

WGIN Stakeholder Meeting – November 17th

The wheat market – an international perspective

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Agenda



- Overview
- 2010/11 wheat outlook
- 2011/12 and beyond

The new era for grain markets continues

- volatility remains at the heart



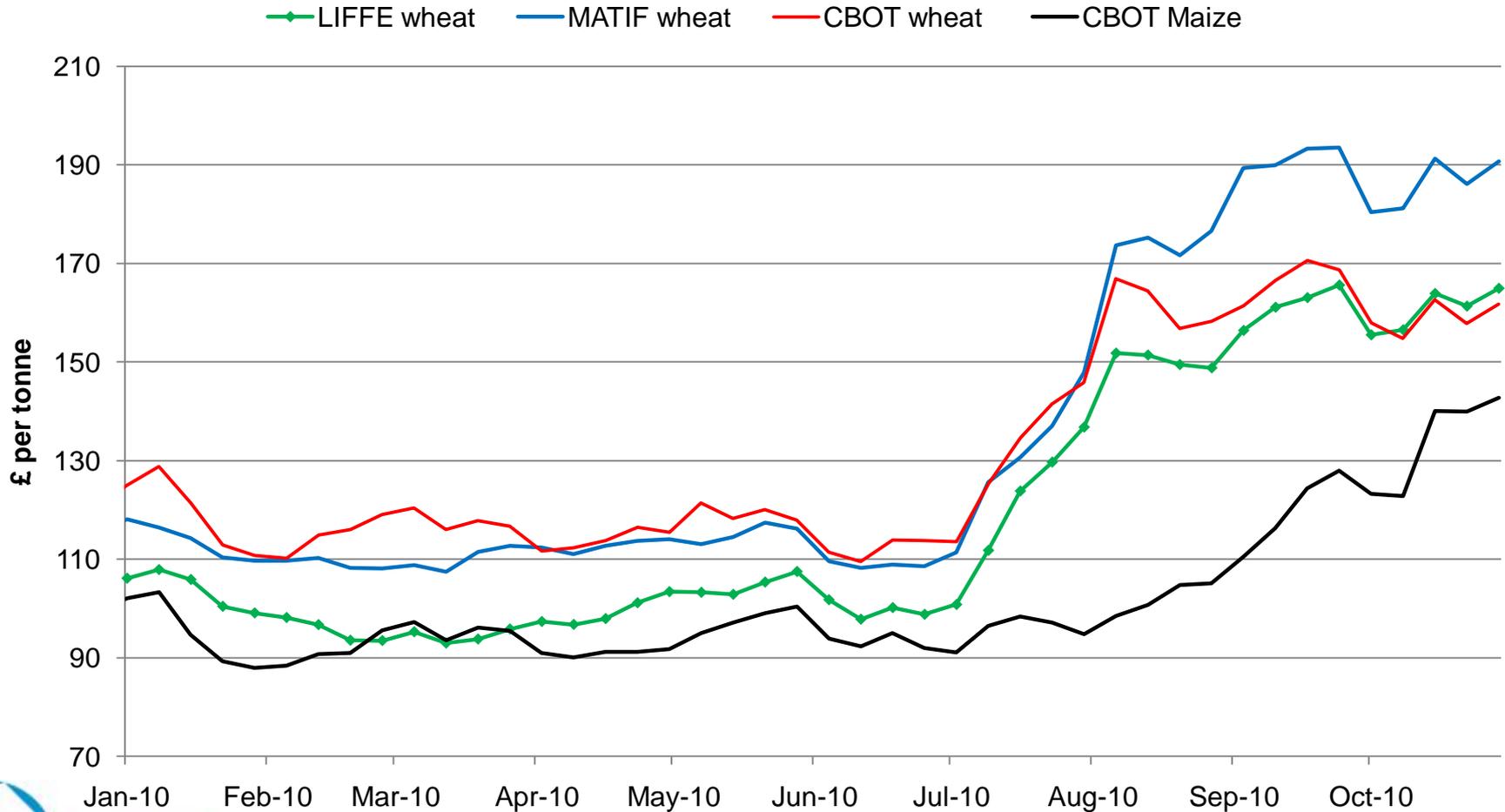
2007/08 – *the beginning – this is what markets can do*
Movement: £75/t

2008/09 – *the supply response – given a price, this is what agriculture can do*
Movement: £64/t

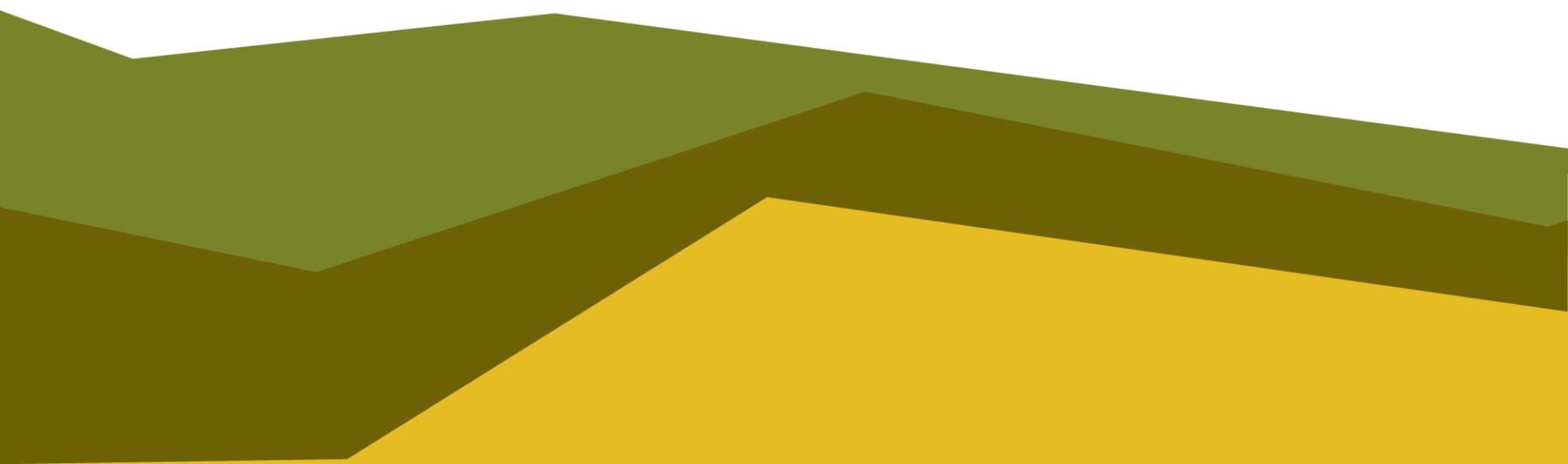
2009/10 – *the power struggle – dealing with another surplus*
Movement: £22/t

2010/11 – *the unexpected – mother nature returns with politics*
Movement: £70/t and counting!

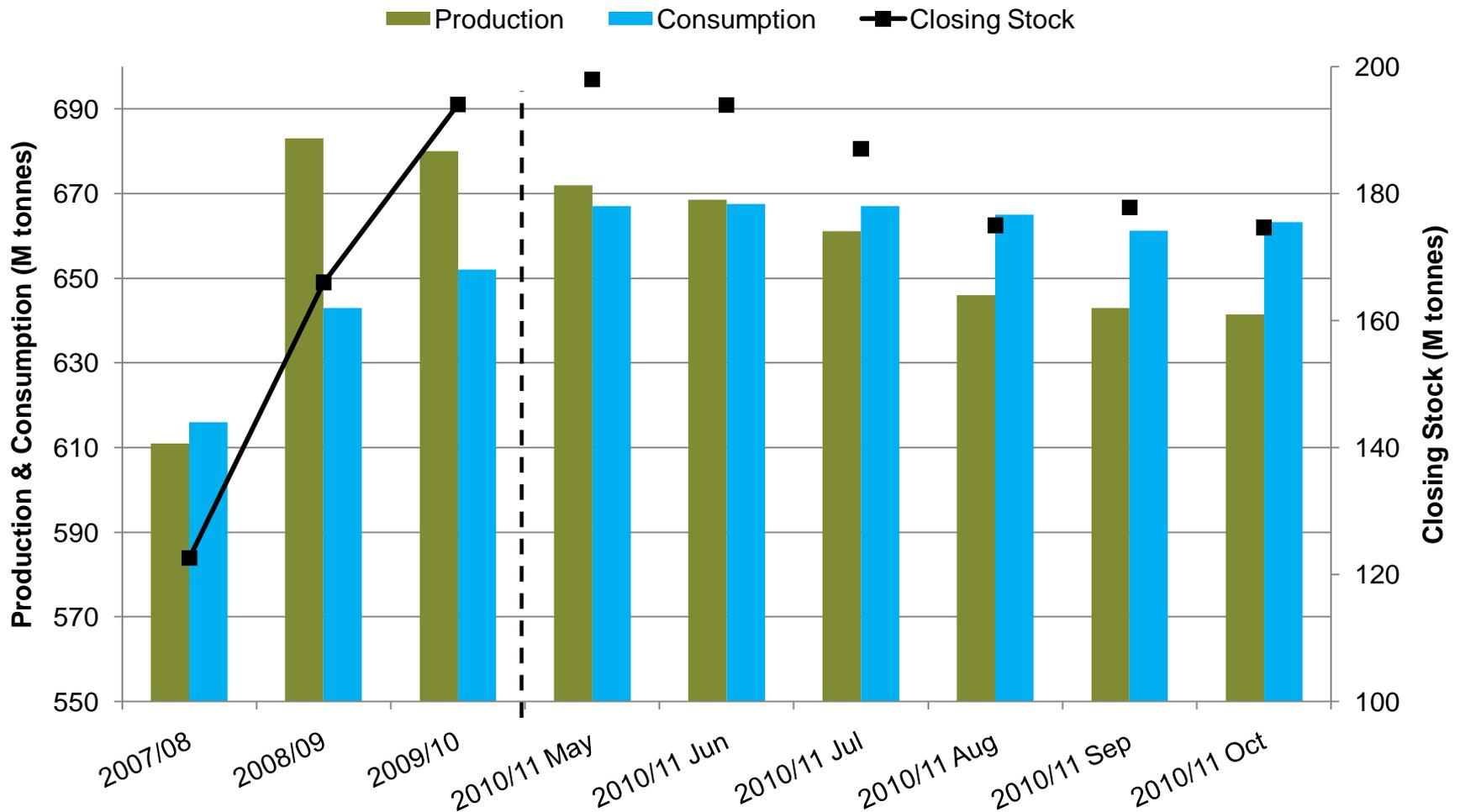
Global grain pricing – wheat markets interact with other grains, mainly maize



2010/11 Outlook



World wheat supply and demand - *early indications suggested another surplus in '10/11*

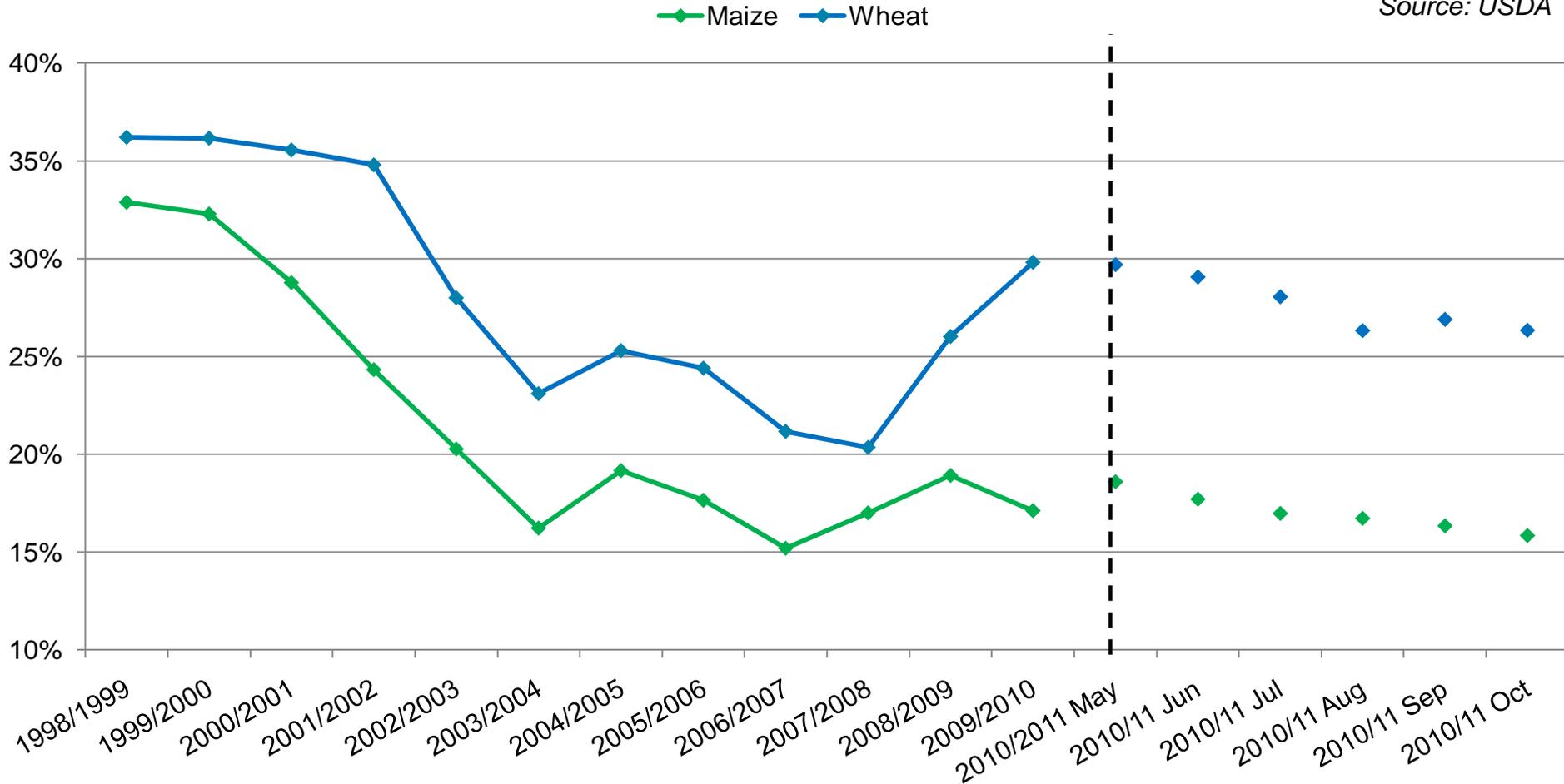


Global stocks-to-use ratios pulled lower

- maize getting tight, wheat less comfortable



Source: USDA



Global Wheat Producers – *different stocks to use ratios*



Agriculture & Horticulture
DEVELOPMENT BOARD

Source: USDA



	US		FSU		India		EU27		China	
	'09/10	'10/11	'09/10	'10/11	'09/10	'10/11	'09/10	'10/11	'09/10	'10/11
Opening Stock	17.87	26.49	20.80	22.87	13.43	16.10	18.38	15.07	45.69	56.19
Imports	3.23	2.72	5.30	6.23	0.30	0.30	5.50	6.00	1.39	0.50
Production	60.31	61.64	113.84	100.62	80.68	80.71	138.20	137.51	115.00	114.50
Consumption	30.94	32.28	80.41	87.17	78.21	82.44	125.50	124.50	105.00	105.80
Exports	23.98	32.66	36.65	15.85	0.10	0.2	21.50	24.00	0.89	2.00
Ending Stocks	26.49	25.92	22.87	12.94	16.10	14.48	15.07	10.08	56.19	63.39
Stocks to use	86%	80%	28%	15%	21%	18%	12%	8%	54%	60%

Black Sea political decisions – UK

LIFFE price timeline



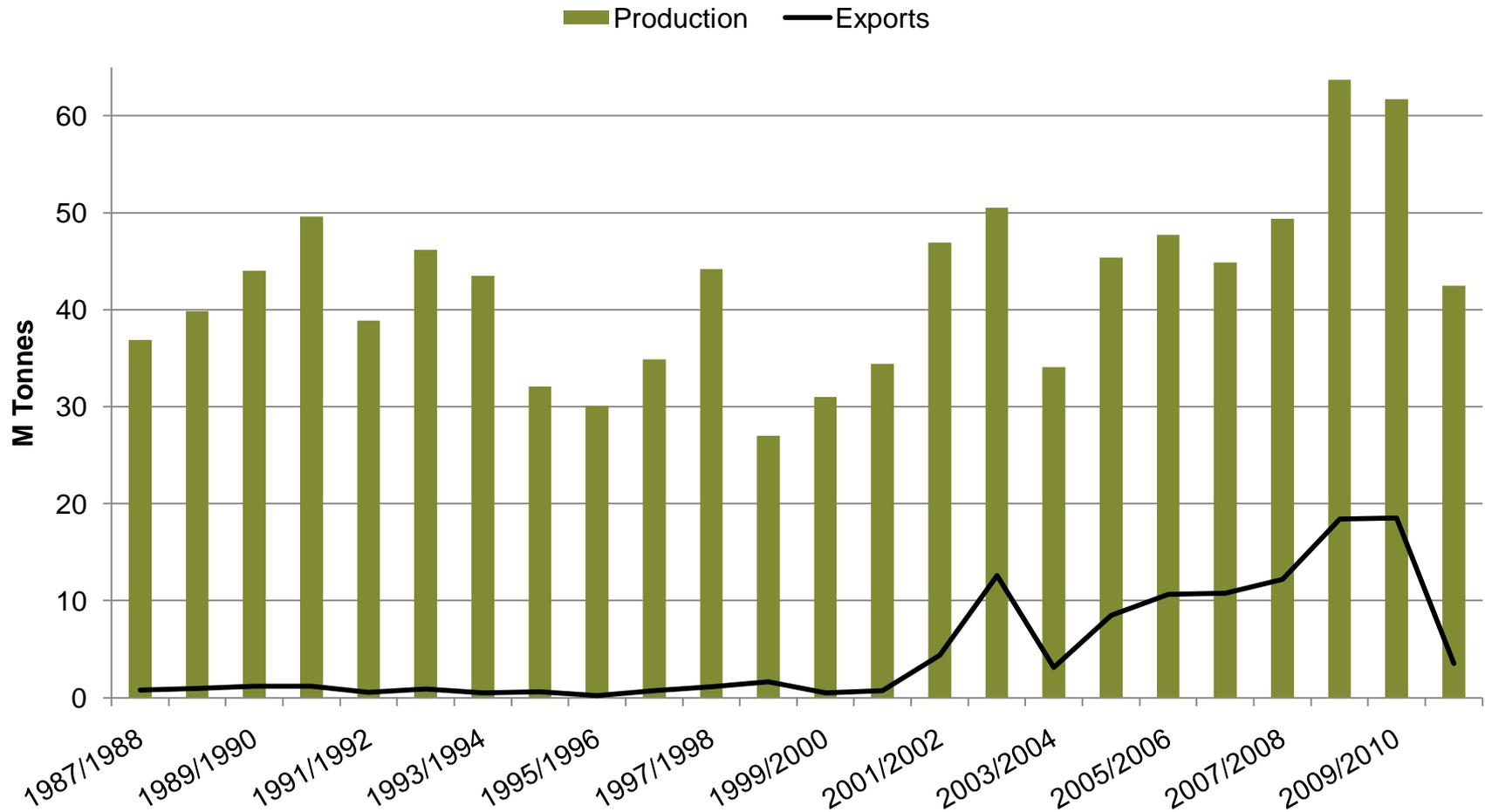
- 24/06: Market fell to low of **£97.50/t** on stronger sterling
- 01/07: Market rises to **£103/t** on USDA stocks and plantings report
- 08/07: Prices increase to **£119/t** on hot, dry European crop reports
- 15/07: Further rises to **£131/t** on continued drought & BS concerns
- 22/07: Ukraine lowers export forecast – market at **£133/t**
- 28/07: First Russia export rumours surface – prices move to **£139/t**
- 05/08: Prices surge to **£158/t** as Russian ban confirmed
- 12/08: USDA report puts Russia crop at 45Mt: LIFFE at **£153/t**
- 18/08: Calm after storm – market falls to **£146.50/t**
- 03/09: Further rise on reports ban will last until mid-2011 - **£160/t**
- *09/11: Up on further maize tightness (USDA) - **£173/t***

Conclusions

1. Initial uncertainty not **due to Black Sea concerns**, more from EU and US issues
2. Political decisions added to an **already uncertain marketplace**

Russian wheat

- *has the world become over-reliant?*



Source: IGC / USDA / AHDB

US wheat supply & demand - *note the difference between 2007/08 and 2010/11*



				2010/11	
	2007/08	2008/09	2009/10	Jul	Oct
Opening Stocks	12.4	8.3	17.9	26.5	26.5
Production	55.8	68	60.4	60.3	60.5
Total Availability	71.3	79.8	81.5	89.5	89.7
Domestic Use	28.6	34.3	30.9	32.6	32.5
Exports	34.4	27.6	24	27.2	34
Ending Stock	8.3	17.9	26.5	29.7	23.2
S-T-U	13.2%	28.9%	48.3%	49.7%	34.9%

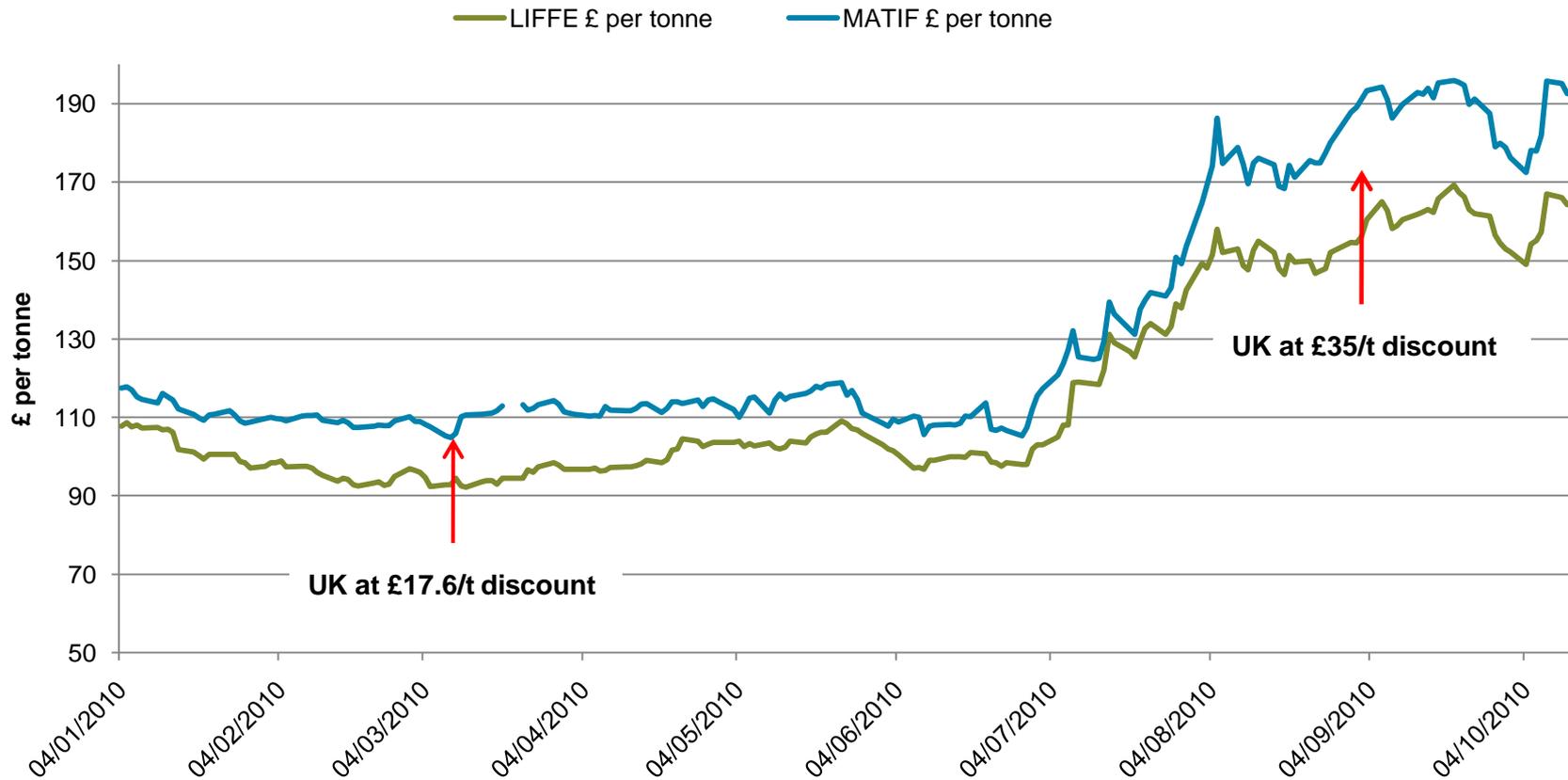
UK wheat supply and demand



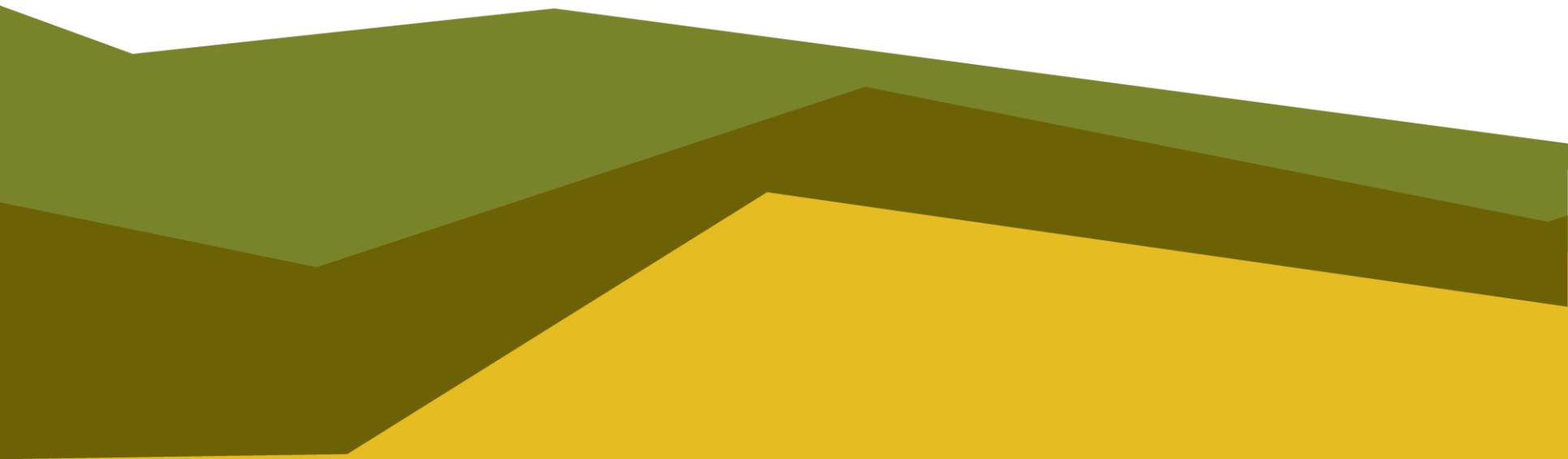
'000 tonnes	2008/09	2009/10	2010/11
Opening Stocks	1,720	2,756	1,859
Production	17,227	14,084	14,833
Imports	1,305	1,241	1,085
Availability	20,252	18,081	17,777
Domestic Demand	13,973	13,795	14,464
<i>H&I</i>	6,836	6,855	7,580
<i>Feed</i>	6,729	6,580	6,531
Exports	3,523	2,427	1,302
Closing Stocks	2,756	1,859	2,000

UK – French wheat price relationship

“Normally” UK at £10-£15/t discount

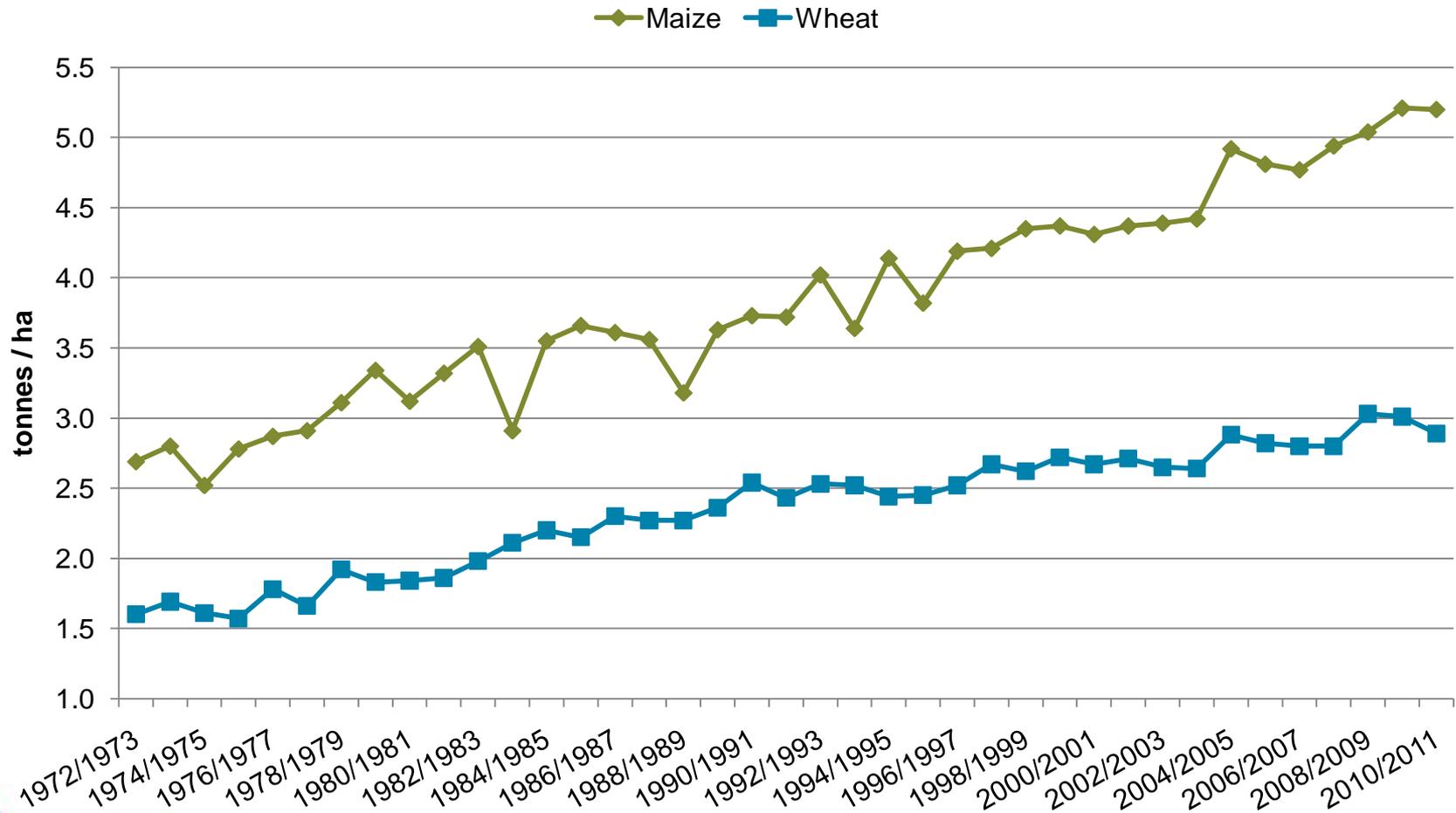


Further ahead – 2011 and beyond

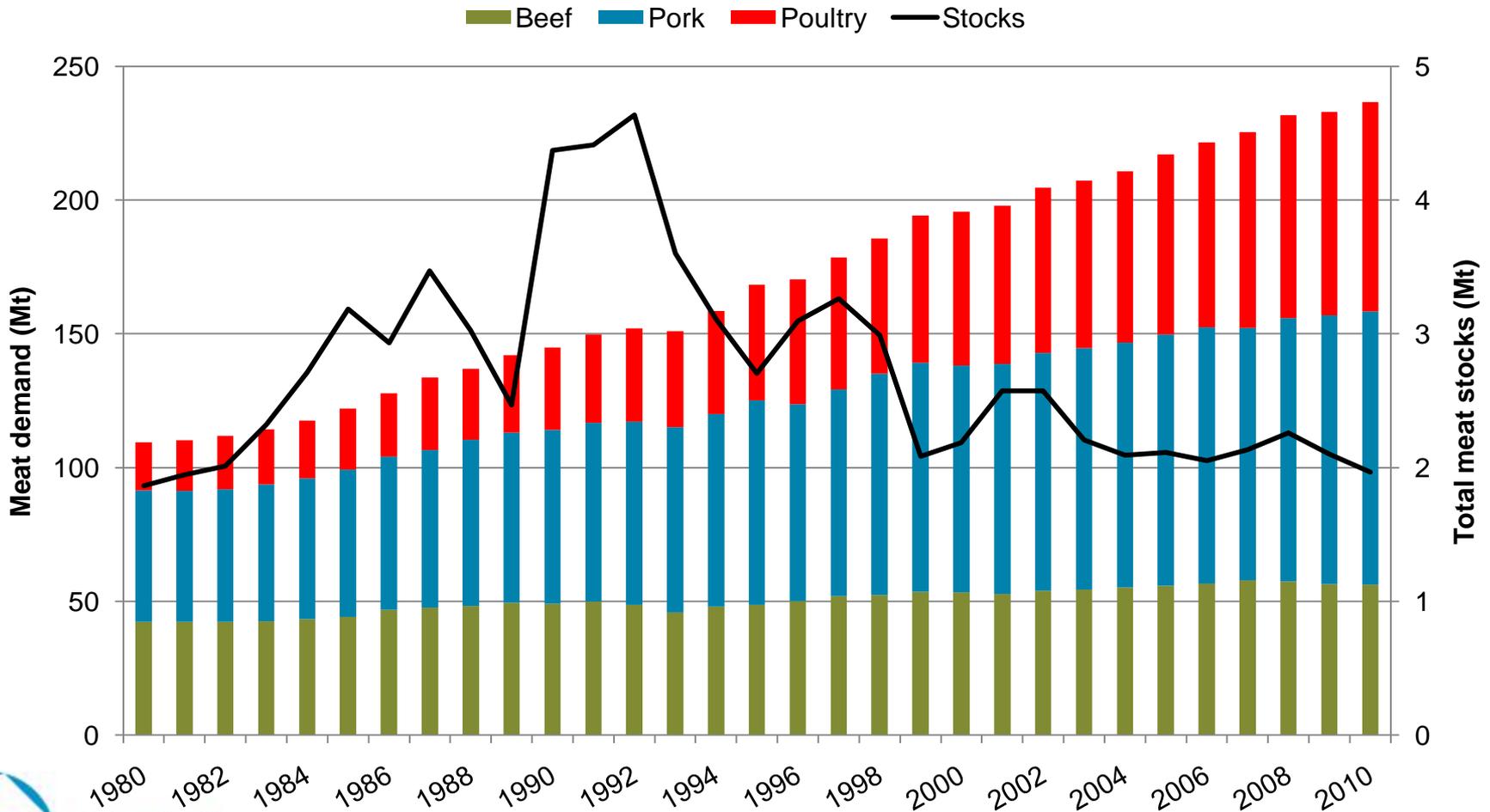


World wheat and maize yields

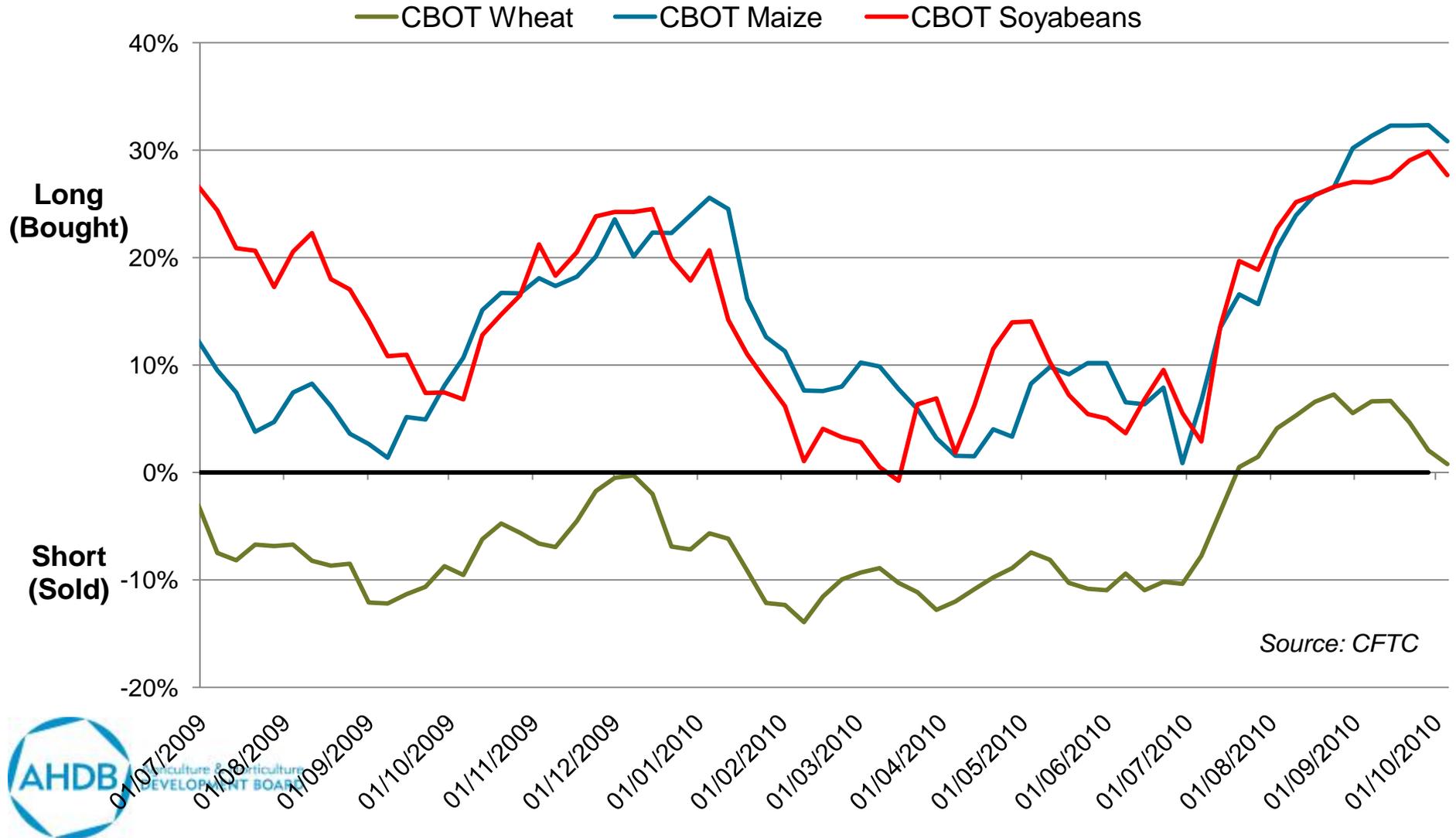
- the widening spread: GM?



Global meat - record demand for grain-fed meat but stocks at almost 30 year low



Fund activity – lots of attention recently, will they continue to influence?



Summary – some risk factors to watch for



Wheat

- **Global stocks-to-use** – *maize vulnerable, wheat comfortable*
- **Russian wheat** – *it will be back!!! But when...*
- **UK/French price relationship** – *can discount last?*
- **Global grain demand** – *continuing increasing demand for grain globally adds pressure upon the supply side*
- **Fund Activity** – *when will they sell to realise profits?*