

United Nations Conference on Trade and Development

13th Multi-Year Expert Meeting on Commodities and Development

10-12 October 2022, Geneva

Recent developments and short-term forecasts for grains and rice markets

By

Alexander Karavaytsev, International Grains Council

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



Recent developments and short-term forecasts for grains and rice markets

Alexander Karavaytsev

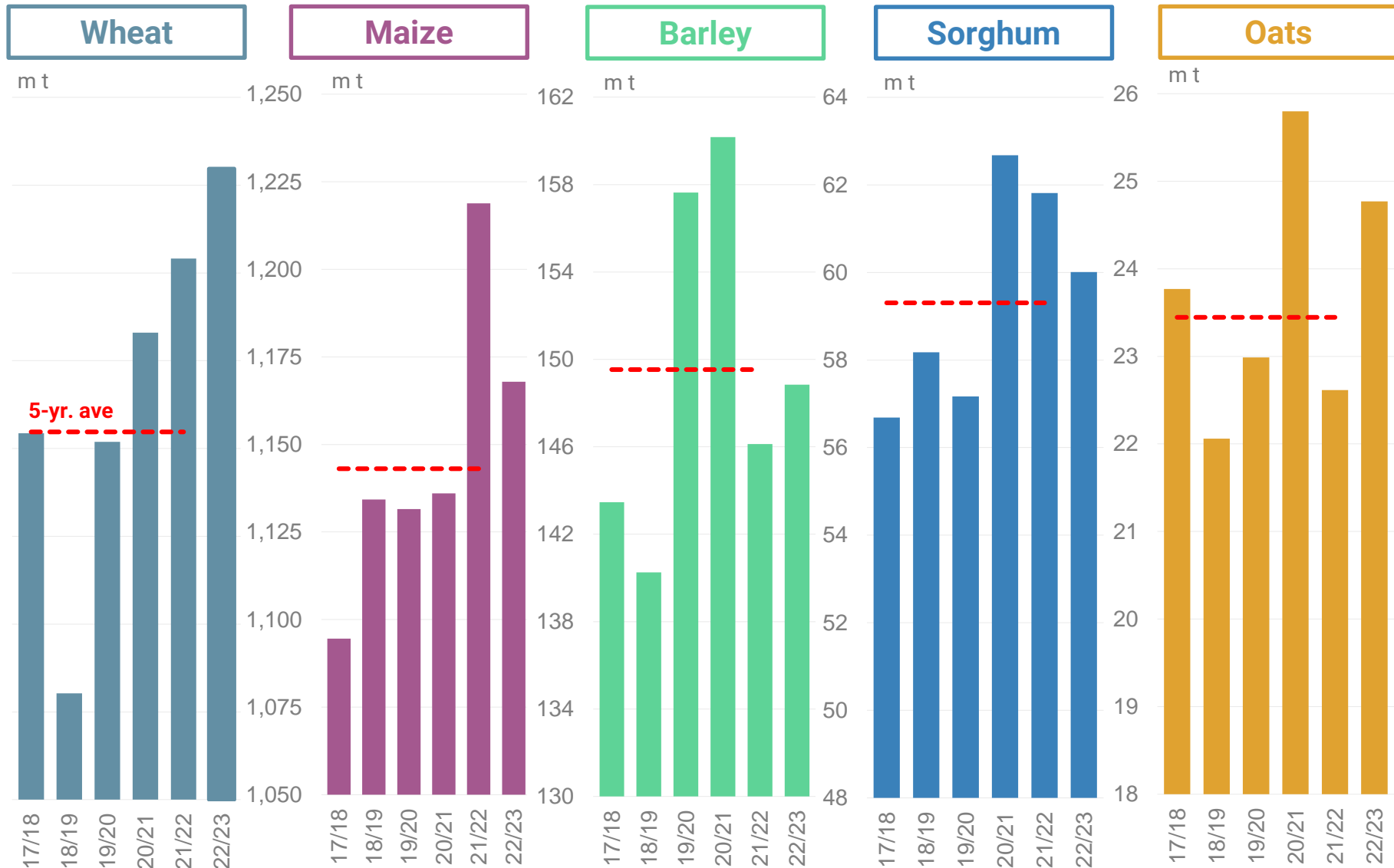
International Grains Council

**Multi-year Expert Meeting on Commodities and Development,
13th Session, Geneva, 10-12 October 2022**





Mixed trends in 2022/23 world production, with total grains output forecast 2% lower y/y, albeit still larger than average

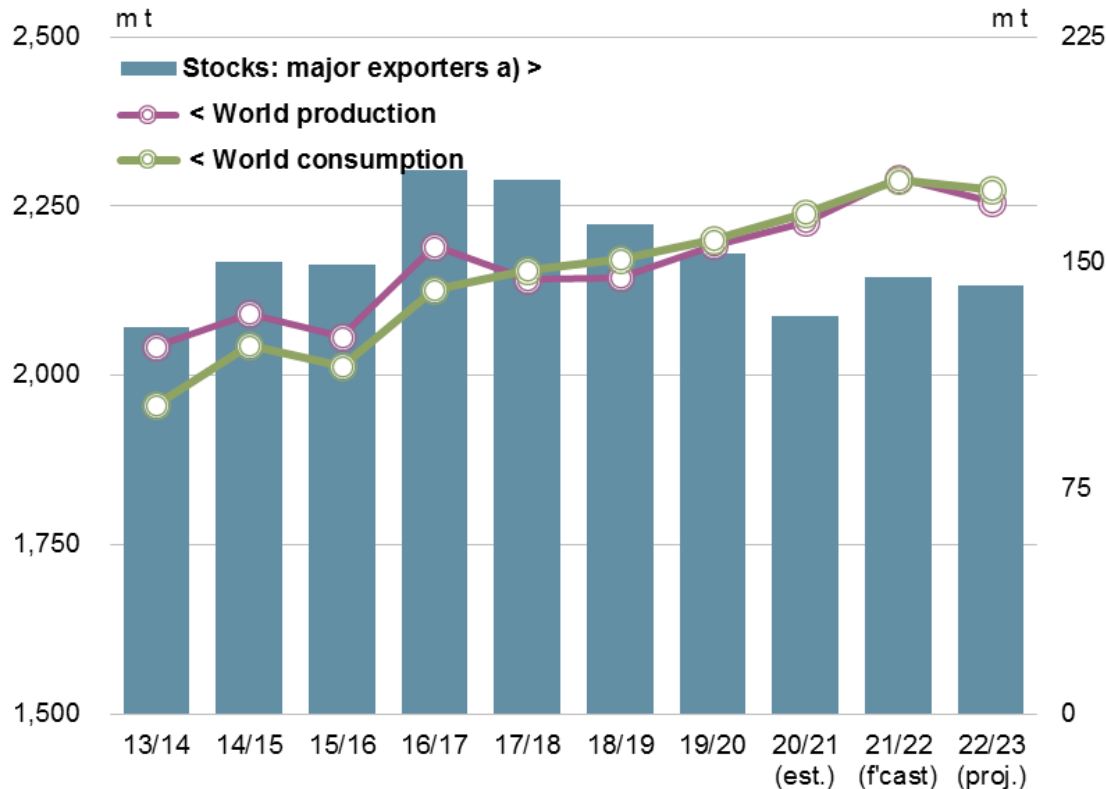




A tightening grains balance sheet in 2022/23, despite potentially slower demand

Amid falling supply, 2022/23 world ending stocks are projected to drop by 3% y/y, to an eight-year low, with the stocks-to-use ratio at 26%, potentially a 10-year low.

Total grains: Supply & demand summary



a) Argentina, Australia, Canada, EU, Kazakhstan, Russia, Ukraine, USA

- The y/y drop in total grains **production** in 2022/23 is mainly driven by smaller maize and sorghum crops, more than offsetting gains for wheat and barley.
- With potentially elevated prices, total **use** may retreat for the first time in seven years, mainly on lower feed uptake.
- Drawdowns for maize to lead a 3% y/y drop in **stocks**, to an eight-year low.
- Party linked to smaller exports by Ukraine, global **trade** in grains (Jul/Jun) is seen declining for a second year in a row.



Grains/oilseeds export prices have retreated from the May peak, quoted below late-Feb levels, but remain historically high

IGC GOI sub-Indices, 1 Jan 2000 = 100





Prices remain above year ago levels, despite the retreat, influenced by macroeconomic and geopolitical factors



Supply worries due to the Black Sea hostilities saw wheat prices reach a **multi-year peak in May 2022**.

The **subsequent retreat** for wheat was linked to:

- Northern hemisphere harvest pressure;
- Rising supply forecasts for Russia;
- Resumption of seaborne shipments from Ukraine (Black Sea Grain Initiative);
- Improving conditions for 23/24 plantings in the northern hemisphere (but still unfavourable in the US and parts of Canada);
- Surging US dollar;
- Macroeconomic concerns

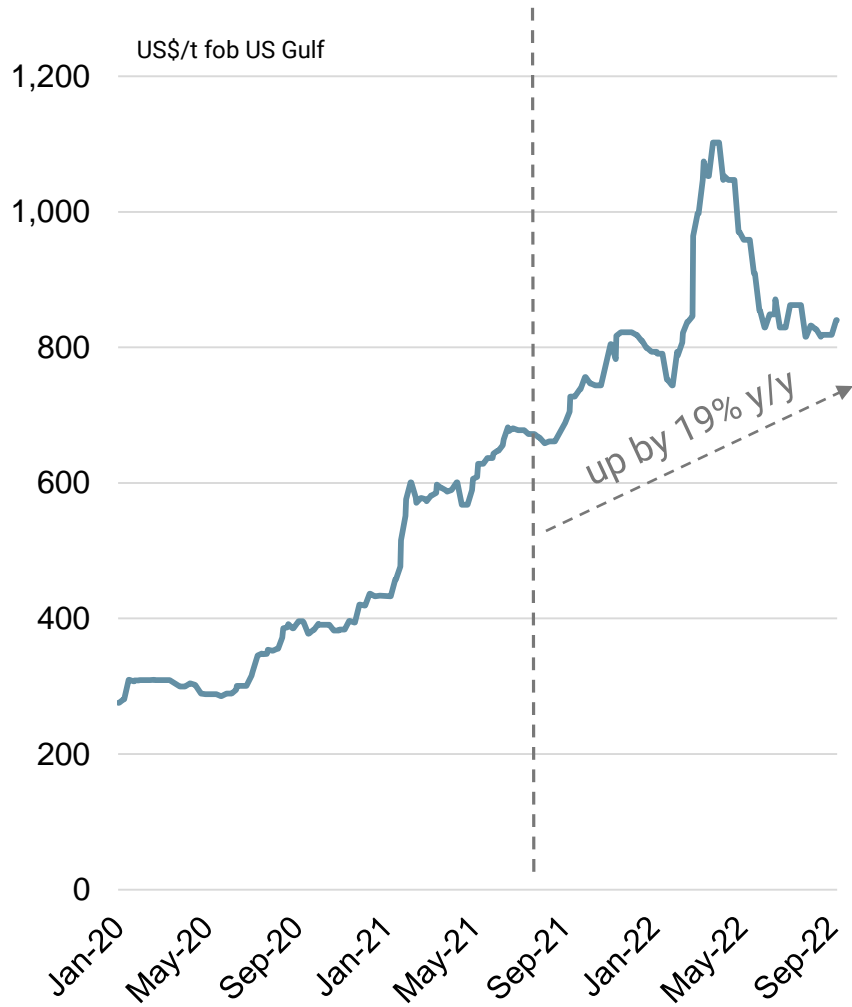
A **more recent upturn** triggered by increased uncertainty about Ukraine's exports, even though global recession fears persisted.

* y/y changes as at 23 Sep 2022

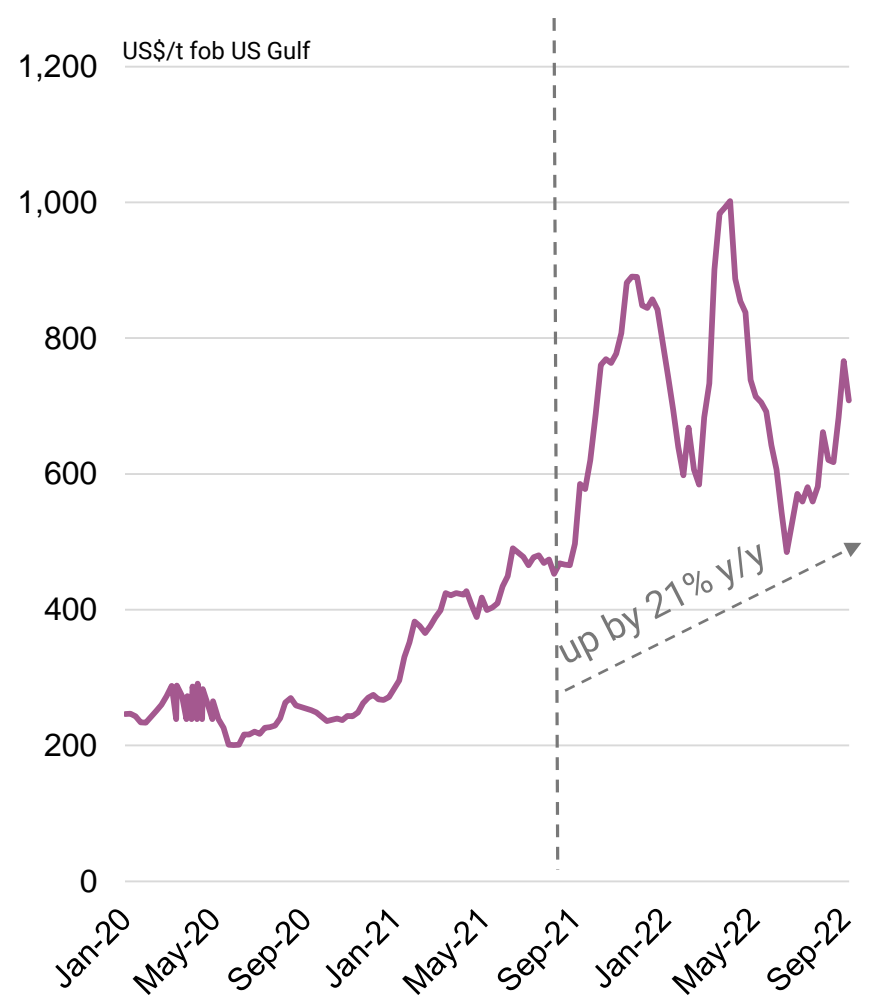


Fertilizer prices are down from spring peaks but remain up y/y, with questions also persisting about availability

Diammonium phosphate export prices



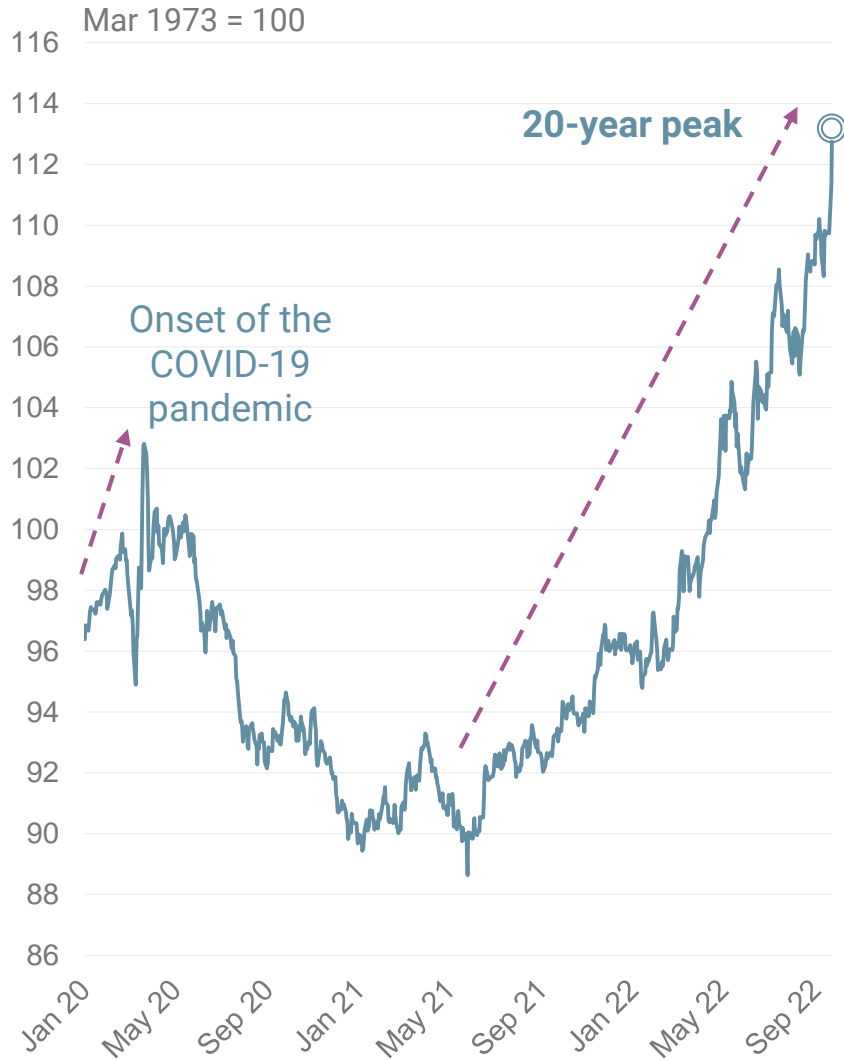
Urea export prices





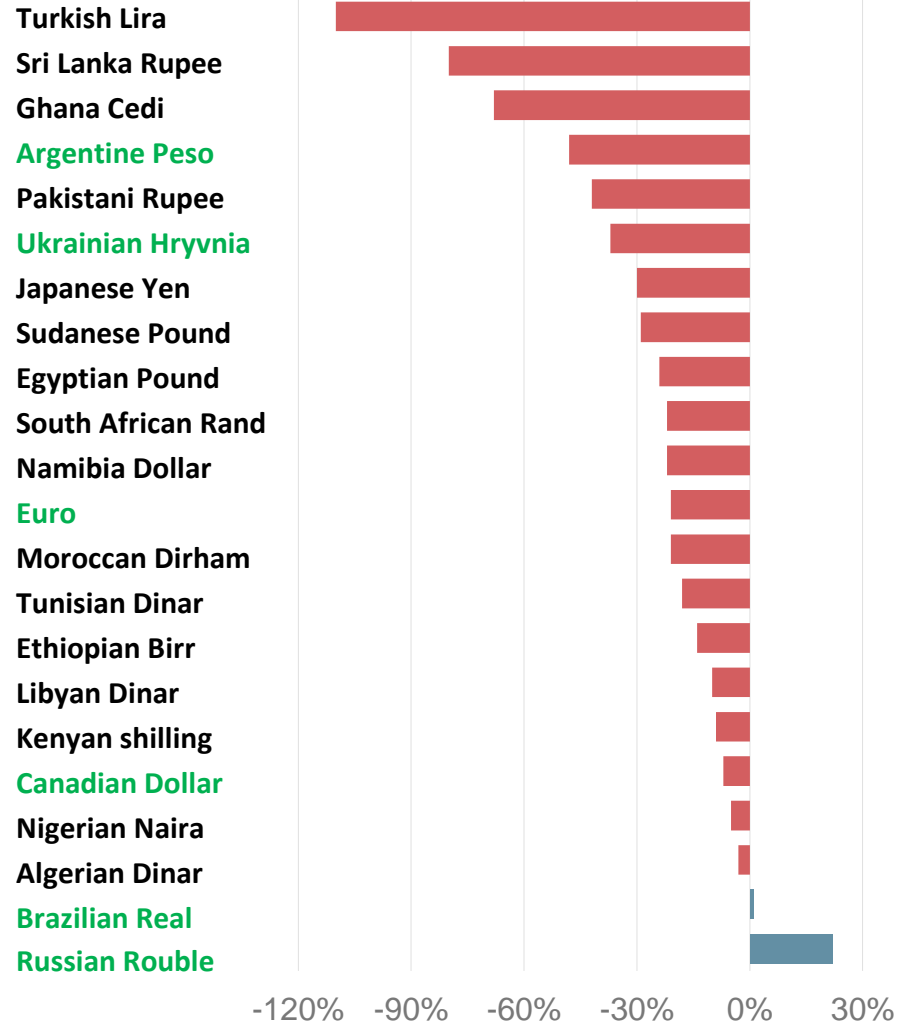
A surging US dollar adds to inflated bills for many importers, but the impact across exporters has been mixed

US Dollar Index



Source: ICE

Annual change vs. US dollar (as at late-Sep 2022)

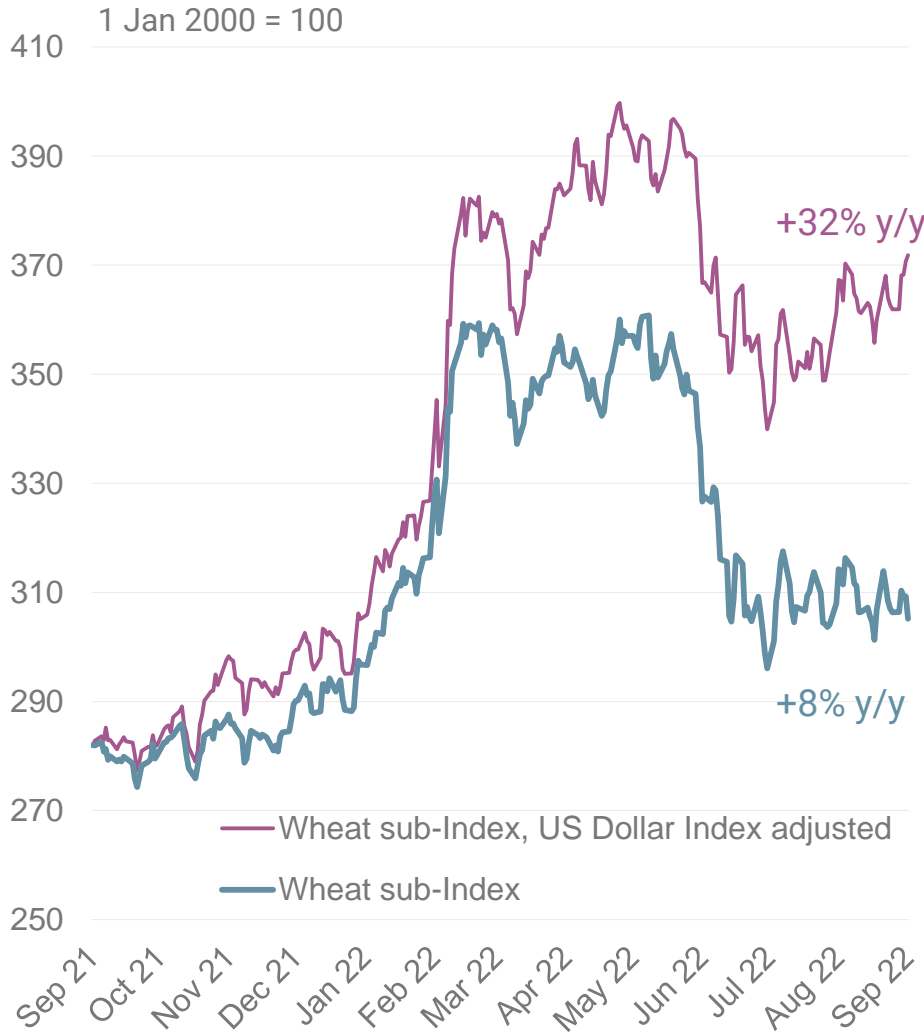


Positive values indicate appreciation against the US Dollar. Green colour indicates major exporters of wheat.

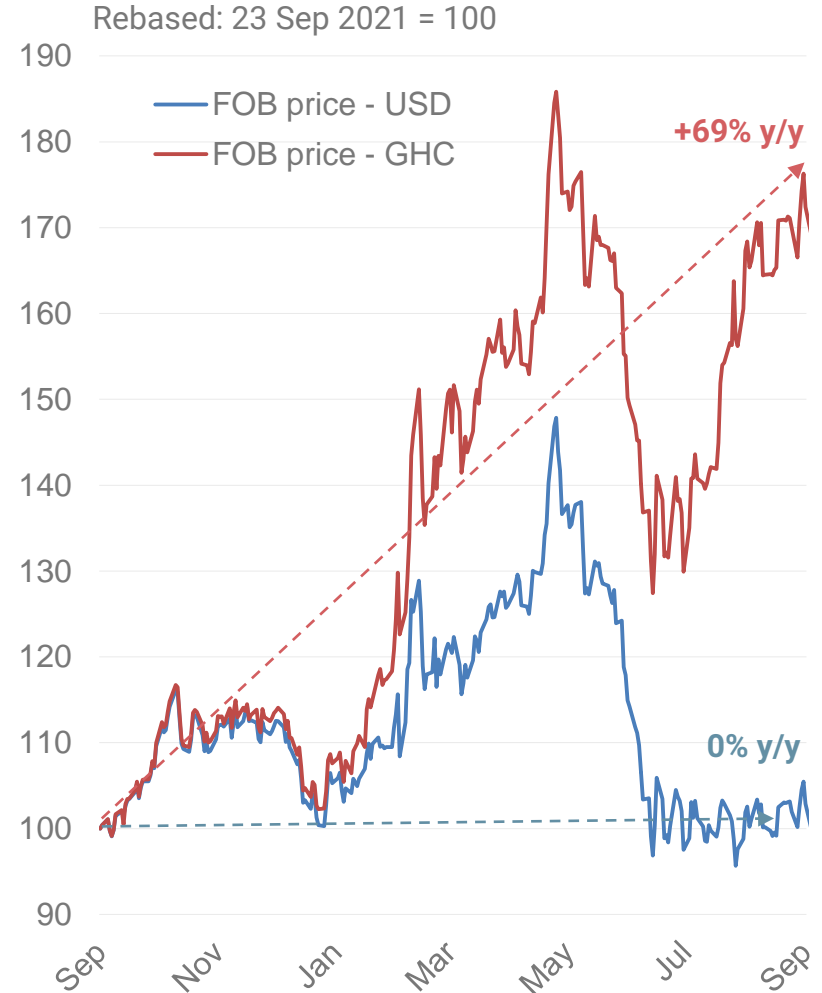


Highlighting the impact of currency movements on export prices and import costs

IGC GOI wheat sub-Index



Ghana: Canada CWRS wheat (13.5%)





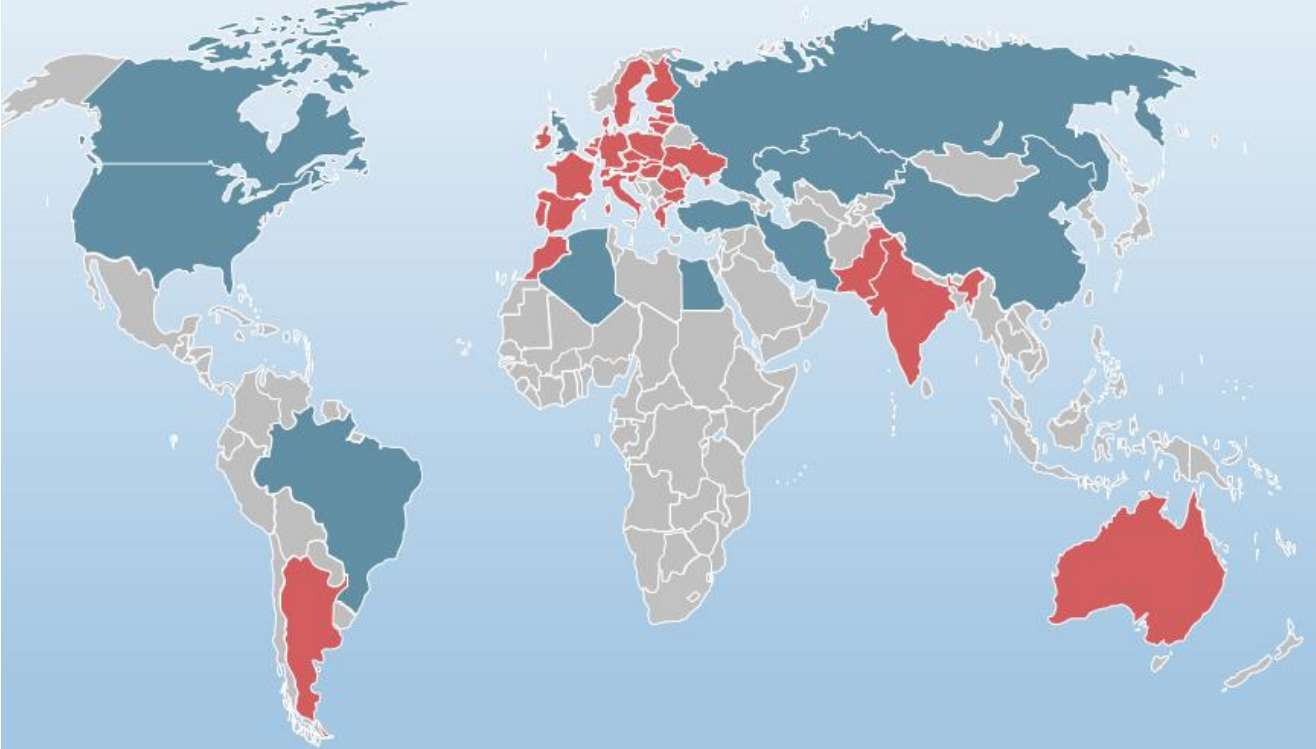
Wheat

Market situation and outlook





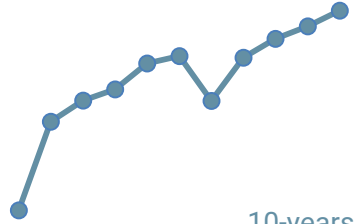
Wheat: 2022/23 global production



	m t	Δ y/y (m t)	Δ y/y
TOTAL	791.9	10.2	1%
Morocco	2.7	-4.8	-64%
Ukraine	21.5	-11.6	-35%
Argentina	18.0	-4.1	-19%
Australia	32.2	-4.1	-11%
Pakistan	26.4	-1.1	-4%
EU	133.3	-5.0	-4%
India	106.8	-2.8	-3%
Canada	34.7	12.4	56%
Algeria	3.0	0.6	25%
Russia	93.4	18.4	24%
Brazil	9.4	1.7	22%
Kazakh.	13.7	1.9	16%
Iran	13.2	1.7	15%
Egypt	9.8	0.8	9%
USA	48.5	3.7	8%
Turkey	18.3	0.8	4%
UK	14.6	0.6	4%
China	138.0	1.1	1%

2022/23 Production
m t y/y vs. 5yr ave.

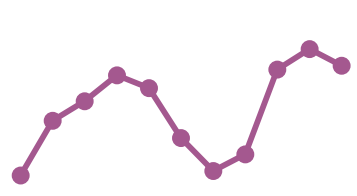
791.9 1% 4%



10-years

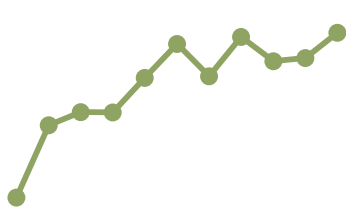
Area
m ha y/y vs. 5yr ave.

224.5 -1% 2%



Yields
t/ha y/y vs. 5yr ave.

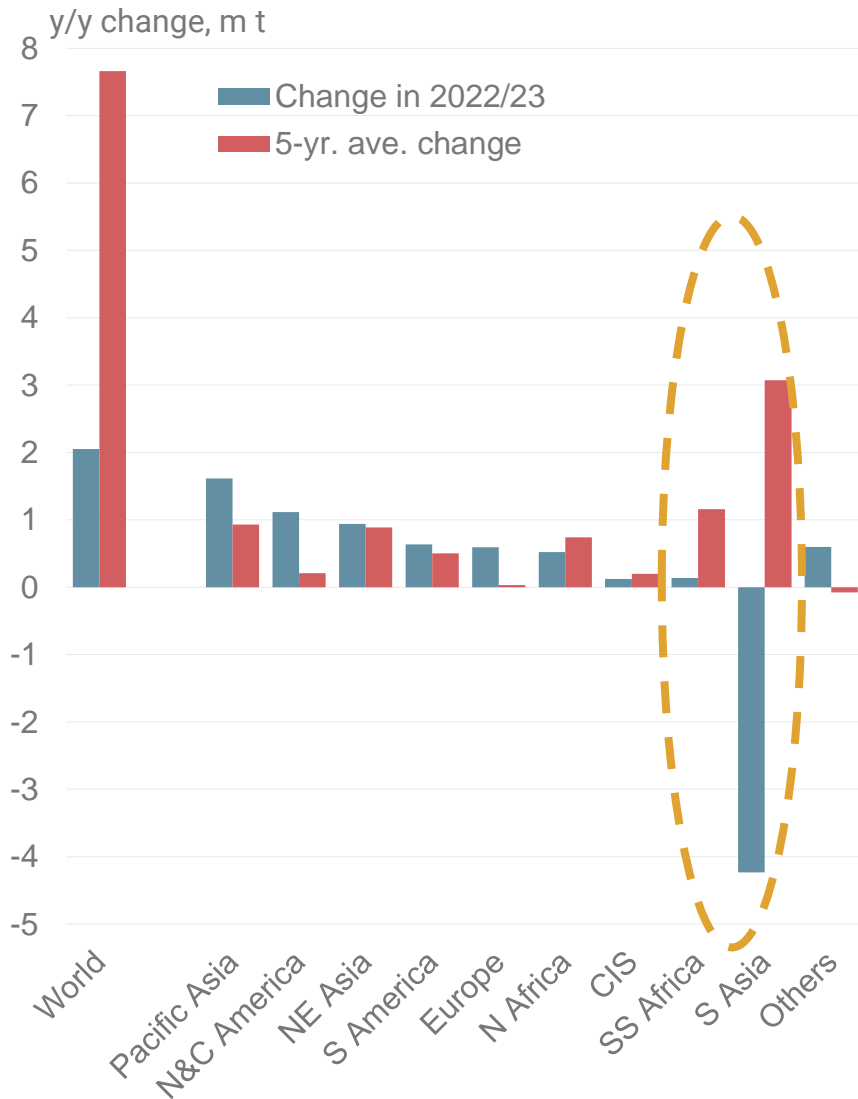
3.53 2% 2%



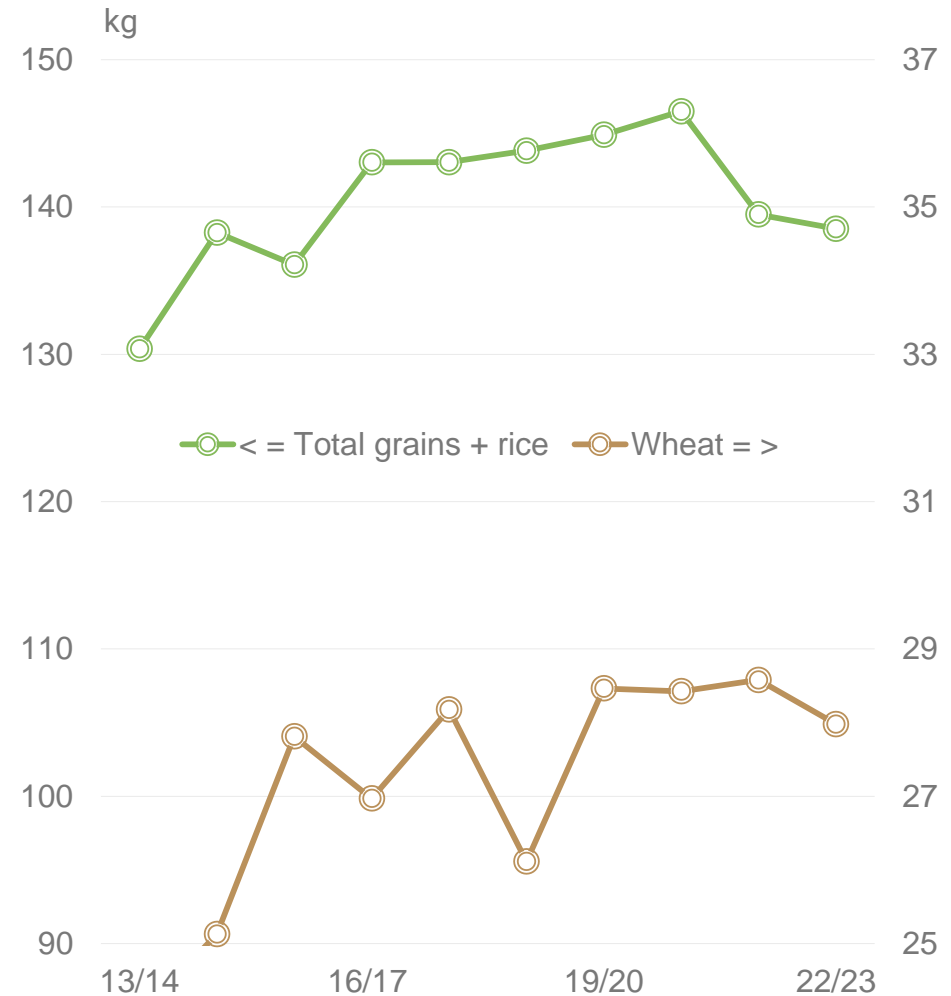


Wheat: Growth in food use in 22/23 may be slowest in a decade, amid reduced uptake in India and limited demand in SS Africa

Changes in wheat food consumption



Per capita food consumption in SS Africa

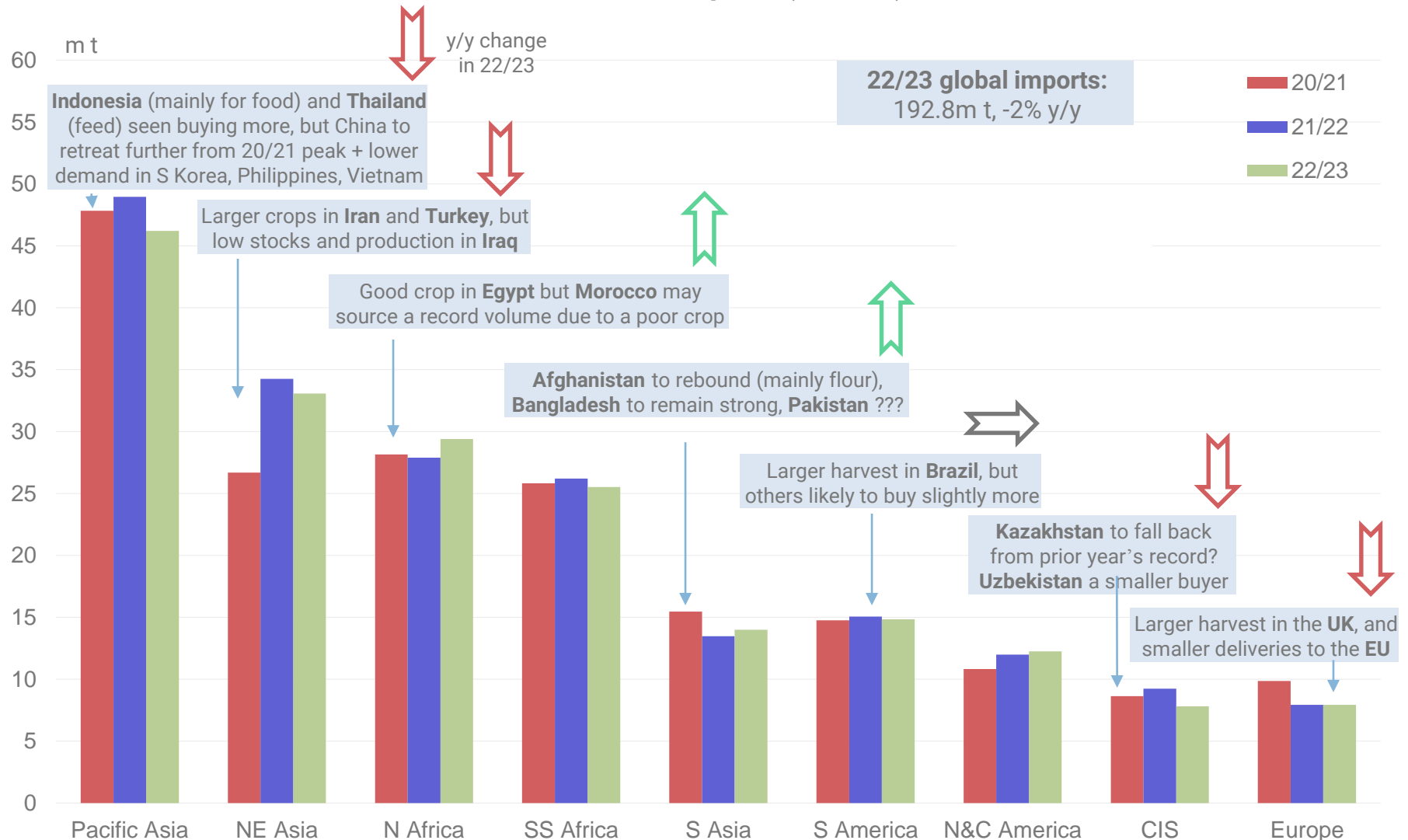


Note: Based on World Bank population estimates and projections.



Wheat: Trade to contract by 2% y/y, on reduced needs in parts of Asia and the CIS, but N Africa and S Asia to source more

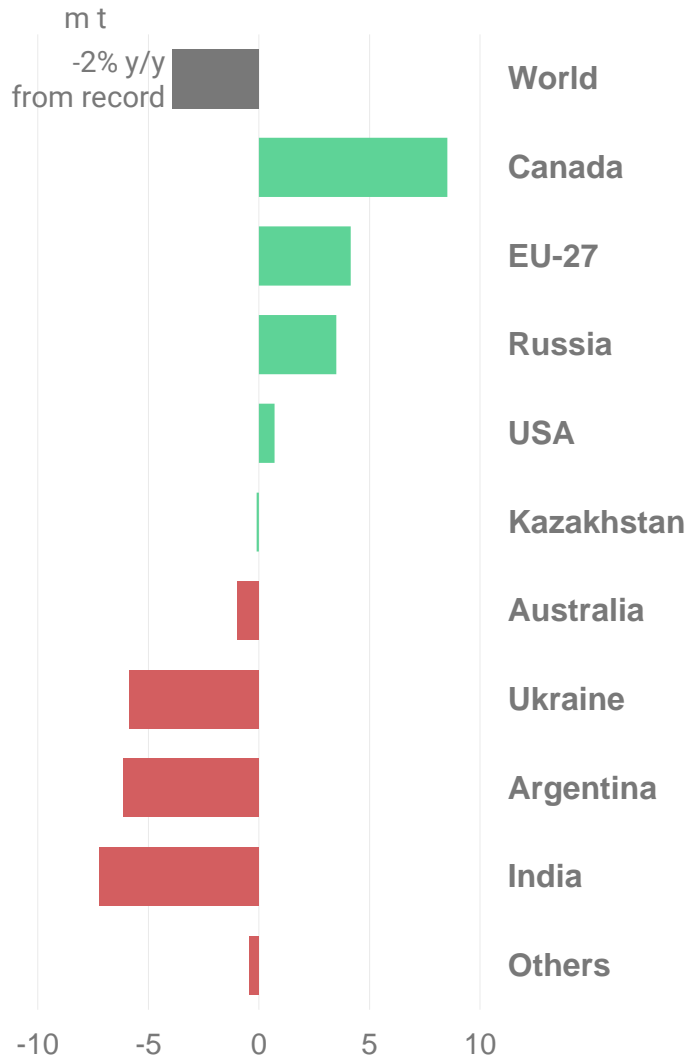
World wheat imports (Jul/Jun)



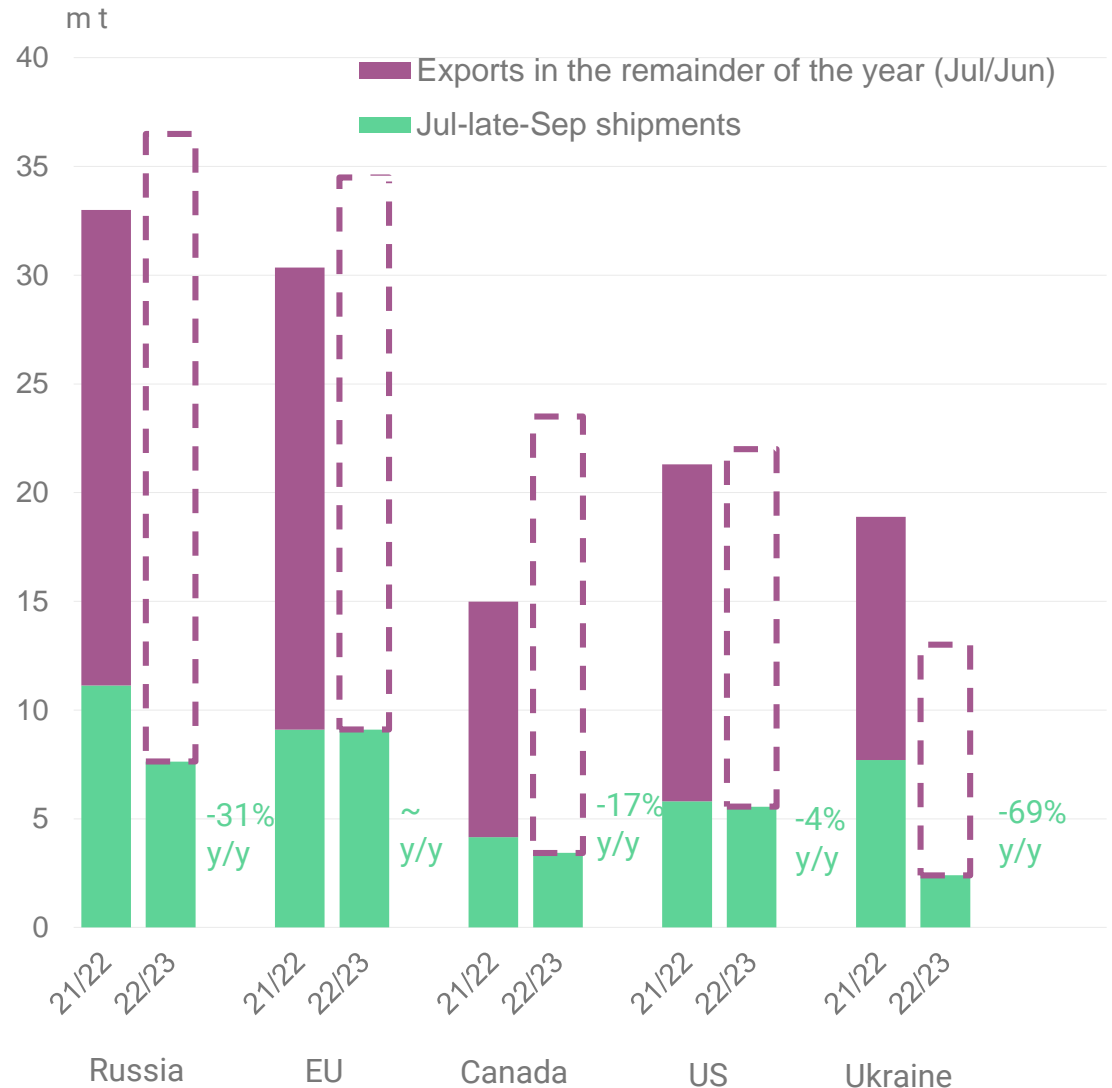


Wheat: Smaller shipments by southern hemisphere exporters, India and Ukraine to be compensated by other origins. However, shipments have been slow so far.

Changes in exports in 22/23 (Jul/Jun)

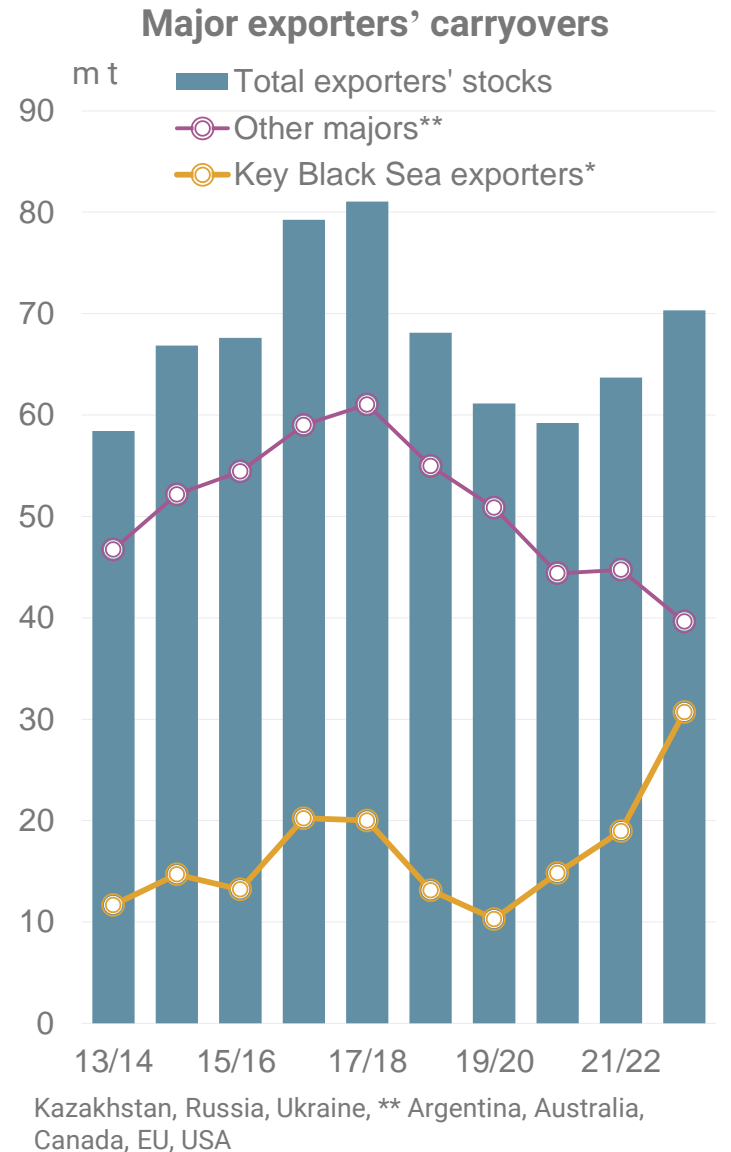
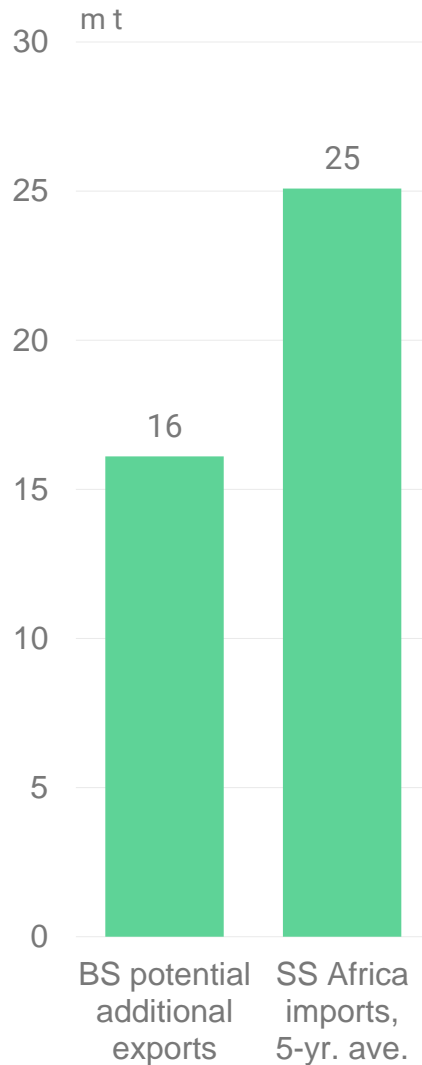
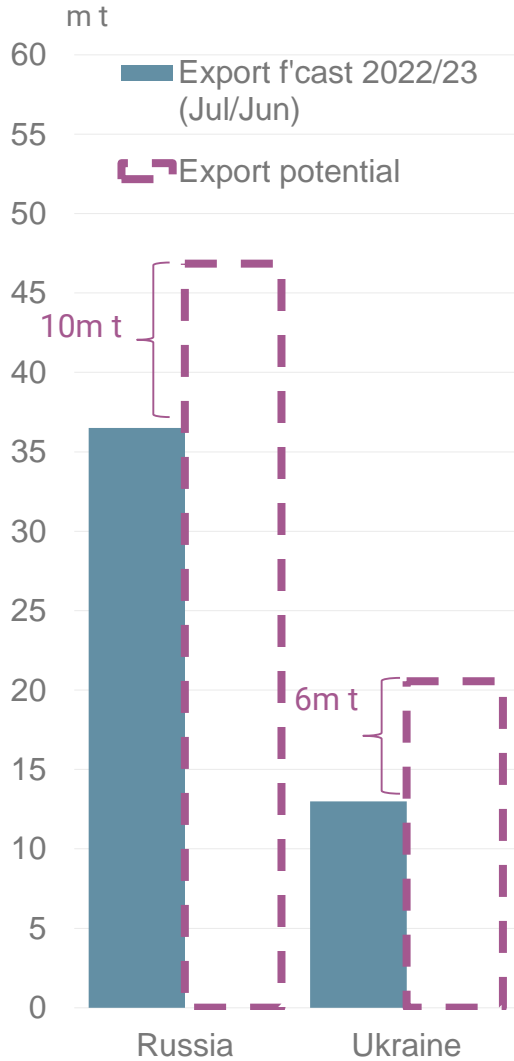


Shipping progress / forecasts for selected exporters (Jul/Jun)





Wheat: With shipments by Russia and Ukraine seen well below potential, BS inventories could be a record in 2022/23



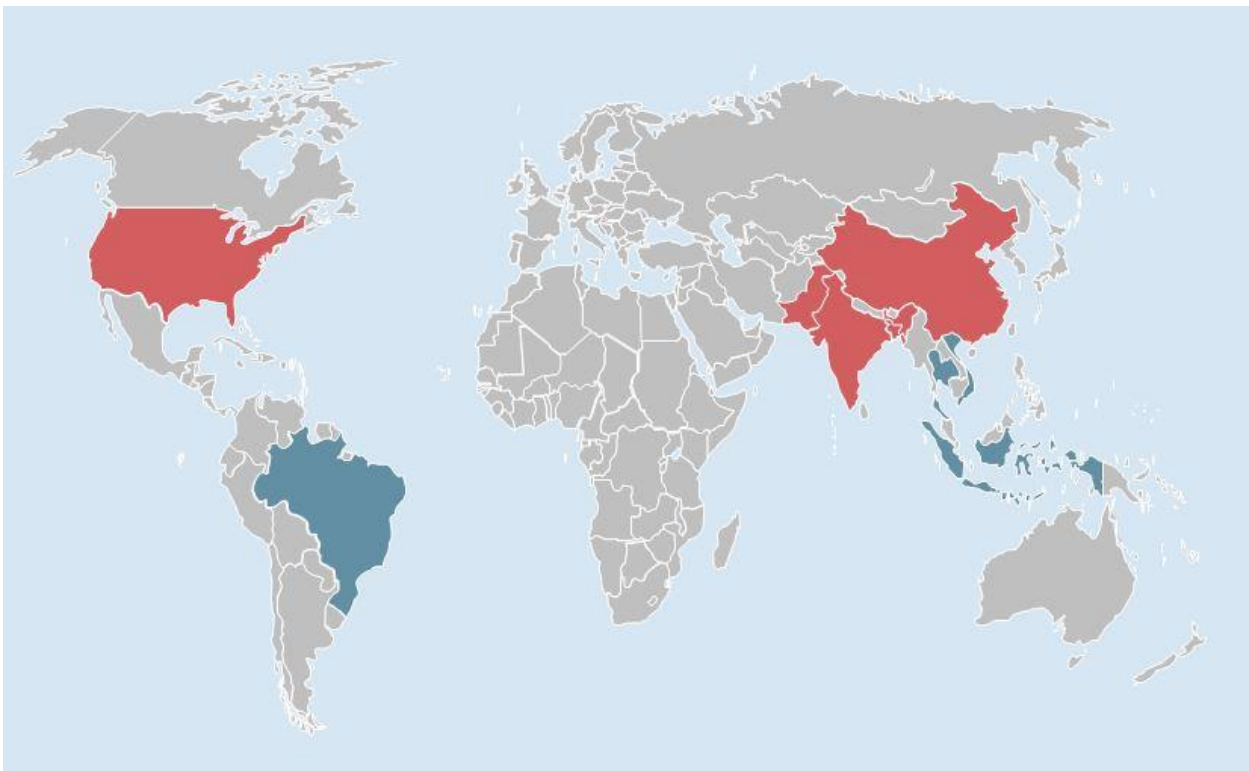


Rice Market situation and outlook





Rice:2022/23 production likely to decline, with uncertainty over prospects in several producers

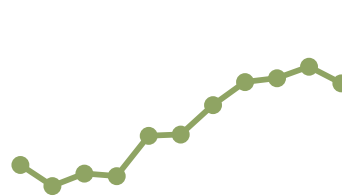
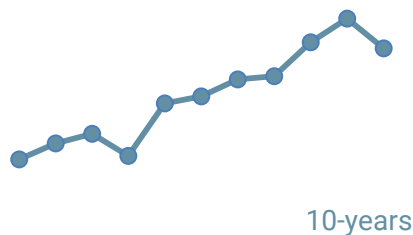


Total		Δ y/y	Δ y/y (m t)
507.8		-2%	-8.1

Higher	m t	Δ y/y	Δ y/y (m t)
Indonesia	34.6	0%	0.2
Vietnam	28.5	0%	0.0
Thailand	20.1	2%	0.5
Brazil	7.7	5%	0.4

Lower	m t	Δ y/y	Δ y/y (m t)
USA	5.2	-14%	-0.8
China	146.3	-2%	-2.7
India	125.9	-3%	-4.4
Bangladesh	35.6	-1%	-0.2
Pakistan	7.3	-15%	-1.3

2022/23	Production		Area			Yields		
m t	y/y	vs. 5yr ave.	m ha	y/y	vs. 5yr ave.	t/ha	y/y	vs. 5yr ave.
507.8	-2%	1%	164.2	-1%	0%	3.09	0%	0%





Rice: Recent gains in rice prices linked to Indian export restrictions

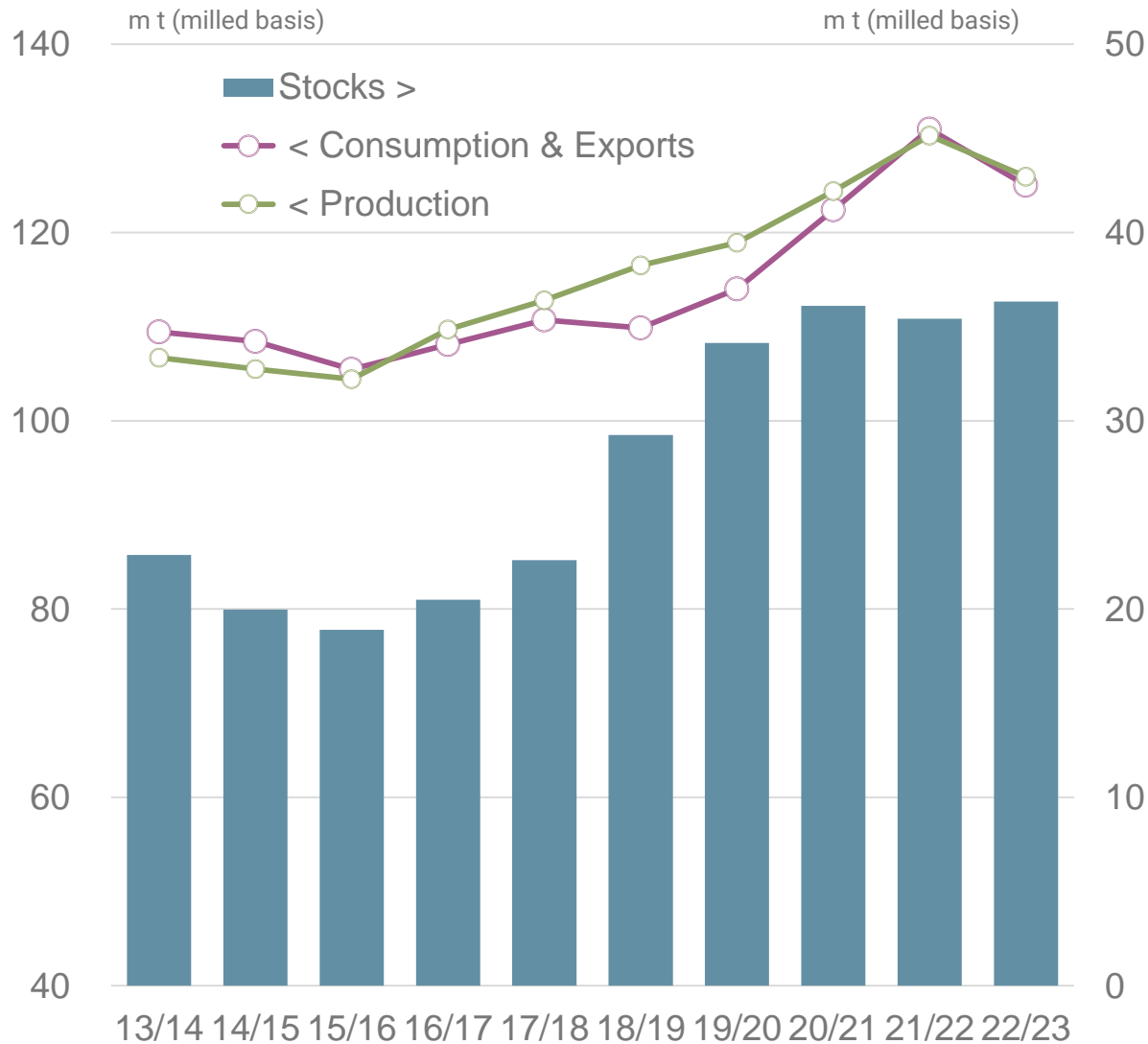
Export prices for key grades at major origins





Rice: India imposes (partial) export restrictions

Rice: Supply and demand in India

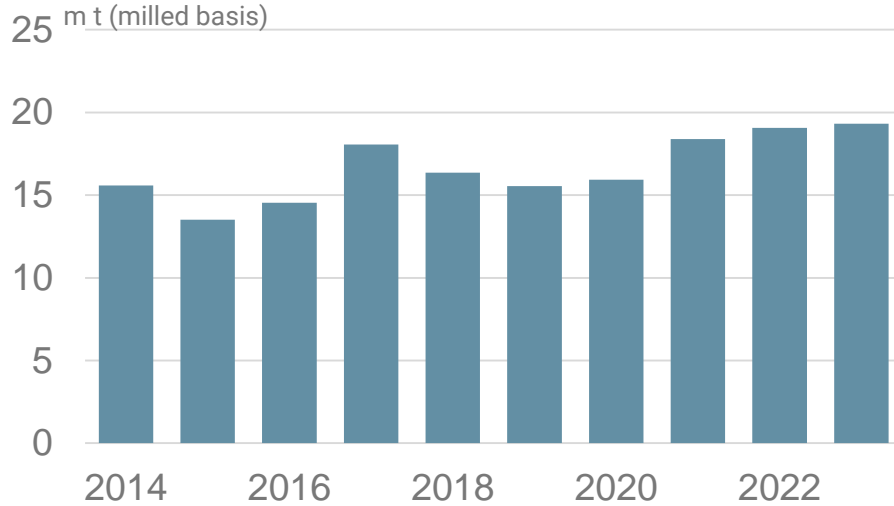


- Amid tightening supplies, notably of 100% broken rice, and declining production prospects, India placed a 20% export duty on various grades of non-basmati rice and banned shipments of 100% broken.
- Falling wheat inventories likely contributed to the decision to place restrictions on rice shipments.
- Following a potential contraction in 21/22, rice stocks are tentatively anticipated returning to growth in 22/23 as lower production is offset by reduced exports.
- Despite restrictions, India expected to remain the world's leading rice exporter in 2023 (Jan/Dec)

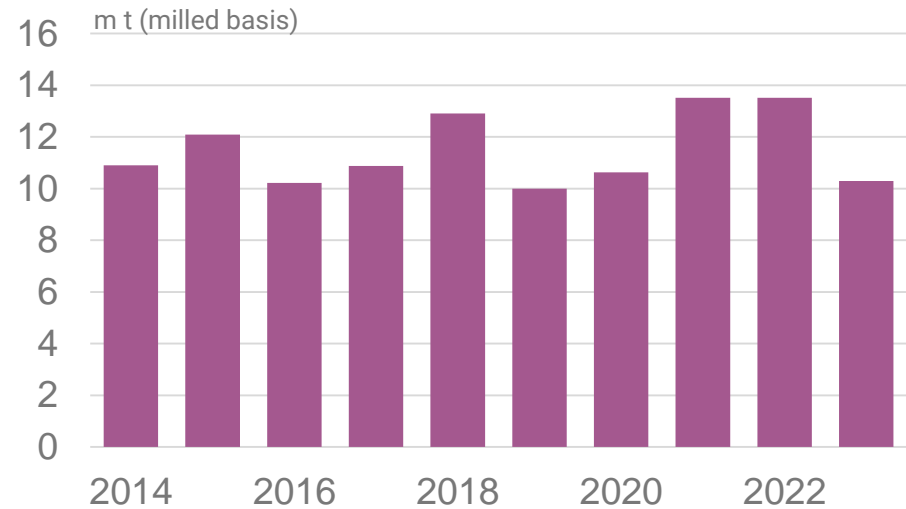


Rice: 2023 imports underpinned by sub-Saharan African requirements, while deliveries to China may retreat

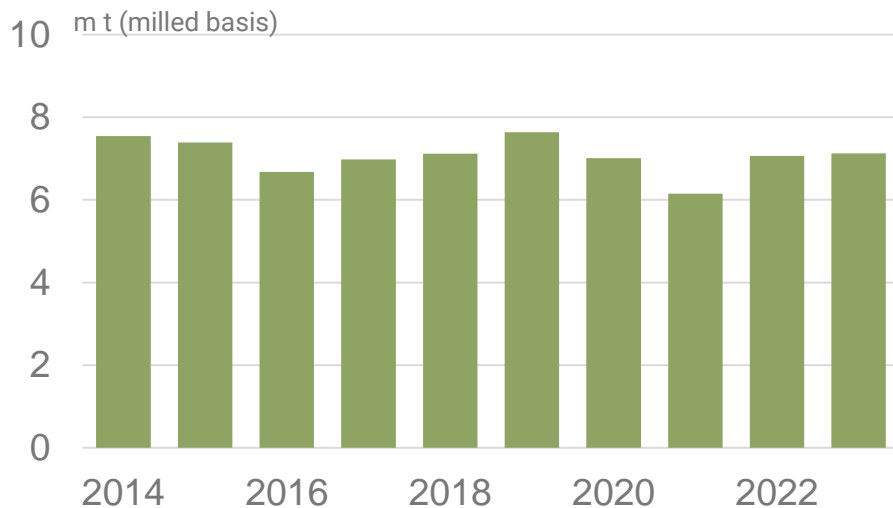
Rice: Sub-Saharan Africa imports



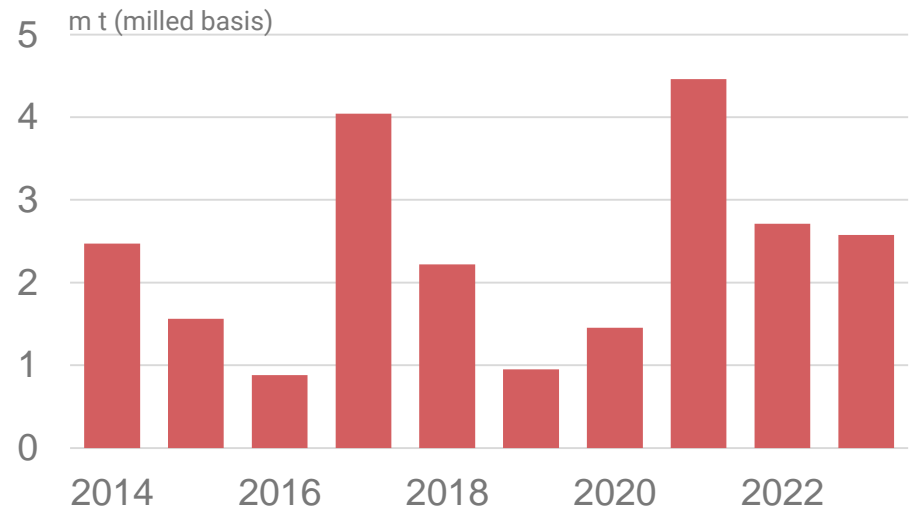
Rice: Pacific Asia imports



Rice: Near East Asia imports



Rice: South Asia imports





Rice: Global carryovers anticipated to decline in 2022/23 including falls in China and major exporters (excl. India)

Rice: Stocks





Conclusions

- Grain supply prospects have improved recently, but food security remains topical, with larger supplies not necessarily meaning greater market availabilities (Black Sea logistics, freight costs, govt. policy)
- Export prices are below earlier peaks, but remain at historically high levels and still vulnerable to sharp daily swings driven by news
- In the nearby, market sentiment is likely to be shaped by developments around the Black Sea Grain Initiative (November 2022 extension) and the pace of Russian exports
- Planting weather/progress for 23/24 northern hemisphere winter crops will be monitored (dryness concerns in the US and Canada, area in Ukraine), as well as Argentina's 21/22 wheat crop size
- Potentially tighter rice availabilities (India restrictions) may underpin demand and trade for wheat
- The impact of high prices and availability of fertilizer on 23/24 yields remains highly uncertain
- Currency movements (US dollar) and overall inflationary pressures to remain influential, especially for import demand in developing countries (but weaker freight costs might help cap import bills)



igc@igc.int / akaravaytsev@igc.int

