IGC PRESS RELEASE

Meeting of the International Grains Council

London, 6 December 2012

Members of the International Grains Council (IGC) met on 6 December under the Chairmanship of Mr Seung-Cheol Lim of the Republic of Korea. The Council considered the latest developments in the global grains and oilseeds markets, the medium-term supply and demand outlook, recent changes in national policies and various administrative matters. These included an update on participation in the Agricultural Market information System (AMIS) Secretariat, which the IGC joined in October 2012. The meeting was followed by a Round Table discussion on GM regulation and its impact on world trade.

The Council’s latest forecasts for supply and demand (see www.igc.int) underlined the tightness of global grains and oilseeds balances. As outlined in the IGC’s monthly Grain Market Reports, the most recent published on 29 November, it had been an eventful six months since the previous Council Session in early June, as dry conditions had a significant impact on grains harvests in the northern hemisphere. The daily IGC Grains and Oilseeds Index (GOI) had risen sharply to an all-time high by early September, boosted in particular by strength in maize (corn) and soya beans due to drought in the US, before retreating more recently, centred on better news on US soyabean yields. However, it was still up 19% from the beginning of the year.

For wheat, the Secretariat pointed out that the supply and demand balance had tightened significantly in 2012/13, and that near-record production would be required in 2013/14 to keep the global stock-to-use ratio steady. It gave its first estimate for production in the next crop year (2013/14), based on the progress of winter wheat crops, showing a 4% y/y increase. Maize consumption was expected to fall in 2012/13 for the first time since 1993/94, a result of low availability, with world carryover stocks in the main exporters expected to decline to a 16-year low. While rice balances and prices had been relatively stable in comparison to grains, this year had seen a substantial rise in China’s imports. This was most likely due to attractive international prices relative to domestic quotations, and did not necessarily imply local market tightness.

For oilseeds, the Secretariat highlighted the importance of South America’s crops for the forecast recovery in soyabean output in 2012/13, but pointed out that the anticipated record harvests would merely return the aggregate level of stocks in major exporters to average levels. It also noted that rapeseed/canola supplies were especially tight and that high prices were likely to encourage larger 2013/14 plantings. For both, there was significant vulnerability to any further supply-side difficulties.

The Secretariat also presented its annual assessment of the five-year outlook for supply and demand balances including, for the first time, projections for soyabeans and rapeseed/canola. With the exception of rice, disappointing harvests had lowered the starting point for this year’s projections for global supplies, but relatively high prices were expected to encourage plantings going forward.

For wheat and coarse grains, the projections indicated increasing production over the outlook period, but little potential for stock building, as improved supplies were expected to be absorbed by demand, driven predominately by maize. The outlook was more stable for
rice, although the outcome would critically depend on government policy, especially in major exporters.

For soyabean s, supplies appeared more comfortable over the outlook period, assuming a rebound in production in the US, Argentina and Brazil. As with other projections, it was implicitly assumed that conditions would be favourable for crop development. Adverse weather, as seen in the US and South America this year, could drastically alter the outlook and carry significant upside price risk, as inventories remained tight. The projections indicated a marked increase in trade volumes through the five-year period, as increased demand was expected to be met by production growth in the key exporters, most notably in South America and the Black Sea region.

The Council considered various administrative matters including an update from the Secretariat on progress with its economic work programme, of which the most significant development was the establishment of full coverage of soyabean s and rapeseed/canola supply and demand. The Council was also briefed on the IGC’s contributions to the AMIS initiative, including: the provision of supply and demand information for grains, rice and soyabeans; daily price monitoring through the GOI; and an extended summary of the Grain Market Report on its public website.

The Council appointed Mr Deepak Kumar, Joint Secretary, Department of Food and Public Distribution (India), as Vice-Chairman for 2012/13.

The Council received a statement from the WTO on recent developments, and welcomed the participation of Observers from several non-member countries, namely Bolivia, Brazil, Guatemala, Taipei (Chinese) Separate Customs Territory and Vietnam.

The Round Table discussion on GM regulation and its impact on world trade, which was moderated by the IGC Chairman, involved both industry and government representatives. The discussions highlighted the challenges facing producers, traders and regulators, given the increasing availability of GM crops amid varying degrees of public acceptance.

Note for Editors:
The International Grains Council (IGC) is an intergovernmental organisation administering the Grains Trade Convention, 1995 (GTC). It seeks to further international cooperation in grains trade; to promote expansion, openness and fairness in the grains sector; to contribute to grain market stability and to enhance world food security. These objectives are sought by improving market transparency through information-sharing, analysis and consultation on grain market and policy developments. With effect from 1 July 2009, the definition of "grains" in the GTC was widened to include rice.

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Mr. Dennis Stephens, Executive Director, Canada Grains Council and Secretary of the International Grain Trade Coalition (IGTC)
Dr. Teresa Babuscio, Secretary General, COCERAL (The European association of cereals, rice, feedstuffs, oilseeds, olive oil, oils and fats and agrosupply trade)