

IGC GRAINS CONFERENCE 2010

THE NEW DECADE: TOWARDS GREATER MARKET STABILITY?

Opening remarks by:

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Distinguished representatives, ladies and gentlemen, good morning, everyone,

On behalf of the International Grains Council, I would like to extend a cordial welcome to all of you to the IGC Grains Conference.

This year we again have a large attendance, reflecting continued strong interest in grain and oilseed market developments, despite the tough economic and financial conditions being faced by many countries.

I would like to take this opportunity to express my appreciation to the sponsors and exhibitors for their generous contributions. I wish to thank Eka Software Solutions, Open Link and the Home Grown Cereals Authority (HGCA) for their sponsorship, and the CME Group, the SGS Group and Vigan Engineering for exhibiting their important products and services.

The theme of this year's Conference is "The new decade: towards greater market stability?" The first decade of the new millennium has witnessed substantial changes in the supply and demand balance of grains and oilseeds as well as the extraordinary price surges of 2007-2008.

Sector-wise, we have seen the growing presence of the Black Sea region in grains trade, notably in **wheat**, over the last decade. The combined share of Russia, Ukraine and Kazakhstan is estimated to have reached 29% of world wheat exports in 2009/10, up from 8% in 2003/04. The emergence of these prominent exporters has greatly increased export availabilities and intensified competition.

For **maize**, we have observed a huge increase in its demand for ethanol production, particularly in the United States. The quantity of maize used for fuel ethanol in the U.S. overtook its export figures in 2007/08, and today represents more than double the size of its maize exports. Ethanol's co-product, distillers dried grains (DDG), plays an increasingly important role as a new animal feed ingredient, a rising proportion of which is being traded internationally.

Rice trade, which represents a smaller share of global production than wheat and coarse grains, is especially susceptible to food security concerns. Developing countries account for about 90% of total exports of rice, often having to put their citizens first, when their domestic food security is put at risk. On the demand side, Africa, whose consumption growth has outpaced its production, has maintained its position as a major importer region, accounting for one-third of international demand, after Asia. I should add that this commodity is integrally important to the work of the Secretariat. In May, the IGC published its first detailed supply and demand estimates in its Grain Market Report No. 400, which is contained in your bag.

As for **soyabeans**, trade volumes have grown by nearly 50% over the last decade, boosted by a sharp increase in Chinese imports to meet its growing domestic demand, which now accounts for more than half of global trade. On the supply side, we should remind ourselves that back in the 1980s, soyabean production in Brazil, Argentina and Paraguay was in its early stages. The rapid expansion in exports of beans and meal from South America reflects the region's production potential.

With regard to **ocean freight rates**, roller-coaster movements are still fresh in our memory. However, while the Capesize sector continues to fluctuate, the underlying strength in grain and oilseeds shipping activity has helped to keep rates in these sectors quite firm.

What major shifts in supply and demand structure are we going to see in the next decade for grains and oilseeds?

The IGC Secretariat presented its global supply and demand projections for wheat and coarse grains for the first half of the next decade to the Council session last December. I would like to share with you the gist of the medium-term baseline projections.

Regarding **wheat**, competition among “the eight major exporters” is likely to intensify, filling any vacuum which could be caused by production shortfalls in other major producers. Ending stocks of wheat are therefore forecast to remain relatively ample in 2014/15.

Maize consumption for feed will increase, particularly in developing countries, as the growing middle class in the world’s emerging economies will continue to have a significant impact on demand for grains and oilseeds, through greater demand for meat and dairy products. Industrial use of maize will also grow, but at a much slower pace than in recent years. Closing stocks of maize are projected to tighten. With regard to trade, the Secretariat forecast that China would gradually increase its maize imports to 3 million tons by 2014/15. This and other issues will continue to be closely monitored by the Council.

Today we are honoured to have a diversity of speakers from all over the world, representing the key sectors of the global grain and oilseed economy. They will articulate the prospects and particular challenges facing their sectors. We hope that their presentations will help you to improve your understanding of how trade in grains and oilseeds is likely to develop in the next decade.