Global cereal supply and demand brief

EARLY PROSPECTS FOR 2011 CROPS

Overall favourable outlook for global 2011 wheat production

At this stage of the season, with the bulk of the coarse grains and paddy crops yet to be planted in the coming months, it is still too early for even a preliminary forecast of global **cereal** output in 2011. For wheat, however, in the northern hemisphere, which accounts for the bulk of the global production, winter crops are already developing or soon to come out of dormancy, while spring planting is underway in some countries and a preliminary picture of global prospects is already available.

FAO's first forecast for world **wheat** production in 2011 stands at 676 million tonnes, representing a growth of 3.4 percent from 2010. Plantings have increased, or are expected to increase, in many countries in response to strong prices, and yield recoveries are expected in areas that were affected by drought in 2010, the Russian Federation in particular. The global output forecast for 2011 would be still below the bumper harvests in 2008 and 2009.

In the **EU**, the overall wheat planted area is expected to be up by about 2 percent, and with generally satisfactory conditions so far, the aggregate 2011 output is tentatively forecast to increase by 4 percent. In the **Russian Federation**, the winter wheat area was reduced because of dry conditions but the decline is expected to be more than offset by increased spring plantings. Coupled with an expected yield recovery after last year's drought, a sizeable increase in the country's 2011 wheat production over 2010 is forecast. Also **Ukraine** looks set to harvest more wheat this year, with relatively unchanged plantings but very favourable growing conditions reported in contrast to last year when dry conditions affected some areas. In North America, the early forecast for wheat production in the **United States** points to a decline in 2011. Although winter plantings increased significantly, adverse dry conditions in parts could increase the level of abandonment this year and the spring wheat area is forecast to decline under strong competition from other crops. In **Canada**, the bulk of the wheat is spring sown and significantly larger plantings are expected in response to this year's higher prices, especially in view of last year's relatively low area.

In **Asia**, prospects for the 2011 wheat crop, to be harvested from April, are mostly favourable in **India** and **Pakistan**, where good harvests are forecast. However, the outlook in **China** is uncertain because of winter drought in the North China Plain despite recent beneficial precipitation. In the Asia CIS subregion, **Kazakhstan** is the major producer and the bulk of the crop is yet to be sown this spring. Weather permitting, farmers are expected to maintain the relatively high planting level of the past two years, especially in view of strong prices. Assuming also a recovery in yields after last year's drought-reduced level, a significant increase in production could be achieved. In **North Africa**, early prospects for the 2011 wheat crops are generally favourable, except in **Tunisia** where dry conditions point to a repeat of last year's drought-reduced crop.

In the southern hemisphere, where the major wheat crops are still to be sown, producers are also expected to increase plantings in response to this year's favourable price prospects. However, this may not translate to larger crops in **Australia** or **Argentina**, where yields are assumed to return to average after bumper levels in 2010.

Table 1. Wheat production: leading producers [1]
(million tonnes)

	Average 2008-10	2009	2010 estimate	2011 forecast	Change: 2011 over 2010 (%)
EU	141.8	138.5	136.5	142.0	4.0
China (Mainland)	114.2	115.1	115.1	113.0	-1.8
India	80.0	80.7	80.8	81.5	0.9
United States	62.8	60.4	60.1	56.6	-5.8
Russian Federation	55.7	61.7	41.5	55.0	32.5
Canada	26.2	26.8	23.2	25.0	7.8
Australia	23.2	21.9	26.3	24.0	-8.8
Pakistan	22.8	24.0	23.3	24.0	3.0
Ukraine	20.7	20.8	17.2	21.0	22.1
Turkey	19.3	20.6	19.5	19.8	1.5
Kazakhstan	14.3	17.0	10.0	15.6	56.2
Iran Islamic Rep. of	12.4	13.0	14.5	13.2	-9.0
Argentina	10.4	8.8	14.0	13.5	-3.6
Egypt	8.3	8.5	8.5	8.6	0.9
Uzbekistan	6.5	6.6	6.7	6.6	-1.5
World	**674.4**	**684.5**	**653.7**	**676.0**	3.4

[1] Countries ranked according to average production 2008-10.

Mixed outlook for southern hemisphere 2011 coarse grain crops

The major **coarse grains** crops in the northern hemisphere are yet to be sown but in the southern hemisphere the season is well advanced. In **South**

America, prospects for the 2011 maize crop are unfavourable in **Argentina** and **Uruguay** due to persistent dry weather linked to La Niña that has affected parts of the subregion. In **Brazil**, by contrast, the outlook is positive after good rainfall since planting improved soil moisture conditions for developing crops.

In Southern Africa, prospects for the current main coarse grains season are overall good. Weather conditions have been generally favourable despite localized floods and a recent dry spell, and large input subsidy programmes were implemented in Malawi, Zambia and Zimbabwe. In **Malawi** and **Zambia** maize production is forecast to reach record levels. In **South Africa**, however, the largest producer in the subregion, despite favourable growing conditions, a sharp drop in production is forecast from last year's high level following reduced plantings in response to high carryover stocks and low prices for maize at planting, inducing farmers to switch to other crops with better returns prospects such as soybean or sunflower.

First 2011 rice crops already developing along and south of the equator

The first 2011 season rice crops have already been planted along and south of the equatorial line, and early indications point to significant production increases in **Argentina**, **Australia**, **Brazil**, **Indonesia** and **Uruguay** reflecting much improved weather conditions compared to last year. However, excessive precipitation/flooding are undermining expectations in **Sri Lanka**.

2010/11 SUPPLY AND DEMAND

Estimate of world cereal production in 2010 slightly up on December forecast

The estimate for world **cereal** production in 2010 has been revised upward slightly since previously reported (Crop Prospects and Food Situation, December 2010) to 2 237 million tonnes (including rice in milled terms), just 1.1 percent below the bumper output in 2009. The decline in cereal production in 2010 was entirely due to lower output in developed countries while in developing countries production rose significantly by almost 5 percent.

The estimate for world **wheat** production in 2010 now stands at almost 654 million tonnes, 1 million tonnes above FAO's December forecast but still some 4 percent less than in 2009. The latest revision mostly reflects a better than expected outcome of the harvest in **Argentina**, which more than offset some downward adjustments to estimates in **Asia** (most notably **Kazakhstan**) and **Europe** (mostly the **Russian Federation**).

For **coarse grains**, the estimate of output in 2010 is now put at 1 117 million tonnes, 7 million tonnes up from the previous forecast and just marginally less than the 2009 level. The upward revision was largely driven by increased estimates for **China**, **India**, **Ethiopia** and **Sudan**.

Figure 1. World cereal production and utilization

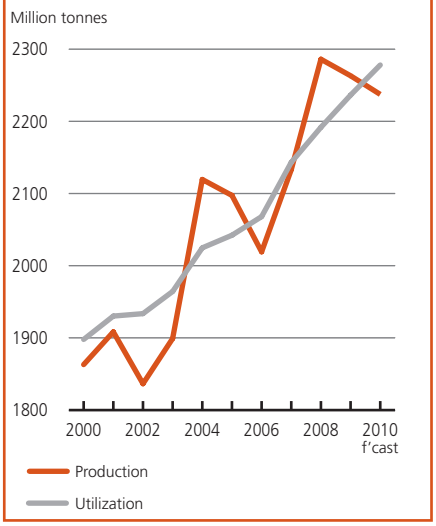


Table 2. Basic facts of world cereal situation

(million tonnes)

	2008/09	2009/10 estimate	2010/11 forecast	Change: 2010/11 over 2009/10 (%)
PRODUCTION 1/				
World	**2 286.0**	**2 263.1**	**2 237.3**	**-1.1**
Developing countries	1 240.6	1 239.2	1 299.7	4.9
Developed countries	1 045.3	1 024.0	937.6	-8.4
TRADE 2/				
World	**282.3**	**272.2**	**272.4**	**0.1**
Developing countries	72.8	74.4	84.5	13.6
Developed countries	209.5	197.9	187.8	-5.1
UTILIZATION				
World	**2 191.7**	**2 236.3**	**2 278.0**	**1.9**
Developing countries	1 341.4	1 369.1	1 410.9	3.1
Developed countries	850.3	867.2	867.1	0.0
Per caput cereal food use (kg per year)	151.8	152.2	153.5	0.9
STOCKS 3/				
World	**501.2**	**525.2**	**479.1**	**-8.8**
Developing countries	333.9	344.7	355.0	3.0
Developed countries	167.3	180.5	124.1	-31.2
WORLD STOCK-TO-USE RATIO%	23.2	24.0	23.0	-4.2

Note: totals computed from unrounded data.

[1] Data refer to calendar year of the first year shown and include rice in milled terms.

[2] For wheat and coarse grains, trade refers to exports based on July/June marketing season. For rice, trade refers to exports based on the calendar year of the second year shown.

[3] Data are based on an aggregate of carryovers level at the end of national crop years and, therefore, do not represent world stock levels at any point in time.

The estimate for global **rice** production in 2010 remains unchanged since December at 466 million tonnes (in milled terms). Improved prospects for **Brazil**, **China** mainland and **Thailand** largely offset a sizeable downward revision for **India**. At this level, the aggregate output of the 2010 rice seasons, which will close when the northern hemisphere countries complete the harvest of their secondary crops by May/June, would be 2 percent up from 2009, mostly on account of large gains in Asia, where **Bangladesh**, **China**, **India** and **Indonesia**, the leading world producers, are all expected to tally larger crops.

Tighter cereal supply and demand balance in 2010/11

FAO's latest forecasts confirm a tightening of the global cereal supply and demand balance in 2010/11. A decline in world production in 2010 in the face of growing demand is expected to result in a sharp drawdown of world stocks. Reflecting this prospect, international cereal prices have increased sharply with export prices of major grains up over 70 percent from this time last year.

World **trade** in cereals in 2010/11 is forecast to remain steady with larger trade in coarse grains offsetting a decline in wheat while rice trade is forecast to increase a little (about 1 percent).

The forecast for world cereal **utilization** in 2010/11 has been revised up by 18 million tonnes since December. The bulk of the revision reflects adjustments to the feed and industrial utilization of coarse grains. Larger use of maize for ethanol production in the United States and statistical adjustments to China's historical (since 2006/07) supply and demand balance for maize are the main reasons for the revision.

Sharp fall in world stocks

World cereal **stocks** for crop seasons ending in 2011 are forecast to fall sharply because of a decline in inventories of wheat and coarse grains. A plunge in stocks of coarse grains at the global level as well as for major exporters is expected to push down stock usage ratios of coarse grains to the lowest level in three decades.

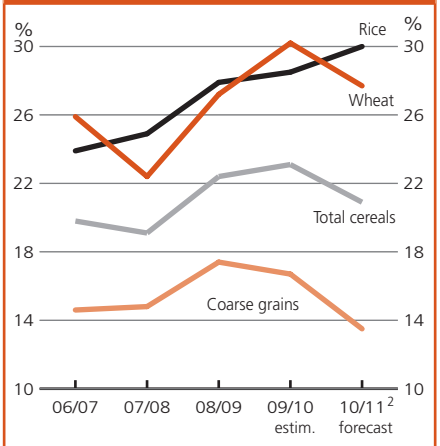
International grain prices volatile in March

International prices of **wheat** that had risen by 7 percent in February, declined in the first three weeks of March, with the benchmark US wheat price (US No. 2 Hard Red winter) averaging USD 333 per tonne, about 48 percent higher than the same period last year, but 40 percent below its peak in March 2008. Wheat markets came under downward pressure in March following some improvements in weather in the United States and China and reports of possible delays in purchases by some of the countries hit by the recent wave of political unrest. However, prices rebounded sharply during the third week in March.

Export prices of **maize** rose sharply in February before declining in early March as slower export sales from the United States put downward pressure on markets in spite of cuts in the official forecast of inventories there. In the first three weeks of March the benchmark US maize price (US No. 2, Yellow) averaged USD 293 per tonne, 83 percent higher than at the same time a year earlier, but 13 percent below the June 2008 peak.

Export prices of **rice** that were generally stable in February, declined in the first three weeks of March with the benchmark export price (Thai white rice 100% B) averaging USD 527 per tonne, 3 percent below its level at the corresponding period in 2010 and 50 percent below the peak of May 2008. The decrease i n prices reflects ample availabilities from recent harvests and sluggish demand.

Figure 2. Ratio of world cereal stocks to utilization[1]



1 Compares closing stocks with utilization in following season.
2 Utilization in 2010/11 is a trend value based on extrapolation from the 1999/00-2009/10 period.

Table 3. Cereal export prices*
(USD/tonne)

	2010				2011		
	Feb.	Oct.	Nov.	Dec.	Jan.	Feb.	*Mar.**
United States							
Wheat1/	207	291	291	327	340	362	*333*
Maize2/	162	236	236	252	263	287	*293*
Sorghum2/	169	231	234	251	262	276	*281*
Argentina3/							
Wheat	221	294	295	300	317	347	*348*
Maize	164	248	246	260	272	288	*291*
Thailand4/							
Rice, white5/	575	509	541	563	542	554	*527*
Rice, broken6/	410	431	430	422	412	433	*432*

*Prices refer to the monthly average. For March 2011, three weeks average.
[1] No.2 Hard Red Winter (Ordinary Protein) f.o.b. Gulf.
[2] No.2 Yellow, Gulf.
[3] Up river, f.o.b.
[4] Indicative traded prices.
[5] 100% second grade, f.o.b. Bangkok.
[6] A1 super, f.o.b. Bangkok.