Summary

HIGHLIGHTS

At 2,226m t, the forecast for world total grains (wheat and coarse grains) production in 2020/21 is cut by 1m m/m (month-on-month), as reduced maize output prospects (mainly in the EU, Ukraine and the USA) is partly offset by bigger estimates for other grains. Although the outlook for maize demand is a little lower than before, this is outweighed by increases for wheat, sorghum and rye, to lift the forecast for total grains consumption by 3m t m/m, to 2,223m. With smaller than previously estimated opening stocks, reduced production and higher use, the projection for global ending stocks is down by 10m t m/m, to 619m, only a modest increase y/y (year-on-year). Adjustments to old and new crop maize inventories in the USA and for wheat in the major exporters, account for much of the m/m change in projected world stocks. The forecast for world trade in 2020/21 is raised by 4m t m/m, to 403m, mainly on higher figures for wheat (including larger imports by China and Pakistan) and maize (the EU and China).

Tied to crop downgrades for the US, Argentina, India and Ukraine, the Council's 2020/21 global soybean production forecast is trimmed to 370m t, 9% higher y/y. With consumption seen marginally up from before at a new peak, end-season carryovers are cut slightly, to 46m t, marginally lower y/y. Partly reflecting an increase for the prior year, the forecast for global import demand is lifted by 2m t, to 167m, fractionally down y/y; consistent with upgraded expectations for trade, the projection for US shipments is raised to a record of about 60m t.

Global rice supply and demand in 2019/20 is seen broadly steady m/m, with trade pegged at around 42m t. A higher forecast for India's exports is countered by reductions for other Asian suppliers. The 2020/21 world rice production projection is maintained at a record of 504m t but, due to an increased figure for total use, carryovers are lowered slightly, to 178m. Global import demand is predicted to rebound by 7% y/y, to 45m t.

The IGC Grains and Oilseeds Index (GOI) saw another strong rally in October, rising by 8% m/m. The gain was led by maize, but with sizeable increases for all the other components, except rice.

OVERVIEW

World total grains (wheat and coarse grains) production in 2020/21 is forecast to increase by 40m t y/y, to an all-time high of 2,226m. The expansion is largely driven by record maize output (+32m t y/y), but with bigger harvests of wheat, sorghum, oats and rye as well. For maize, the USA and Brazil are seen having notably bigger crops, while smaller outturns are predicted for the EU, Ukraine, Argentina, South Africa and China. Grains consumption is seen at a new high of 2,223m t, a rise of 29m y/y, including gains for food (+10m), feed (+9m), industrial (+8m) and other uses (+2m). Despite anticipated sizeable inventory expansions of wheat, barley, sorghum, oats and rye, global total grains carryover stocks at the end of 2020/21 are projected to post only a modest rise of 3m t y/y, to 619m, due to a further contraction for maize (-18m y/y). The drop in maize stocks is mainly tied to a
further drawdown in China, but with those in the EU also seen at an unusually low level. In contrast, following larger harvests, accumulations are foreseen in the USA and Brazil. At a new peak of 403m t, global grains trade is predicted to climb by 8m y/y, led by larger shipments of maize and sorghum.

(Chart 3)

Underpinned by a rebound in US output, coupled with potentially bigger harvests in southern hemisphere majors, world soyabean production is seen increasing strongly in 2020/21, by 9% y/y, to a peak of 370m t. While a continued recovery in Chinese feed demand is expected to underpin record uptake, gains are likely across a range of smaller consumers; in some regions, this reflects prospects for reduced availabilities of alternatives, notably rapeseed/canola and sunflowerseed. Global carryovers are projected broadly unchanged y/y, but with major exporters’ inventories likely to tighten on a reduction in the US. After the prior year’s exceptionally solid increase, world trade may edge lower, including a fractional fall in China’s arrivals. Nevertheless, US exports are seen at a new high.

(Chart 4)

World rice trade is forecast to be little-changed y/y in 2020 as stronger demand in the second half of the year potentially compensates for weak buying interest in earlier months. Amid ample and competitively priced supplies, India’s dispatches are anticipated to increase by more than 30% y/y as shipments by other leading suppliers – principally Thailand – decline. India will also account for the bulk of global growth in uptake in 2019/20, while world inventories are seen little-changed y/y, with falls in some importers offset by gains in the five leading exporters. Output in 2020/21 could reach a peak of 504m t (497m), while population growth may underpin record uptake. Trade in 2021 is predicted to expand by 7% y/y on firmer African demand.

(Chart 5)

MARKET SUMMARY

The IGC GOI rallied by 8% m/m, to a more than six-year peak, with grains and oilseeds markets bolstered by uncertain production prospects and a tightening supply outlook. Gains in maize prices were particularly pronounced, rising by 18% compared to late-September.

(Chart 6)

Amid worries about dry weather, including for 2021/22 winter crops in Russia and the US, the IGC GOI wheat sub-Index rose by 7%, touching its highest since January 2015.

(Chart 7)

The IGC GOI maize sub-Index surged by 18% over the past five weeks, with average prices up by 37% y/y. The rally was linked to declining crop prospects in Ukraine, tighter than expected 2019/20 US stocks and concerns about difficult sowing conditions in South America.

(Chart 9)

With near-offsetting movements in the main exporters, the IGC GOI rice sub-Index declined by 1% m/m.

(Chart 10)

The IGC GOI soyabees sub-Index spiked by 8% since the September GMR. Price support stemmed from dwindling old crop supplies and planting delays in Brazil, as well as solid demand for US exports, mainly from China.
7. Wheat: GOI sub-Index

8. Maize: GOI sub-Index

9. Rice: GOI sub-Index

10. Soyabean: GOI sub-Index