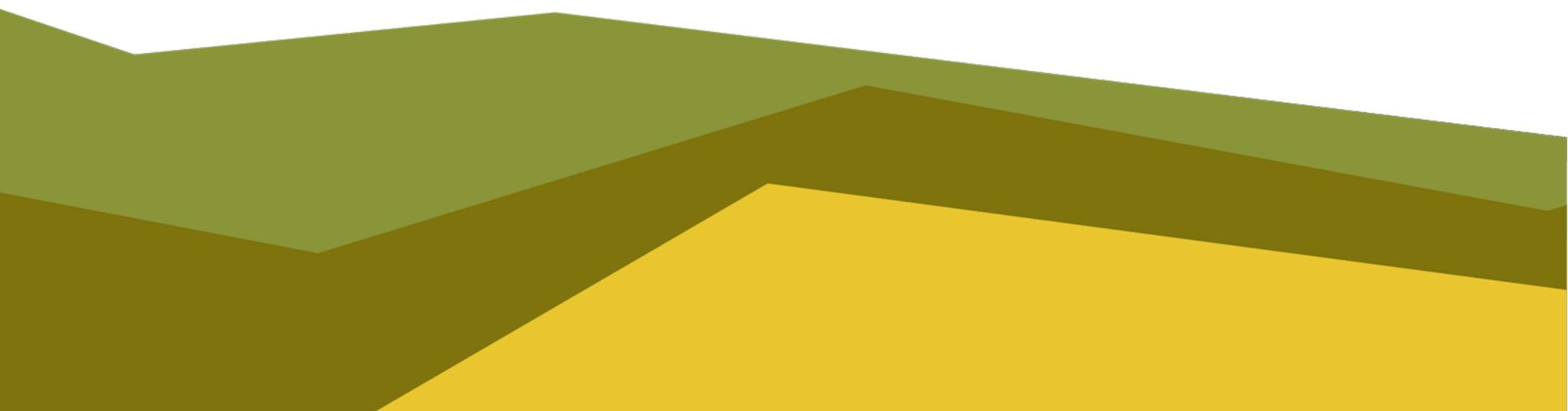


---

# **Market Outlook – WIGIN stakeholder meeting, 25/11/09**

**Michael Archer**

**Senior Analyst, HGCA**



# Contents



1. Introduction
2. Wheat
3. Feed Grains
4. Summary
5. Questions?

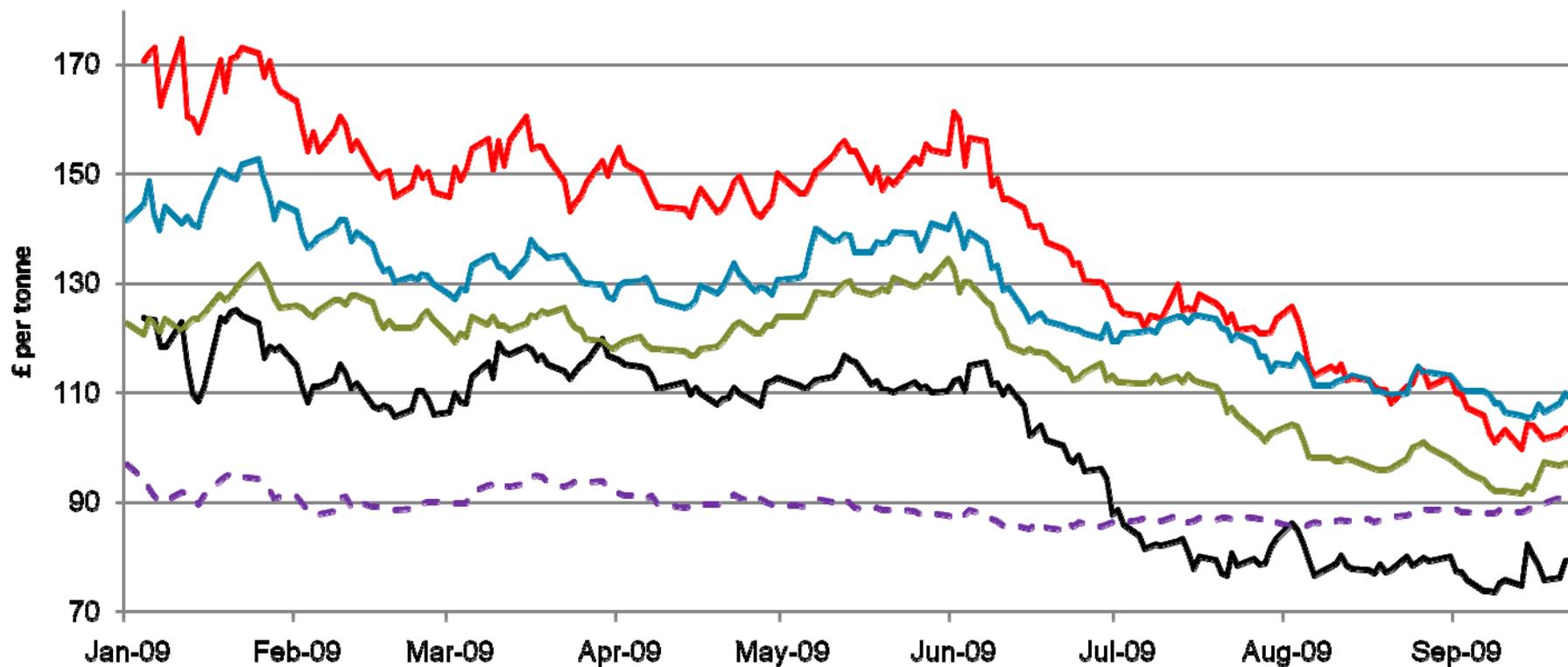


# Prices decline as fundamentals dominate

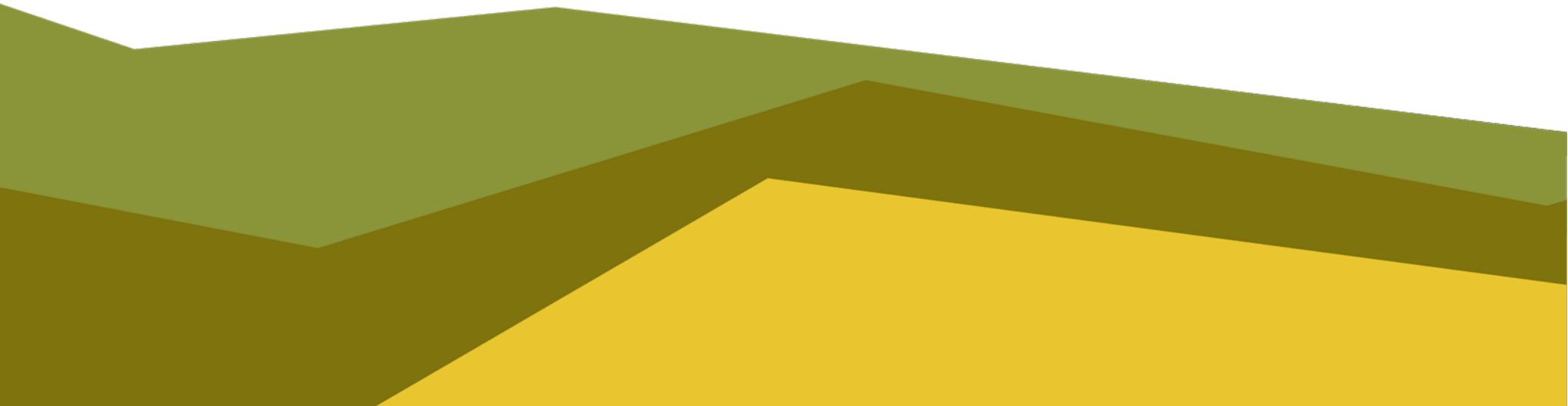
- *good N. Hemisphere crops*



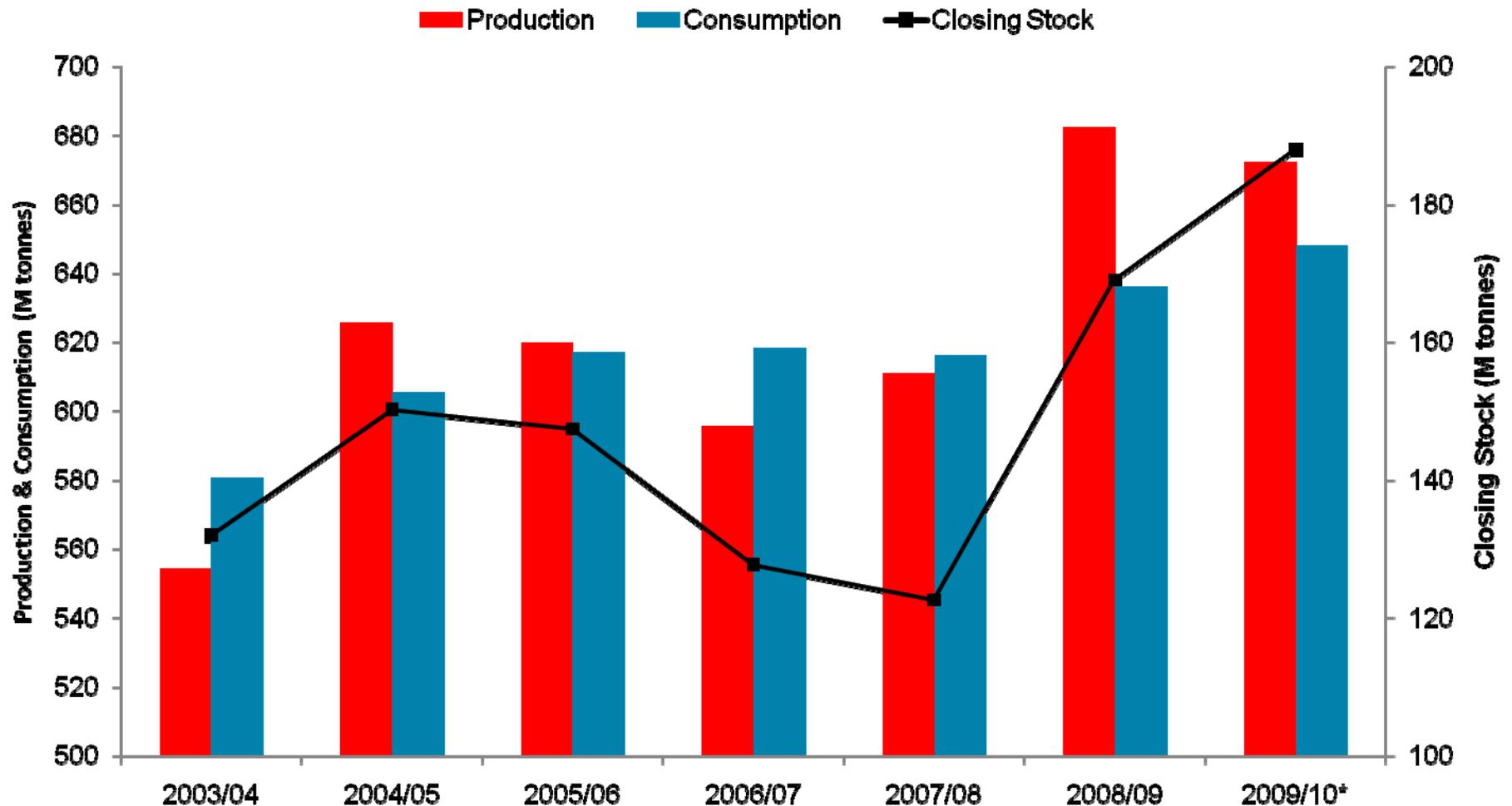
— CBOT Wheat Dec-09 — CBOT maize Dec-09 — MATIF wheat Nov-09  
— LIFFE Wheat Nov-09 - - - Nov intervention



# World wheat market



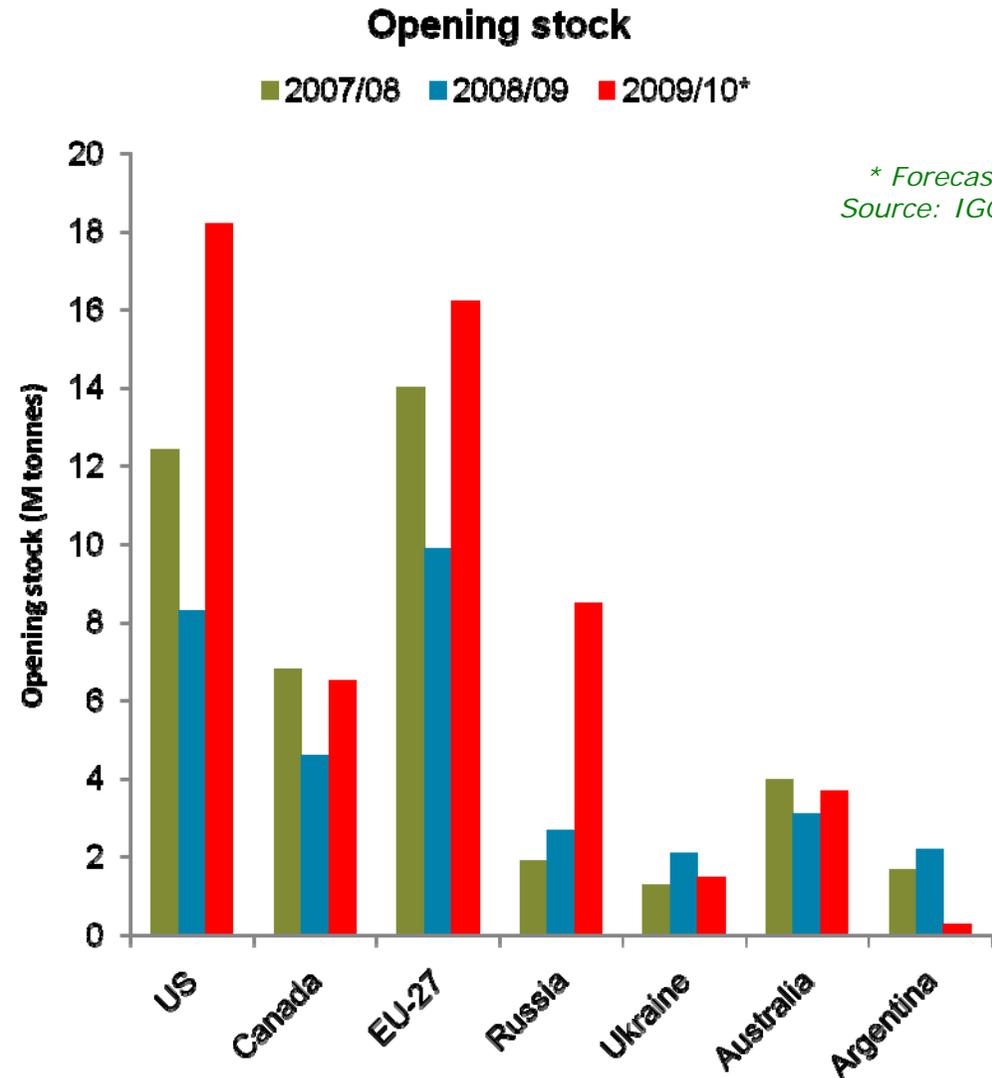
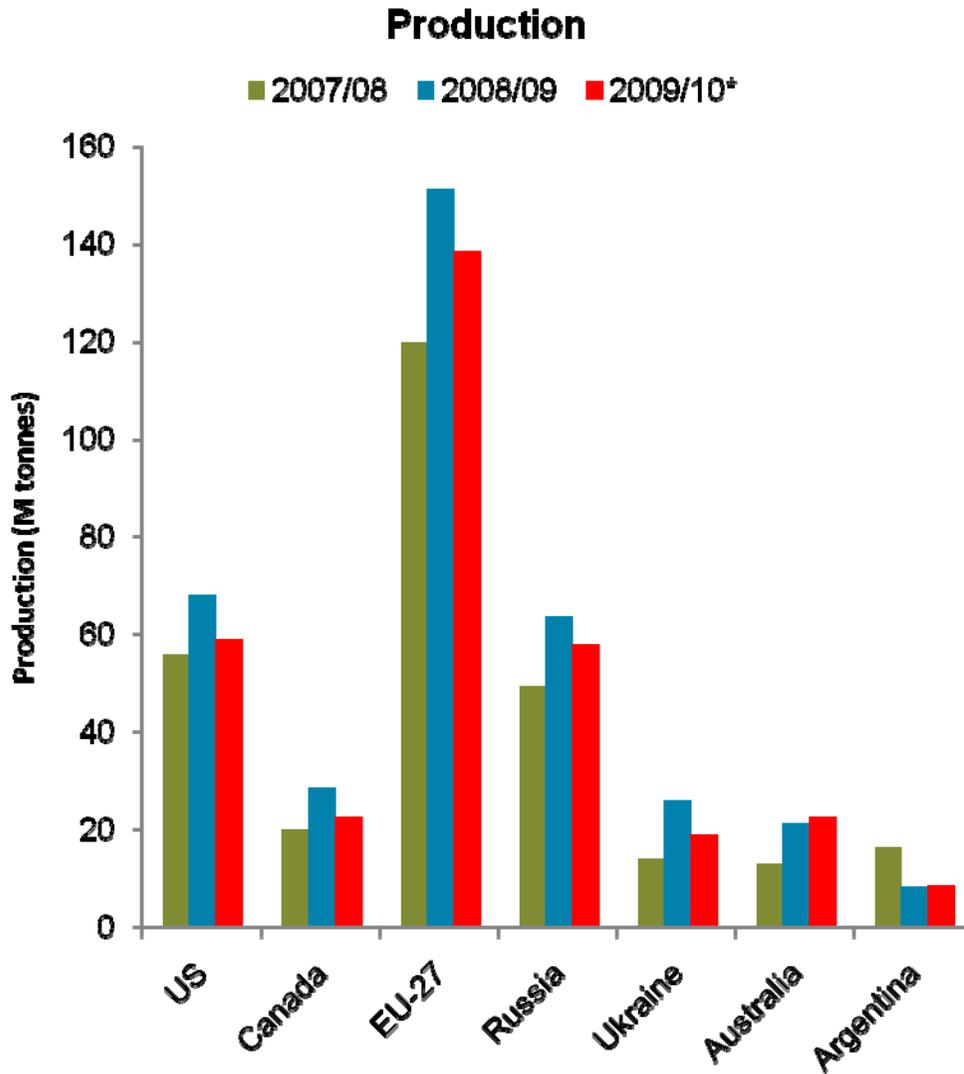
# World Supply and Demand for wheat – *another year of surplus forecast*



Source: USDA

# Main wheat exporters harvest less in 2009/10

*- but begin season with greater stock levels*



\* Forecast  
Source: IGC

# UK Supply and Demand position

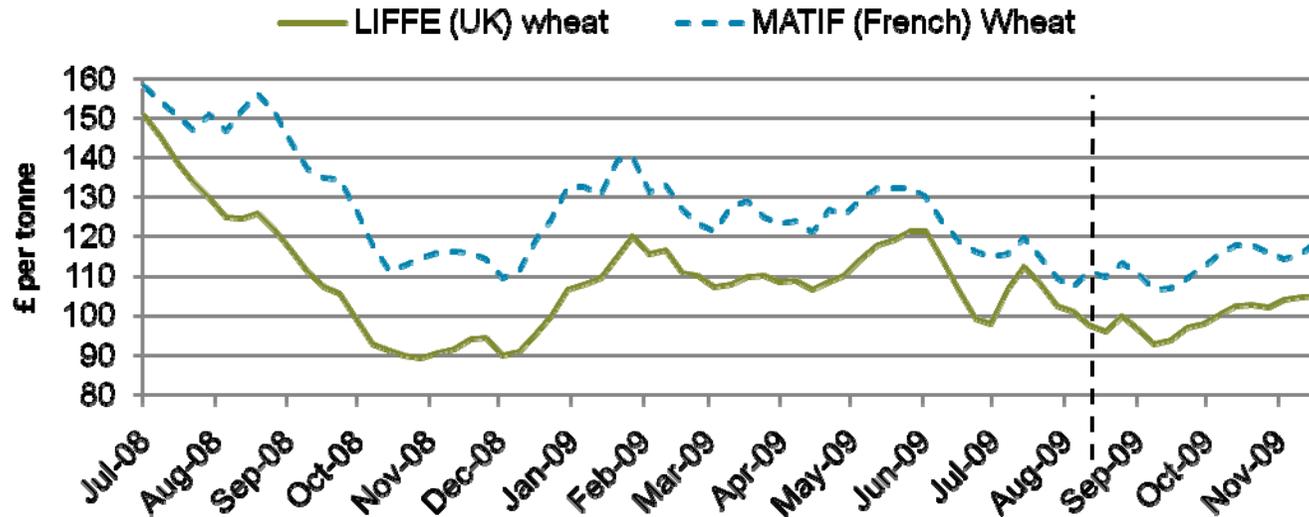


Thousand Tonnes

	2008/09	2009/10
Opening Stocks	1,720	2,756
Production	17,227	14,181
Imports	1,305	933
<b>Total Availability</b>	<b>20,252</b>	<b>17,870</b>
Human and Industrial Consumption	6,836	6,827
(of which home grown)	5,627	5,847
Usage as Animal Feed	6,729	6,510
(of which home grown)	6,645	6,470
Seed	322	270
Other	86	71
<b>Total Domestic Consumption</b>	<b>13,973</b>	<b>13,678</b>
<b>Balance</b>	<b>6,279</b>	<b>4,192</b>
Exportable surplus	3,523	-
Intervention Stocks	0	-
<b>Exportable surplus/Intervention Stocks</b>	<b>3,523</b>	<b>2,161</b>
Commercial End-Season Stocks	2,756	2,030

# UK continues to track French wheat market

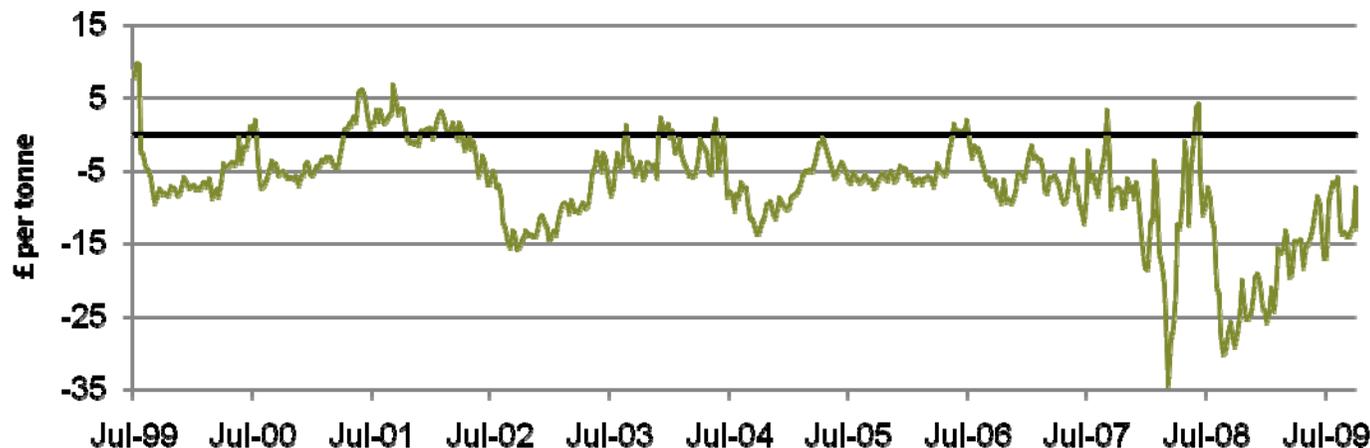
- *quality and exportable surplus key drivers*



Better UK wheat quality and lower exportable surplus reduces UK discount to French

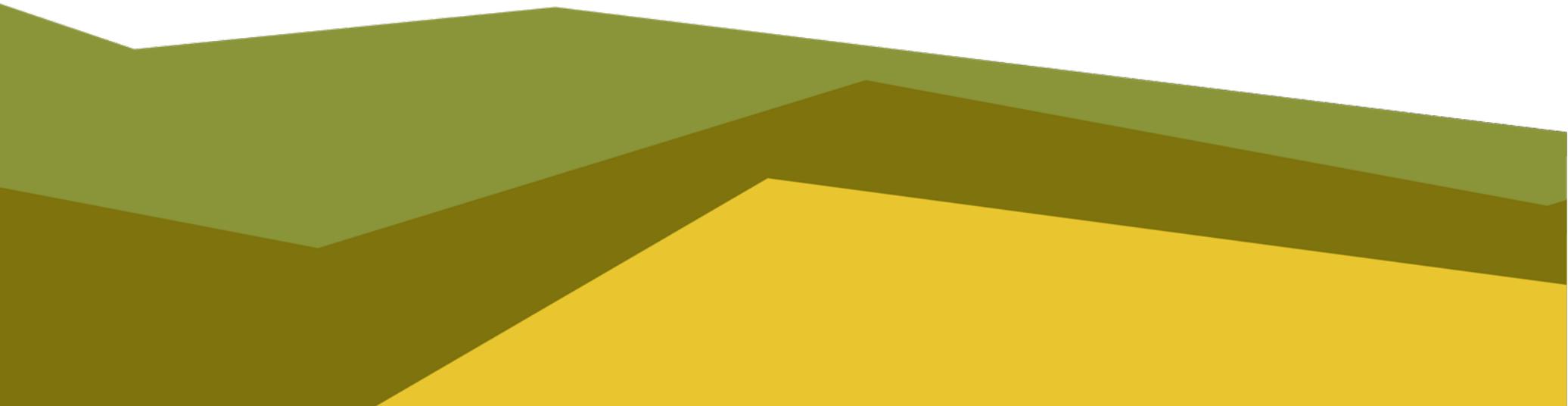
But UK will continue to follow French

**Relationship between UK and French wheat**



Changing domestic market dynamics will not decouple UK from other markets

# World feed grains market

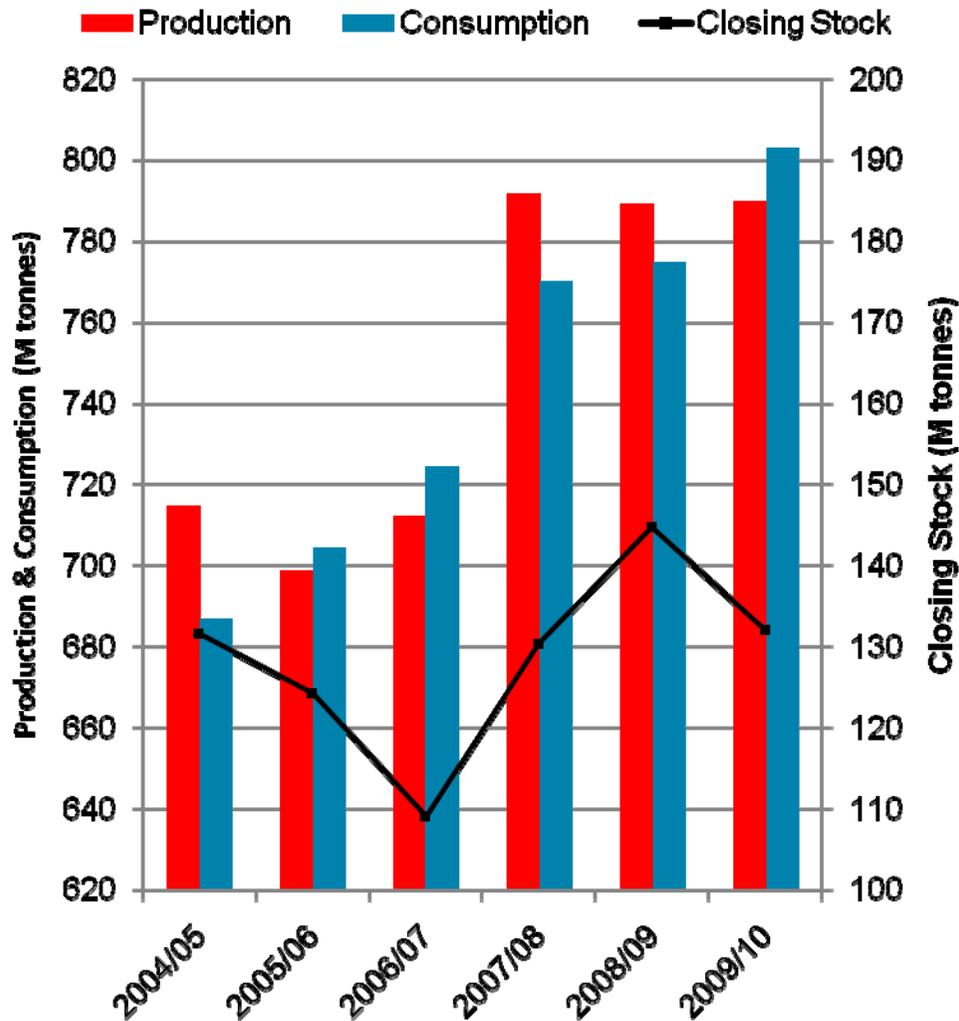


# Feed grain in 2009/10

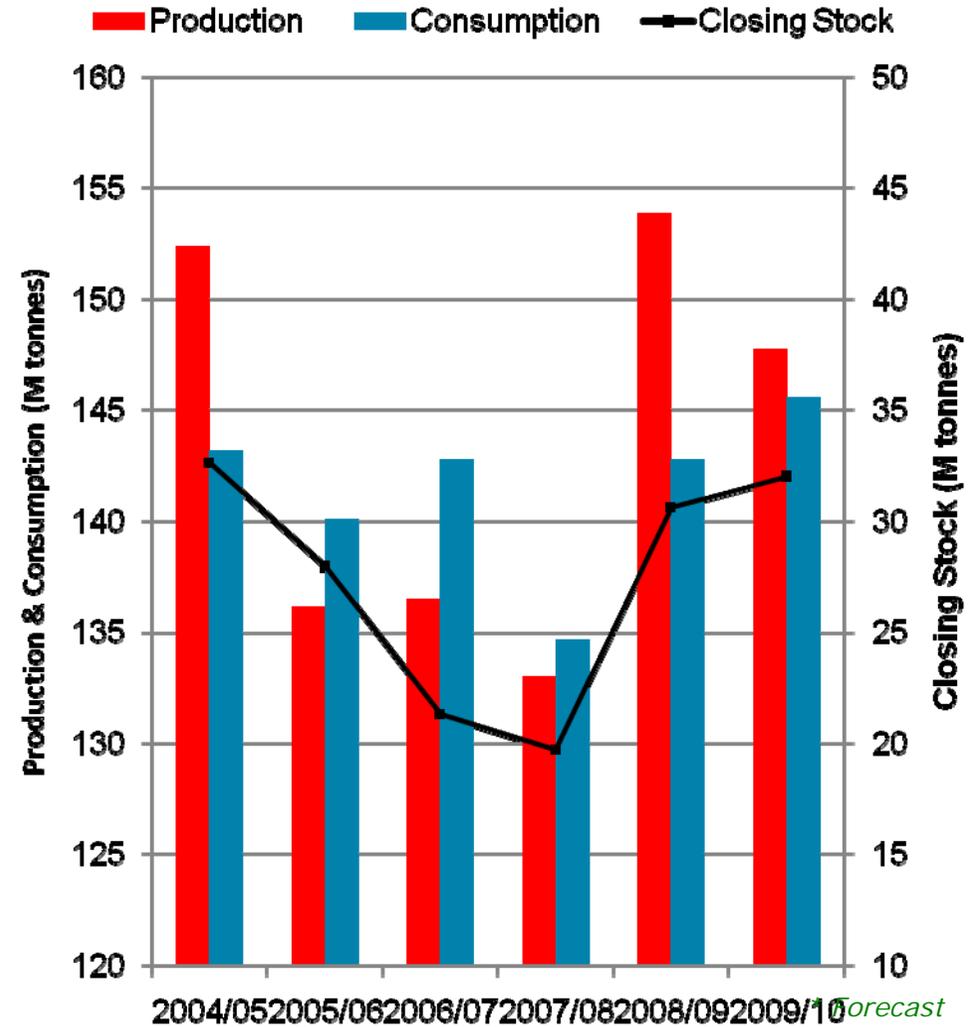
- maize deficit, barley surplus



### Maize



### Barley

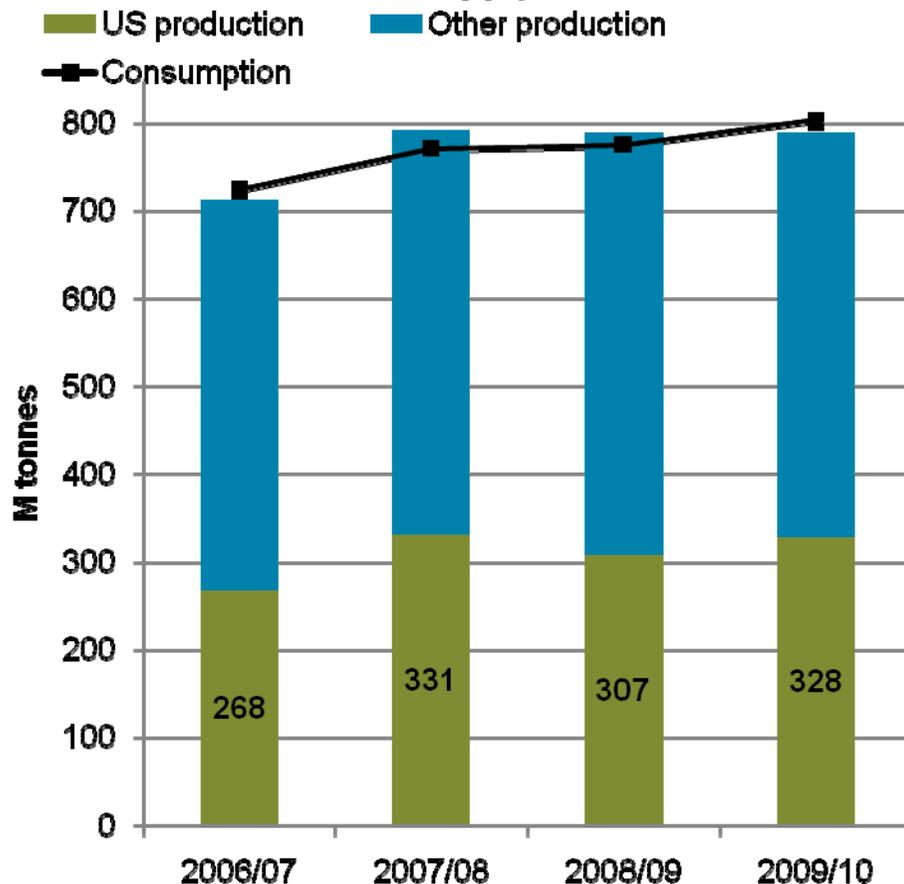


# Maize remains the dominant feed grain

## - US crop dictating volatility



**Global maize supply and demand**



## US maize balance

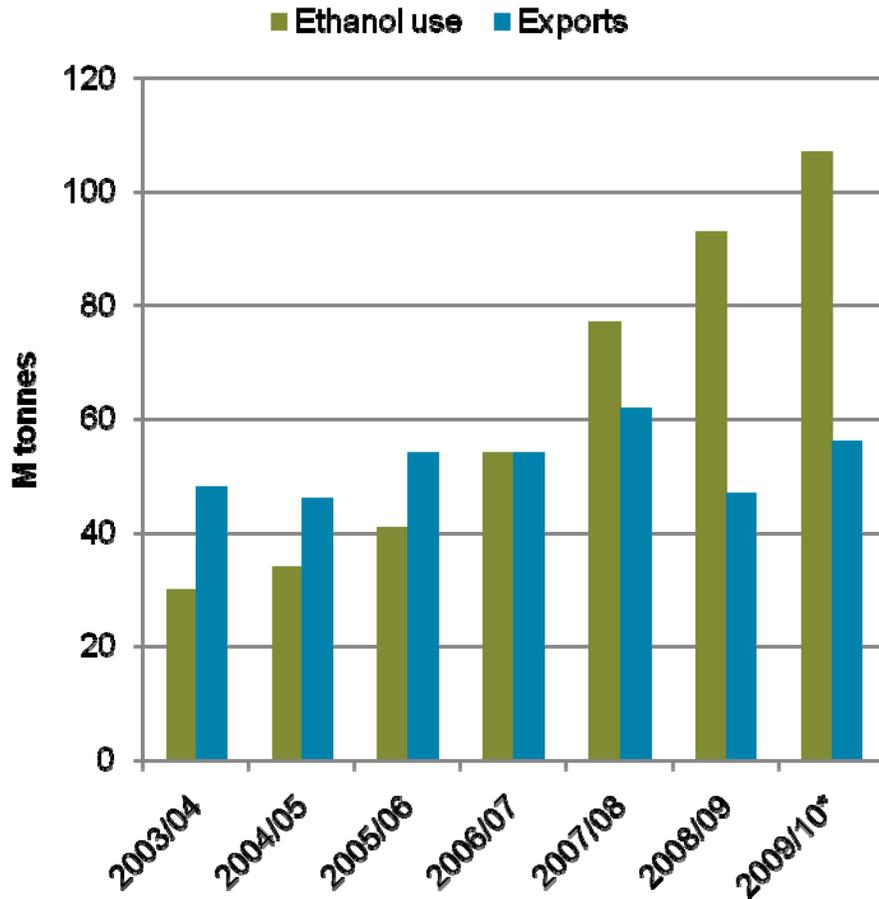
M tonnes	07/08	08/09	09/10 *
Production	331	307	328
Feed	151	133	137
Ethanol	77	93	107
Exports	62	46	53
STU %	12.7%	14.8%	14.9%

\* Forecast  
Source: USDA

# Demand for grain for biofuel grows

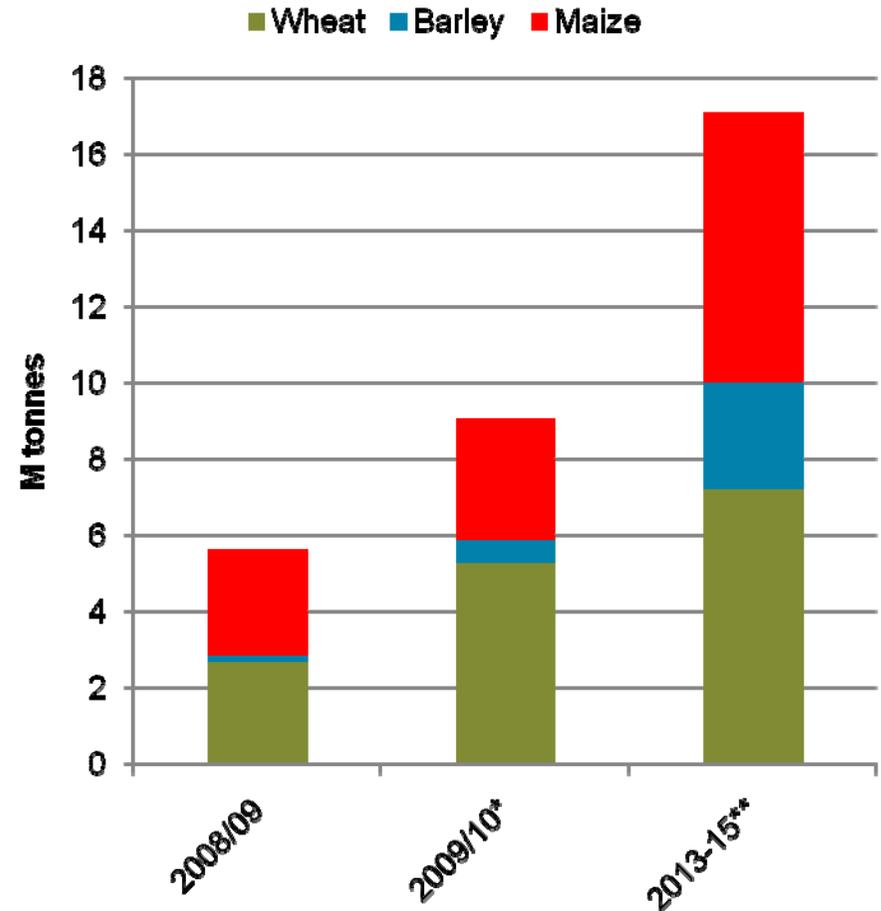


### US maize usage



\* Forecast

### EU-27 grain use for biofuel



\*\*EC forecast, March 2009

Source: USDA, Strategie Grains, EC

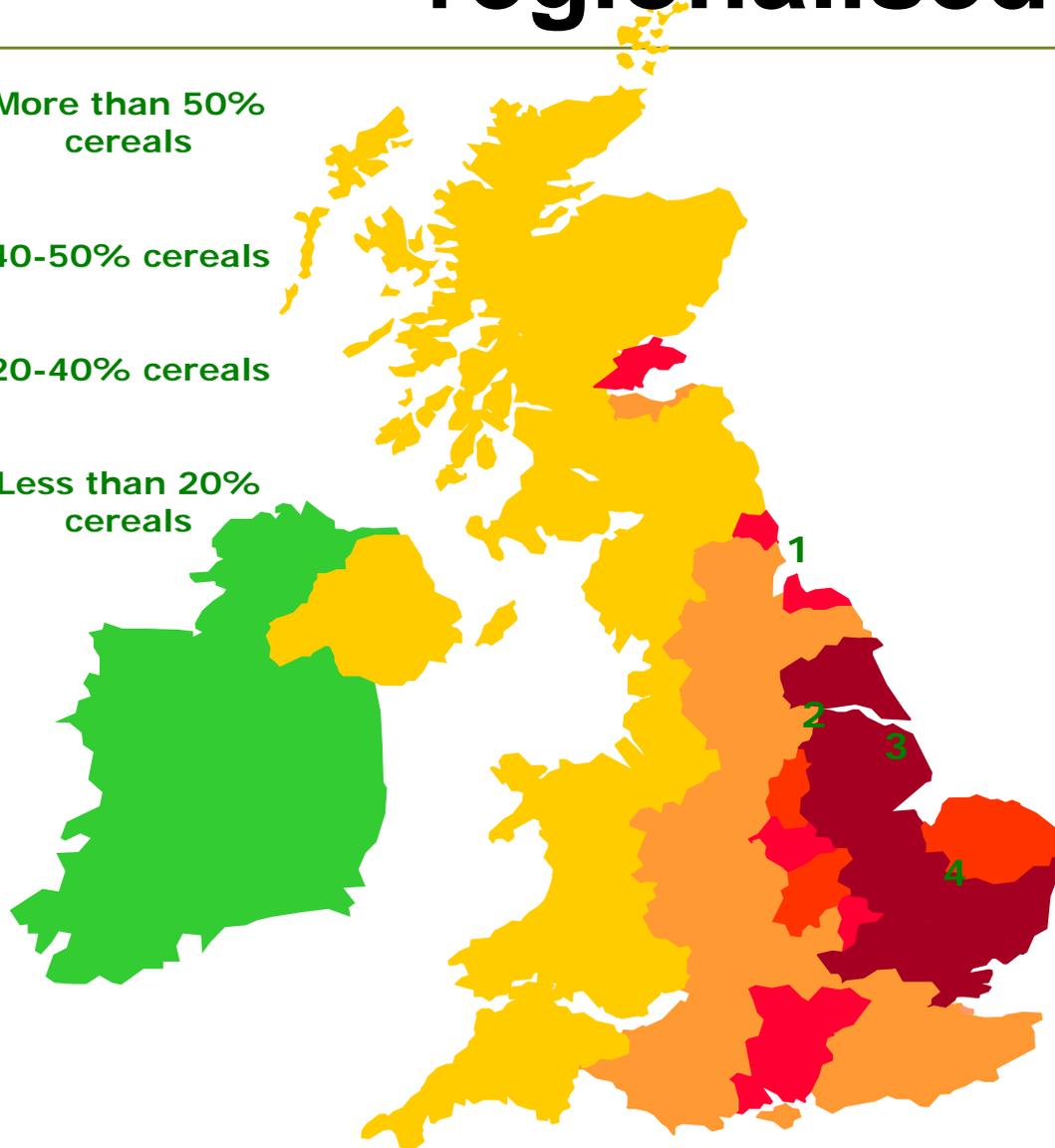
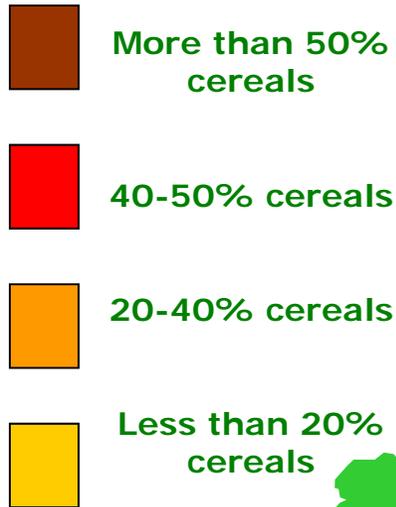
# UK barley balance sheet

- massive spring plantings, highest since 2001



M tonnes	2007/08	2008/09	2009/10
Opening stocks	0.80	0.76	1.20
Production	5.71	6.14	6.75
Demand	4.80	5.03	5.09
<i>H&amp;I</i>	1.75	1.77	1.68
<i>Feed</i>	2.87	3.07	3.20
Exports & intervention	0.40	0.812	2.01
<i>Monthly Exports</i>			
<i>July</i>			39,694t
<i>August</i>			116,358t
<i>September</i>			107,386t
<i>UK Intervention as at</i>			
<i>Nov 19th</i>			12,078t

# UK wheat market becoming more regionalised?



- 1 Ensus, Teesside,** [www.ensusgroup.com](http://www.ensusgroup.com)  
Due on stream to use some of the 2009 wheat crop
- 2 Vivergo, Hull,** [www.vivergofuels.com](http://www.vivergofuels.com)  
Currently under construction and due to start production in summer 2010
- 3 Vireol, Immingham** [www.vireol.com](http://www.vireol.com)  
at the advanced planning stage
- 4 British Sugar, Wissington** [www.britishsugar.co.uk](http://www.britishsugar.co.uk)  
Sugarbeet based bioethanol

# Recap – Implications for 2009/10 and beyond



## Wheat

- Record 2008/09 surplus followed by likely 2009/10 surplus
- Huge competition for exports in 2009/10 plus volatile FOREX
- Better quality in UK should avoid major discounts, but still a follower

## Feed grains

- Tight (e.g. US maize), but EU barley at intervention levels
- So markets exposed to an unknown supply issue in the future: volatility
- Bioethanol = changing dynamics???



# Questions?

[michael.archer@hgca.com](mailto:michael.archer@hgca.com)