Wheat & Maize: Global Market Situation and Outlook – 2016/17

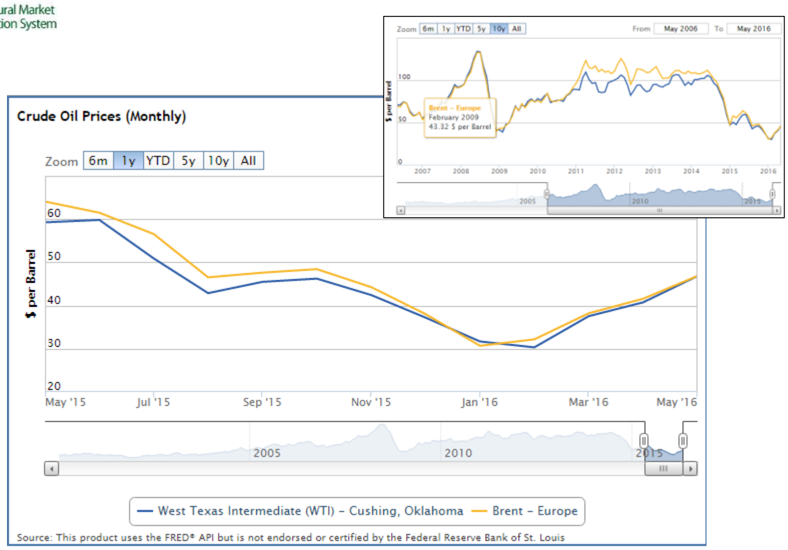
9th SESSION OF THE AMIS GLOBAL FOOD MARKET INFORMATION GROUP

FAO, Rome
22-23 June 2016

Presentation Outline

- Brief review of macro conditions
- Global S&D outlook for wheat markets in 2016/17
- Global S&D outlook for maize markets in 2016/17

Oil prices: Benchmark Brent near 8-month highs



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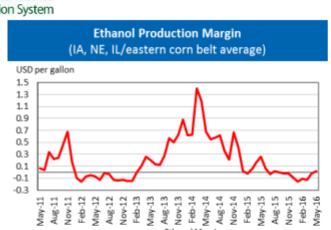
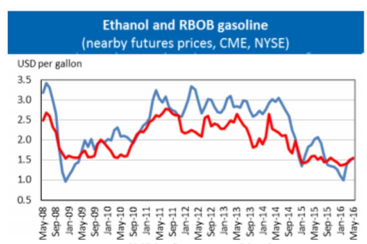
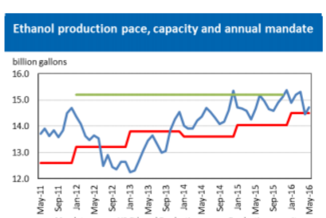
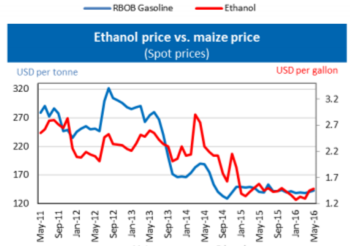
The USA Ethanol Market









Ethanol prices continue to follow gasoline and oil prices higher, but the steady rise of oil and gasoline prices has erased the unusual price premium ethanol held to gasoline over the last several months.

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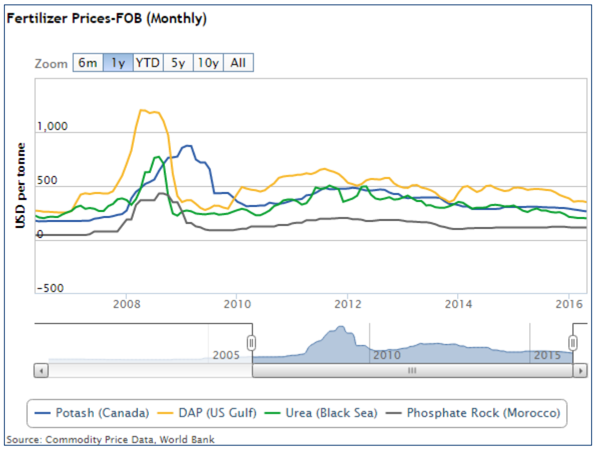
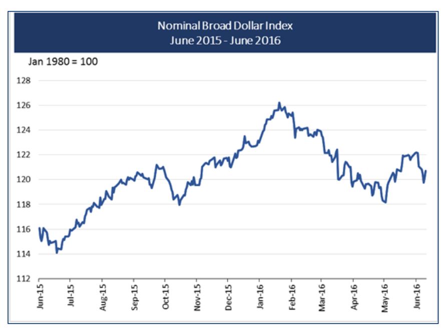
International Fertilizers Prices

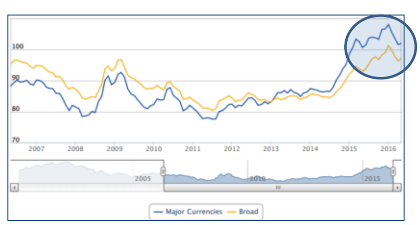


Fertilizer prices generally stable but 23-50 percent down y/y - on large surplus & lower demand.

The Dollar factor!

AMIS Countries' Currencies Against US Dollar				
AMIS Countries	Currency	June 2016 Average	Monthly Change	Annual Change
Argentina	ARS	13.83	1.94%	-52.85%
Australia	AUD	1.35	0.99%	-4.65%
Brazil	BRL	3.47	1.97%	-11.54%
Canada	CAD	1.29	0.61%	-4.15%
China	CNY	6.57	-0.70%	-5.95%
Egypt	EGP	8.88	0.00%	-16.42%
EU	EUR	0.89	-0.12%	0.45%
India	INR	67.04	-0.17%	-5.13%
Indonesia	IDR	13,379.29	0.25%	-0.57%
Japan	JPY	106.57	2.21%	13.82%
Kazakhstan	KZT	335.81	-0.91%	-80.53%
Rep. Korea	KRW	1,168.04	0.58%	-4.98%
Mexico	MXN	18.63	-2.55%	-20.38%
Nigeria	NGN	203.12	-2.19%	-2.15%
Philippines	PHP	46.24	1.17%	-2.74%
Russia	RUB	65.30	0.87%	-19.63%
Saudi Arabia	SAR	3.75	0.00%	0.00%
South Africa	ZAR	15.13	1.41%	-23.19%
Thailand	THB	35.29	0.41%	-4.70%
Turkey	TRY	2.92	0.99%	-8.16%
UK	GBP	0.70	-0.98%	-8.36%
Ukraine	UAH	24.93	0.91%	-17.78%
Vietnam	VND	22,330.36	-0.20%	-2.51%

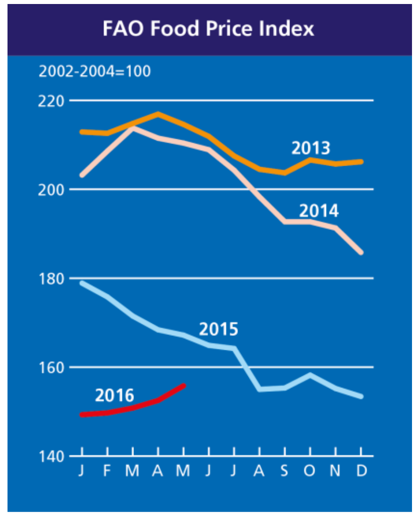




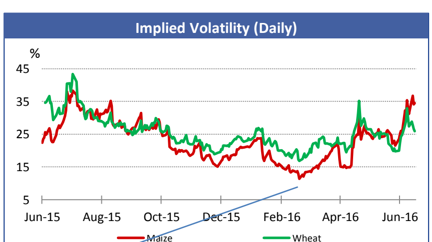
Source: US Federal Reserve

Food Prices

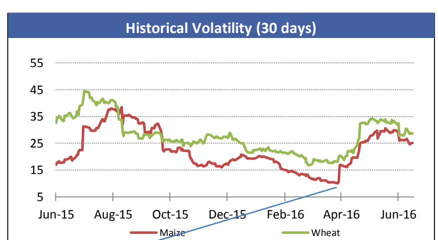
- **FAO Food Price Index** in May, up for the 4th consecutive month
- But still down 6.8% from last year
- Rising palm oil and sugar prices largely responsible for the rebound
- Compared to last year, **Dairy** down 23.6%, **Meat** down 12%, **Cereals** down 5.3% but **Sugar up** 27% and **Oils up** 6%



Price Volatility - Wheat & Maize



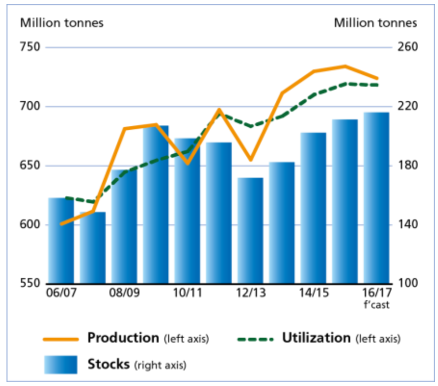
IV up sharply from their lows in Feb-April 2016



HV rising sharply since April 2016

Wheat Supply & Demand

	2014/15	2015/16 estim.	2016/17 f'cast	Change: 2016/17 over 2015/16
		million tonnes		%
WORLD BALANCE				
Production	**729.8**	**734.1**	**724.0**	**-1.4**
Trade	**155.6**	**154.5**	**155.0**	**0.3**
Total utilization	**710.1**	**719.2**	**718.3**	**-0.1**
Food	485.7	491.4	497.4	1.2
Feed	138.1	140.2	136.6	-2.6
Other uses	86.3	87.6	84.3	-3.7
Ending stocks	**201.8**	**210.6**	**215.5**	**2.4**

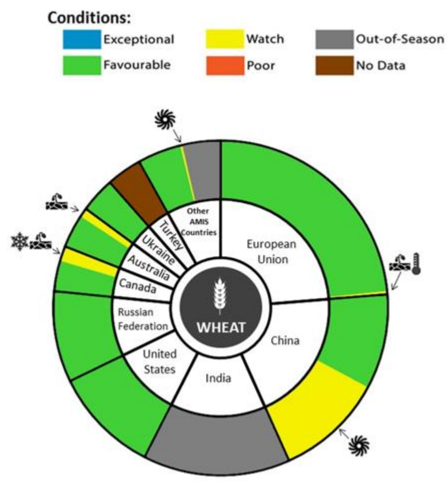


As of May 2016:

- **Production** in 2016 was forecast to decline by 1.4% from the 2015 record output
- **Trade** up slightly in 2016/17
- **Inventories** to increase
- **Stock-to-use ratio** steady at around 29% - **historical low was 22.7% in 2007/08**

Wheat Crop Conditions

- In the northern hemisphere, winter wheat conditions continue to be largely favourable.
- Spring wheat planting is fully underway and conditions are favourable at this early stage of the season.
- In the southern hemisphere, the winter wheat season has started under mostly favourable conditions.



GEOGLAM- Conditions as of 28th May

AMIS Agricultural Market Information System

Major Wheat Producers[1/]

	2014	2015 estim.	2016 f'cast	Change: 2016 over 2015	July Report
		million tonnes		%	
European Union	157.1	160.5	154.0	~~-4.0~~	156mt
China (Mainland)	126.2	130.2	129.0	~~-0.9~~	130mt
India	95.9	86.5	89.0	2.9	
Russian Federation	59.7	61.8	62.5	~~1.2~~	64.5mt
United States	55.1	55.8	54.4	~~-2.6~~	56.5mt
Canada	29.4	27.6	28.9	4.7	
Pakistan	26.0	25.5	25.5	-0.1	
Ukraine	24.1	26.5	22.0	~~-17.1~~	21.4mt
Australia	23.1	24.2	24.5	~~1.2~~	25.4mt
Turkey	19.0	22.6	22.0	-2.7	
Kazakhstan	13.0	13.7	13.5	-1.8	
Argentina	13.9	11.3	14.0	23.9	
Iran Islamic Rep. of	10.6	11.5	12.5	8.7	
Egypt	9.3	9.0	9.0	0.0	
Other countries	67.5	67.3	63.3	-5.9	
World	**729.8**	**734.1**	**724.0**	-1.4	

1/ Countries listed according to their position in global production (average 2014-2016).

As of May 2016

World production forecast for 2016 likely to be raised in next AMIS Market Monitor – July report.

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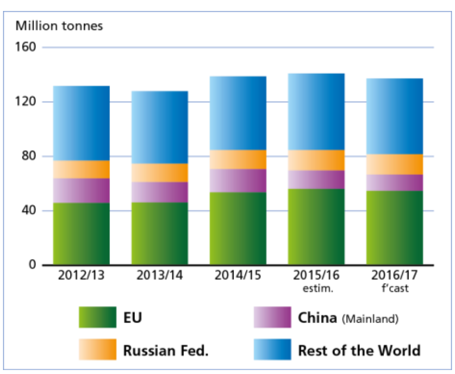
Wheat Utilization and Stocks

Feed wheat utilization: down slightly – lower feed use (mostly in China and the EU

Wheat stocks: up for the 4th consecutive year – biggest y/y increase in China and the USA



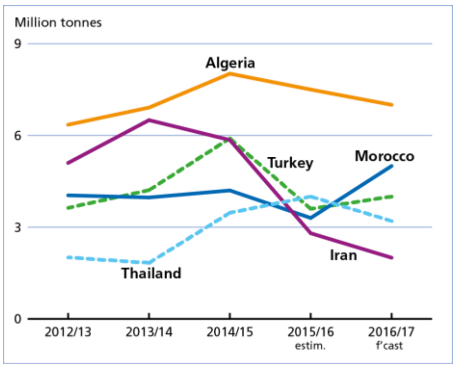
As of May 2016

AMIS Agricultural Market Information System

World Wheat Trade – up y/y

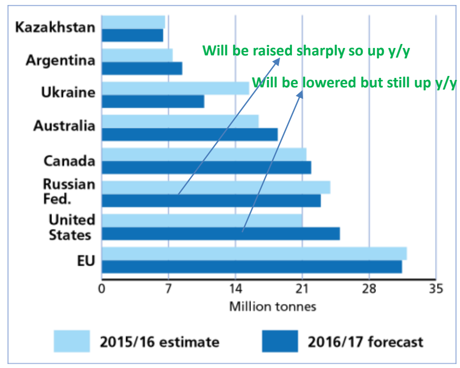
2016/17 trade was forecast in May at 155mt but likely to be raised

Selected wheat importers



As of May 2016

Major wheat exporters



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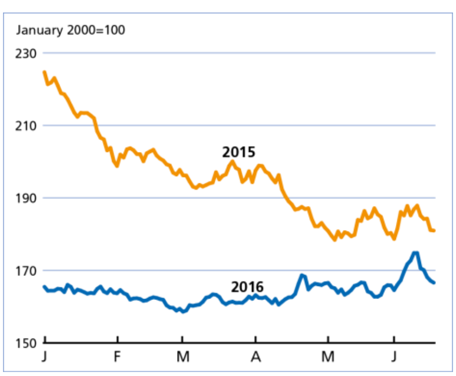
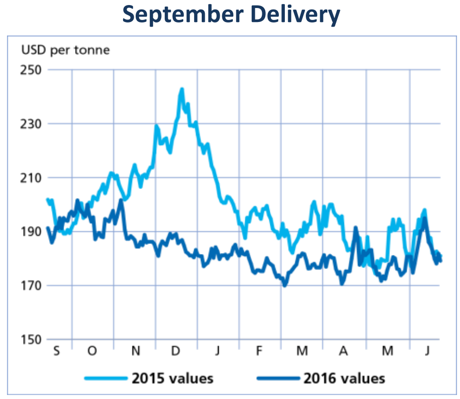
Wheat Prices

IGC Wheat Price Index



CBOT Wheat Futures September Delivery



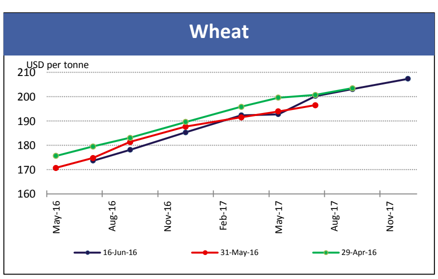
Commercial Break!

Video tutorial - http://www.amis-outlook.org/technical/video-tutorials/en/

Glossary of Terminology - http://www.amis-outlook.org/fileadmin/user_upload/amis/docs/Market_monitor/Glossary.pdf

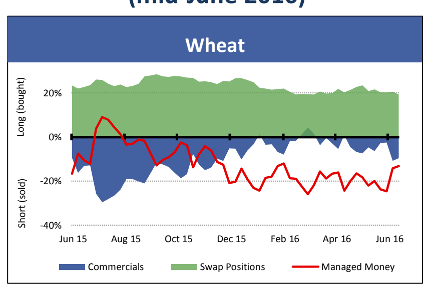
Wheat Forward Curves and Investment Flows

Forward Curves (mid-June 2016)



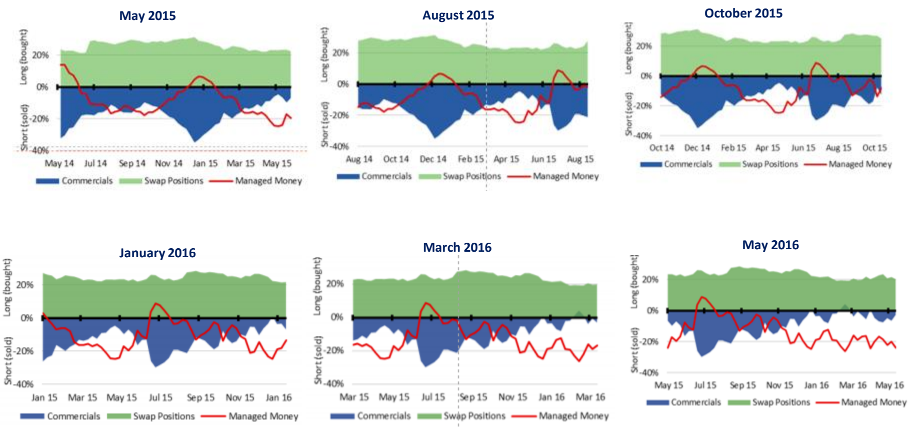
Forward curves maintained their mostly upward sloping structures (contango), indicating ample supplies into the new season.

CFTC Commitment of Traders (mid-June 2016)



Managed money maintained short positions (since last August) but reduced considerably net shorts mid-month (June) – which corresponds with the recent price rally .

Wheat: CFTC Commitments of Traders



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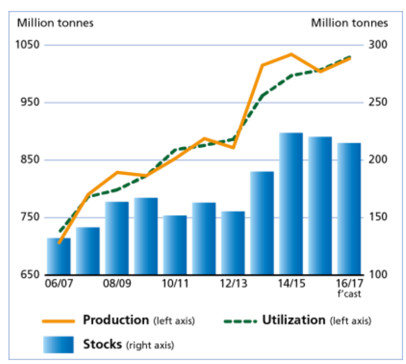
World Maize Supply & Demand

	2014/15	2015/16 estim.	2016/17 f'cast	Change: 2016/17 over 2015/16
	million tonnes			%
WORLD BALANCE				
Production	**1 033.9**	**1 003.9**	**1 026.5**	**2.3**
Trade	**128.8**	**132.5**	**131.0**	**-1.1**
Total utilization	**996.9**	**1 006.9**	**1 029.2**	**2.2**
Food	125.0	127.2	128.5	1.0
Feed	562.6	572.3	593.1	3.6
Other uses	309.3	307.4	307.7	0.1
Ending stocks	**223.0**	**219.6**	**214.2**	**-2.5**



As of May 2016:

- **Production** to rebound in 2016
- **Trade** in 2016/17 (July/June) contracting
- **Utilization** expands on stronger feed and industrial use
- **Stock-to-use ratio** at around 20%, **well above the historical low of 14.7 percent in 2006/07**

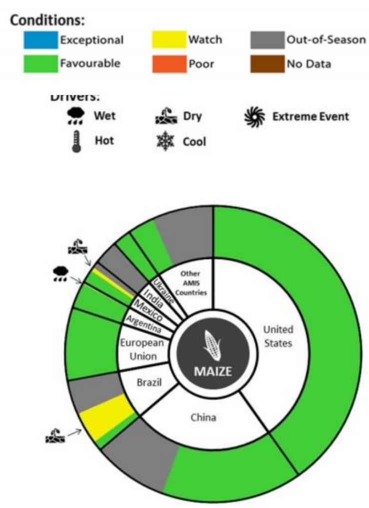
Maize World Balance FAO-AMIS, IGC and USDA

MAIZE	FAO-AMIS 2015/16 est.	FAO-AMIS 2016/17 f'cast 5-May	FAO-AMIS 2016/17 f'cast 2-Jun	USDA 2015/16 est	USDA 2016/17 f'cast 10-May	IGC 2015/16 est.	IGC 2016/17 f'cast 26-May
Production	1004	1015	1027	969	1011	971	1003
Supply	1227	1233	1246	1177	1219	1177	1208
Utilization	1007	1026	1029	969	1012	972	1003
Trade	132	130	131	121	133	130	129
Stocks	220	207	214	208	207	205	205

One reason for large differences: Current year (2016) production in southern hemisphere countries (i.e. Brazil, Argentina, South Africa, etc..) corresponds to the 2016/17 season in FAO-AMIS but the 2015/16 season in USDA and IGC. This discrepancy also impacts ending stock estimates.

Maize Crop Conditions

- In the northern hemisphere, planting is almost complete under generally favourable conditions.
- In the southern hemisphere, in **Argentina**, conditions remain generally favourable but harvest continued to progress slowly due to excess rainfall. In **Brazil**, where production is forecast lower y/y, conditions for the summer crop (the larger producing season) continue to be mixed due to unfavourable weather in April and May.



GEOGLAM- Conditions as of 28th May

AMIS Agricultural Market Information System

Major Maize Producers[1/]

	2014	2015 estim.	2016 f'cast	Change: 2016 over 2015	July Report
	million tonnes			%	
United States	361.1	345.5	366.5	6.1	
China (Mainland)	215.6	224.6	220.0	-2.0	218mt
Brazil	79.9	85.5	81.2	-5.0	73.5mt
European Union	77.1	58.0	66.0	13.8	
Argentina	33.0	33.8	37.9	12.1	
Ukraine	28.5	23.3	25.6	9.8	26.2mt
Mexico	23.9	25.0	23.5	-5.8	
India	24.2	21.0	23.0	9.5	
Indonesia	19.0	19.4	19.0	-2.1	19.4mt
Canada	11.5	13.6	13.4	-1.2	
Russian Federation	11.3	13.2	13.8	4.9	
Nigeria	11.0	10.8	11.5	6.2	
South Africa	14.9	10.6	7.4	-30.8	
Philippines	7.8	7.5	7.7	2.4	
Other countries	115.1	112.2	110.0	-2.0	
World	**1033.9**	**1003.9**	**1026.5**	2.3	

1/ Countries listed according to their position in global production (average 2014-2016).

As of May 2016

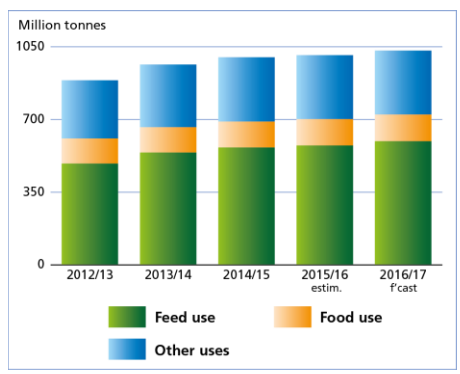
World production forecast for 2016 likely to be lowered in next AMIS Market Monitor – July report.

AMIS Agricultural Market Information System

Maize utilization by type

- **Feed use** to expand by 3.6% (+21mt) in 2016/17 with biggest increases in China (+8mt) and the USA (+7.6mt)

- **Industrial usage** slightly higher in 2016/17- maize used for production of ethanol in the USA likely to grow by 1%



Maize Use for Ethanol (excluding non-fuel) in the United States

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16* estim.	2016/17* (f'cast)
	thousand tonnes											
Maize Production	282,263	267,503	331,177	307,142	332,550	316,166	313,956	273,188	351,270	361,101	345,479	366,536
Ethanol Use	40,726	53,837	77,453	93,396	116,616	127,538	127,005	117,886	130,155	132,085	133,355	134,625
Yearly ethanol use change (%)	21%	32%	44%	21%	25%	9.4%	-0.4%	-7.2%	10.4%	1.5%	1.0%	1.0%
As Production (%)	14%	20%	23%	30%	35%	40.3%	40.5%	43.2%	37.1%	36.6%	38.6%	36.7%

Source: WASDE-USDA. * 10 May 2016

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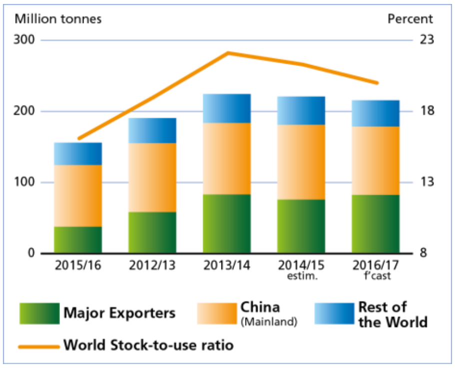
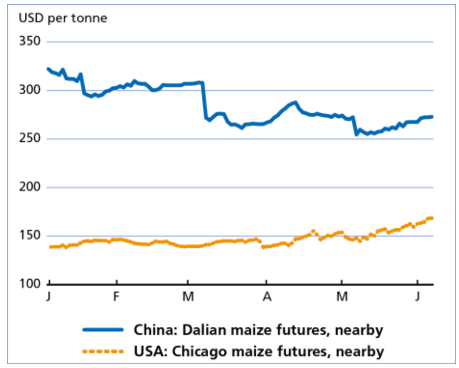
Maize Stocks



As of May 2016

Maize prices in China above world levels



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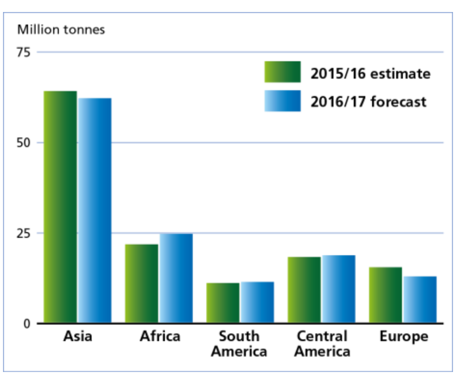
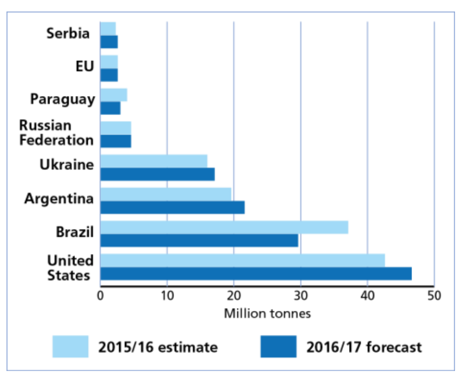
World Maize Trade –flat y/y

2016/17 trade was forecast in May at 131mt

Imports: smaller y/y purchases by China and the EU

Exports: Argentina, Ukraine and USA exporting more y/y





As of May 2016

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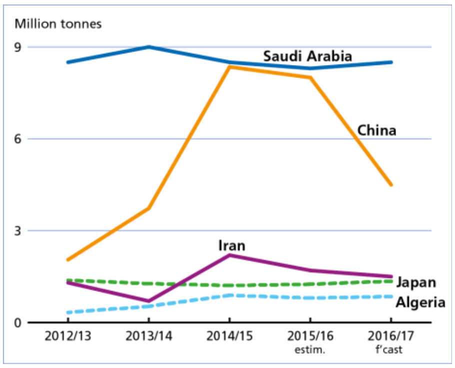
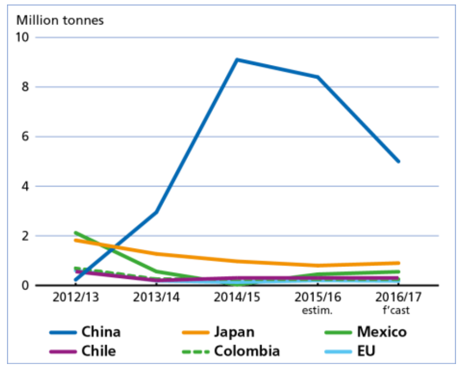
China: Larger domestic use of maize may lead to lower imports of barley and sorghum

Barley



Sorghum



As of May 2016

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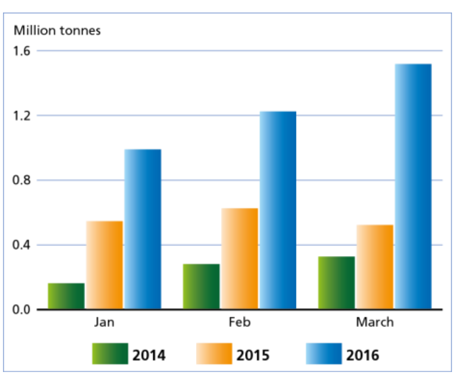
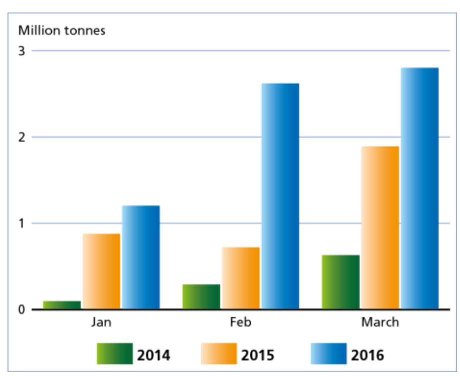
Argentina: Faster export sales

Wheat



Maize



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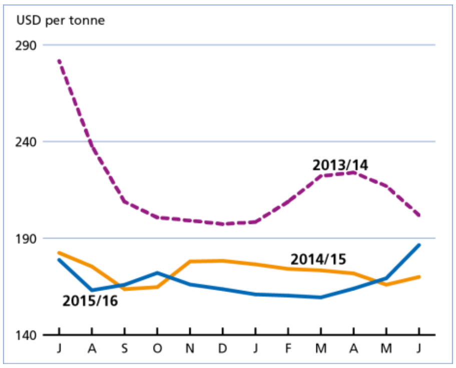
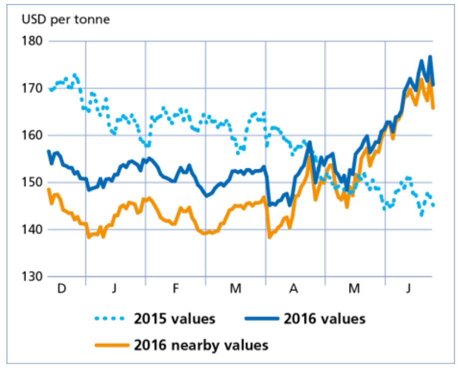
Maize Prices

Maize export price US No. 2 yellow, Gulf



CBOT Maize Futures Nearby and December delivery



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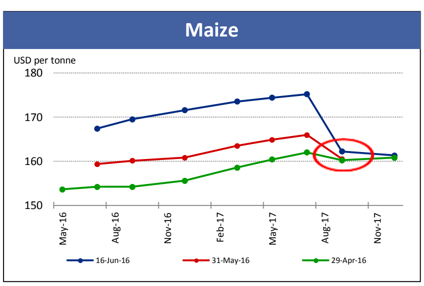
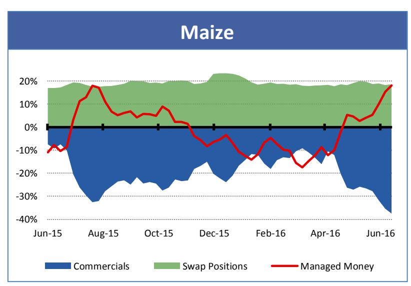
Maize Forward Curves and Investment Flows

Forward Curves



Forward curves for maize maintained their configurations established in April (nearby tightening) but narrowed considerably between July 2017 and December 2017 contracts.

CFTC Commitment of Traders



Managed money increased its net long maize position to nearly 20% of net long open interest, highest since August 2015.

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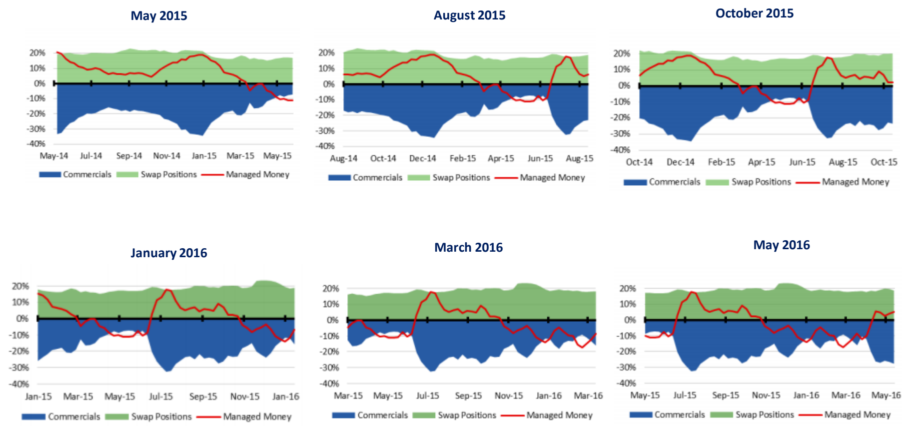
Maize: CFTC Commitments of Traders



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Summary: Grain markets in 2016/17

- Supply — Adequate, very good for wheat
- Demand — Stronger for maize
- Trade — Higher for wheat but flat or declining for maize
- Stocks — Remain large
- Prices — Depressed, especially for wheat

But there are always many uncertainties:

- Weather – La Nina (possibility of hot and dry weather across Midwest USA)?
- China – developments in domestic market (stocks) and imports
- Global economy, currencies (Brexit), oil prices…

Thank You


Food and Agriculture Organization of the United Nations
OECD
G20
IGC
WORLD BANK GROUP
WORLD TRADE ORGANIZATION
WFP
wfp.org
IFAD
Enabling poor rural people to overcome poverty
INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
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