Market situation
Cereals

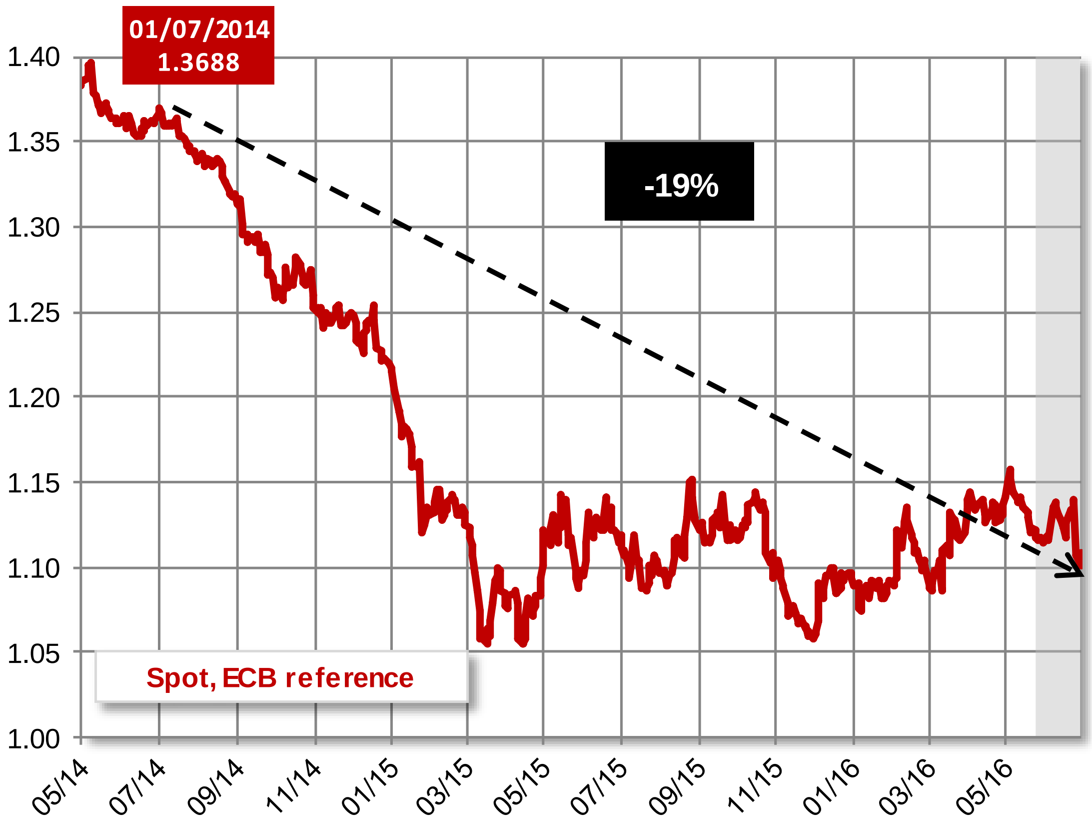
Civil Dialog Group Arable Crops
6 July 2016

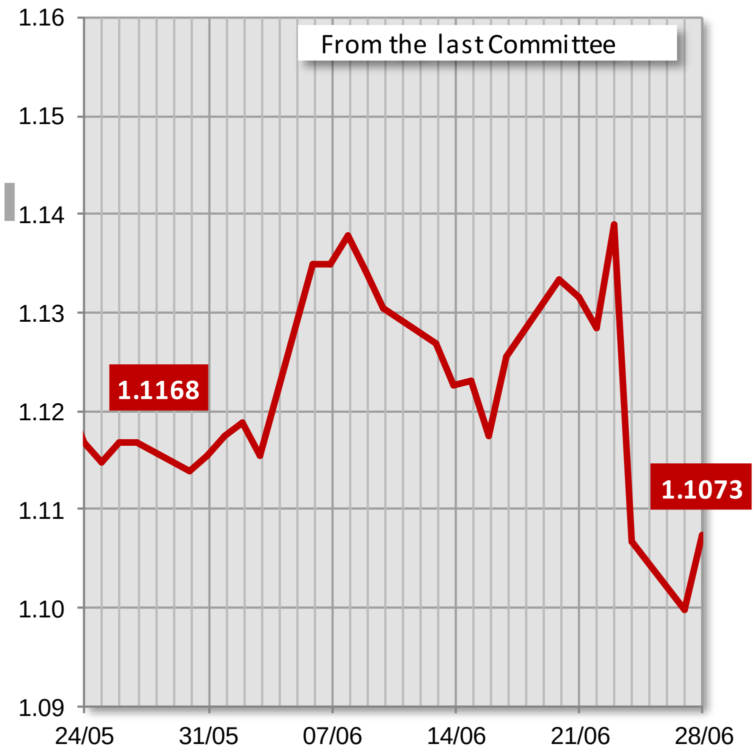
Agriculture and Rural Development

Exchange Rates

Agriculture
and Rural
Development

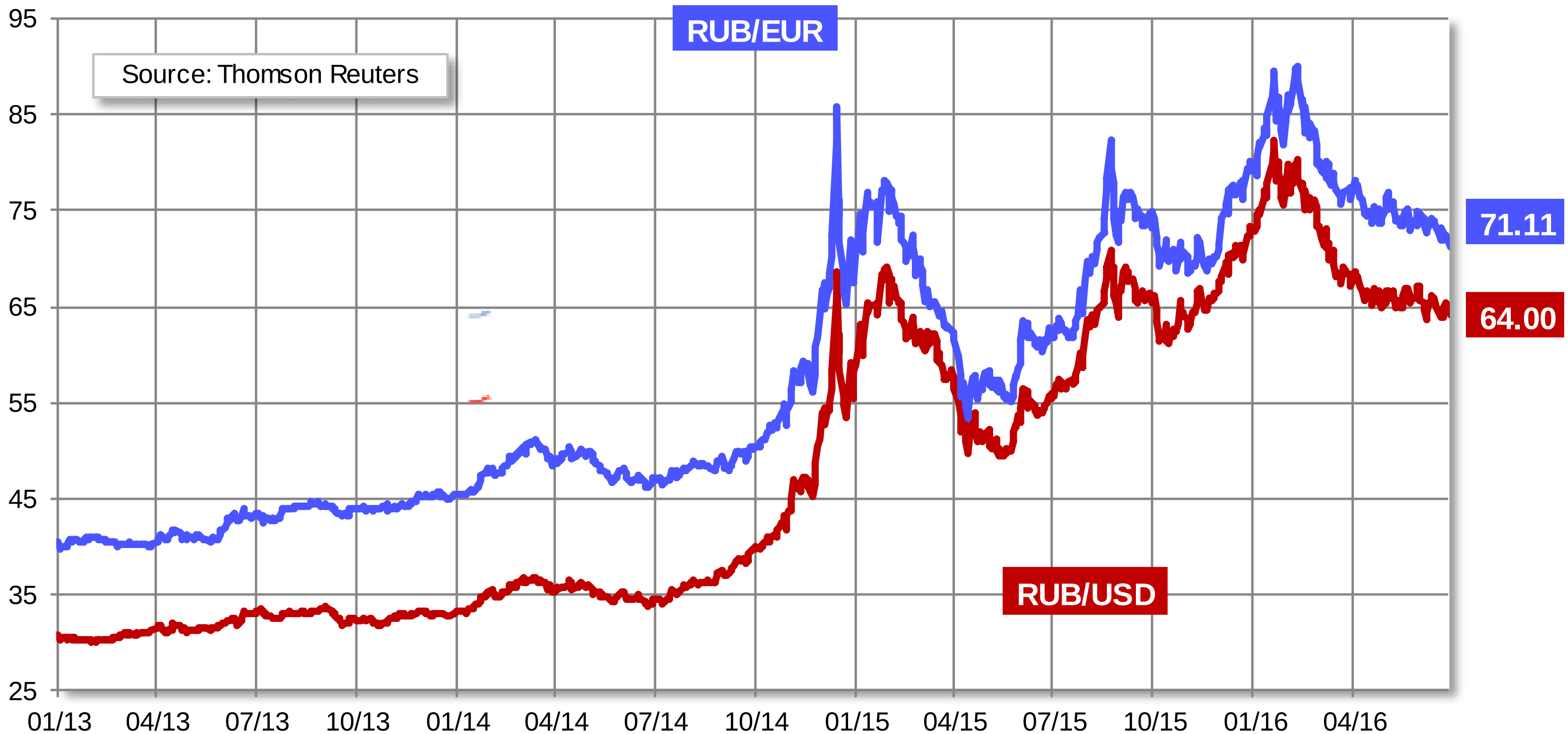
Euro – US Dollar exchange rate



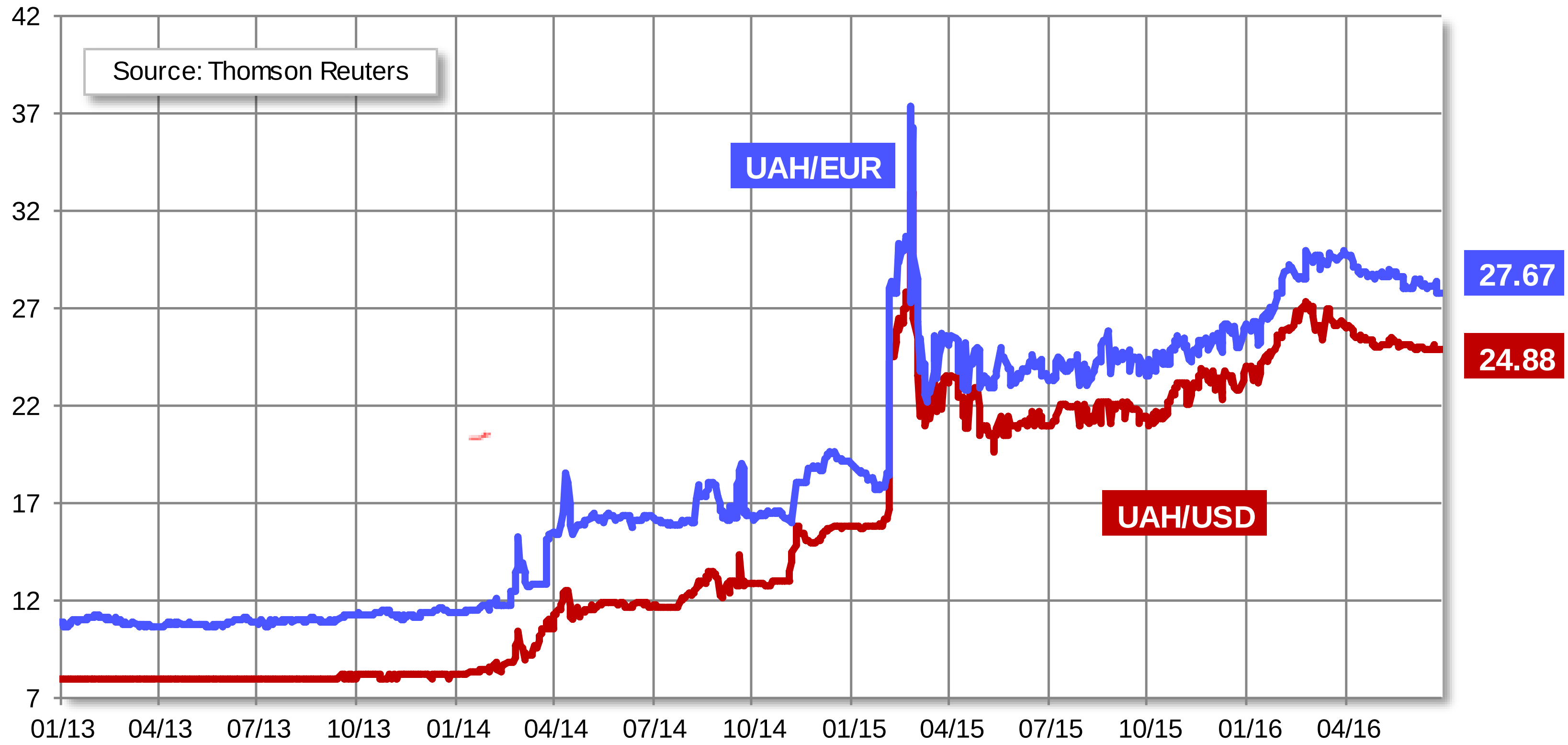


European Commission

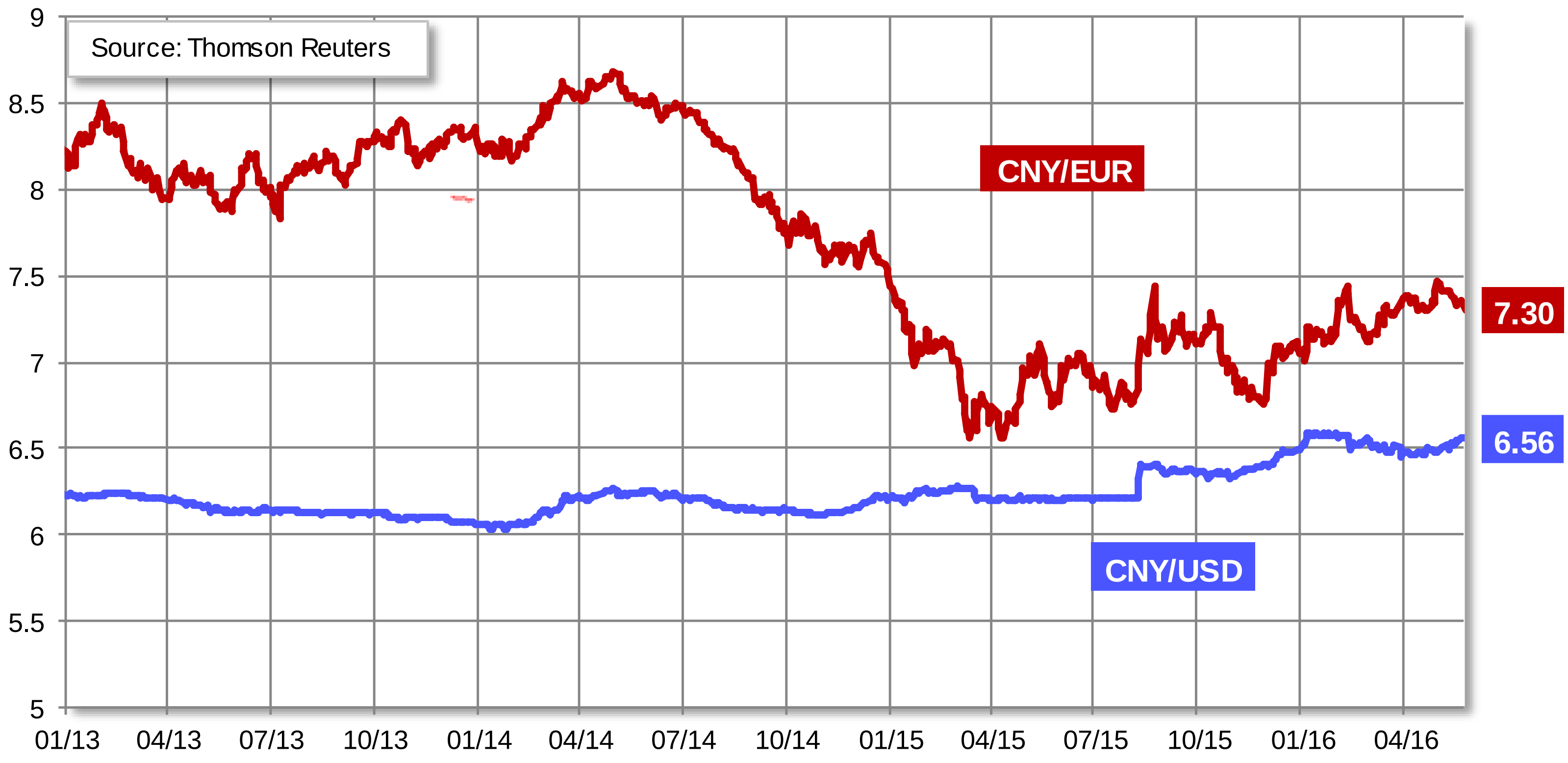
Euro and US Dollar – Russian Rouble exchange rate



Euro and US Dollar - Ukraine Hryvnia exchange rate



Euro and US Dollar – Chinese Renminbi exchange rate

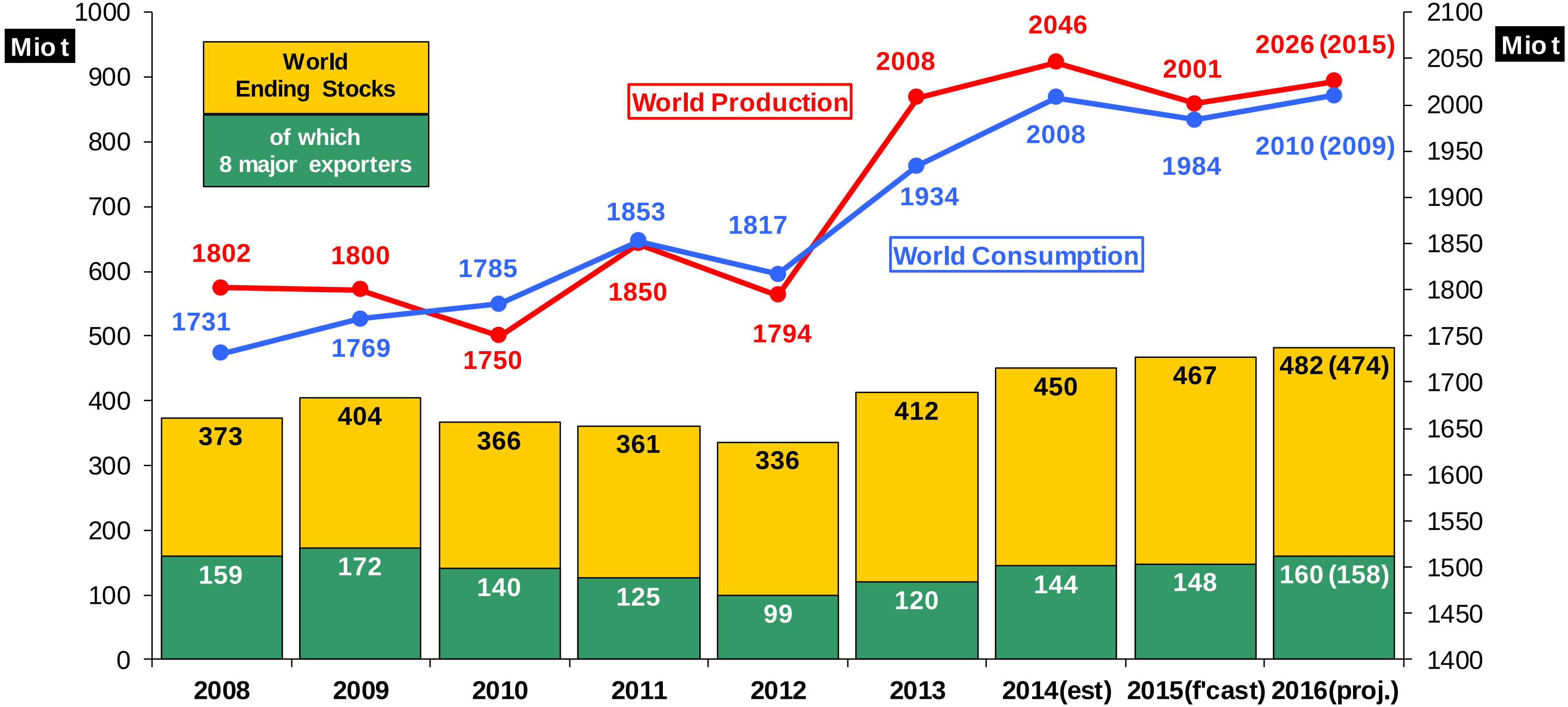


European Commission

Cereals Forecasts

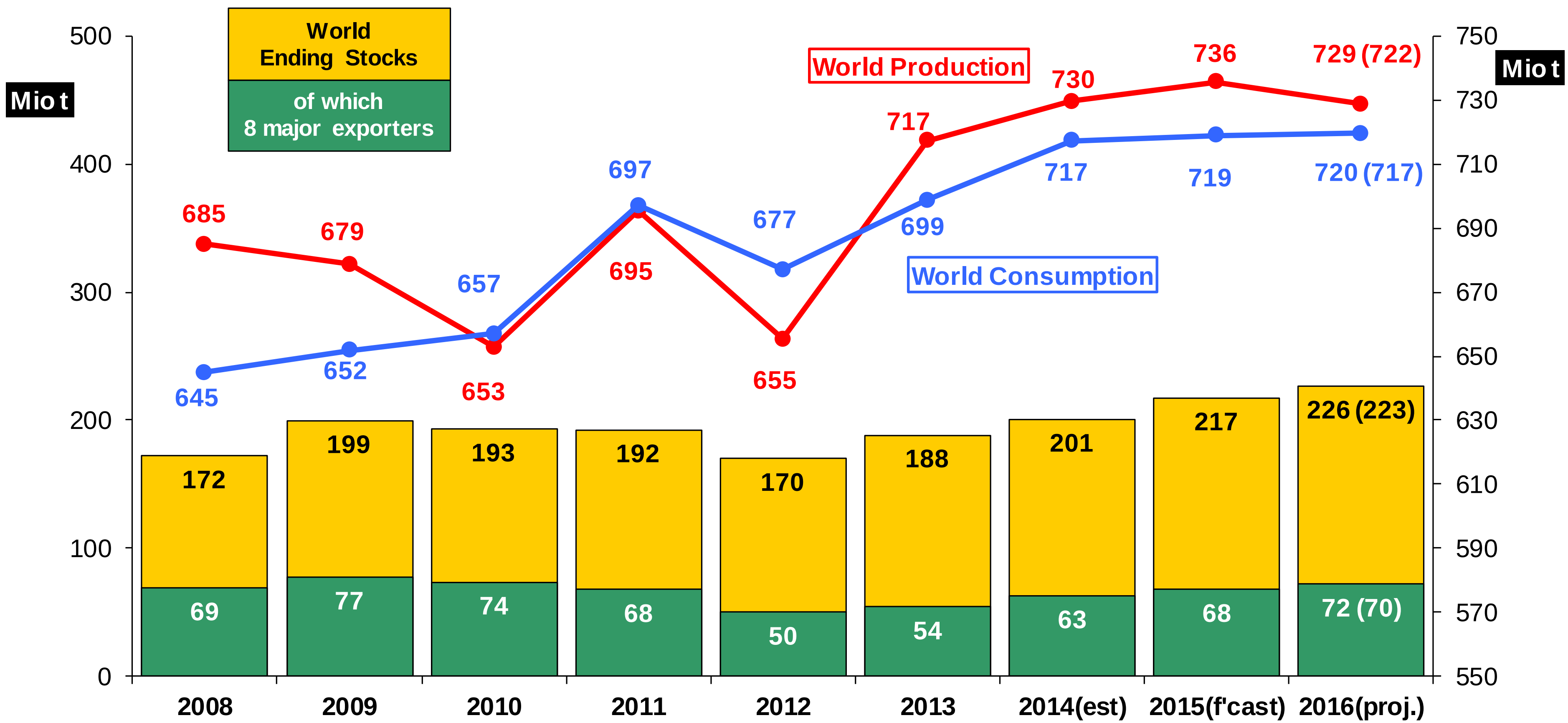
Agriculture and Rural Development

World cereals: IGC



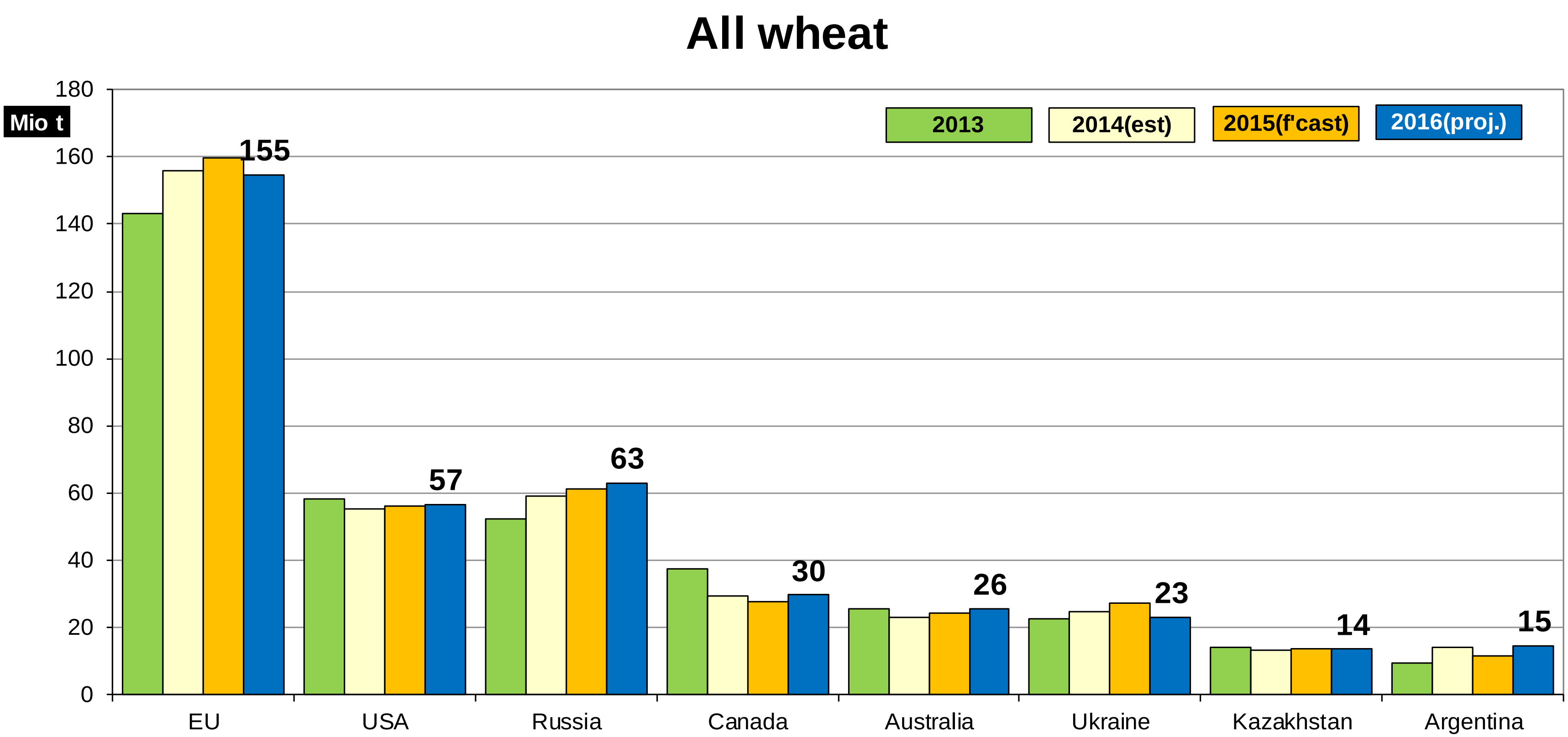
Source: IGC June report

World wheat: IGC



Source: IGC June report

IGC: Wheat production forecast



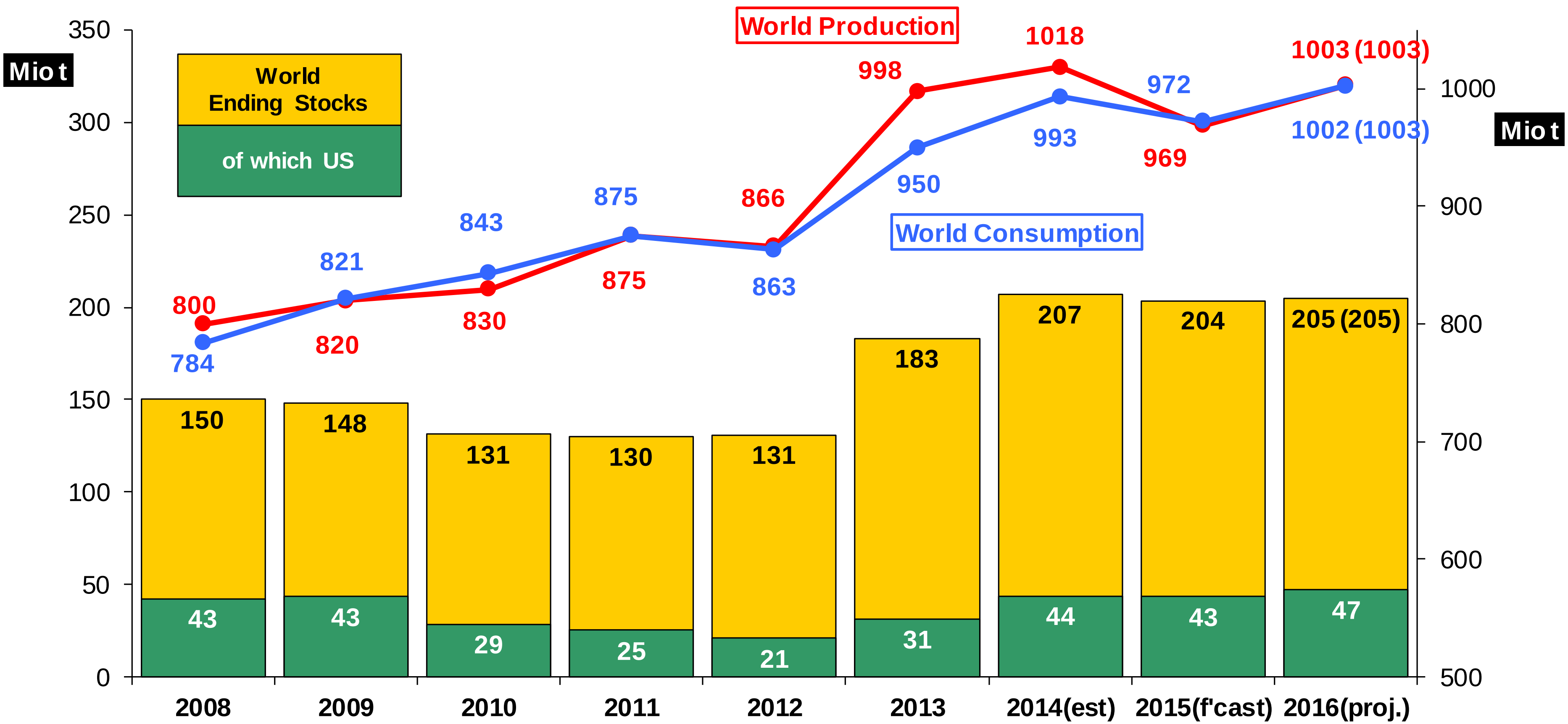
Source: IGC June report

Wheat imports by selected countries

	2013/14	2014/15	2015/16*	2016/17*
Algeria	7.4	7.4	7.6	7.5
Egypt	10.1	11.1	11.2	11.5
Morocco	3.9	4.0	4.0	5.1
North Africa	***25.2***	***25.5***	***26.0***	***27.3***
Saudi Arabia	3.5	3.6	3.1	3.6

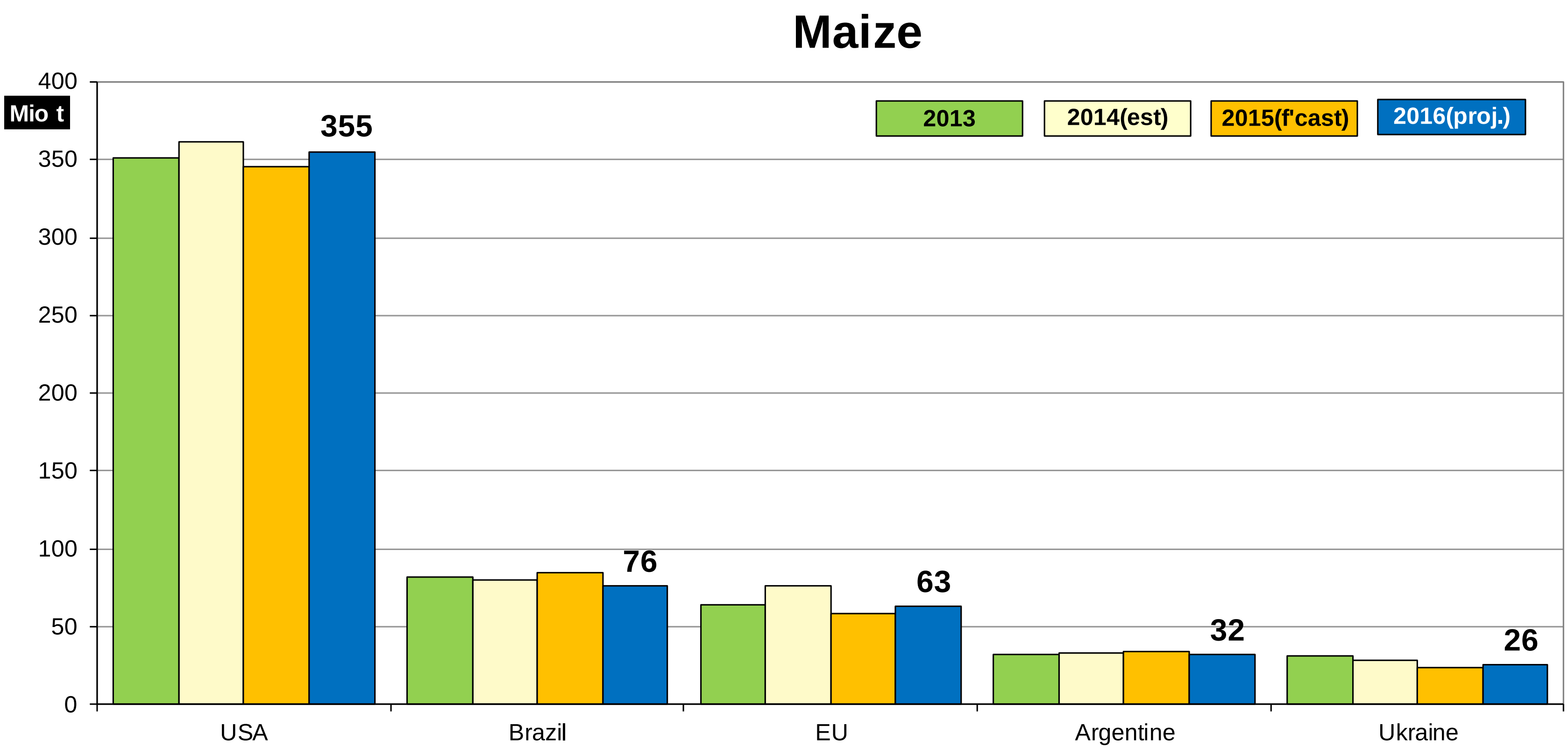
Source: IGC (data in million tonnes and July/June); *forecast
North Africa = Algeria, Egypt, Libya, Morocco and Tunisia

World maize: IGC



Source: IGC June report

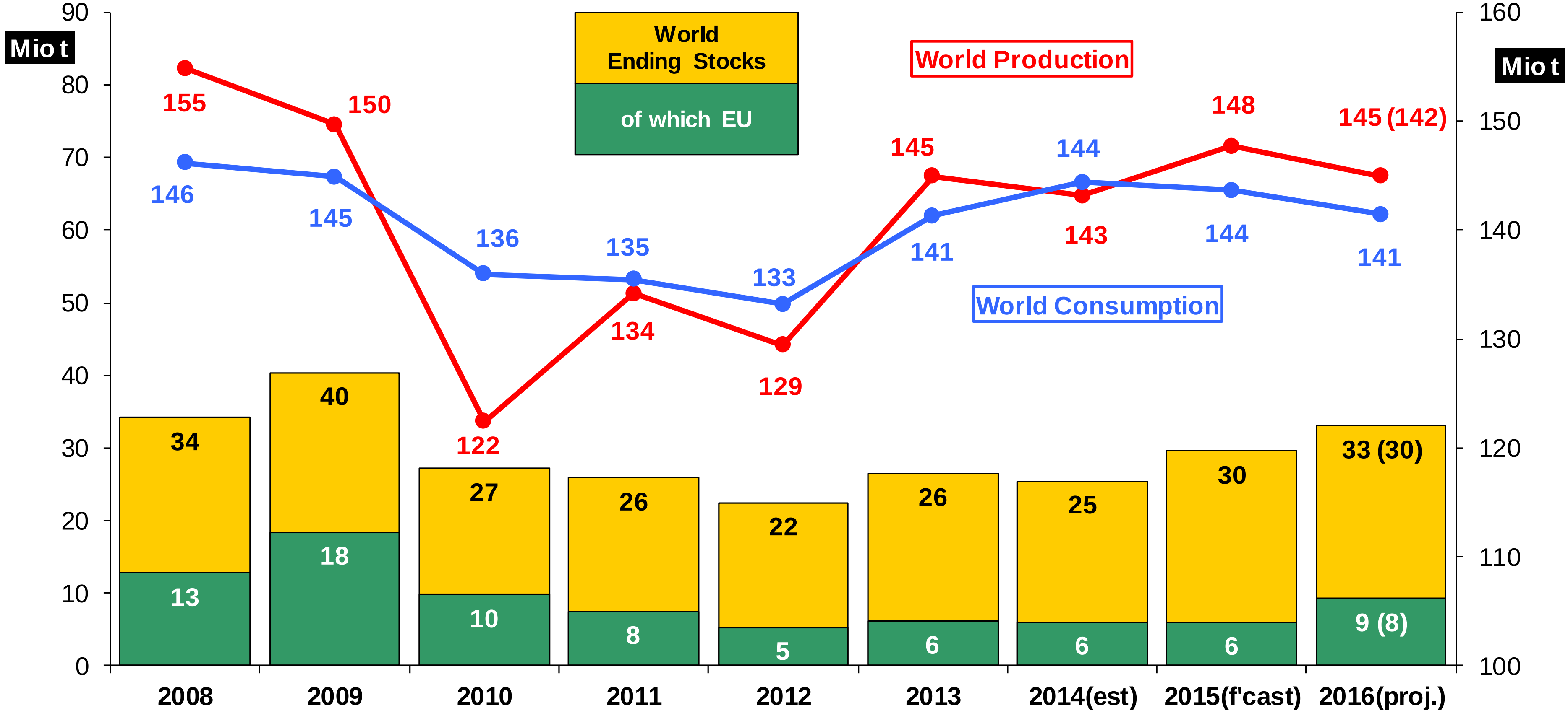
IGC: maize production forecast



Source: IGC June report

European Commission

World barley: IGC



Source: IGC June report

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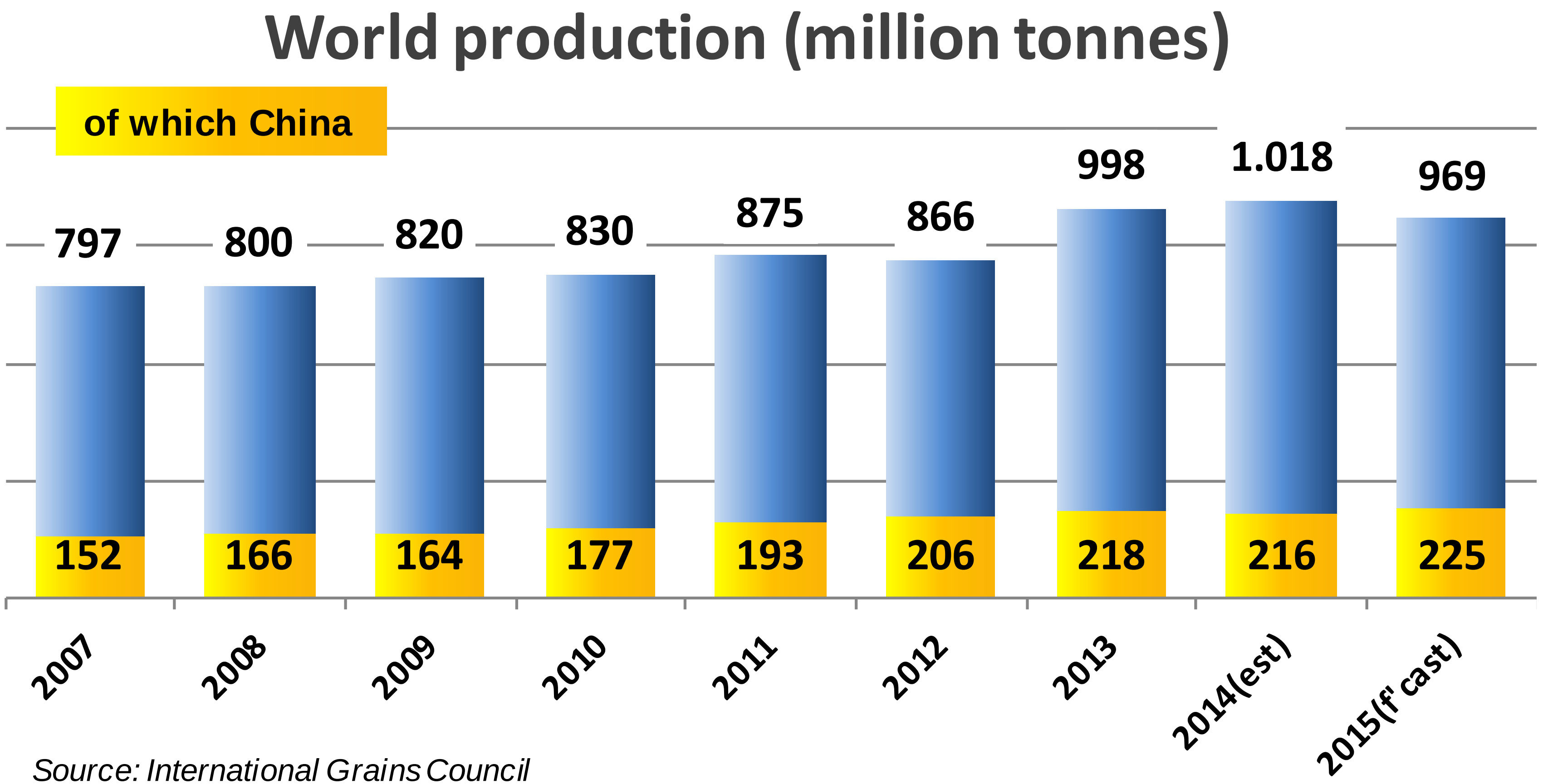
Chinese Maize Sector

Agriculture and Rural Development

Maize Production



Source: International Grains Council

European Commission

Maize production in China

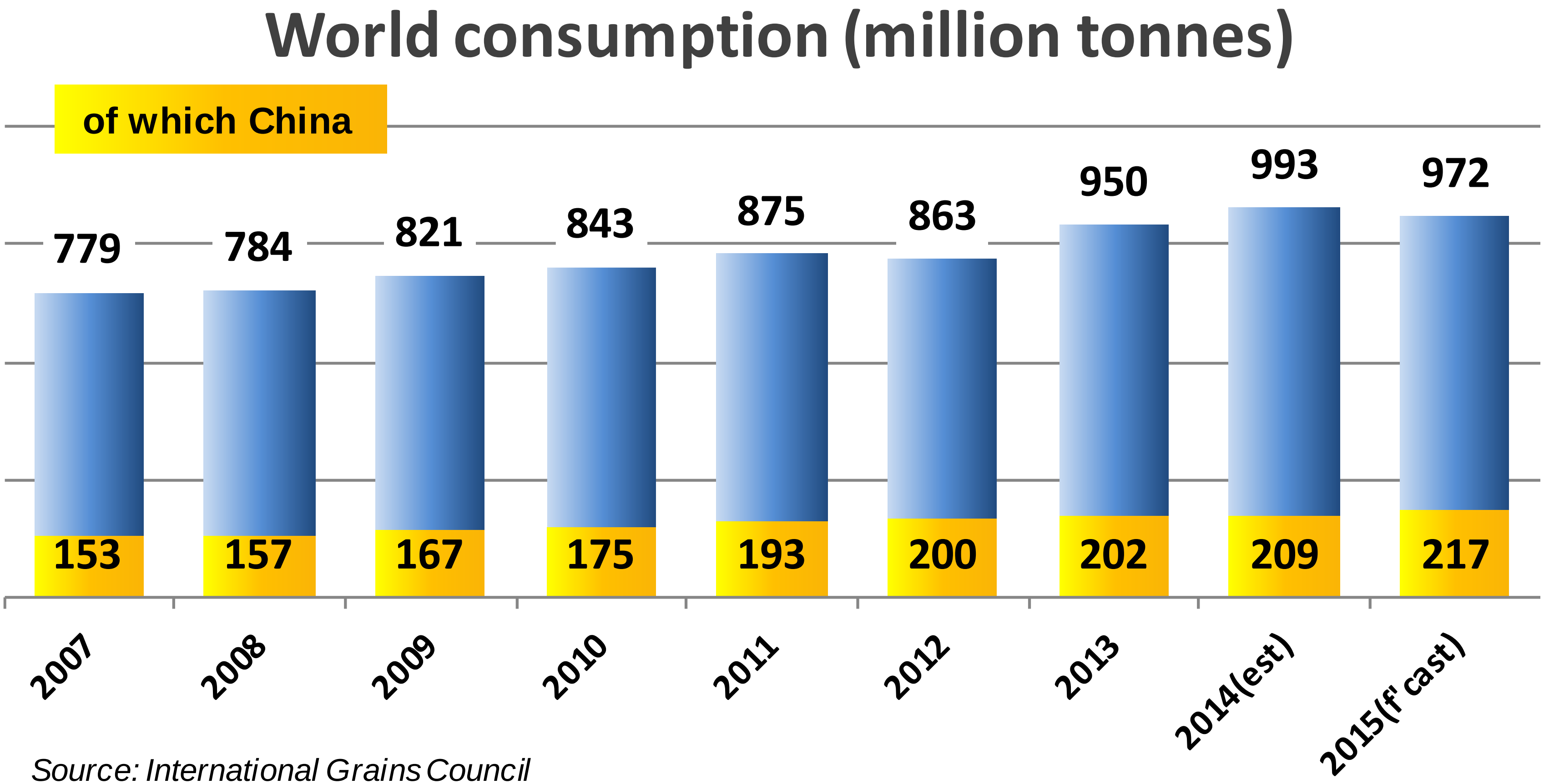
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Area (M ha)	28.050	29.864	31.180	32.500	33.542	35.030	36.318	37.123	38.117
Yields (t/ha)	5,43	5,56	5,26	5,45	5,75	5,87	6,02	5,81	5,89
Production (Mt)	152.300	165.900	163.970	177.245	192.780	205.614	218.489	215.646	224.580

Source*: IGC; 2015/16 forecast*

2015/16 vs 2007/08:

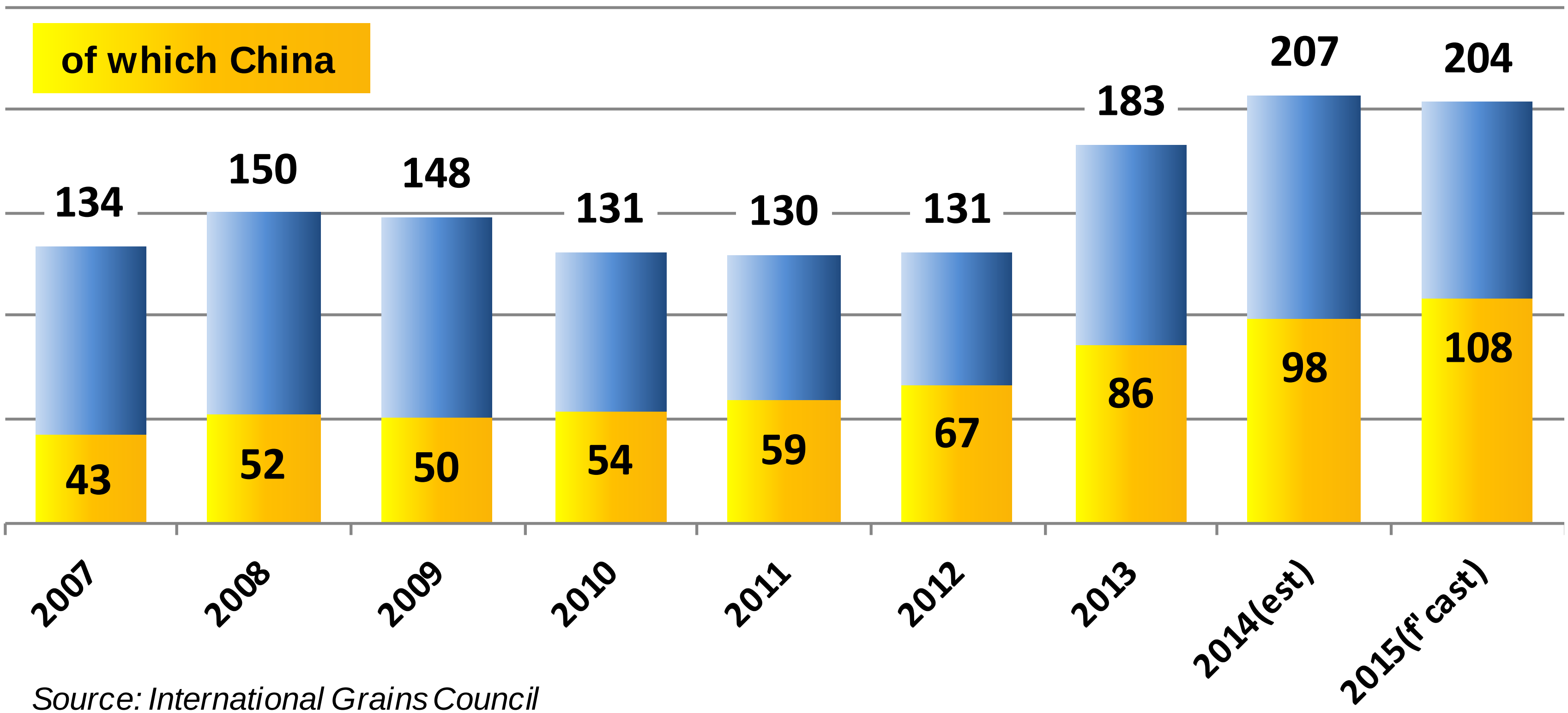
- Area: +36% or +10 M ha
- Yields: + 8.5%
- Production: +47.5% or +72 Mt
- Share of maize in total grain area increased to 34% in 2015 from 24% in 2003 and 18% in 1988.

Maize Consumption



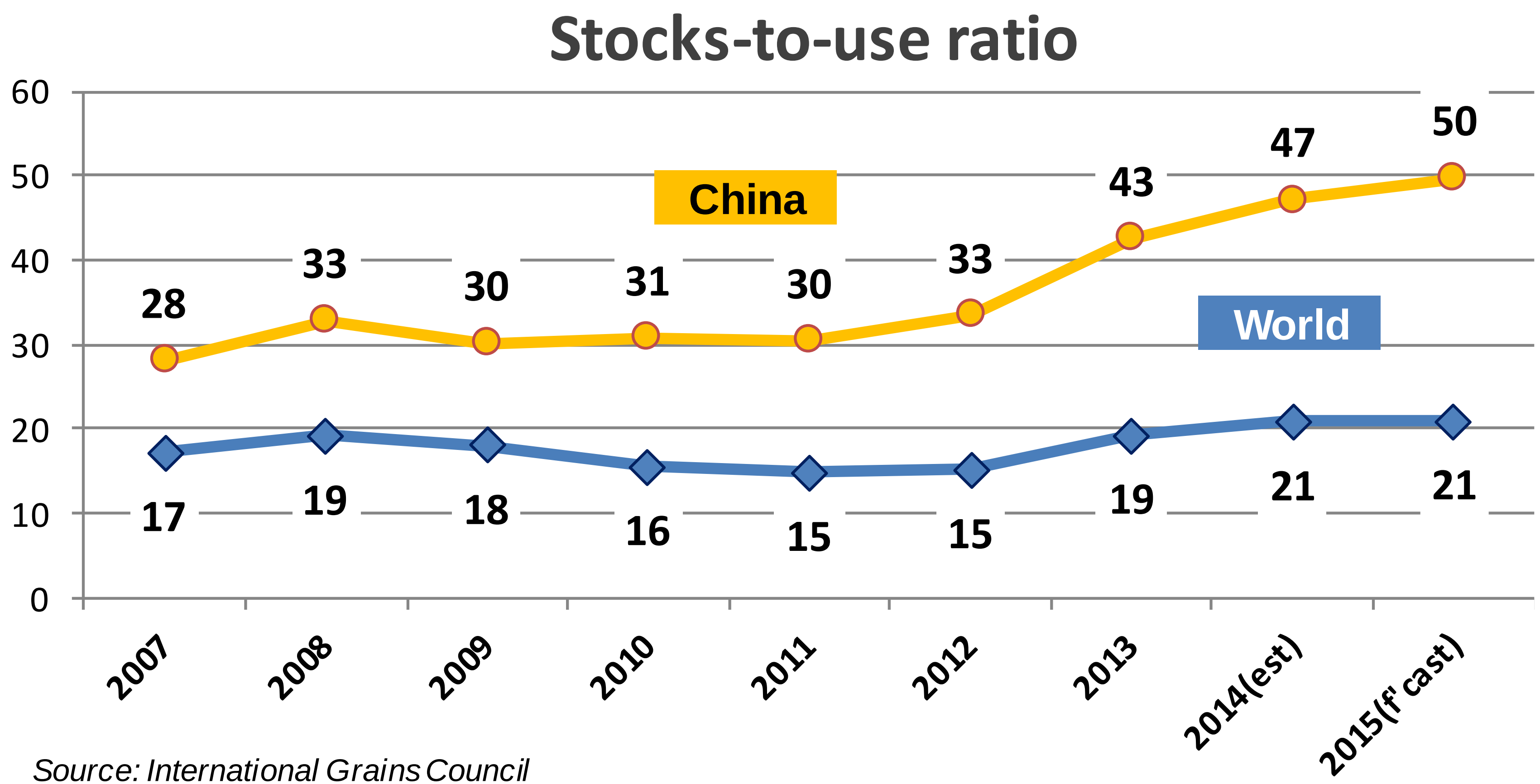
Source: International Grains Council

World closing stocks (million tonnes)



Source: International Grains Council

Maize Stocks vs Consumption



Source: International Grains Council

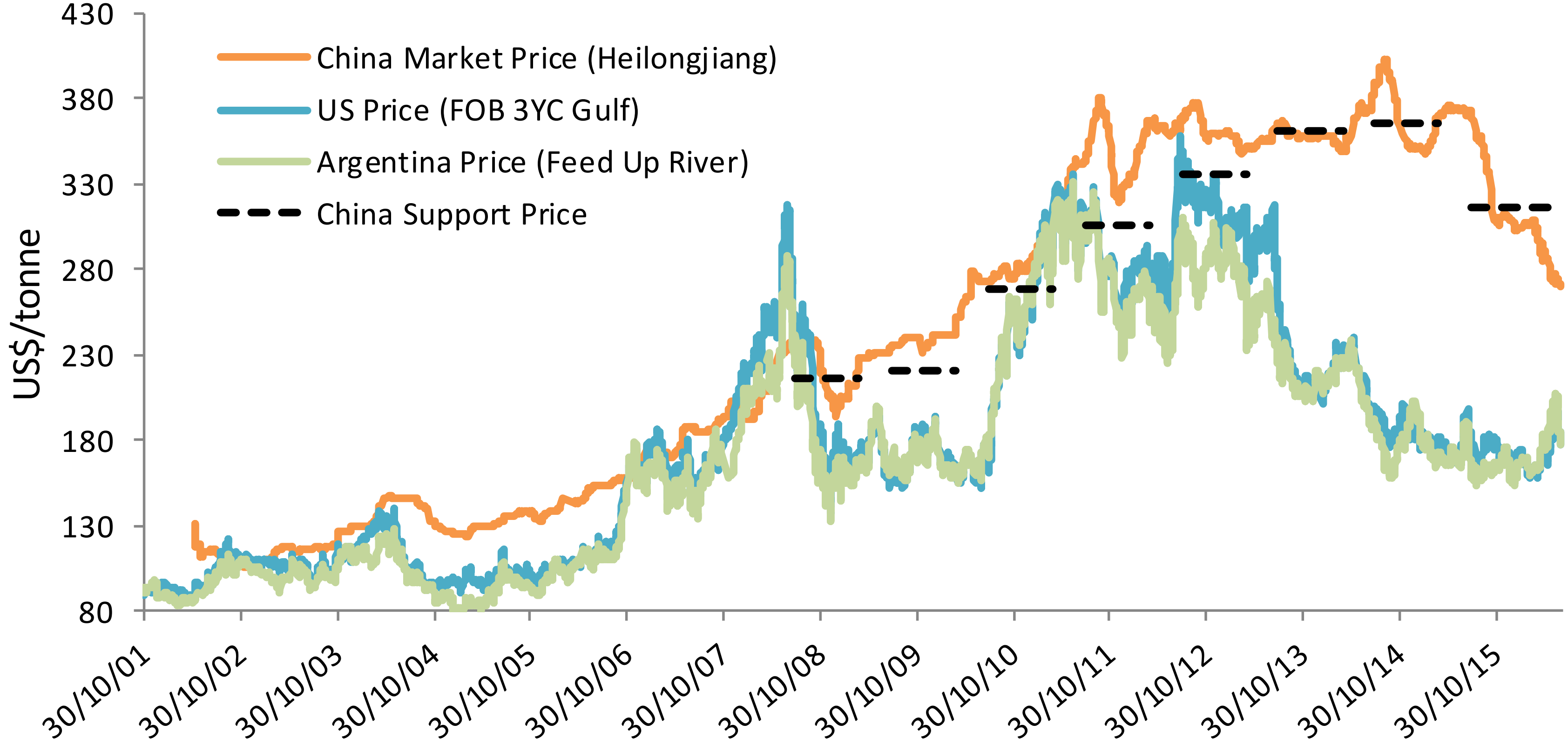
China: import TRQ for maize and wheat

	Out-of-quota rate (%)	In-quota rate (%)	TRQ	In-quota imp (2013)	In-quota imp (2014)
Wheat	65	1	9,636,000	5.535.000	3.004.000
Maize	65	1	7,200,000	3.266.000	2.599.000

Wheat	90% of TRQ was allocated for state-trading enterprises
Maize	60% of TRQ was allocated for state-trading enterprises

European Commission

Corn prices: China vs US and Argentina



Sources: IGC, Shanghai JC Intelligence, USDA

Chinese Maize Policy

- Before 2007: China net exporter, since then modest net importer
- 2008: support price introduced for maize at RMB 1,550 per t
- 2008-2014: attractive and increasing support price, plus strong demand led to rapid production growth
- 2013 onwards: imports of maize alternatives surged due to an increasing price gap between domestic and world maize prices
  - Barley imports up to 4.3 Mt in 2013/14 and 8.9 Mt in 2014/15 from 1-2 Mt
  - Sorghum imports up to 3.4 Mt in 2013/14 and 9.6 Mt in 2014/15
- 2013 onwards: strong increase of maize stocks as production growth exceeded demand growth. (In MY 2015/16 ending stocks to reach 108 Mt; + 84% vs. 59 Mt in 2011/12)

Chinese Maize Policy

- 2014: maize support price peaked at RMB 2,250 per t (≈ 360 $/t)

- 2015: 1st cut of support price: -10% to RMB 2,000 (≈ 315 $/t)

- 2016: elimination of support price for maize, while kept for wheat (2,360 RMB per t; ≈ 360$/t)

- Government objectives:

- Reduce state maize reserves (tenders on-going)
- More market orientation
- Reduce maize area by around 3.3 Mha in Northern regions by 2020, while increasing soybean area by 40% to 9.3 M ha.
- Soybean production to grow to ≈ 19 Mt by 2020 from ≈ 12 Mt recently

Chinese Maize Policy

- Likely short-term effects of change in maize policy:

- Lower maize prices on domestic market
- With selling of state reserves and lower prices consumption expected to increase; however quality is a concern for old gov' stocks
- Decreasing maize production
- Lower import demand for barley and sorghum in particular

- **What about wheat ?**

- With high support price maintained it remains "too" attractive to grow
- Chinese wheat stocks already high and could reach 90 Mt by end of 2016/17 (nearly 40% of world stocks)

European Commission

First Forecast of 2016/17 Grain S&D in China
National Grain and Oils Information Centre

7-June-2016	2016/17 forecast (Mt)	+/- prev' f'cast (Mt)	2015/16 (Mt)	+/- y/y
Wheat production	**130.3**	*n/a*	130.2	+ 0%
- imports	*3.0*	*n/a*	*3.0*	*+ 0%*
Maize production	**218.0**	*n/a*	224.5	- 3%
- imports	*1.0*	*n/a*	*2.7*	*- 63%*
Sorghum production	**3.1**	*n/a*	3.1	+ 3%
- imports	*0.6*	*n/a*	*7.2*	*-92%*
Soybeans production	**12.6**	*n/a*	11.6	+ 9%
- imports	*85.0*	*n/a*	*82.0*	*+4%*
Barley production	**2.1**	*n/a*	2.0	+ 3%
- imports	*2.7*	*n/a*	*7.8*	*- 65%*

European Commission

Cereals Prices and Market News

Agriculture and Rural Development

Market News (6/07/2016) Russia/Ukraine

- **RUS**: possibly wheat export tax remains in force for 2016/17. Grain intervention purchases to start in Aug/Sep but limited to the grain deficit regions of RUS, with a target of 2 mt.

- **RUS**: harvest started with good initial results; total grains output forecast at 106 mt with possible upward revision (up to 110 mt).

- **RUS**: In a preliminary estimate Rusagrotrans puts entire 2015/16 MY grain exports at 34.47 mt (+11.2% from 31 mt previous year) incl.:
  - 24.9 mt of wheat (+ 2.9 mt from the record of 2014/15),
  - 4.57 mt of maize (+ 0.7 mt y/y)
  - 4.28 mt of barley (- 1 mt y/y)

- **UKR**: Ag.Ministry: 2015/16 grain exports reached a record of 39.4 mt, (+13% from 34.8 mt previous year) incl.:

17.35 mt wheat, 17.4 mt maize and 4.41 mt barley

Market News (6-07-2016)

USDA Acreage Report – 30 06 2016

Estimates for areas planted in the USA

million ha	USDA 2015	USDA 2016 March	USDA 2016 June	June vs March (%)	2016 vs 2015 (%)
Maize	35,61	37,88	**38,10**	100,6%	107,0%
Soybeans	33,45	33,28	**33,87**	101,8%	101,3%
ALL WHEAT	22,11	20,06	**20,57**	102,5%	93,0%
winter wheat	*15,97*	*14,66*	***14,79***	100,9%	92,6%
durum wheat	*0,78*	*0,81*	***0,87***	107,4%	111,5%
spring wheat	*5,36*	*4,59*	***4,91***	107,0%	91,6%
Sorghum	3,42	2,92	**2,92**	100,0%	85,4%
Barley	1,44	1,27	**1,20**	94,5%	83,3%
Oats	1,25	1,11	**1,22**	109,9%	97,6%

Maize planted area +7% from 2015; 3rd highest since 1944

Soybean planted area +1% from 2015; at a new record high

All **wheat** area down 7% from 2015

Market News (6-07-2016)
U.S. Grain export inspections w/e 23/06/2016

Commodity	MY 2015/16	MY 2014/15	Change
Maize	33 875 356	35 928 039	- 5.7 %
Sorghum	7 487 350	7 530 167	- 0.6 %
Soybeans	44 248 867	47 886 763	- 7.6 %
*Wheat**	*1 704 580*	*1 239 638*	*+ 37.5 %*

Market Year = June/May for wheat and September/August for maize, sorghum and soybeans;* www.ams.usda.gov/mnreports/wa_gr101.txt

Market News (6-07-2016)

- **USA**: USDA Crop Progress report w/e 26 06:
  - Winter wheat harvest 45% complete (33% last year, 41% 5Y ave)
  - Maize rating: 75% good-excellent (68% last year)
  - Winter wheat rating: 62% G/E (41%)

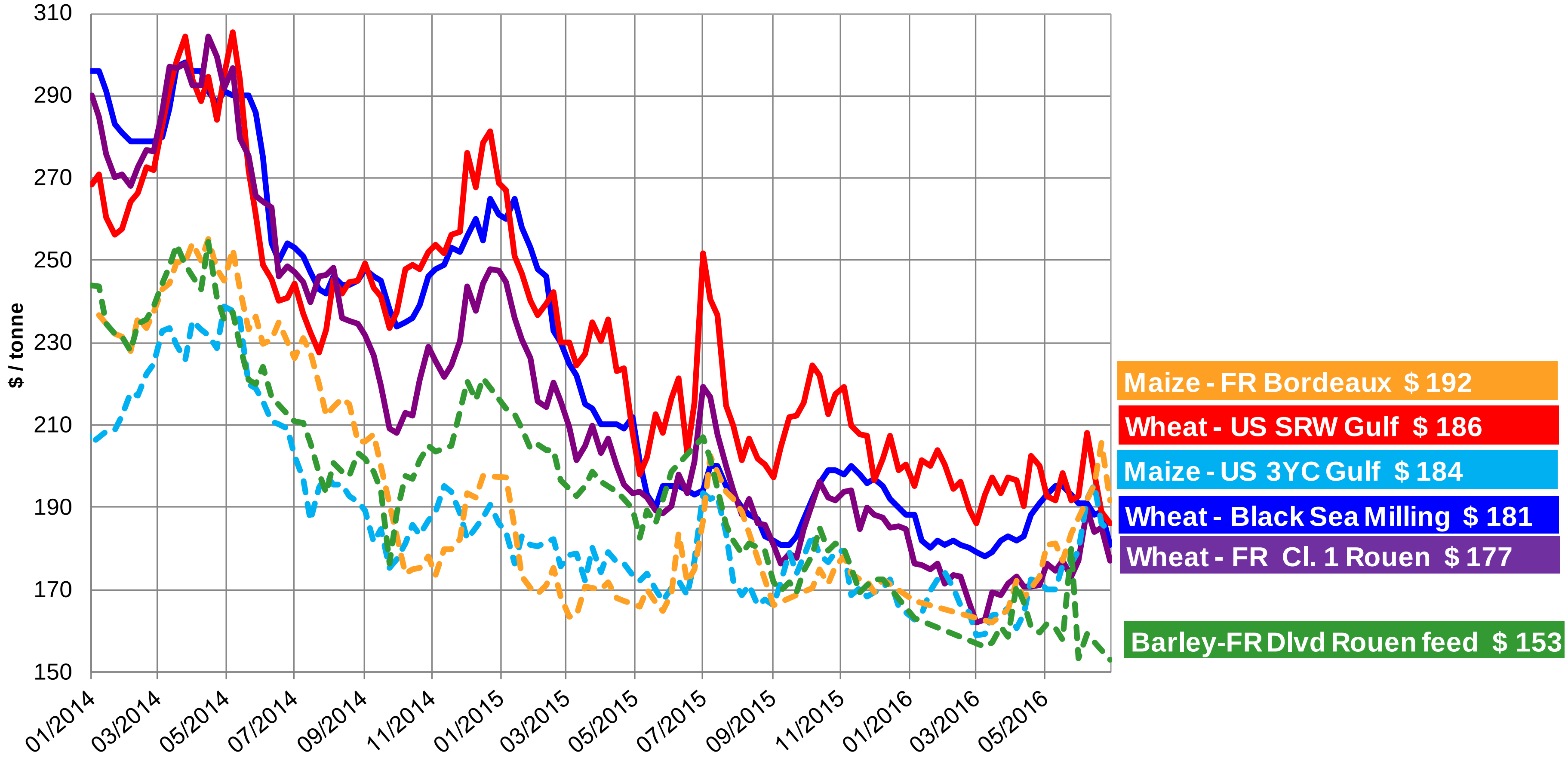
- **Argentina**: (Ag. Ministry) maize harvest 51% (66% last year) complete, soybeans harvest 96% complete (99%), while wheat planting 59% done (62%). Ag. Min. forecasts 2015/16 maize harvest at 37.9 Mt (+12% y/y), while 2016 wheat area is put at 5.3 M ha (+22%).

- **China**: tenders for the sale of state maize reserves continued and around 9.5 Mt has been sold so far with average prices in the range of 240-260 $/t mostly.

Market News (6-07-2016)

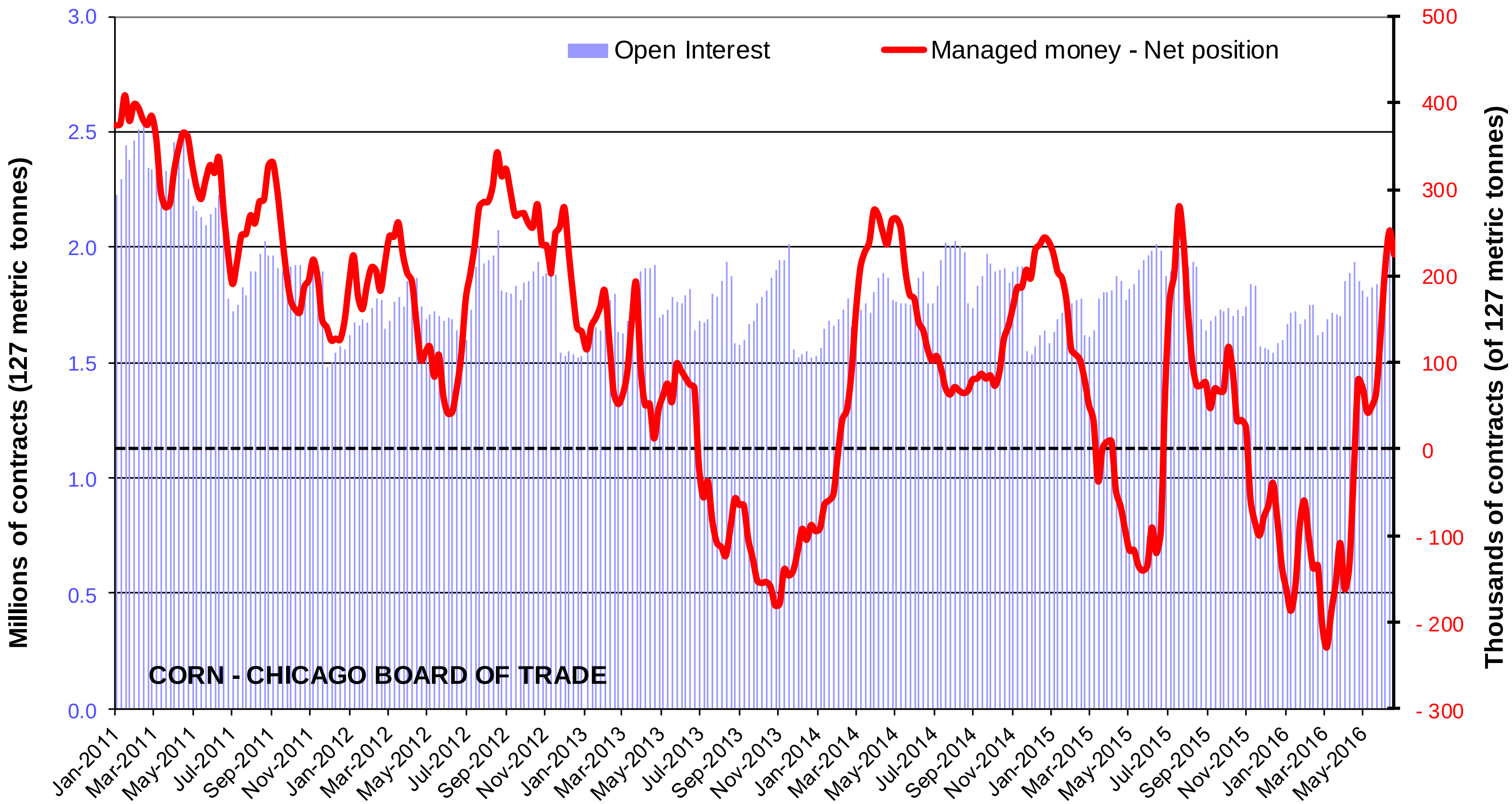
- **Morocco**: import duty on soft wheat was raised from 30% to 65% during 15/06-15/08 2016.
- **Morocco**: due to severe drought 2016 grain harvest to fall by 70% to 3.4 Mt (incl. 1.9 Mt wheat, 0.9 Mt durum and 0.6 Mt barley)
- **Egypt**: amendment to national law announced in order to accept wheat imports with an ergot fungus content of up to 0.05%.
- **CME** will launch an EU futures wheat contract in September 2016. The contract will be euro denominated and physical delivery possible in France.
- **Euronext** plans to launch nitrogen fertiliser futures for the European market during the autumn, which will be based on urea ammonium nitrate solution and physically deliverable in Rouen.

World cereal prices ($/t)

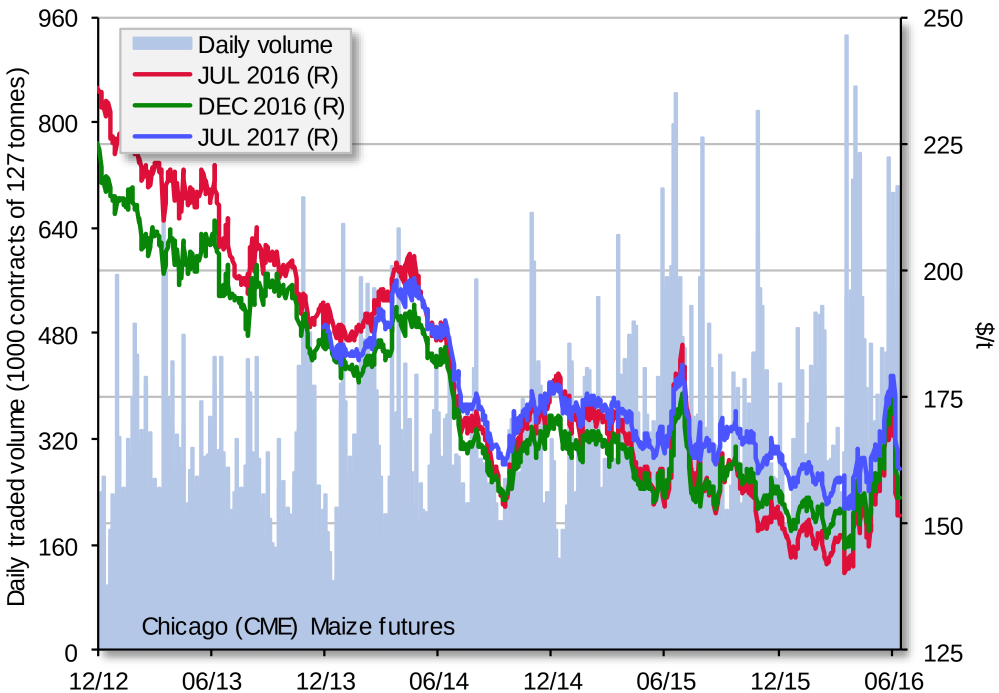


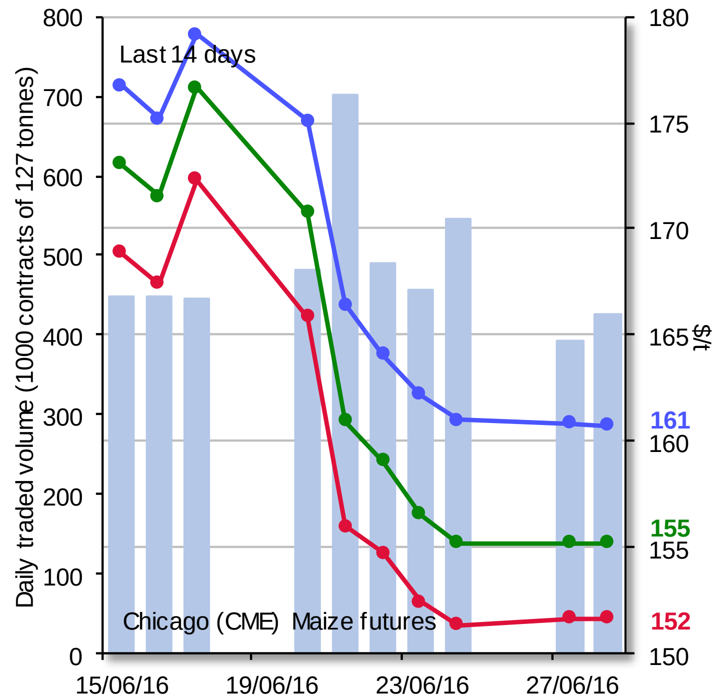
CME maize: open interest and positions of traders

Last value: 2016-06-21

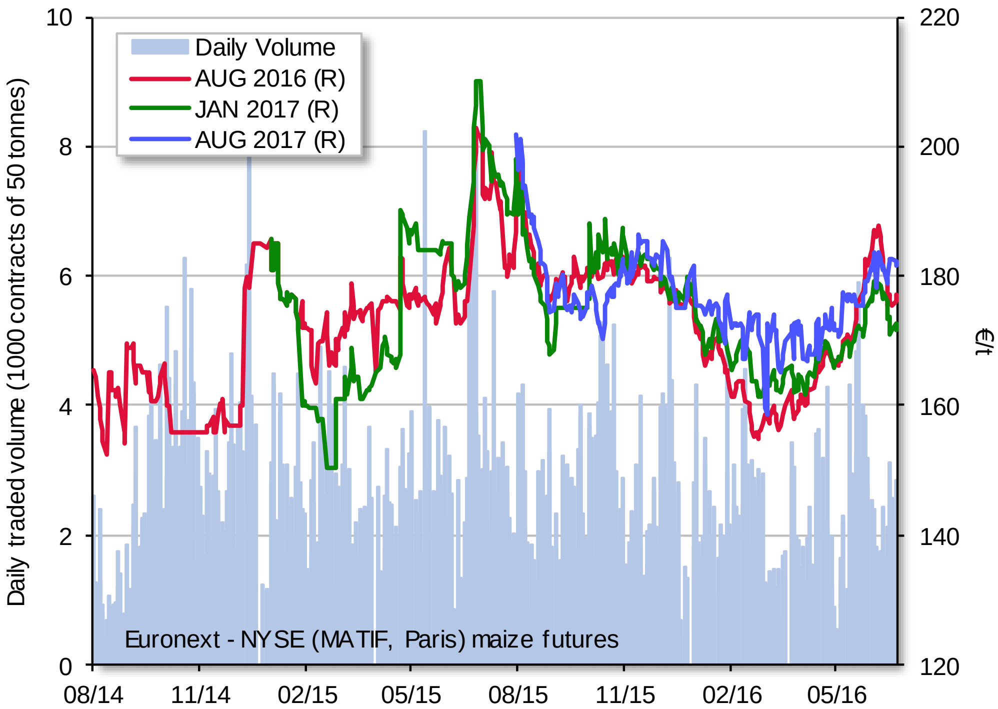


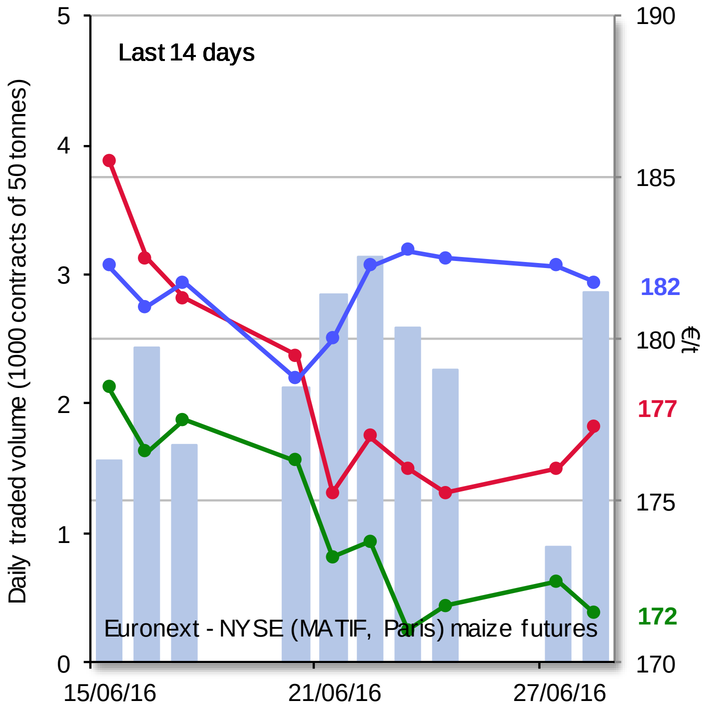
CME maize futures





EU maize futures





Conclusions

- **Wheat**: harvest started in Northern Hemisphere with good initial results. Growing conditions mostly favourable in the North and also improved in Australia. Export competition will further intensify with lower BS and US prices. Quality is a growing concern for the new crop.
- **Maize**: improved weather outlook in US weighed on prices. 2015/16 Brazilian crop down 10% from 2014/15 record.
- **China**: maize tenders succesful so far; barley and sorghum imports are forecast to decrease in 2016/17.
- **Egypt**: ergot fungus tolerance issue finally resolved

European Commission

Thank you for your attention!

Balance sheet updates & market presentation available:

http://ec.europa.eu/agriculture/cereals/balance-sheets/index_en.htm

Cereals dashboard available:

http://ec.europa.eu/agriculture/dashboards/index_en.htm