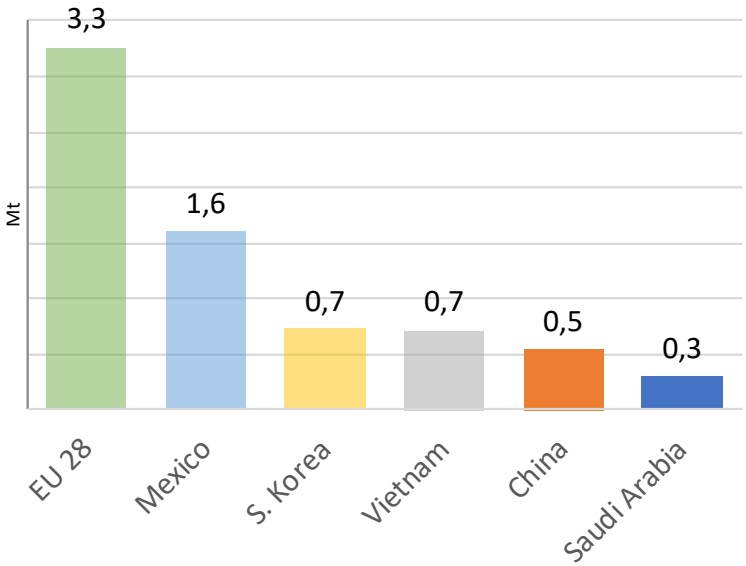
- **Wheat**: very tight situation with further increase potential especially in Russia
- Swing factors:
  - Russian political decisions
  - Argie/Aussie crops
  - demand in importing countries
  - dry weather in the EU for wheat sowings
- **Barley**: further increase potential before sagging under harvest 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

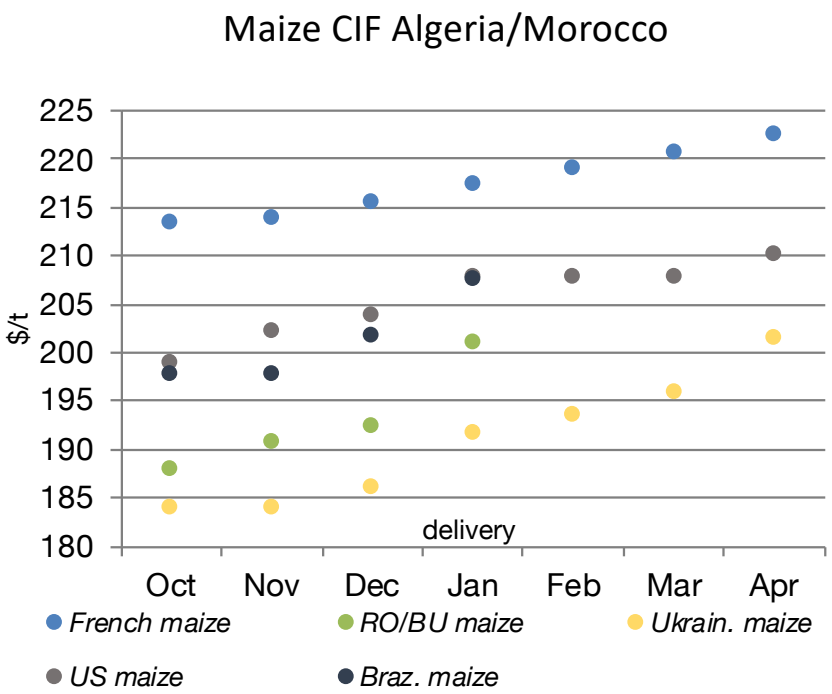
Higher maize imports in several countries, especially in the EU

Changes in maize 2018/19 imports vs 2017/18



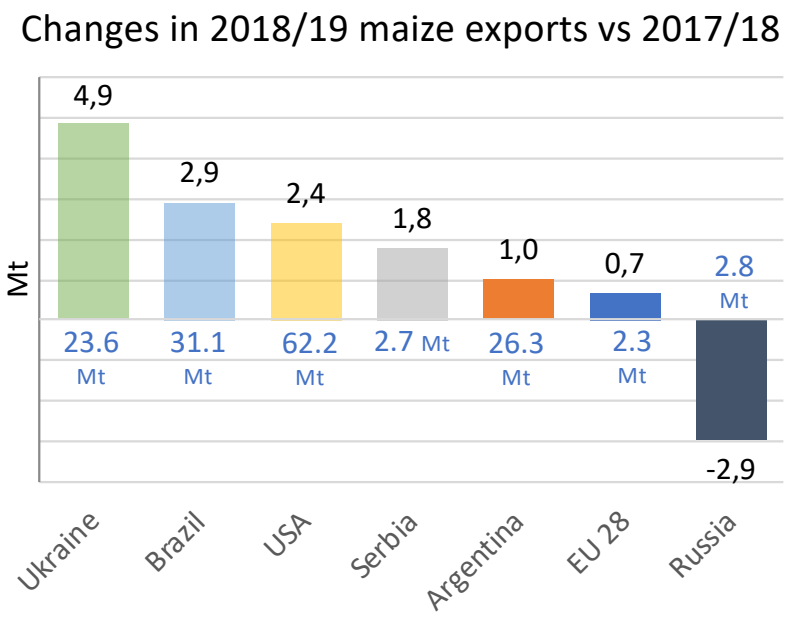
- Record-high imports expected in the EU (21 Mt)
- Asian imports set to increase due to low feed wheat competitiveness
- Global trade expected up by 10 Mt

Good competitiveness of Black Sea maize



- Ukraine is the most competitive maize to Meditarrenean countries, followed by Rom/Bulg. maize and US maize
- French maize not competitive

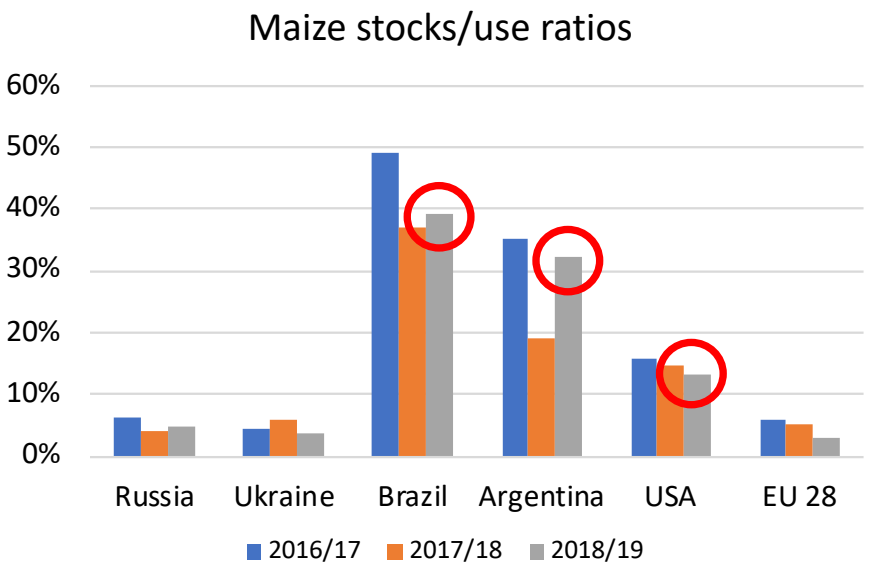
Exports expected sharply up from Ukraine,Brazil and the USA – By contrast, Russian exports to plunge



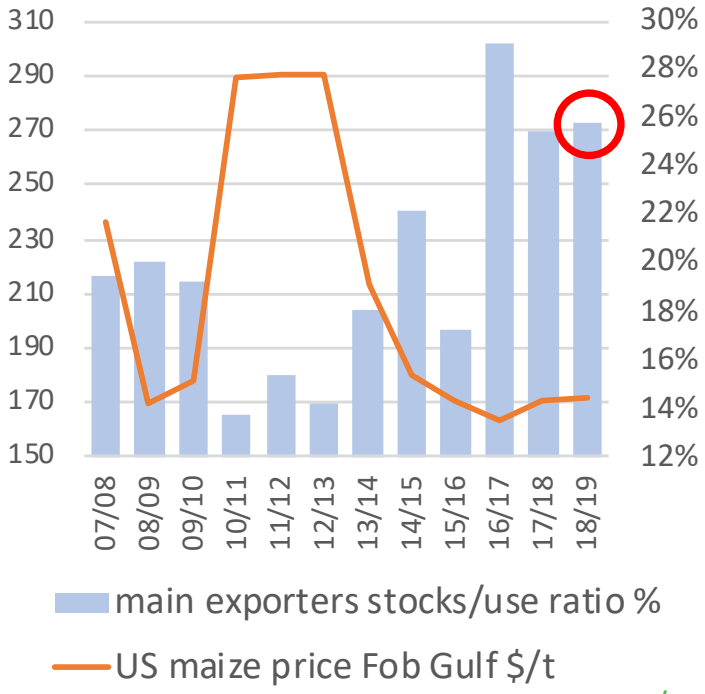
- Ukraine will benefit from high competitiveness delivered in the EU
- US exports at record high level
- Fall of Russian exports stemming from a poor harvest

Declining albeit still ample global maize stocks

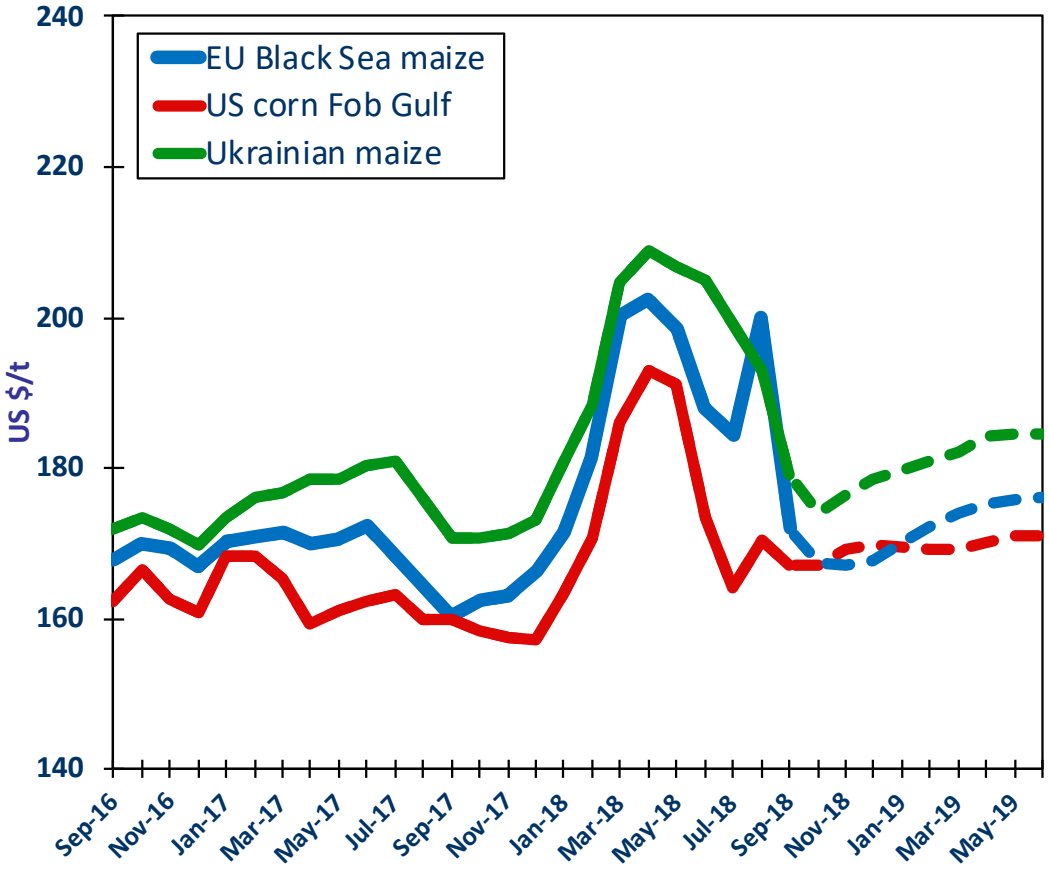
- Stocks/Use ratio set to stay high in South and North-America



- S/U ratio in main exporters still reflecting a very comfortable global situation



Conclusion on 2018/19

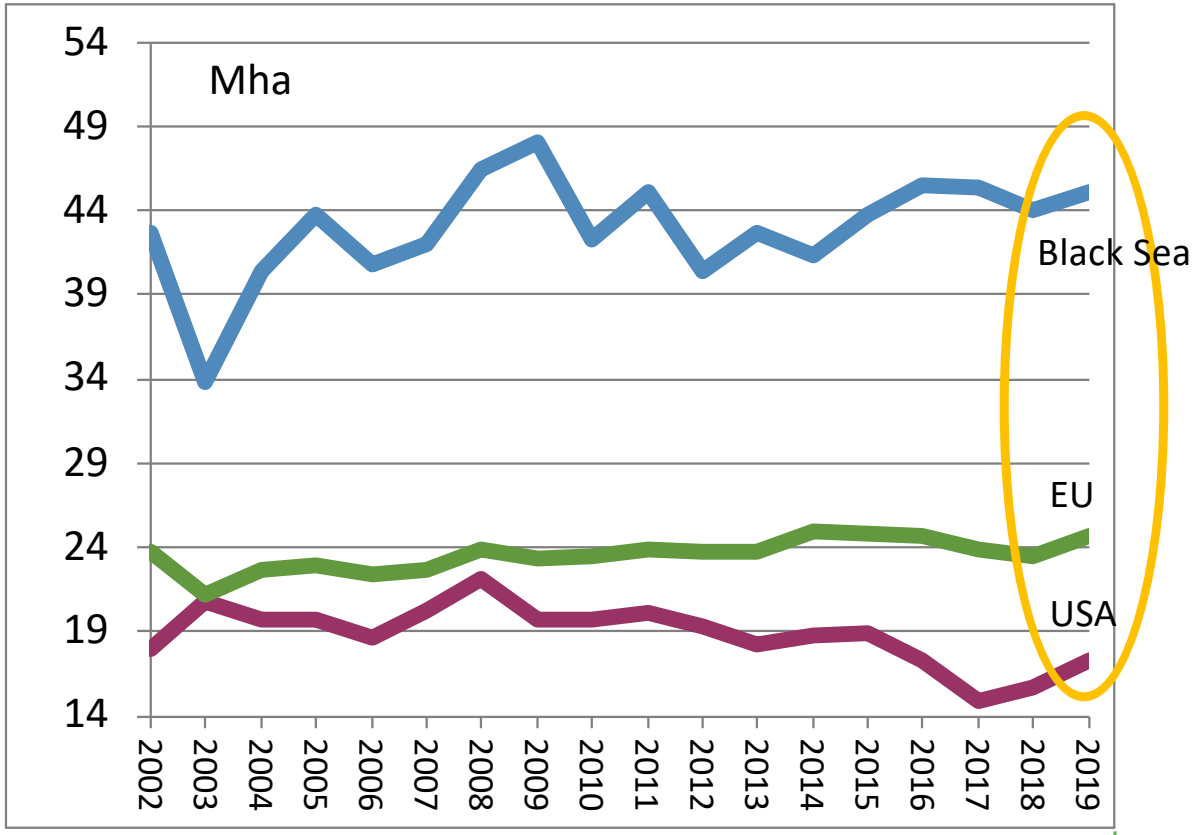


- **Maize**: much more comfortable SD compared with wheat will prevent maize to rally, gaining huge demand for feed use with unusually wide discount against wheat
- Swing factors:
  - Farmers' retention (esp. in the US)
  - wheat prices rising more than expected
  - bad weather impacting maize crops in S. America

Our forecasts for 2019/20

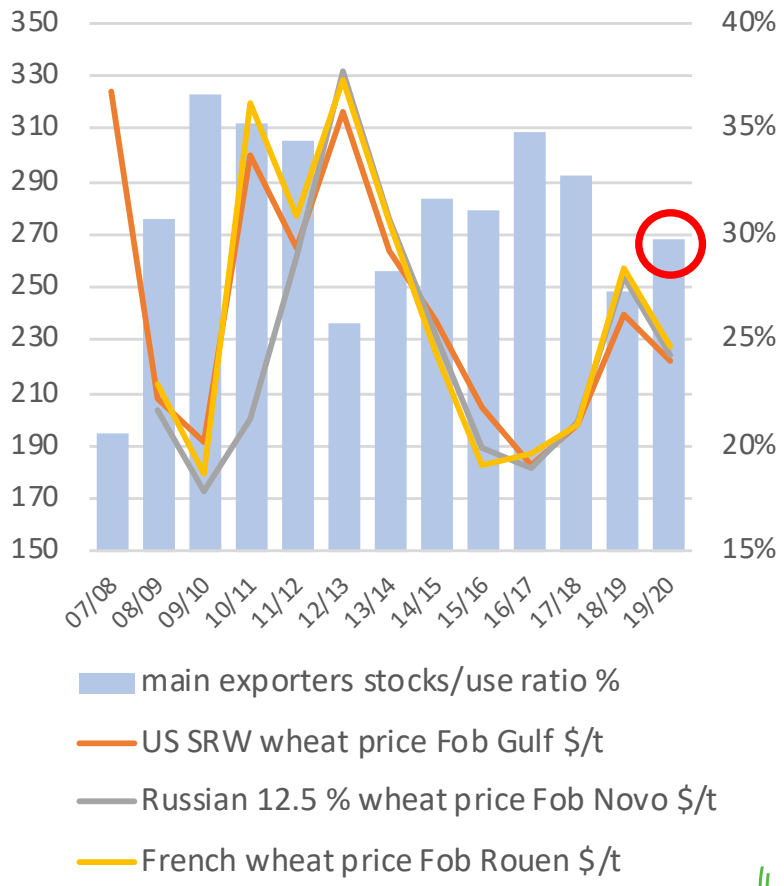
Wheat acreage expected up worldwide for 2019/20

- +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

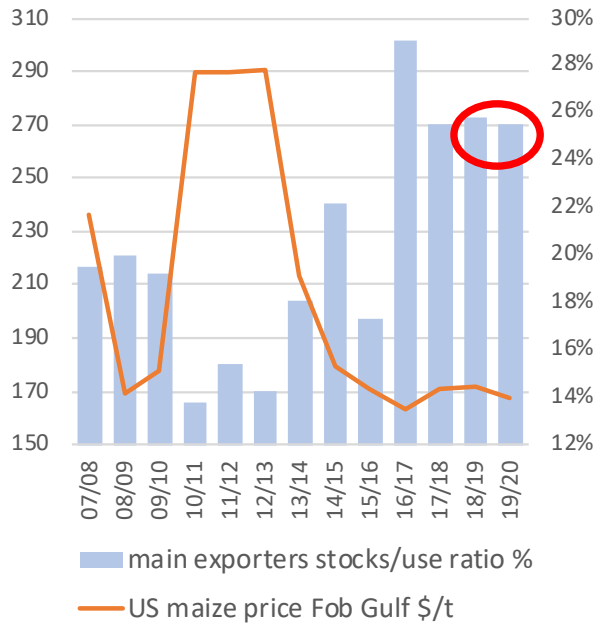
World Wheat Supply & Demand				
Mt	16/17	17/18	18/19	19/20
carry-in stocks	232	234	232	204
production	729	734	697	755
trade	161	161	158	168
consumption	727	736	725	746
of which feed	135	137	124	133
carry-out st.	234	232	204	213
stocks-to-use ratio	32%	32%	28%	29%



Maize stocks to decrease in 2019/20 but still high, esp. in main exporters

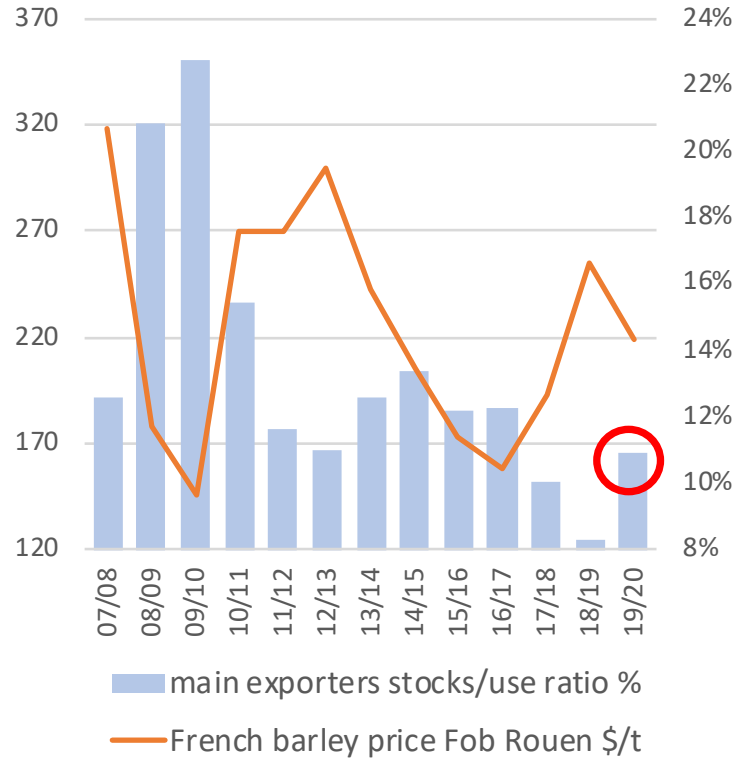
World Maize Supply & Demand

Mt	16/17	17/18	18/19	19/20
carry-in stocks	258	305	278	263
production	1046	996	1040	1063
trade	144	155	165	173
consumption	999	1022	1056	1076
of which feed	582	595	622	635
carry-out st.	305	278	263	249
stocks-to-use ratio	30%	27%	25%	23%



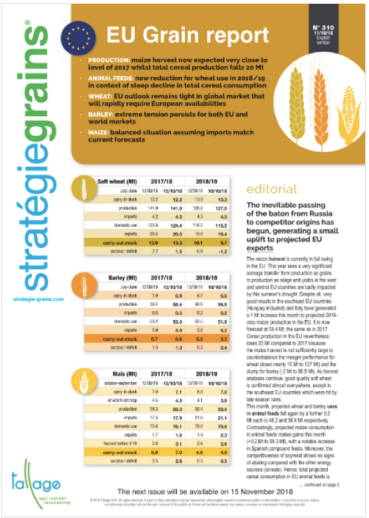
Barley stocks to bounce back – much more comfortable situation but still fragile

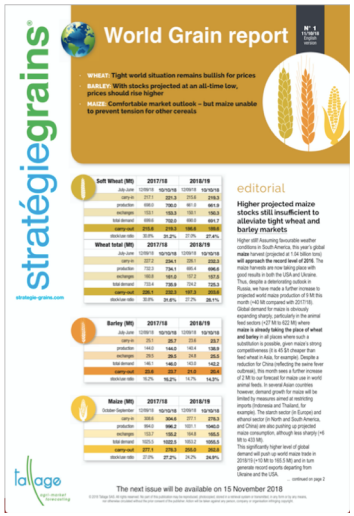
World Barley Supply & Demand				
Mt	16/17	17/18	18/19	19/20
carry-in stocks	28	27	25	21
production	148	144	139	151
trade	28	29	26	27
consumption	150	146	142	148
of which feed	106	102	98	104
carry-out st.	27	25	21	25
stocks-to-use ratio	18%	17%	15%	17%



- Any questions?

- *Maize analyst*: **Laurine Simon**
- *Feed/Malting barley analyst*: **Hélène Duflot**
- *Soft/Durum wheat analyst*: **Gabriel Omnès**
- *Crop analysts (EU/Black Sea)*: **Benoit 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

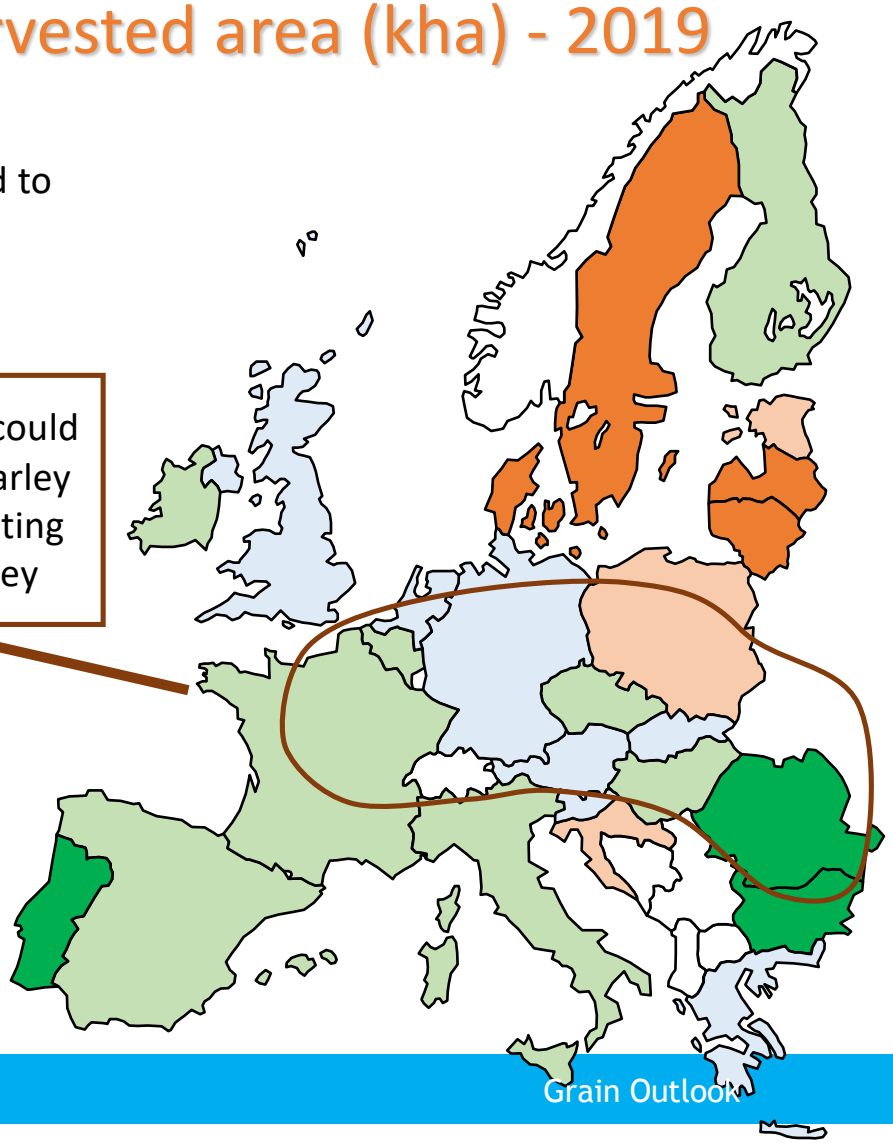
EU28

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

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

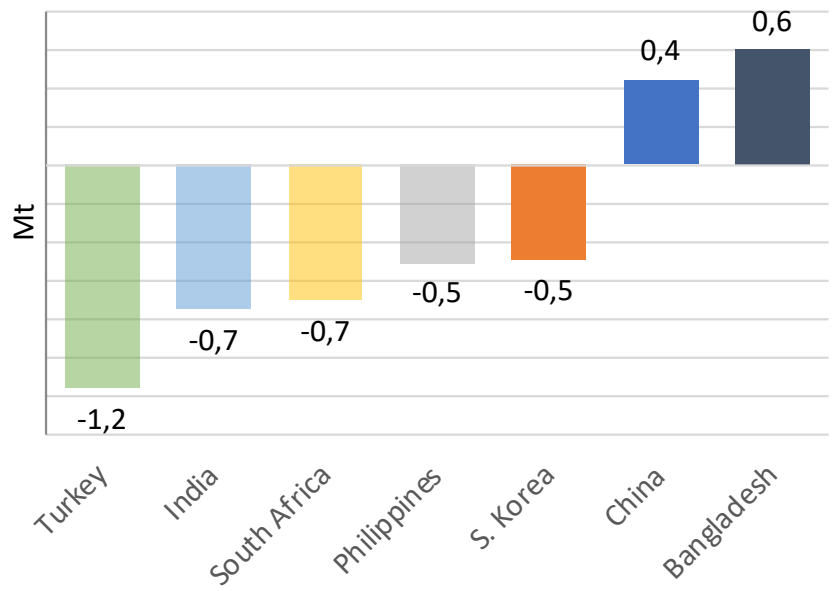
- +11% and more
- +3% / +10%
- -2% / +2%
- -3% / -10%
- -11% and less

EU28

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

World wheat trade to decline for the first time since 2014/15 despite food demand growth

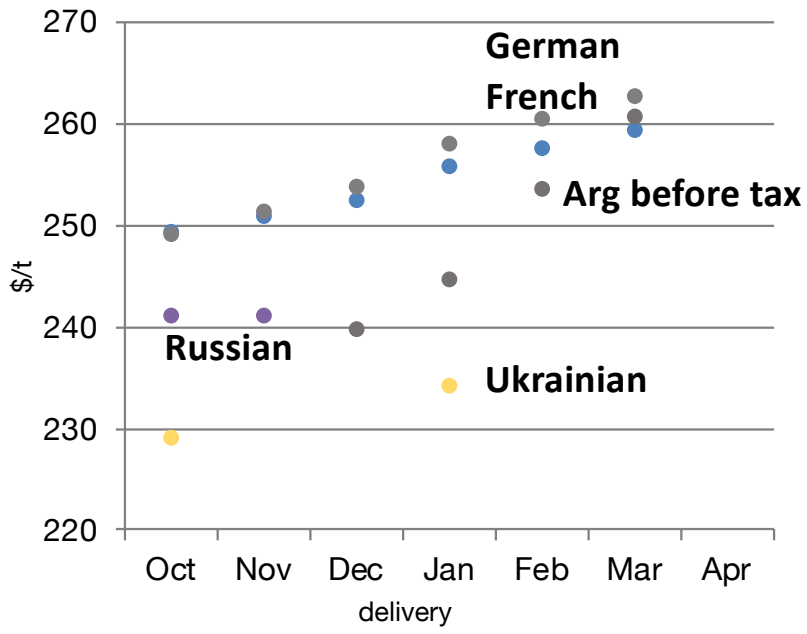
Changes to world soft wheat imports 2018/19 vs 2017/18



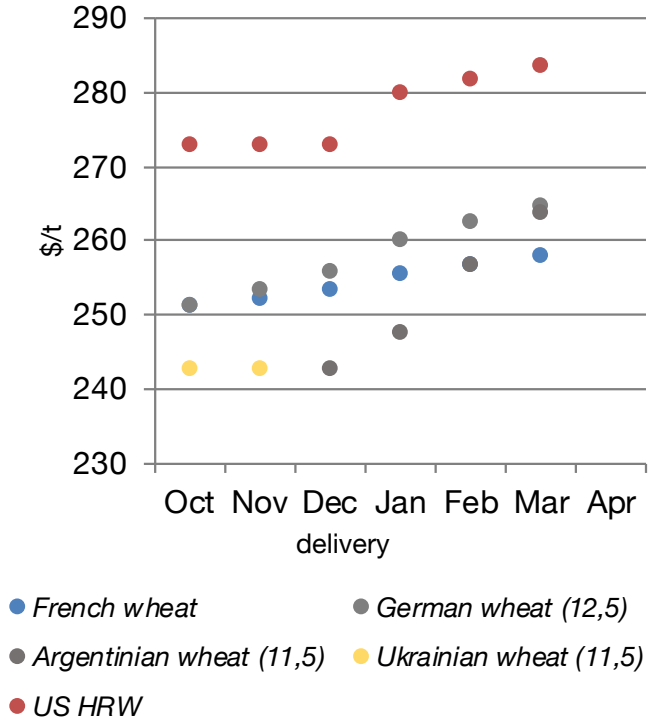
Imports need cut by:

- 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