

# Global cereal supply and demand update

## World cereal production lower than anticipated earlier but still the third highest on record

The forecast for world cereal production in 2010 has been lowered to 2 238 million tonnes (including rice in milled terms) from 2 280 million tonnes reported by FAO in June. However, even at this lower level, world cereal output in 2010 would be the third highest on record and above the five-year average. Among the major cereals, wheat accounts for most of the cut in this latest forecast, reflecting mainly smaller crops in the leading producers in the CIS due to adverse weather.

At the current forecast levels, world cereal utilization would slightly exceed production in 2010/11. This will result in a two percent contraction in world ending stocks from their 8-year high opening levels and this, in turn, could lead to a small decline in world cereal stocks-to-use ratio, to 23 percent, still well above the 19.5 percent low level witnessed in the 2007/08 food crisis period.

## Wheat markets remain tight but supplies are adequate

A further cut in the forecast for 2010 world **wheat** production since the previous update (4 August) puts this year's wheat production at 646 million tonnes, down 5 percent from 2009 but still the third highest on record. The latest revision reflects a further cut in the estimate of this year's harvest in the Russian Federation to 43 million tonnes (from 48 million tonnes in August) more than offsetting higher forecasts for crops in a number of other countries including the United States and China. At the same time, the forecast for world wheat utilization has been raised by 6 million tonnes since August, mainly driven by expectation of higher feed use of wheat in the Russian Federation because of an extremely tight domestic barley situation, the production of which is forecast to

### World wheat balance

(million tonnes)

	2007/08	2008/09	2009/10 estimate	2010/11 forecast		
				04.06.10*	04.08.10**	01.09.10
<b>Production 1/</b>	611	684	681	677	651	646
<b>Supply 2/</b>	774	828	860	873	845	845
<b>Utilization</b>	629	647	660	675	659	665
<b>Trade 3/</b>	112	139	126	122	122	119
<b>Ending stocks 4/</b>	144	179	199	194	188	181
<b>World stock-to-use ratio %</b>	22.3	27.1	30.0	29.0	28.0	27.2

Note: Totals computed from unrounded data.

\* Published in June issue of Food Outlook.

\*\* Published on the FAO web site: <http://www.fao.org/news/story/en/item/44570/icode/>

1/ Data refer to the calendar year of the first year shown.

2/ Production plus opening stocks.

3/ July/June.

4/ May not equal the difference between supply and utilization due to differences in individual country marketing years.

### World cereal balance

(million tonnes, rice in milled equivalent)

	2007/08	2008/09	2009/10 estimate	2010/11 forecast	
				04.06.10*	01.09.10
<b>Production 1/</b>	2132	2285	2257	2280	2238
<b>Supply 2/</b>	2561	2712	2774	2808	2777
<b>Utilization</b>	2138	2183	2234	2268	2248
<b>Trade 3/</b>	272	281	264	264	261
<b>Ending stocks 4/</b>	427	517	540	533	527
<b>World stock-to-use ratio %</b>	19.5	23.1	24.0	23.3	23.1

Note: Totals computed from unrounded data.

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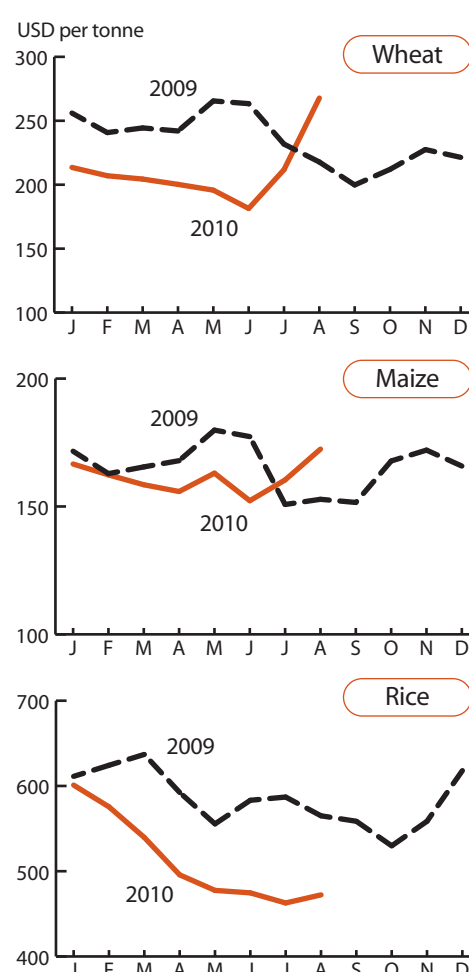
1/ Data refer to the calendar year of the first year shown.

2/ Production plus opening stocks.

3/ July/June for wheat and coarse grains, January/December for rice.

4/ May not equal the difference between supply and utilization due to differences in individual country marketing years.

### International cereal prices (benchmark monthly averages)



drop by 50 percent this year. As a result of a cut in world wheat production but an increase in the utilization, the forecast for world wheat ending stocks in 2011 has also been lowered, to 181 million tonnes, down 9 percent from their 8-year high opening level. The stock-to-use ratio for wheat in 2010/11 is projected to reach 27 percent, down 3 percentage points from the previous season but still 5 percentage points higher the 30-year low in 2007/08. The forecast for world wheat trade (including wheat flour) has also been lowered this month, mostly on higher international prices which may curb imports of wheat, especially for animal feeding.

### Coarse grains and rice markets are more balanced

World production of **coarse grains** is forecast to reach 1 125 million tonnes, down 6 million tonnes from the previous forecast in June but up marginally from 2009 and the second highest on record. While maize production is heading towards an all-time high of 845 million tonnes, with expectation of record crops in China and in the United States, world barley production is forecast to fall by 22 percent to a 30-year low of only 129 million tonnes in 2010, driven mostly by a sharp cut in production in the CIS and in the EU as a result of unfavourable weather conditions. However with global utilization of coarse grains growing only marginally, stocks are anticipated to decline slightly which helps in limiting the fall in the stocks-to-use ratio to 18.4 percent, down slightly from the previous season. The forecast for world trade in 2010/11 has been raised by 1 million tonnes since June, reflecting stronger import demand for maize as result of reduced export supplies of feed wheat.

The forecast for global **rice** production in 2010 has also been revised downward and now stands at 467 million tonnes, 5 million tonnes lower than the June 2010 forecast. Much of the revision was the consequence of lowering of the forecast for the crop about to be harvested in Pakistan, where the floods have hit the two major producing provinces, but also revisions in China, Egypt, India, Laos and the Philippines. Despite the adjustment, the new production estimate would still translate in a 3 percent increase of world rice output from 2009 and an historical record. Global supplies (production plus opening stocks) are also foreseen to be much more ample than they have been for the past three years. So, although prospects for world rice consumption and stocks in 2011 were negatively affected by the downward revision in

### World coarse grain balance

(million tonnes)

	2007/08	2008/09	2009/10 estimate	2010/11 forecast	
				04.06.10*	01.09.10
<b>Production 1/</b>	1081	1143	1121	1131	1125
<b>Supply 2/</b>	1243	1315	1336	1338	1340
<b>Utilization</b>	1073	1091	1121	1130	1122
<b>Trade 3/</b>	131	113	108	112	113
<b>Ending stocks 4/</b>	172	215	215	204	213
<b>World stock-to-use ratio %</b>	15.8	19.1	19.2	17.6	18.4

Note: Totals computed from unrounded data.

\* Published in June issue of Food Outlook.

1/ Data refer to the calendar year of the first year shown

2/ Production plus opening stocks

3/ July/June.

4/ May not equal the difference between supply and utilization due to differences in individual country marketing years

### World rice balance

(million tonnes, milled equivalent)

	2007/08	2008/09	2009/10 estimate	2010/11 forecast	
				04.06.10	01.09.10
<b>Production 1/</b>	440	458	454	472	467
<b>Supply 2/</b>	544	569	578	597	592
<b>Utilization</b>	436	445	453	463	460
<b>Trade 3/</b>	30	29	30	30	29
<b>Ending stocks 4/</b>	111	124	125	135	133
<b>World stock-to-use ratio %</b>	24.9	27.3	27.2	29.4	28.9

Note: Totals computed from unrounded data.

1/ Data refer to the calendar year of the first year shown

2/ Production plus opening stocks

3/ January/December.

4/ May not equal the difference between supply and utilization due to differences in individual country marketing years

world output, they are still foreseen to increase compared to the 2009 estimates. On the other hand, floods in Pakistan, the fourth largest rice exporter in 2009, could negatively affect rice trade in 2010 and, especially, in 2011, with international rice flows foreseen to fall from 30 million tonnes in 2010 to 29 million tonnes next year.

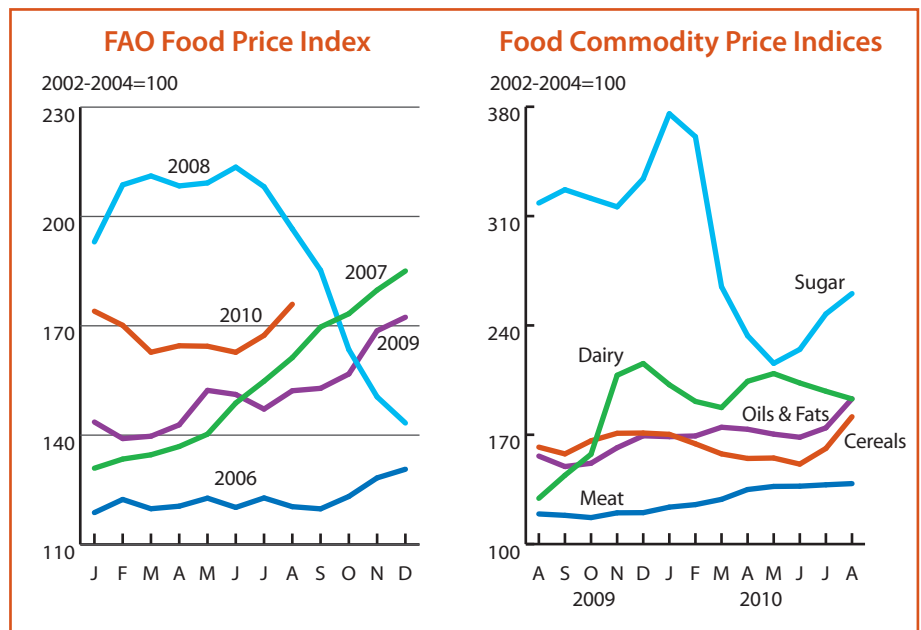
### The surge in wheat prices is the main driver for the jump in the FAO Food Price Index in August

The FAO Food Price Index (FFPI) averaged 176 points in August 2010, up 5 percent, or nearly 9 points from July. At this level, the FFPI stands at its highest level since September 2008 although still down 38 percent from its peak in June 2008.

The surge in August reflected the sudden sharp rise in international prices of wheat as well as higher prices of sugar and oilseeds. However, the increase in wheat prices was the most pronounced, reflecting the impact of drought-reduced crops in the Russian Federation and the subsequent decision by the country to restrict wheat sales until the end of this year. In early August, international wheat prices soared to their highest levels since April 2008 on fears of a global shortage but, by the end of the month, prices had fallen by nearly 11 percent on expectation of good supplies in other major exporting countries. Barley prices also rose sharply in August; up over 60 percent from the previous year, reflecting tight supplies in the Black Sea

and in the EU. The surge in wheat and barley prices helped in pushing up rice and maize prices and this resulted in a 5 percent jump in the FAO Cereal Price Index to 182 points, the highest level since June 2009.

The latest statistics on the FAO Food Indices are found at: <http://www.fao.org/worldfoodsituation/wfs-home/>.



## Intersessional Meeting - Intergovernmental Group on Grains

### FAO Calls for an Extraordinary meeting to discuss the turmoil in global cereal markets

The Director-General of the Food and Agriculture Organization of the United Nations has called for the one-day extraordinary Intersessional Meeting of the Intergovernmental Group on Grains and the Intergovernmental Group on Rice. This exceptional meeting is convened in response to the recent episode of disturbance in world cereal markets and the sudden increase in prices happening only two years after the 2007/08 food crisis.

The meeting will start at 9:30 hours on Friday, 24 September 2010, at FAO Headquarters, in Rome. It will be open only to FAO Members and official observers.

### Weblinks

- A background information note is available at: <http://www.fao.org/economic/est/commodity-markets-monitoring-and-outlook/grains/grains-meetings/extraordinary-meeting-of-the-igg-on-grains/en/>
- A preliminary Agenda will be made available on the following site in due course: <http://www.fao.org/economic/est/en/>