INTERNATIONAL MILLING DIRECTORY 2006

COARSE GRAINS OVERVIEW

Tighter supply will shift some feeding to wheat

Last year's coarse grain crop was not only the biggest ever (crossing the 1bn tonne mark for the first time). It also achieved a record one-year increase of 10% or some 93m tonnes. Most of this was down to a larger maize crop (+83m tonnes) as output soared in the US and Europe. However, barley crops added on a further 10m, including 7m in the EU, the rest mostly from the Ukraine.

The looser supply brought maize costs down from their 2003/04 highs and helped keep them under control through most of the coarse grain sector, giving a huge boost to livestock feeding for the second year running. Demand for maize also increased sharply in the industrial sector due to a massive new programme of ethanol plant construction, mainly in the USA. In contrast barley was less competitively priced, losing some of its feed custom to the large, cheap supplies of maize and feed grade wheat.

While, at 972m tonnes the total tonnage of coarse grains used by all market sectors was 27m tonnes higher than in 2003/04 and 70m above the 2002/03 figure, it remained about 35m tonnes short of production. The result has been a much larger carryover stocks brought into the new, 2005/06 marketing year.

Even with this stock, consumers will face quite a different supply scenario in 2005/06 as world coarse grain production drops back by over 60m tonnes.

The biggest single factor is a smaller US maize crop, possibly down by 30/40m tonnes after unfavourable weather in some key growing states (see maize section of this review). Production is also down by about 9m tonnes in Europe and about 5m tonnes each in the FSU and in sub-Saharan Africa. The rest of the decline in coarse grain supply is largely down to barley, output of which is seen 18m tonnes lower. Not only is EU output down by some 8m tonnes but crop declines are expected in all the main barley suppliers - including the FSU, Canada and Australia as well as importers like North Africa.

Despite the large stocks carried in from 2004/05, world consumption of coarse grains is expected to dip in 2005/06 by some 9m tonnes. about

Partly this is down to a flattening out in the total demand for cereals from the livestock feed industries, where no appreciable growth will occur in the coming season. Some feed demand is also expected to shift away from maize and other coarse grains towards lower grade wheat which remains in good supply and at a relatively favourable price.

Even so, world production of coarse grains will fall short of demand and stocks will have to be drawn down somewhat - USDA currently projects a 19m tonne decline. At about 150m tonnes by the end of 2005/06 these will not be tight by comparison with some recent past years (e.g. 136m in 2002/03. However, because of the growth in consumption in the last few years, this represents only 15.7% of world consumption - about 8 weeks supply cover and the second lowest stocks/use ratio on record.