Summary

HIGHLIGHTS

The past month has seen escalating concerns about the global spread of the coronavirus and increasing uncertainty about the longer-term implications for production and consumption. While some commodities have seen a sharp upturn in nearby demand, especially for rice and wheat-based foods, weakening economic conditions could dampen usage in the longer term, particularly for industrial products such as maize-based ethanol and starch. Although import buying of some commodities has accelerated in recent weeks, logistical challenges are being reported as movement constraints and quarantine measures become widespread. Transportation restrictions could also hamper the distribution of farm inputs and disrupt spring fieldwork, however, at this stage, the Council assumes that planting intentions will be fulfilled. Nevertheless, the Council’s projections for supply and demand are tentative until the progress and duration of the pandemic become clearer.

The forecast for world total grains (wheat and coarse grains) production in 2019/20 is lifted by 3m t/m (month-on-month) to 2,175m, mainly because of an adjustment for maize output in the EU. With consumption trimmed, the figure for total grains stocks is up by 4m t, but inventories are still seen contracting, by 17m y/y (year-on-year) to a four-season low.

This report includes the first full set of supply and demand projections for 2020/21. Total grains production is projected to reach a new peak of 2,223m t, some 2% higher y/y. Because of tighter carry-in stocks, total world grains supply (production plus opening stocks) is placed 1% larger y/y, and with assumed growth in demand, a further small drop in carryover inventories is envisaged. Trade is expected to be a new high, including increased shipments of wheat, maize and sorghum.

Reflecting downgrades for Brazil and Argentina, the 2019/20 world soyabean production forecast is cut by 4m t, to 341m, a 5% y/y fall. The reduction is channelled to lower figures for consumption and carryovers; trimmed by 1m t, to 38m, inventories are seen down by about one-third y/y. Assuming a rebound in US acreage, world output in 2020/21 is predicted to expand by 7% y/y. While stocks may edge up, they are likely to remain tight on low carry-ins and an uptick in demand. Trade is tentatively projected to reach a peak of 157m t, a 3% y/y increase.

The Council’s forecasts for global rice supply and demand in 2019/20 are broadly unchanged m/m, with carryovers rising to a peak of 177m t on accumulation in China and India. Led by acreage increases in major exporters, world rice production in 2020/21 is projected to rise by 2% y/y, to a high of 509m t, with population growth supporting record uptake. Further gains in inventories are anticipated, mainly in key exporter and China. Trade is seen growing by 3% on bigger deliveries to Africa, with India the leading exporter.

The IGC Grains and Oilseeds Index (GOI) showed little overall change m/m, as initial declines for some of the components were reversed as the month progressed.

(Chart 1)
OVERVIEW

At 2,799m t, global total grains (wheat and coarse grains) supplies in 2019/20 are forecast to be slightly higher y/y and only fractionally short of the all-time peak two seasons ago, as increased production more than compensates for tighter carry-in stocks. With demand placed at a record level and outstripping the small supply gain, ending stocks are seen shrinking to a four-year low, almost entirely because of a drawdown of maize, particularly in China. Trade is pegged at a new high, including bigger shipments of wheat, maize, barley and sorghum.

In 2020/21, global total grains production is projected to expand to 2,223m t, up by 2% y/y and an all-time high. At this level, overall supply would be a fresh peak, but with assumed growth in consumption, another modest decline in ending stocks is foreseen. Once again, this is mainly linked to a drop in maize inventories in China, which more than offsets an accumulation of that grain in the USA. Wheat stocks are predicted at an all-time high, led by expansions in China and India. Growth of 2% is envisaged for total grains trade, with shipments of maize, wheat and sorghum accelerating.

MARKET SUMMARY

With broadly offsetting movements across the main components, the IGC GOI was almost unchanged compared to the February GMR.

The IGC GOI wheat sub-Index gained by 2% m/m, as an uptick in export demand and a spike in consumer buying reversed earlier losses.

With pressure stemming mainly from steep declines in crude oil prices and worsening ethanol production margins, the IGC GOI maize sub-Index fell by 1% compared to late-February.
The IGC GOI rice sub-Index climbed to a more than five-year peak, rising by 4% m/m, on a coronavirus-related surge in consumer demand.

(Chart 10)

Pulled lower mainly by a sharp drop in prices in Argentina, the IGC GOI soyabeans sub-Index dipped by a net 1%.