GMS
GLOBAL MALTING SERVICES

World Grain Markets 2008

The updated grain balance as per latest IGC (International Grain Council) report (25.9.08):

Wheat	2006/07	2007/08	2008/09 f
Production (mio t)	598	609	676
Trade (mio t)	109	109	116
Consumption (mio t)	611	611	643
Stocks (mio t)	**125**	**123**	**153**
Year to year change	**-13**	**-2**	**+30**

Total grain	2006/07	2007/08	2008/09 f
Production (mio t)	1,586	1,688	1,754
Trade (mio t)	221	237	230
Consumption (mio t)	1,628	1,683	1,737
Stocks (mio t)	**280**	**285**	**301**
Year to year change	**-43**	**+5**	**+16**

Despite the turmoil coming from financial markets to grain markets, prices mostly retreated based on a favorable outlook for 2008 supplies. Total grain production outlook was lifted to 1,754 million tons (up 5 million tons from previous estimation). On the other hand, the total grain consumption is boosted to 1,737 million tons, which is mainly due to 125 million tons for ethanol production (30% more than last year). These increasing demands include a tremendous risk in case of any crop shortfall - high prices will be back immediately.

Total grain output in Russia is expected to reach 100 million tonnes, out of which barley is accounting for 20 million. Ukraine harvested between 50 and 53 million tonnes of grain. Both countries will significantly increase the Black Sea export volumes. This and the fact that both countries still face a severe lack of grain storage facilities and first problems with grain quality from harvest 2008 will bring price pressure on world grain prices at least in the Mediterranean basin and partly to Europe and Asia.

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<tr><td>Barley markets 2008</td><td>The very good crop in large parts of Europe and the completion of harvest have led to a comfortable supply situation in the EU with no remaining risks on the supply side. European malting barley prices have fallen further due to rising stocks and a very reluctant business as buyers are still absent. Malting barley premium eased to 25 EUR per ton. And there is a certain risk that prices will continue to fall.

The growing conditions are currently very good in Australia, as sufficient rainfalls in the last weeks stabilized the good crop outlook. Even if the growing conditions in Australia will turn to negative, the supply surplus in Russia, Ukraine and EU will help to avoid any dramatic supply impact on world barley markets.

The good crop figures from Canada have been confirmed. But rainfalls interrupt harvest process, with negative consequences for the grain quality. Internationally, there is no active market business and nothing on the horizon that will change this apathy in the next weeks.</td></tr>
<tr><td>Malt</td><td>Following the easing of the current barley markets, buyers of malt are in no rush to conclude new malt contracts for 2009 and 2010. The 2008 selling campaign is already concluded. Brewers are uncertain on the impacts of the world financial market on consumer’s purchasing power for their product. Chinese stocks are down 60% now against their highs and they are a substantial part of the Chinese people pension strategy. Russian beer market is growing with a much smaller pace than forecasted in the past. Recession might come over many countries in Europe and the US. Increasing malting capacities in combination with slowing beer output might bring overcapacity back to malt markets.</td></tr>
<tr><td>Global weather and crop conditions. September 14th to 24th.</td><td>
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<tr><td>Russia</td><td>Cold and rainy weather hampered last harvest activities but improved significantly the topsoil moisture for winter crop emergence and development.</td></tr>
<tr><td>Europe</td><td>Fieldwork has been pushed by drier weather in central and northern areas. Sufficient rainfalls eased drought appearance in south-eastern parts of Europe.</td></tr>
<tr><td>Australia</td><td>Scattered rainfall fell across the wheat belt, beneficial for winter grains only. Nevertheless, based on today’s knowledge, the supply surplus of Russia and Ukraine will easily offset crop risks for export markets.</td></tr>
<tr><td>Middle East</td><td>Long-term drought over most of the region further decreased the soil moisture for winter crop planting and emergence.</td></tr>
<tr><td>China</td><td>Mostly favorable conditions for crop planting all over China.</td></tr>
<tr><td>Argentina</td><td>Finally, rainfalls brought limited relief to dry western farming areas.</td></tr>
<tr><td>Brazil</td><td>Seasonal showers brought further release and helped to condition fields for planting summer crops.</td></tr>
<tr><td>Mexico</td><td>Beneficial rainfalls continued in most regions.</td></tr>
<tr><td>Canada</td><td>Portions of the prairies and eastern Canada received their first autumn freeze.</td></tr>
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