

Recent International Market Trends
for Major Cereals, Fertilizers, Seeds and Animal Feed
ES Department– 30 June 2008

International **maize** prices continued their upward rally in recent weeks, climbing to record high levels. The main driving factor for the surge in maize prices has been the devastating impacts of recent floods on this year's maize crops in the United States. In June, the US maize (No. 2 Yellow, Gulf) price averaged USD 281 per tonne, up USD 40 per tonne, or 16 percent, from May and 70 percent more than in June 2007. Weaker dollar and the rising crude oil prices have also contributed to the increase in maize prices while possibility for more wet weather conditions have pushed up the US maize futures to new highs. By late June, maize futures were quoted above USD300 per tonne, a record and almost 120 percent more than in the corresponding period last year.

International **wheat** prices were not spared from the recent price hikes in maize markets despite a favourable production prospect for wheat this year. In June, the price of US wheat (No.2 Hard Red Winter, f.o.b. Gulf) averaged USD 358 per tonne, up USD 9 per tonne from May and 55 percent, or USD 127 per tonne, more than in June 2007. While wheat prices have fallen by as much as 30 percent from their peaks in late February 2008, they remain at high levels. The main factors include the uncertainty associated with maize and soybean situation in the United States and slow shipments from Argentina, coupled with early signs of stronger world demand than last year. In the futures markets, wheat prices resumed their upward trend, rising to USD 346 per tonne by the close of market on 26 June, some 50 percent more than in the corresponding period last year.

In contrast, the price of Thai white **rice** 100% B quotation, the world's benchmark grade for rice, eased further in June, when it averaged 10 percent below May and as much as 16 percent below the record reached on 21 May 2008. By late June, the Thai rice was quoted at USD 862 per tonne (fob, Bangkok), still more than twice last year this time. With the expected arrival of the new and bumper paddy crops to be harvested soon, further downward pressure on prices are likely in the coming weeks.

Fertilizers

The present tight supply situation is envisaged to persist for two to three years, and then to somewhat ease during the end of the period when new area projects may become operational (in China, Russia, Egypt, Algeria, Pakistan and India), for phosphate fertilizers when new large capacity becomes operational in Saudi Arabia and Morocco, and for potash fertilizers when new mines in Argentina and Canada start contributing to global availability. Any delay in the current scheduled fertilizer supply developments could adversely impact on availability but on the other hand, fertilizer demand may not unfold as envisaged in response to changes in the demand for food and fibres.

Seeds

Price of seed will depend on the prices of food grain at harvest time for crops like rice and wheat. Price of hybrid maize will see an inflationary increase of 15%.

Animal Feed

The price and supply of concentrate animal feed is primarily driven by the cost of the main ingredients which are: are maize, barley, wheat and soya. By-products such oilseed cakes and meals are also important ingredients.

The cost of maize has risen from \$180/ tonne in December 2007 to over \$240/ tonne in May 2008. The total utilization of maize as feed is expected to drop slightly (less than 1%) over 2007/2008 and the use of cereals as feed is expected to increase slightly 0.5%. The total feed use of cereals and coarse grains is forecast to decrease slightly to around 630 m tonnes. Neither the cereal and coarse grain markets are expected to regain their stability in the near future. Oilseed meals have increased from around \$240/tomnne in December 2007 to over \$230 in May 2008.

The prospect for grain based animal feed is that prices are expected to remain high but due to increased sown areas and the use other feed alternatives, prices are not expected to continue to rise but to fluctuate around current levels.