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Grains market situation and outlook

By

Peter Clubb
International Grains Council

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



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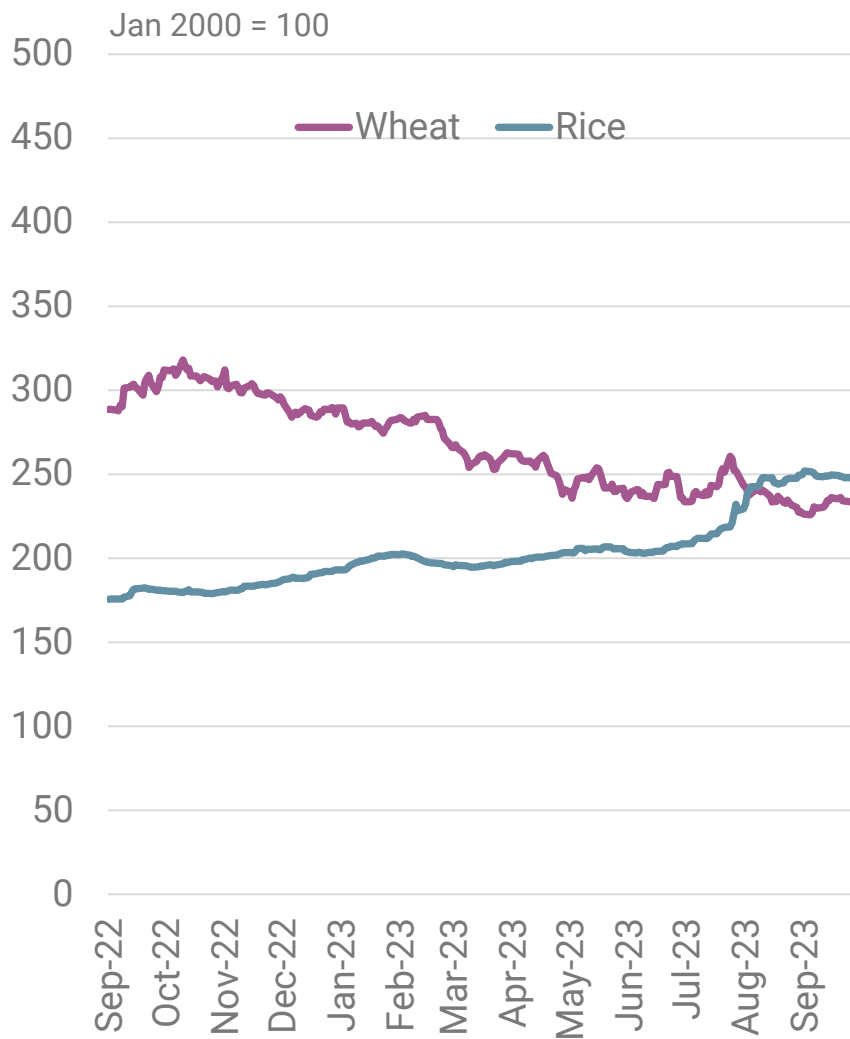
**Multi-year Expert Meeting on Commodities and Development
14th Session, 9 October**



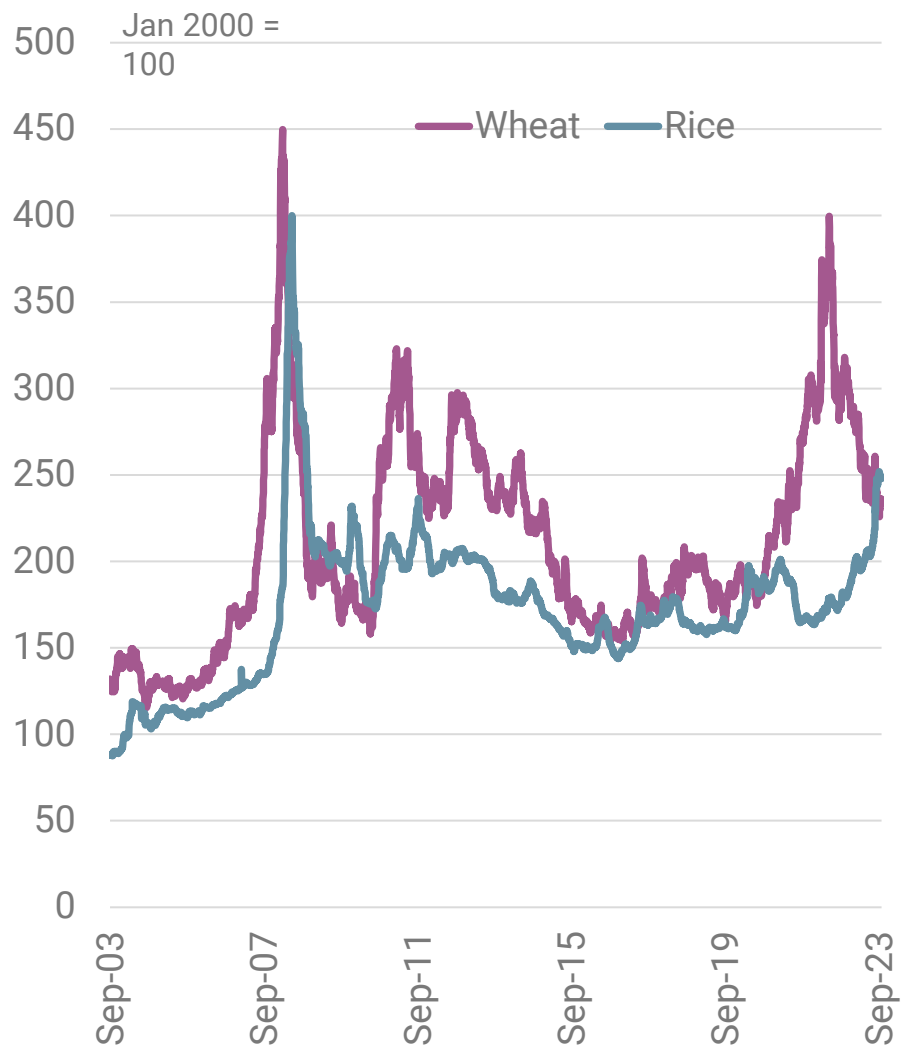


Wheat and Rice: Prices have been moved in opposite directions over the past year

IGC Wheat and Rice GOI sub-indices (Sep 2022 – Sep 2023)



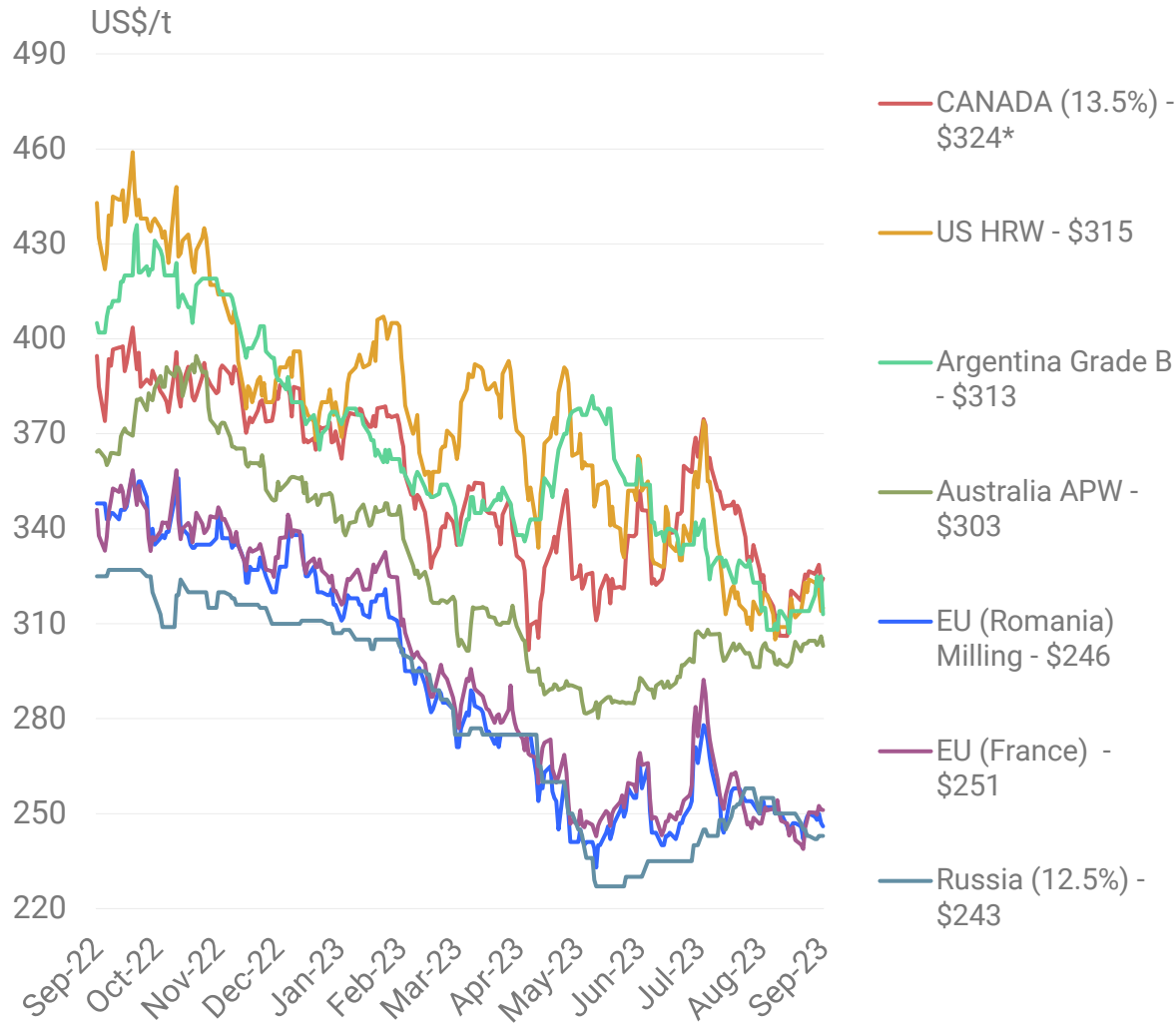
IGC Wheat and Rice GOI sub-indices (Sep 2003 - Sep 2023)





Wheat: Competition led by Black Sea origins (incl. the EU), but Russian prices are opaque. Deep-sea quotes emerge from Ukraine

Nominal fob quotations for selected wheat classes and origins



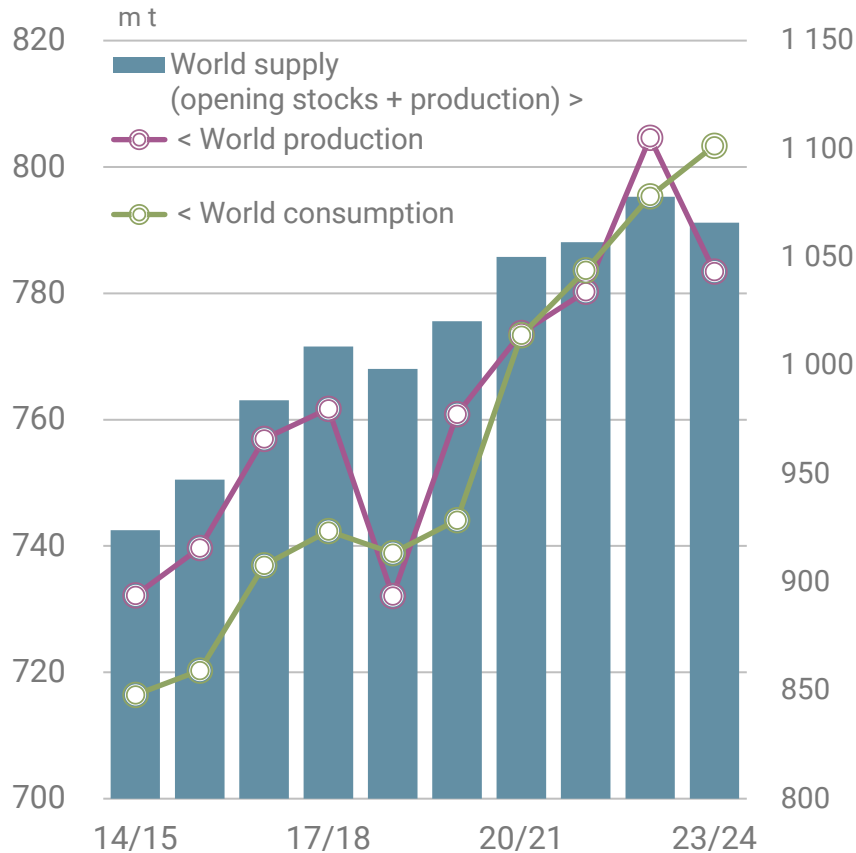
- **Russia:** competitive prices amid ample supplies and a weak currency, but the unofficial floor price (\$270 fob) appears to be limiting offers in public tenders
- **Romania:** close to Russian values (with freight advantage), weighed by sizable arrivals from Ukraine
- **France:** Pressure from BS competition, but renewed buying by China underpinned recently
- **Australia:** Prices in an uptrend amid shrinking output forecasts (El Nino)
- **Argentina:** Prices buoyed by slow grower selling and crop uncertainties. Export business is thin amid tight supplies.
- **USA:** Tight Gulf logistics offers support, but sluggish all-wheat exports weigh (albeit differs by variety)
- **Canada:** Pressure from brisk harvest, but outlooks for smaller production
- **Ukraine:** first deep-sea quotes (10.5% protein) since mid-Jul at \$175 fob (vs. \$167 at Danube ports)

* Nominal fob price as at 22 September 2023



Wheat: Supply and demand outlook for 2023/24 is tight

Global production and consumption



Global end-season stocks



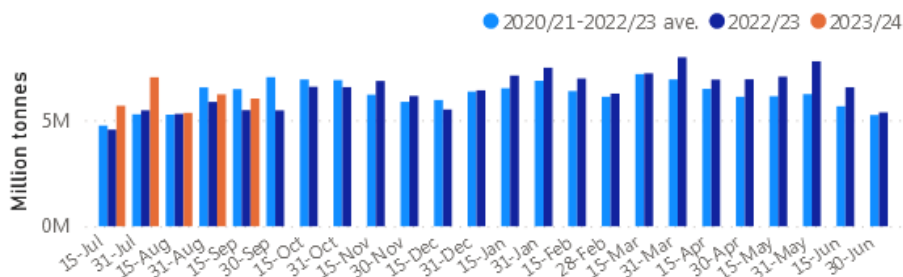
- High carry-ins will only partially counter lower output in 23/24, leading to tighter supplies (still the second largest ever)
- With consumption seen at a new peak (and above production), global stocks could drop by 7% y/y, to a five-year low (ex. China stocks at an **11-year low**, exporter stocks at a **16-year low**)



Wheat: 2023/24 import season has seen a strong start, led by parts of Asia and Africa (as evidenced by shipping data)

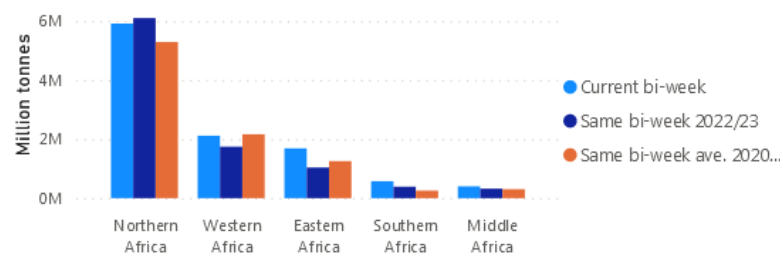
Around 30.3m t wheat was delivered around the world during 1 July - 15 September, up by 14% y/y and 7% above the 3-year average (although the gaps have been narrowing)

Cumulative 23/24 (Jul/Jun) world seaborne imports through 15 Sept 2023



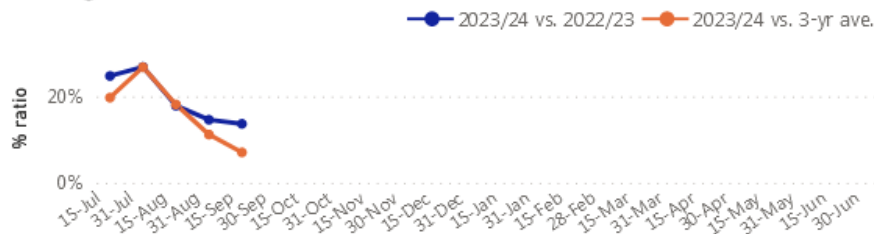
World: arrivals at 30.3m t (+14% y/y)

Cumulative imports vs. historical data up to 15 Sept 2023

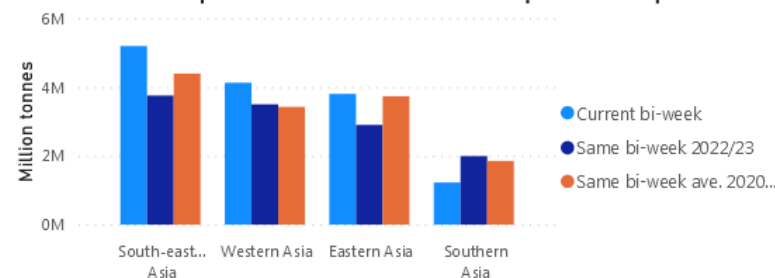


Africa: arrivals at 4.8m t (+37% y/y)

Bi-weekly Cumulative Imports: World from World, Relative Changes



Cumulative imports vs. historical data up to 15 Sept 2023

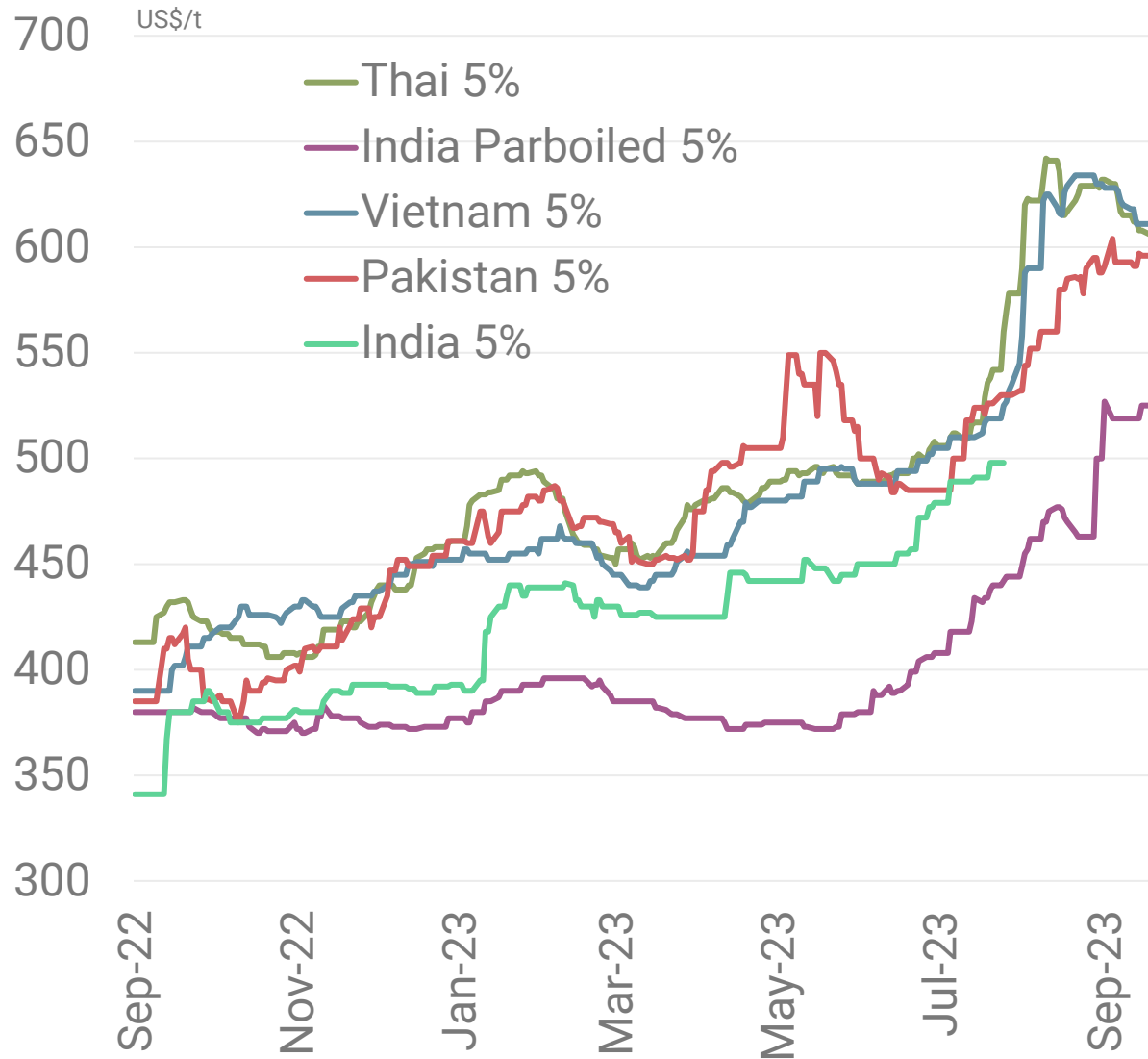


Asia: arrivals at 14.3m t (+18% y/y)



Rice: India's export restrictions underpin international prices at multi-year highs

Export prices for key grades at major Asian origins

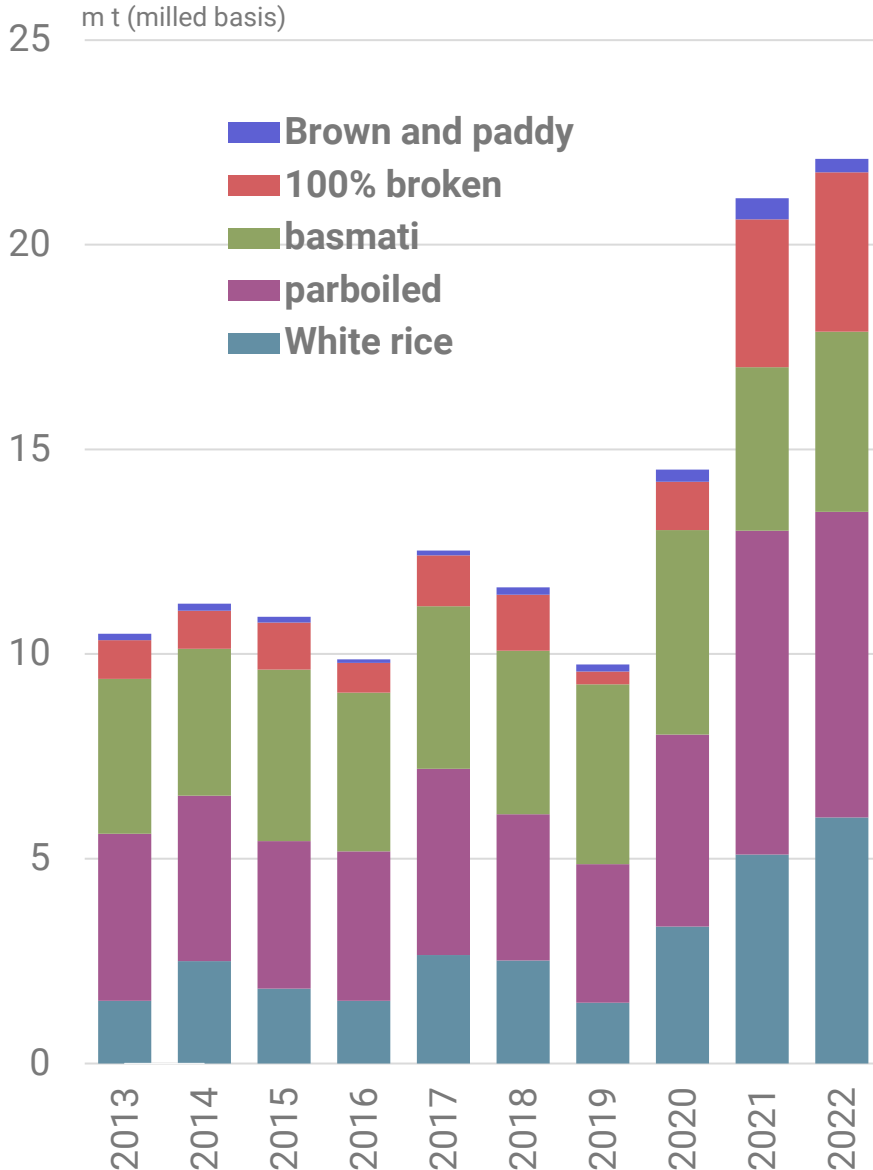


- Thailand: Prices firmed through much of 2023 on stronger demand from key Asian markets, and then surged in July on Indian export restrictions. Currency movements also featured.
- Vietnam: Also underpinned by heavy regional buying.
- Pakistan: Very poor 22/23 crop following heavy floods.
- India: 20% white rice export tariff imposed in September 2022 (with 100% broken exports banned); domestic food security scheme ended on 31 Dec 2022; white rice exports banned from July.
- India: 20% export tax imposed on Parboiled from August.



On 20 July, India announced a ban on non-basmati white rice exports

Rice: Indian exports by grade

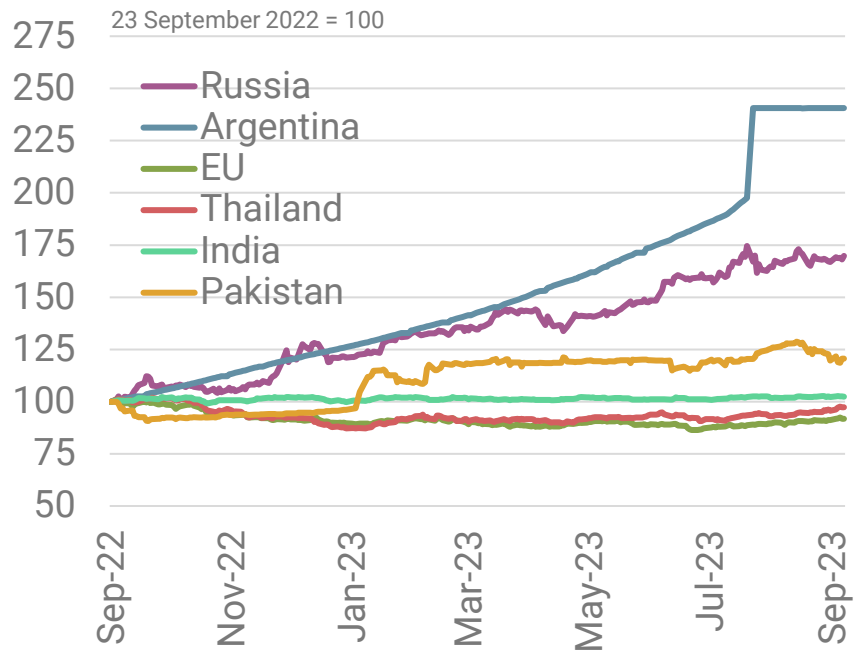


- White rice exports totalled 6.0m t in 2022. Yet this was significantly above average.
- 100% broken exports were at 3.9m t (and were previously banned in Sep. 2022)
- Based on 2022 shipments, a combined 9.9m t of Indian exports are now banned. (out of total world trade of 55.1m t)
- However, India will likely conclude government to government deals, based on food security needs (as has already been done with 100% broken).
- Some demand will likely shift to parboiled grades. However, on 25 Aug a 20% export tax was placed on parboiled. Furthermore, a Minimum Export Price of \$1,200/t was placed on basmati.
- Panic buying has the potential to make the situation worse. Asian buyers are worried by El Nino, which may impact local crops in 2023/24.
- Most heavily affected buyers of the export ban are in sub-Saharan Africa and, to a lesser extent, South Asia.



Currencies and shipping rates have also influenced markets...

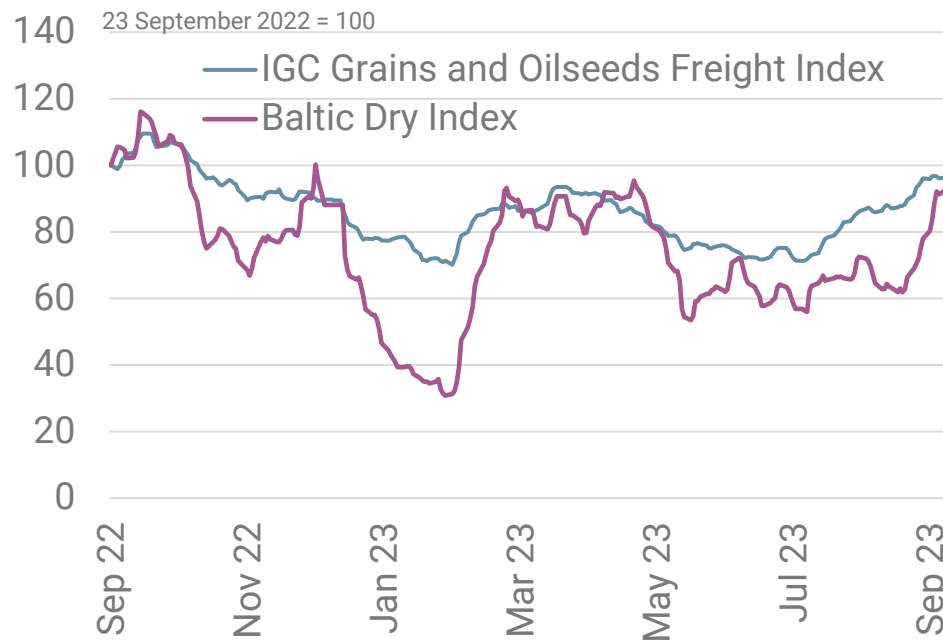
Local currencies vs. US Dollar



Note: Positive values represent depreciation against the US Dollar

- US dollar strengthened over recent months, which has generally weighed on commodities, incl. on offers in some wheat and rice exporters. However, a stronger US dollar also increases importing costs in local currencies.

Dry Bulk shipping rates



- Freight rates were under pressure in early 2023 on generally sluggish global demand, albeit with falls less pronounced in grains and oilseeds carrying sectors.
- More recently, rates have been underpinned by solid activity in grains and oilseeds sectors.



Wheat and rice production prospects for 2023/24

Wheat

	m t	Δ y/y (m t)	Δ y/y (%)
TOTAL	783.5	-21.2	-3%
Exporters	377.8	-25.6	-6%
Others	405.7	4.4	1%
Australia	25.4	-14.3	-36%
Kazakh.	13.0	-3.4	-21%
Algeria	2.6	-0.4	-13%
Canada	29.8	-4.5	-13%
Russia	87.4	-8.0	-8%
UK	14.8	-0.7	-5%
Ukraine	25.9	-0.4	-2%
China	136.5	-1.2	-1%
EU	132.5	-1.3	-1%
Morocco	4.0	1.3	48%
Iraq	4.2	1.2	40%
Argentina	16.6	4.0	32%
Pakistan	28.0	1.6	6%
Iran	14.0	0.8	6%
USA	47.2	2.3	5%
Turkey	20.5	0.8	4%
Brazil	10.8	0.3	2%
India	108.0	0.3	0%

- Global wheat production forecast to fall 3% y/y, led by drop in major exporters, largely due to yield declines.

- Unfavourable conditions are raising quality concerns, with the share of feed wheat set to increase.

- Global durum output also under pressure.

Rice

(milled basis)	m t	Δ y/y (m t)	Δ y/y (%)
Total	522.7	8.4	2%
Exporters*	197.2	2.0	1%
Others	325.5	6.4	2%
China	148.9	3.0	2%
Indonesia	34.4	0.4	1%
Vietnam	28.0	0.3	1%
Thailand	21.1	0.9	5%
Pakistan	8.5	1.9	28%
Japan	7.4	0.1	1%
Brazil	7.1	0.3	4%
USA	6.5	1.4	27%
Bangladesh	37.0	0.7	2%
Australia	0.5	0.1	26%
India	133.0	-2.5	-2%
South Korea	3.6	-0.2	-4%

* India, Thailand, Vietnam, Pakistan, USA

- World rice production is projected to expand by 2% y/y, with high prices likely to encourage plantings.

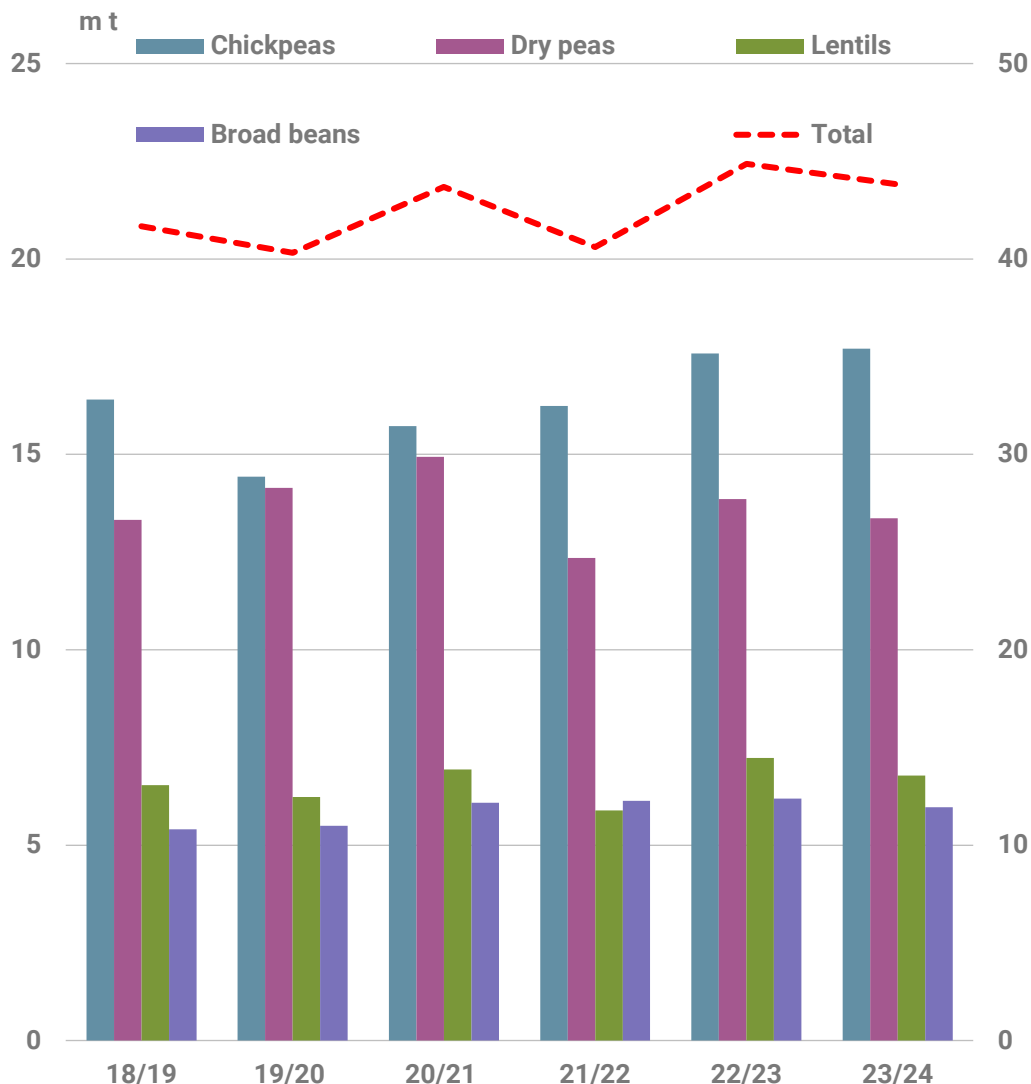
- Outlooks are highly tentative and El Nino is a risk to yield outcomes.

- India's monsoon was generally poor.

- Pakistan and China likely to have better crops than in the previous season.



Pulses: Led by a decline in dry peas, total production in 2023/24 is set to fall slightly y/y.



- Pulses area to remain steady y/y in 2023/24 at around 30m ha, but yields to decline slightly.
- Total pulses production to fall 2% y/y to 43.8m t.
- Chickpeas output to be slightly higher y/y, at 17.7m t, with output in India to remain steady.
- With declines in Canada expected to outweigh gains elsewhere, dry peas output to drop by 4% y/y, to 13.4m t.
- Amid declines in the key producers (Australia, USA, Canada), lentils output to reduce by 6% y/y, to 6.8m t.
- Broad beans harvest to fall by 4% y/y, to 6.0m t, mainly tied to potentially smaller Australian harvest.