

INTERNATIONAL MILLING DIRECTORY 2006

DURUM - weather hits Med. producers

World durum wheat production rose by almost 10% in 2004/05 as good weather boosted yields in the EU, Canada and North Africa. The final tally was over 1m tonnes higher than estimates at harvest time, resulting in large carryover stocks in the main exporting countries, the EU, Canada and the USA at the season's close. Canadian durum quality was affected by a cool, wet summer with only 10% grading No 1 and 30-35% Nos 1 & 2, leading to lower qualities going to feed outlets or being stockpiled. However, while proteins for CWAD fell from 13.6% to 13.1% they were in line with the 10-year average.

The outlook for crops this year is far less favourable, mainly due to unusually severe droughts and heatwaves around the Mediterranean Basin. Production has been hit particularly hard in the two top EU producing countries, Spain (forecast down 73%) and Italy (down 56%). Although France expects its second large crop in a row, the EU total is expected to decline by 37% or about 4.3m tonnes to a 4-year low of just 7.3m tonnes.

Production is also seen sharply lower in all three of the main North African producing countries, whose combined output drops from last year's unusually good 5.2m tonnes to only 3.7m.

Among the other major producers, Canada expects a fairly large crop close to last year's 5m tonnes and exports should increase due to lower EU and North African crops and a return to more normal Canadian durum quality. The US should also have a good harvest of about 2.6m.

Although the EU is carrying in unusually large stocks of almost 2m tonnes into 2005/06, the extent of the crop decline means exports will be severely limited this season with the IGC currently forecasting only 500,000 compared with 1,100 last season and the smallest for six years. EU imports will also rise sharply, from about 1.5m to 2.3m tonnes - the highest level on our records.

At some 7.6m tonnes, world demand for durum wheat will be quite robust in 2005/06, mainly because of the bigger import needs in the EU. Although the North African consumers appear to have built some stocks from last year's bigger crops, their imports are also expected to rise in 2005/06 by about 200,000 tonnes to some 2.6m.

Overall, then, the decline in EU durum export availability will open up foreign sales opportunities for the North American suppliers who, with decent 2005 crops and larger stocks are expected to expand their combined sales from 3.8m to 4.8m tonnes. Syria, which has expanded its export presence in recent years, is also expected to raise sales substantially in 2005/06, from 600,000 to 800,000 tonnes - doubling its average performance of the mid-nineties. Smaller exporters like Turkey and Mexico are also expected to expand sales.

With world production down by about 6m tonnes and consumption believed to be increasing, stocks should decline from the high levels seen at the close of 2004/05 (about 5.6m tonnes versus 2.7m in 2003/04 in the main exporting countries).

Amid last year's large world crop, export prices for durum wheat (basis Canadian HAD) were falling steadily from their summer 2004 peak of about \$240 per tonne fob to around \$205 recently. On the current season's supply/demand balance, this is probably as low as consumers can expect and the possibility of higher prices in the first half of 2006 can't be ruled out as stocks start to head lower. However, this should give producers in the main producing countries incentive to maintain acreage.