



# Grain Markets in Northern Ireland

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&

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## Agenda

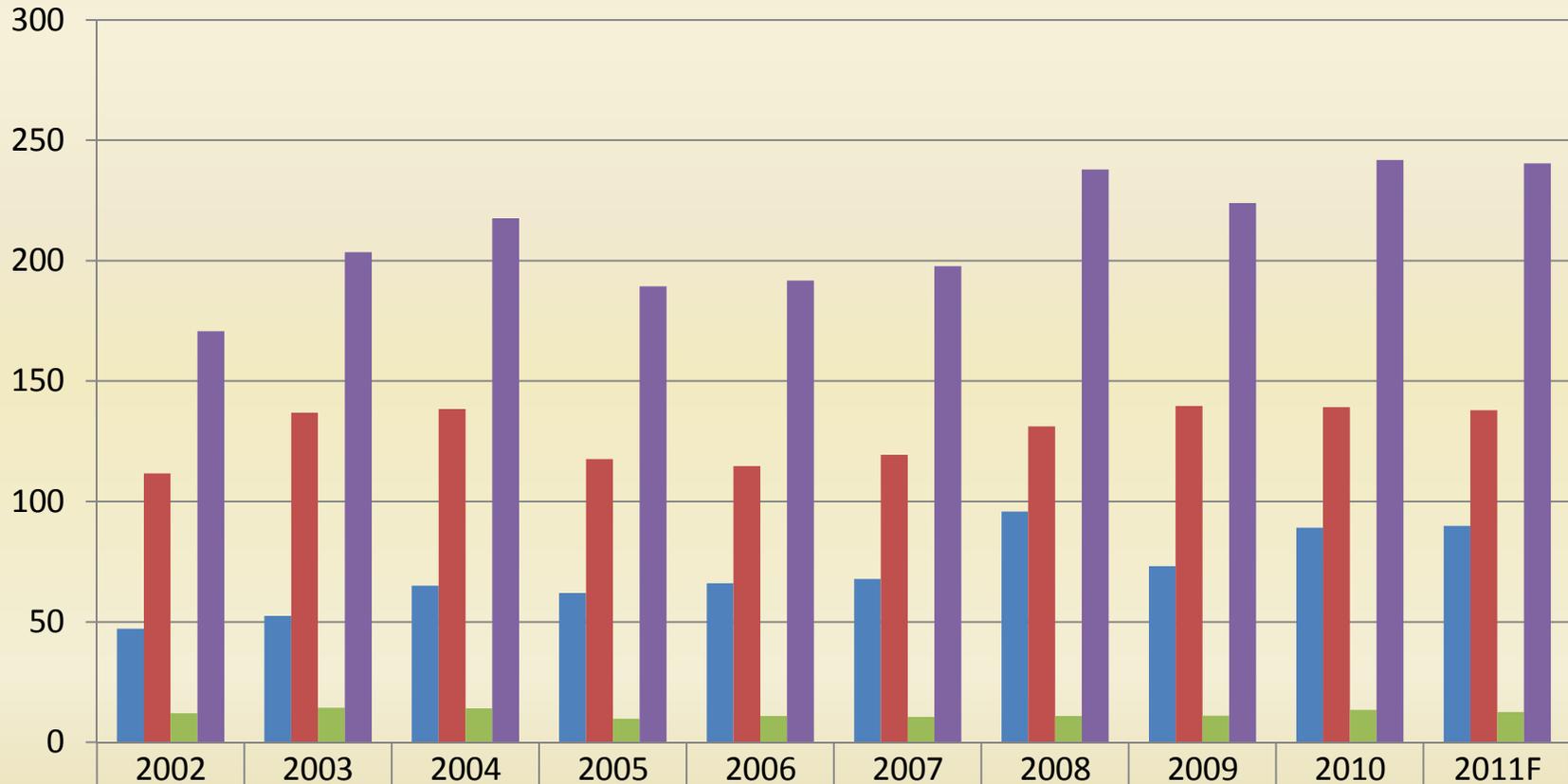
- **Irish Market**
- **Supply & Demand**
- **Current Trends/Drivers**
- **Volatility**
- **Summary of Long Term Market Drivers**



# Irish Market



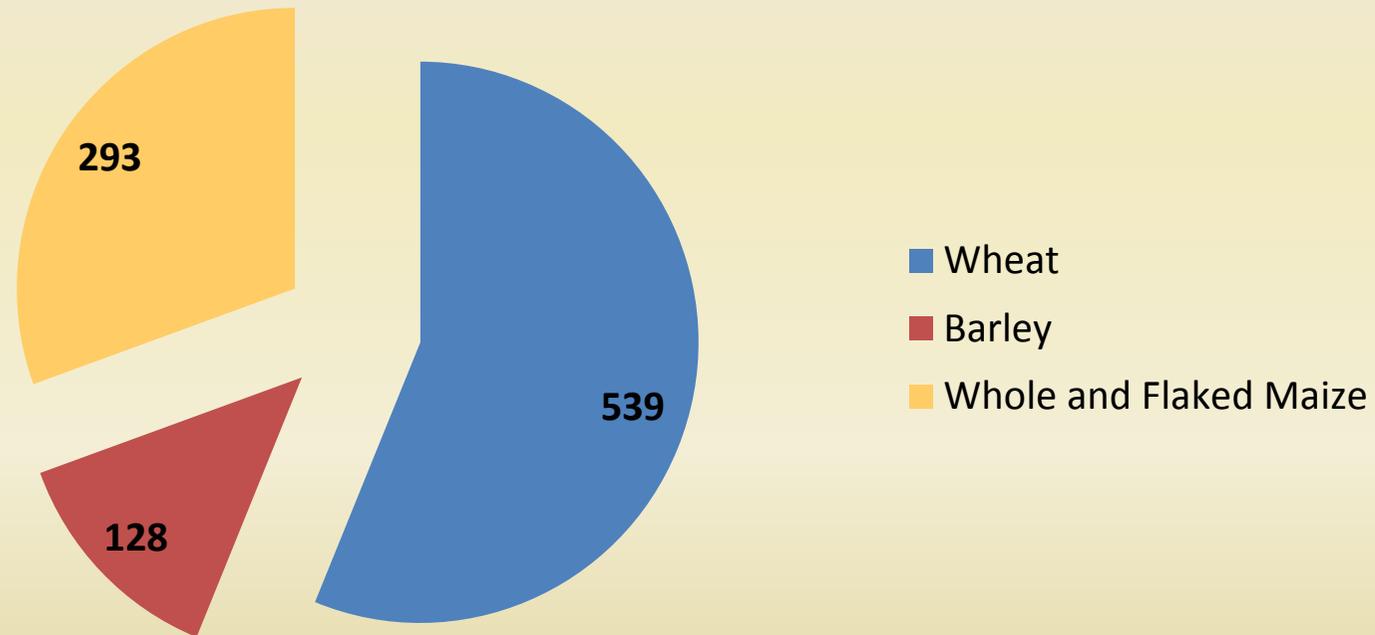
# Native Harvest Production NI ('000tn)



■ Wheat	47	52	65	62	66	68	96	73	89	90
■ Barley	112	137	138	118	115	119	131	140	139	138
■ Oats	12	14	14	10	11	11	11	11	13	13
■ Total	171	204	218	189	192	198	238	224	242	240

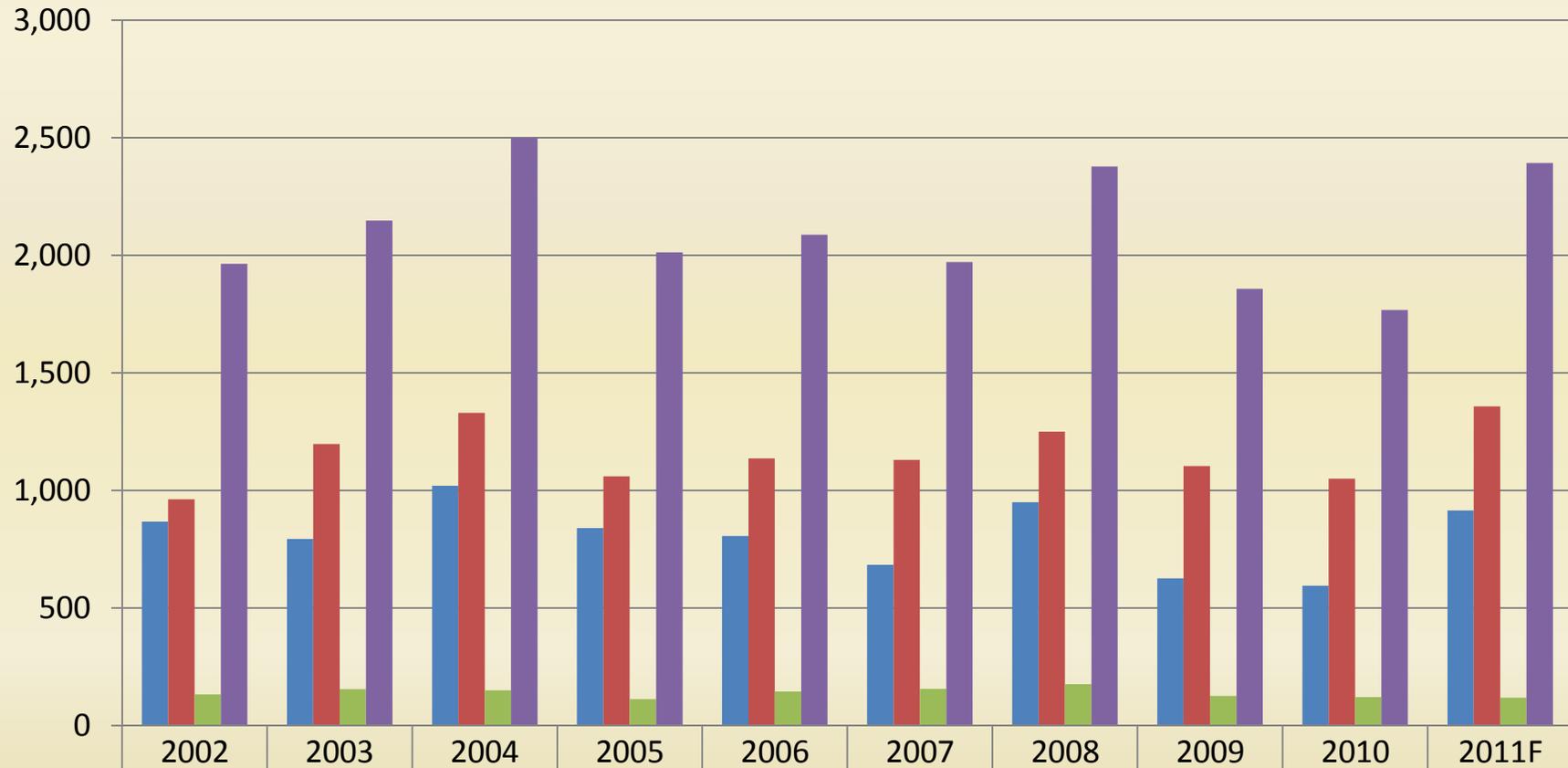


# Cereal Usage in Compound and other processed Animal Feed NI ('000tn)





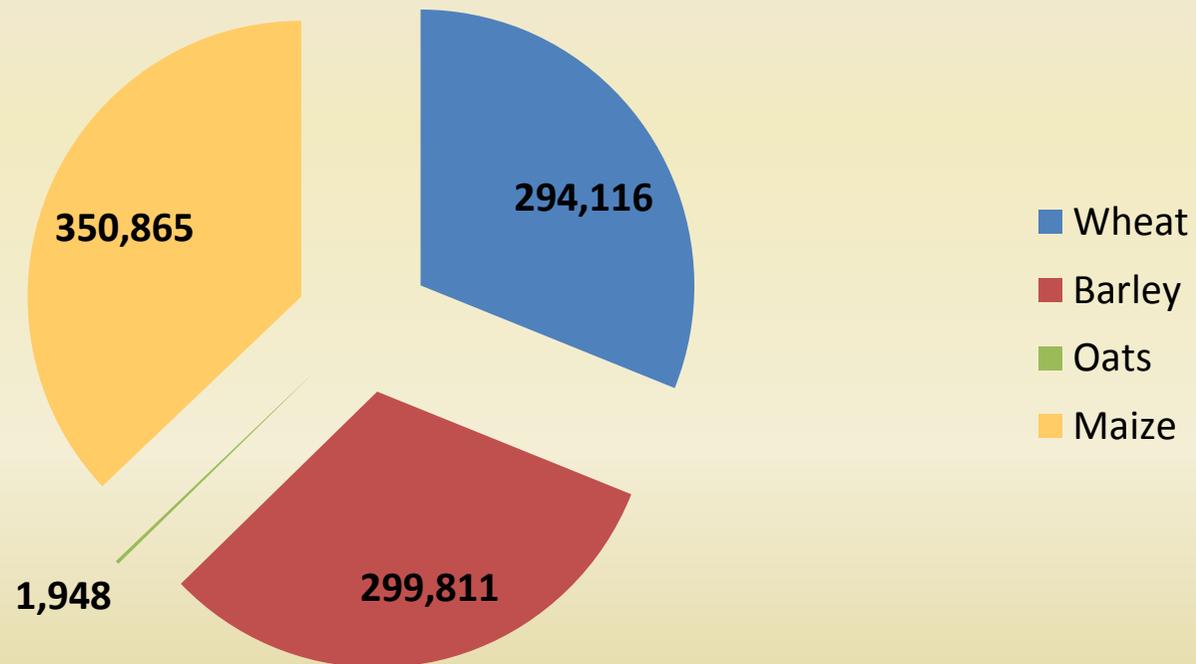
# Native Harvest Production ROI ('000tn)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011F
Wheat	868	794	1,020	840	806	684	950	627	595	915
Barley	963	1,198	1,330	1,060	1,137	1,130	1,250	1,104	1,050	1,358
Oats	133	155	150	113	145	157	177	127	122	119
Total	1,964	2,147	2,500	2,013	2,088	1,971	2,377	1,858	1,767	2,392

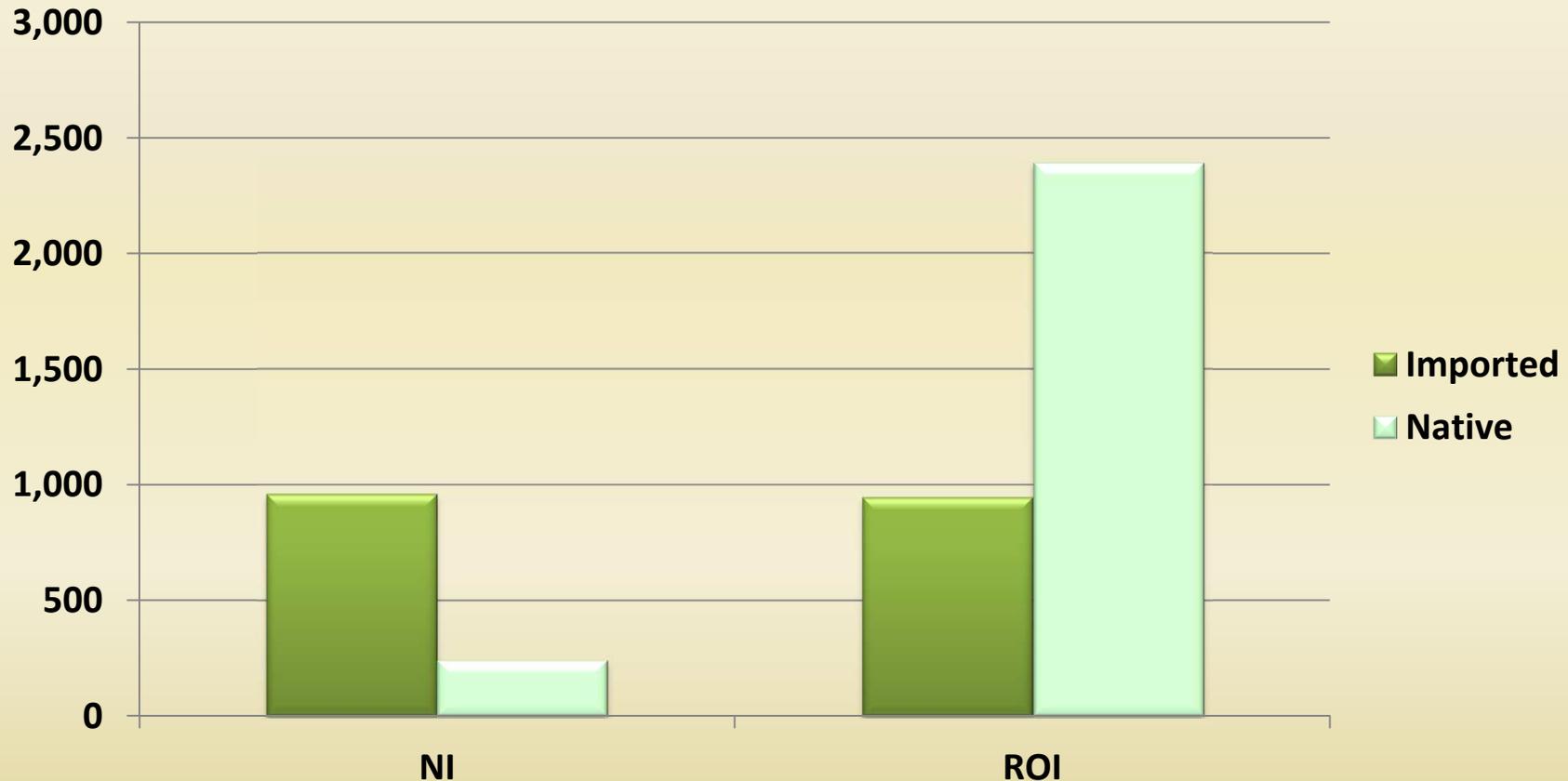


# Imported Cereals for Use in Compound and other processed Animal Feed ROI ('000tn)



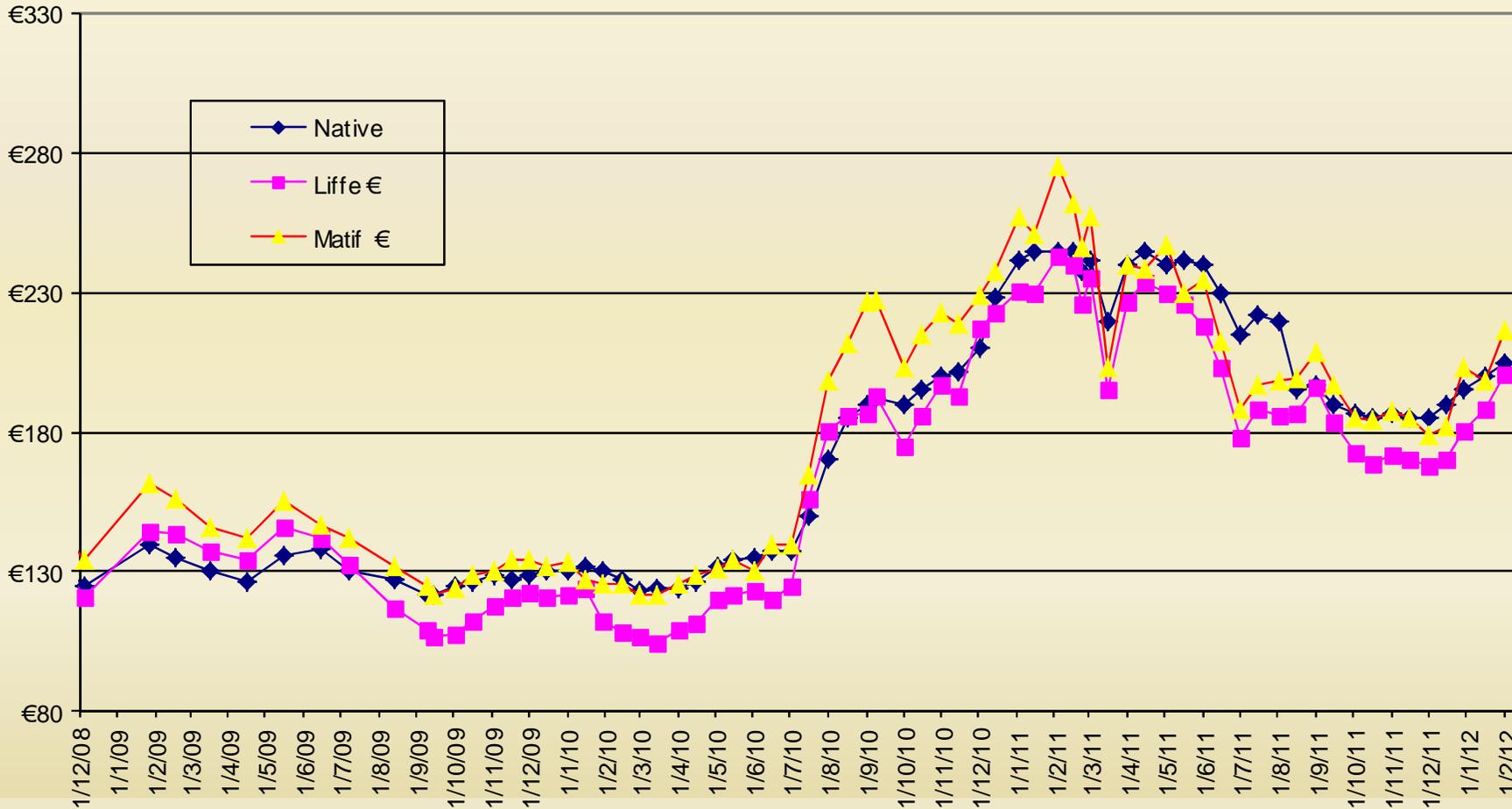


# In the NI market imported cereals dominate and drive prices which is different to ROI ('000tn)





# But in the end, open markets drive price correlation trends €/tn - Matif / Liffe / Native





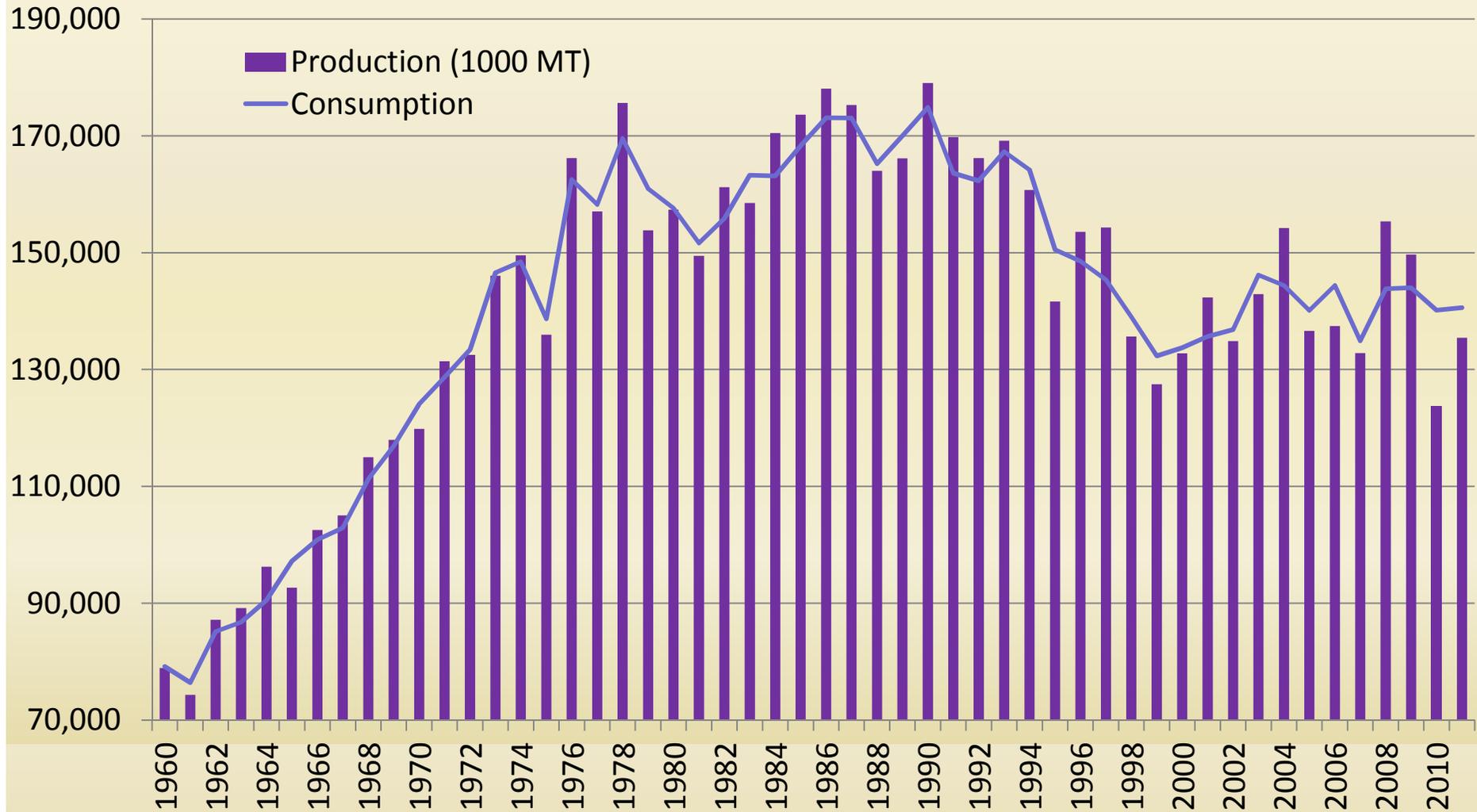
# **Global Supply & Demand**



# Global Barley



# Global Barley – Production ('000 mt)

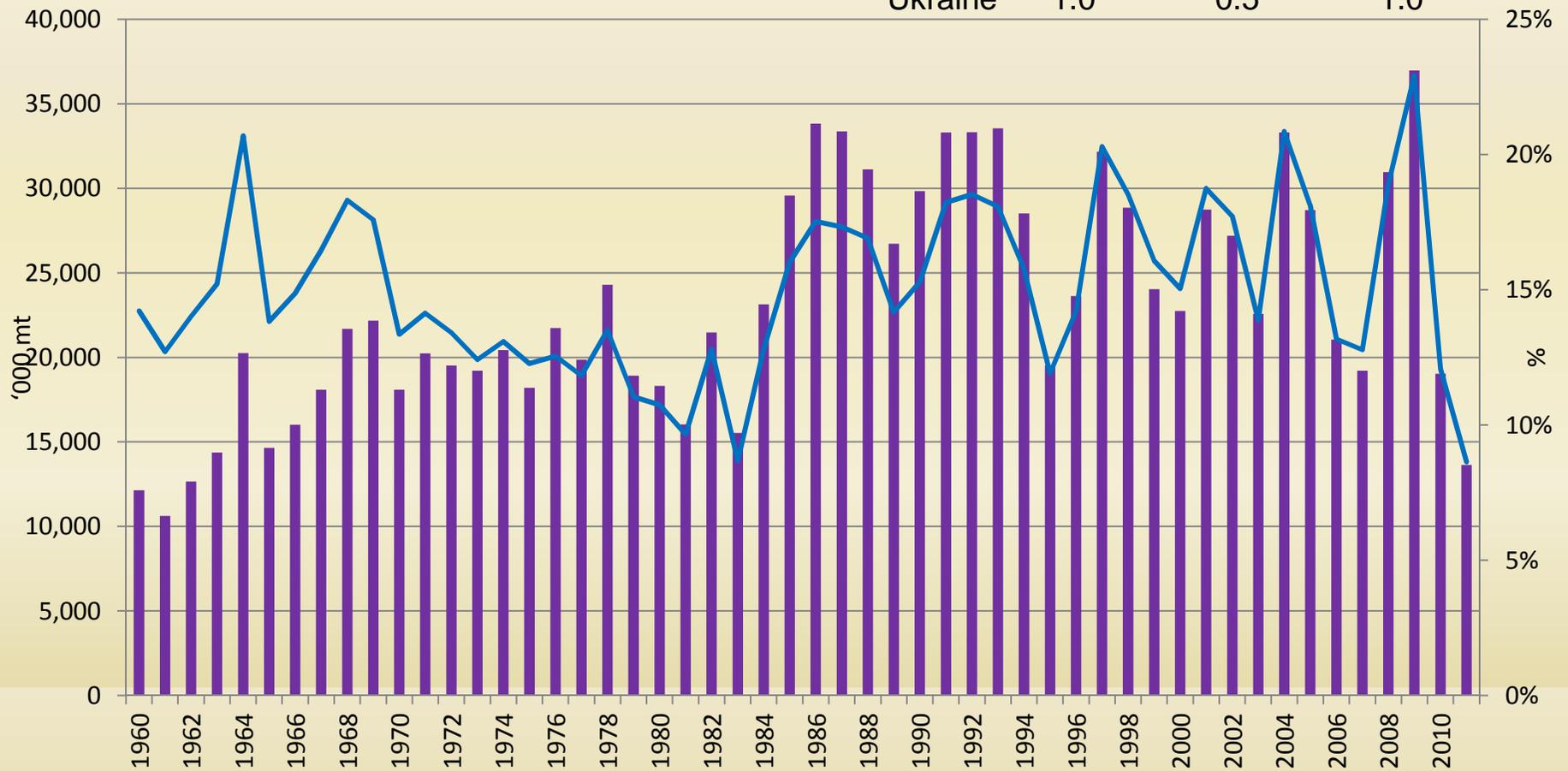


Source: AgResource



# Global Barley – Ending Stocks, Stock/Use Ratio

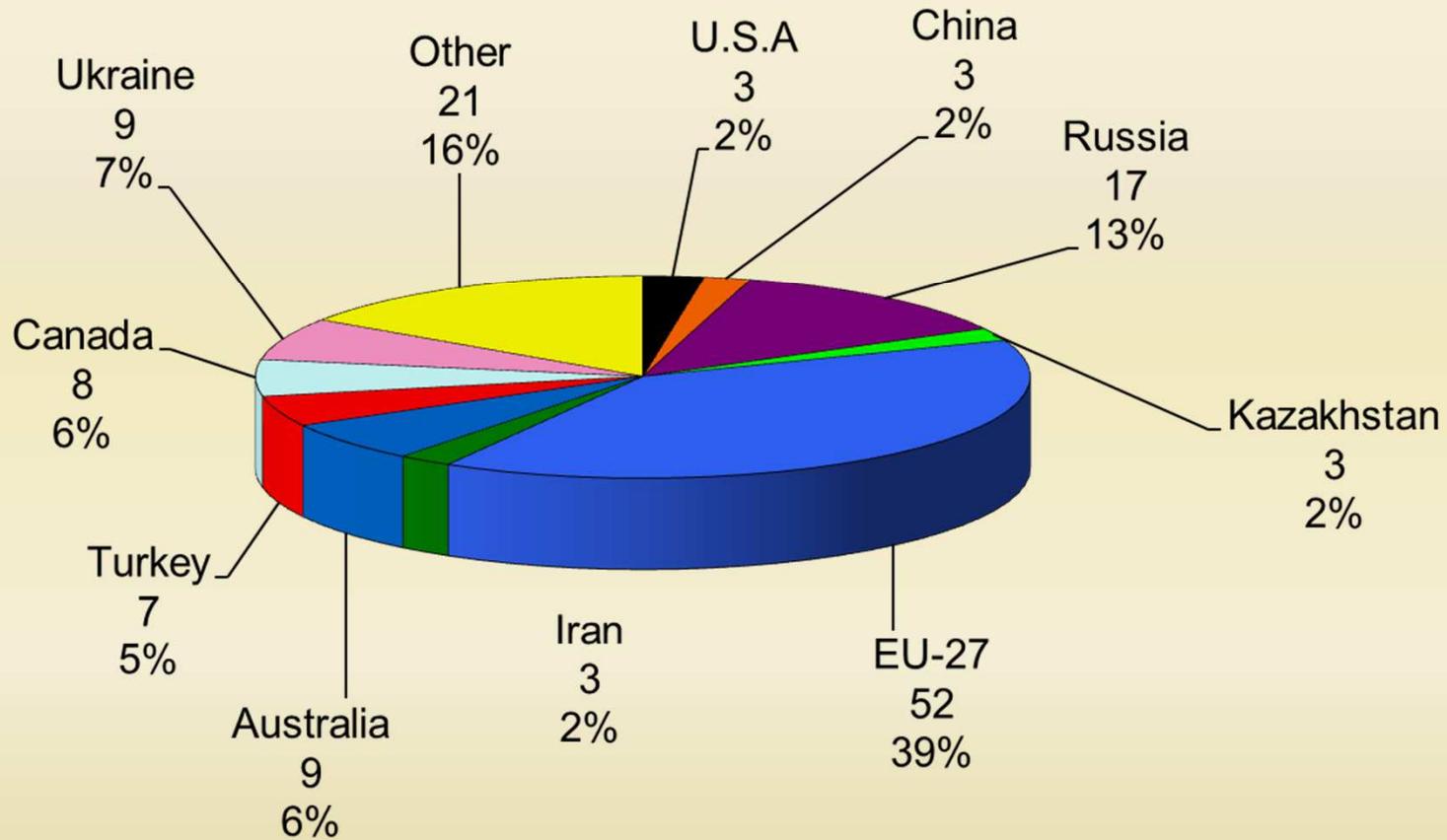
mmt	09/10	10/11	11/12
EU	15.5	7.5	5.4
Canada	2.6	1.4	1.3
Russia	2.4	1.4	2.0
Ukraine	1.0	0.5	1.0



Source: AgResource



# Major Global Barley Producers 2011/12 (mmt)

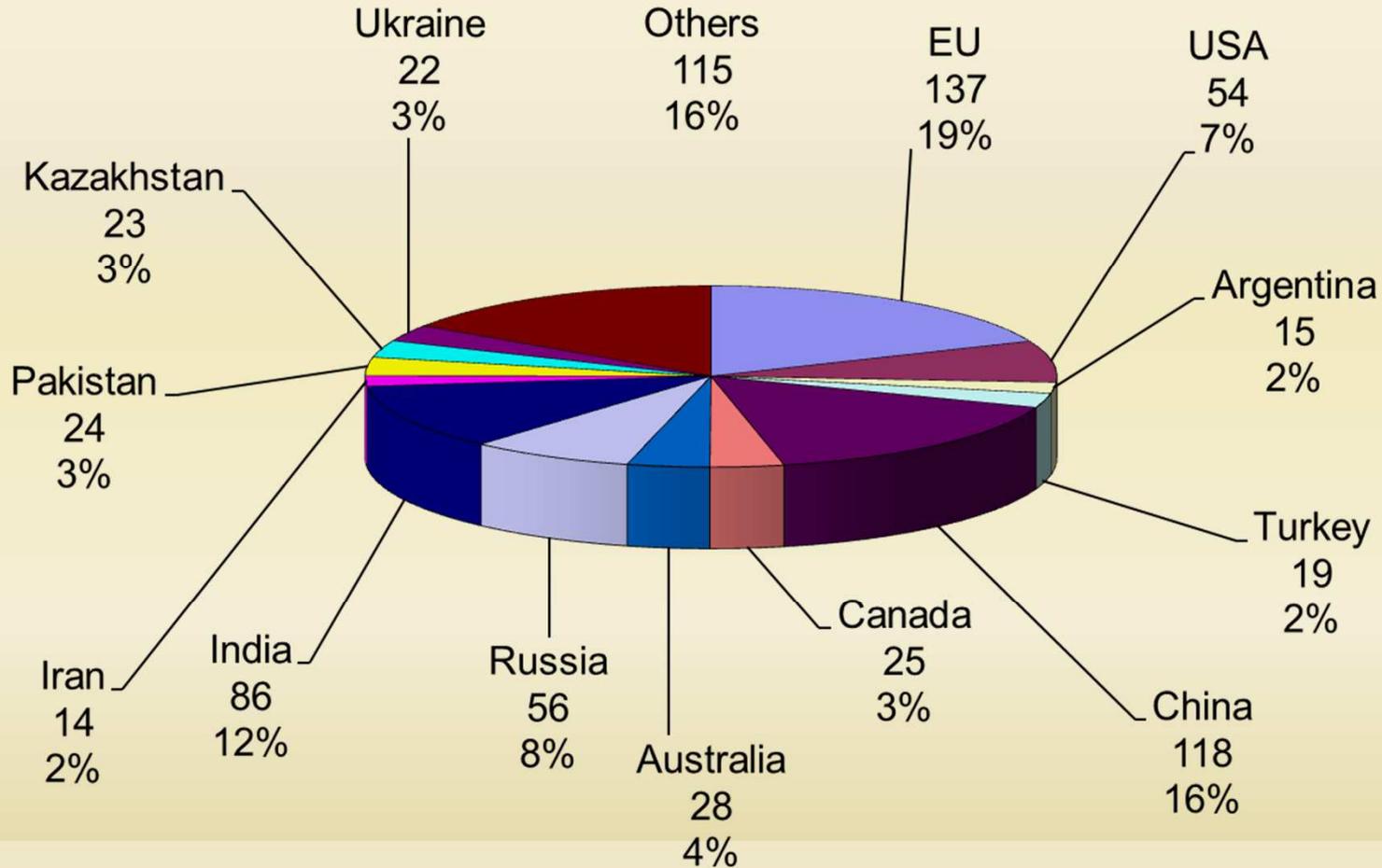




# Global Wheat

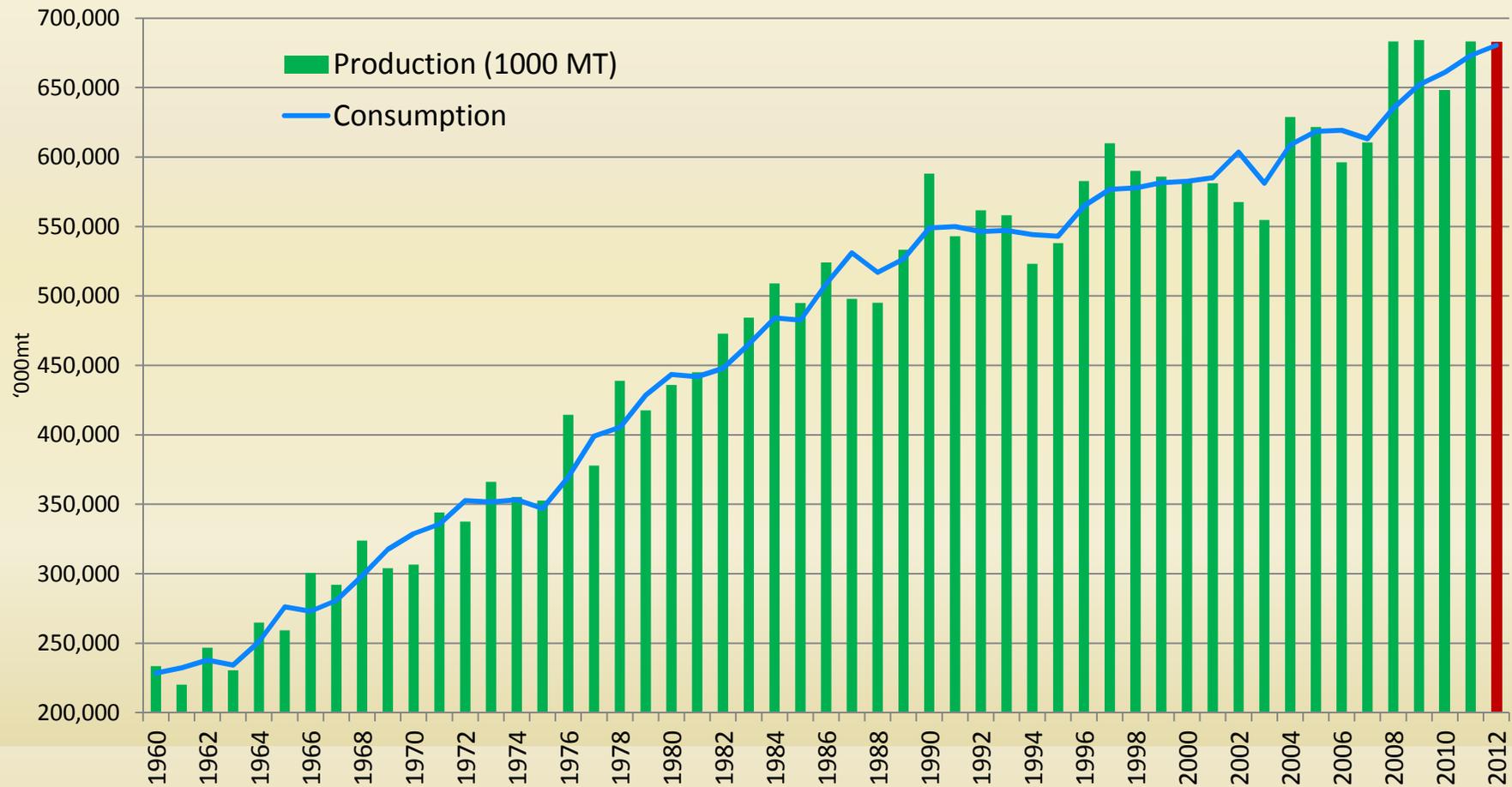


# Major Global Wheat Producers 2011/12 (mmt)





# Global Wheat – Production forecast to be above 683mmt in 2012, and demand forecast to set a new record of 680mmt

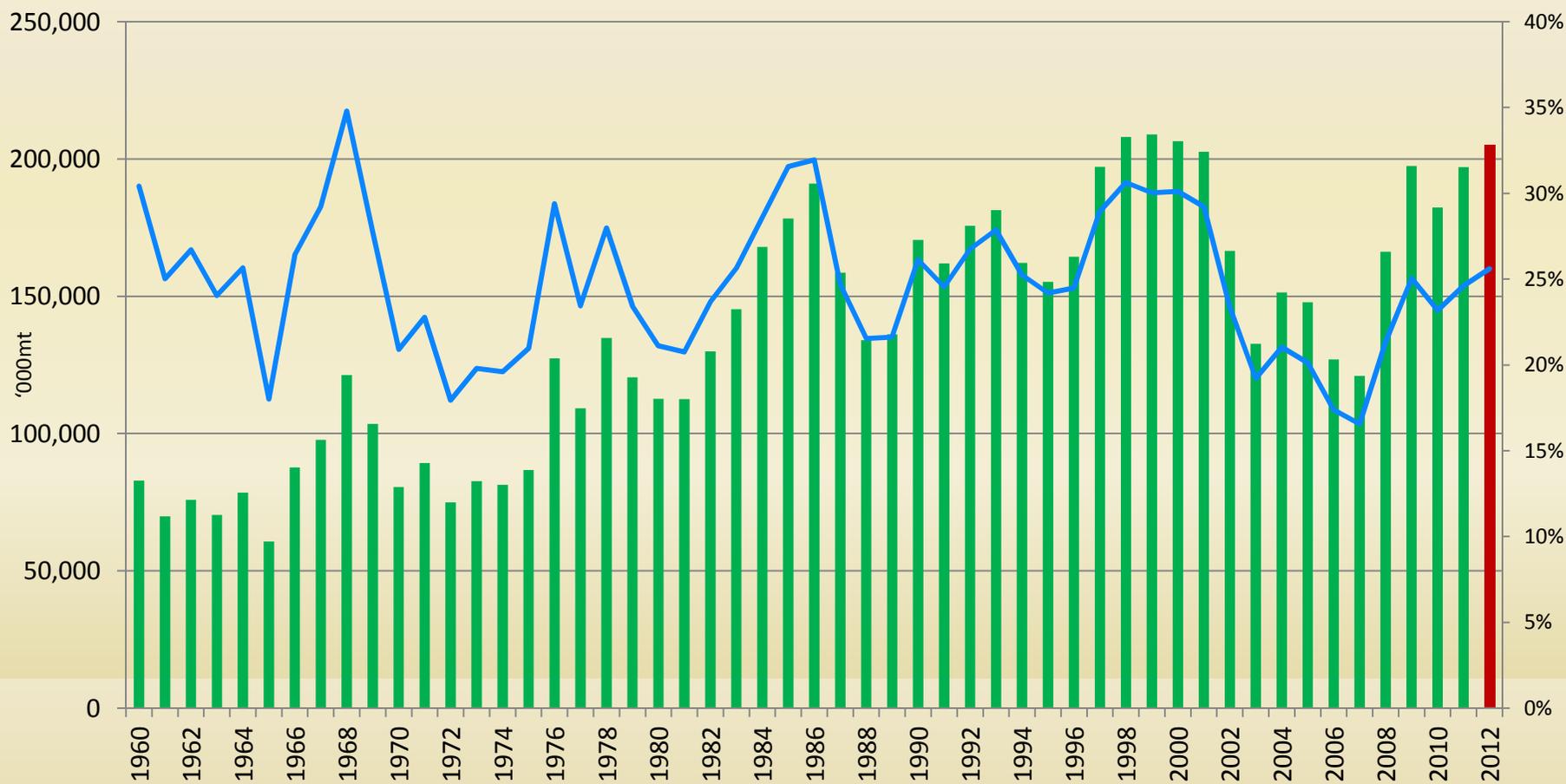


Source: AgResource



# Global Wheat – Ending Stocks, Stocks/Use Ratio

Stocks mmt	09/10	10/11	11/12F
USA	26.5	23.5	23.6
EU	16	11.7	12.7
China	54	60	65
India	16	15	15.6
Russia	14.5	13.5	11.9



Source: AgResource



# Black Sea Wheat Supply (mmt)

## Russia Wheat

	09-10	10-11	11-12
Carry-in	10.74	14.54	13.57
Production	61.8	41.51	56.2
Imports	0.2	0.1	0.2
Available	<u>72.74</u>	<u>56.15</u>	<u>69.97</u>
Domestic	39.6	38.6	38.6
Export	18.6	3.98	<b>25</b>
Total	<u>58.2</u>	<u>42.58</u>	<u>63.6</u>
Carryout	14.54	13.57	6.37

## FSU Wheat

	09-10	10-11	11-12
Carry-in	22.1	26.9	24
Production	114.1	81.4	114.2
Imports	5.42	5.5	6.2
Available	<u>141.62</u>	<u>113.8</u>	<u>144.4</u>
Domestic	78	75.7	80.8
Export	36.7	14.1	35.2
Total	<u>114.7</u>	<u>89.8</u>	<u>116</u>
Carryout	26.9	24	28.4

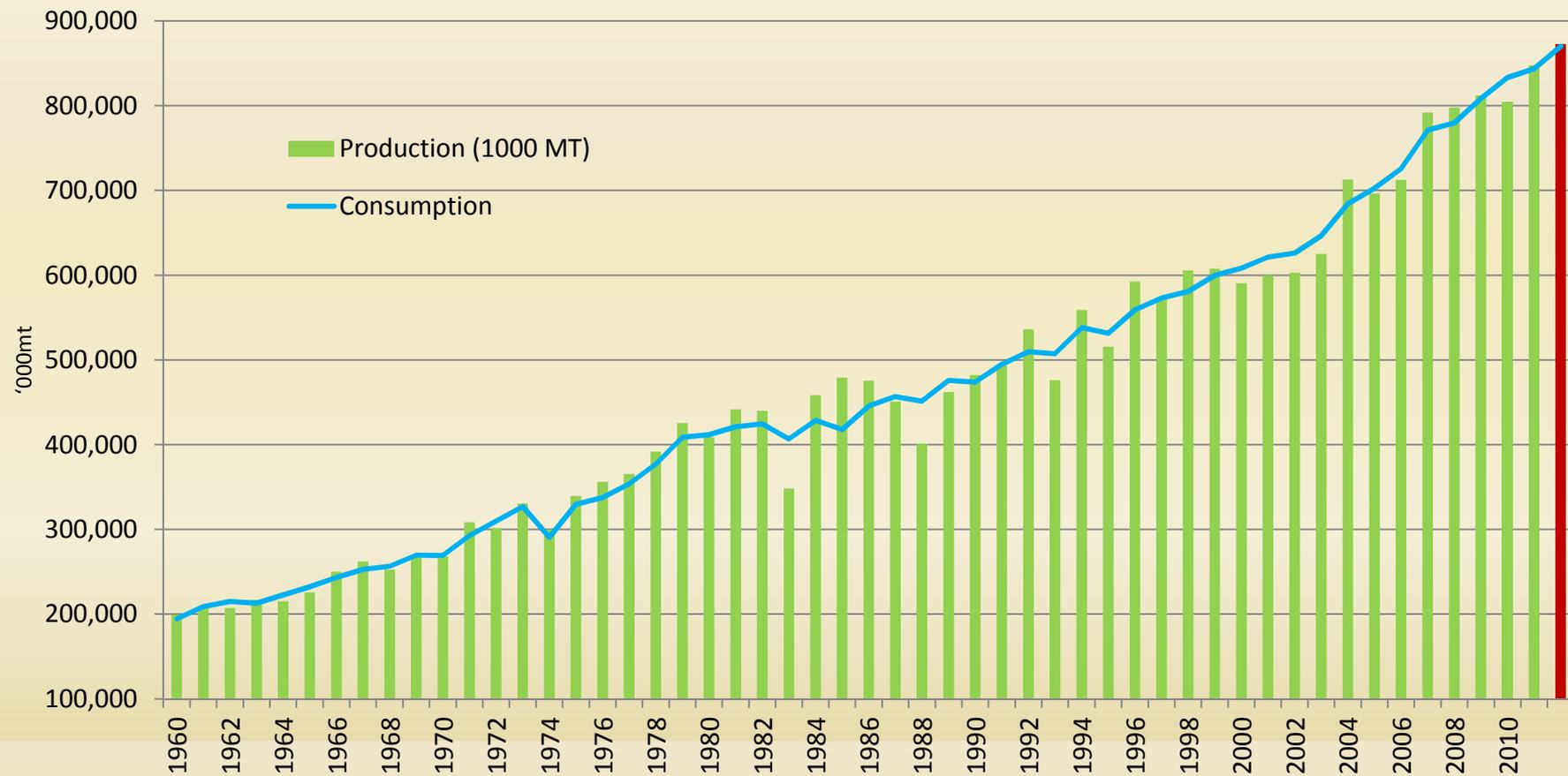
21mmt exported to end Jan'12



# Global Corn



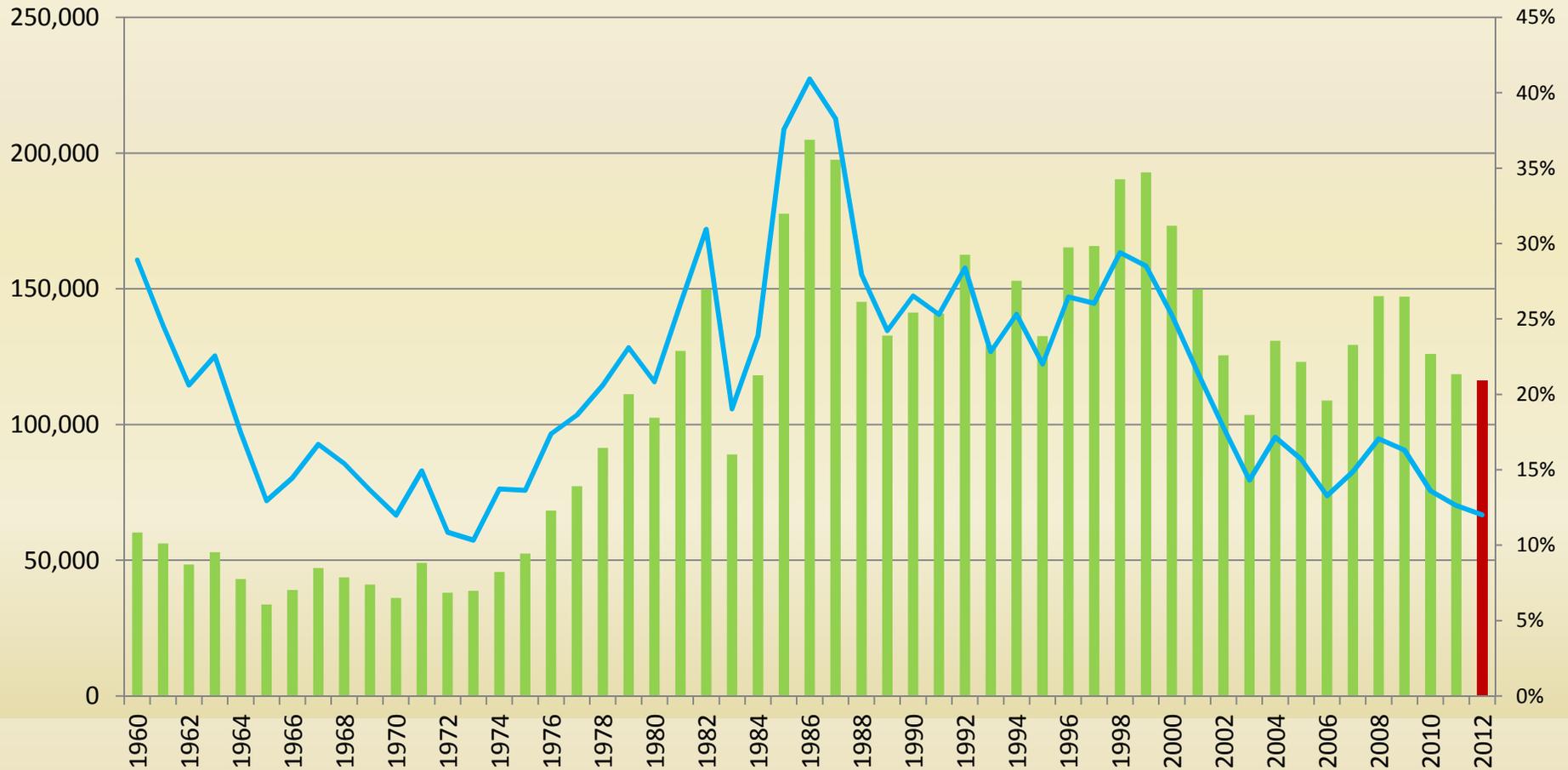
# Global Corn – Production was 868mmt this year. Production not keeping up with demand



Source: AgResource



# Global Corn – Ending Stocks/Stock/Use Ratio at record low



Source: AgResource



# **Current Market Trends/Drivers**



## Market Drivers Then (Nov'11)

- Market in a downward trend.
- Currency very volatile
- European wheat markets trading at eight month lows.
- Funds/Investors continue to bail out of commodities.
- Politics - Middle East Unrest (Egypt, Libya). US, Russia and China. Presidents could change in 2012.
- Grain markets are been driven by outside markets (equities, oil, etc.).
- Mills/Compounders buying hand to mouth.
- Sellers have conceded to market, limited price upside.
- Market worried about loosing demand, rather than production.



## Current Market Drivers (Feb'12)

- Market is in an upward trend, trading at 8 month highs. (wheat up €25 since early December)
- Chicago shorts – covering shorts as sentiment changed.
- Russia export tax. (not imposed yet)
- Rail car shortages.
- Winterkill in the Ukraine (30%?)
- Sub-zero temps in Europe/FSU (-15/-30 °C)
- Drought in South America.
- Consumer shortage – No forward cover



## Current Market Drivers cont'd

- Global economic concerns – but more appetite for risk.
- Concern over Slowing Chinese economy.
- Global Production of Wheat and Corn near record highs this year.
  - Wheat 683mmt v 653mmt last year +30mmt
  - Thus Wheat Stocks of 210mmt (very comfortable) and held within Exporting nations which could weigh on market
  - Corn 853mmt v 826mmt last year +33mmt
  - But Corn Stocks/Use Ratio remain very tight (Lowest on Record at 12% and without China is 10%)



# Volatility

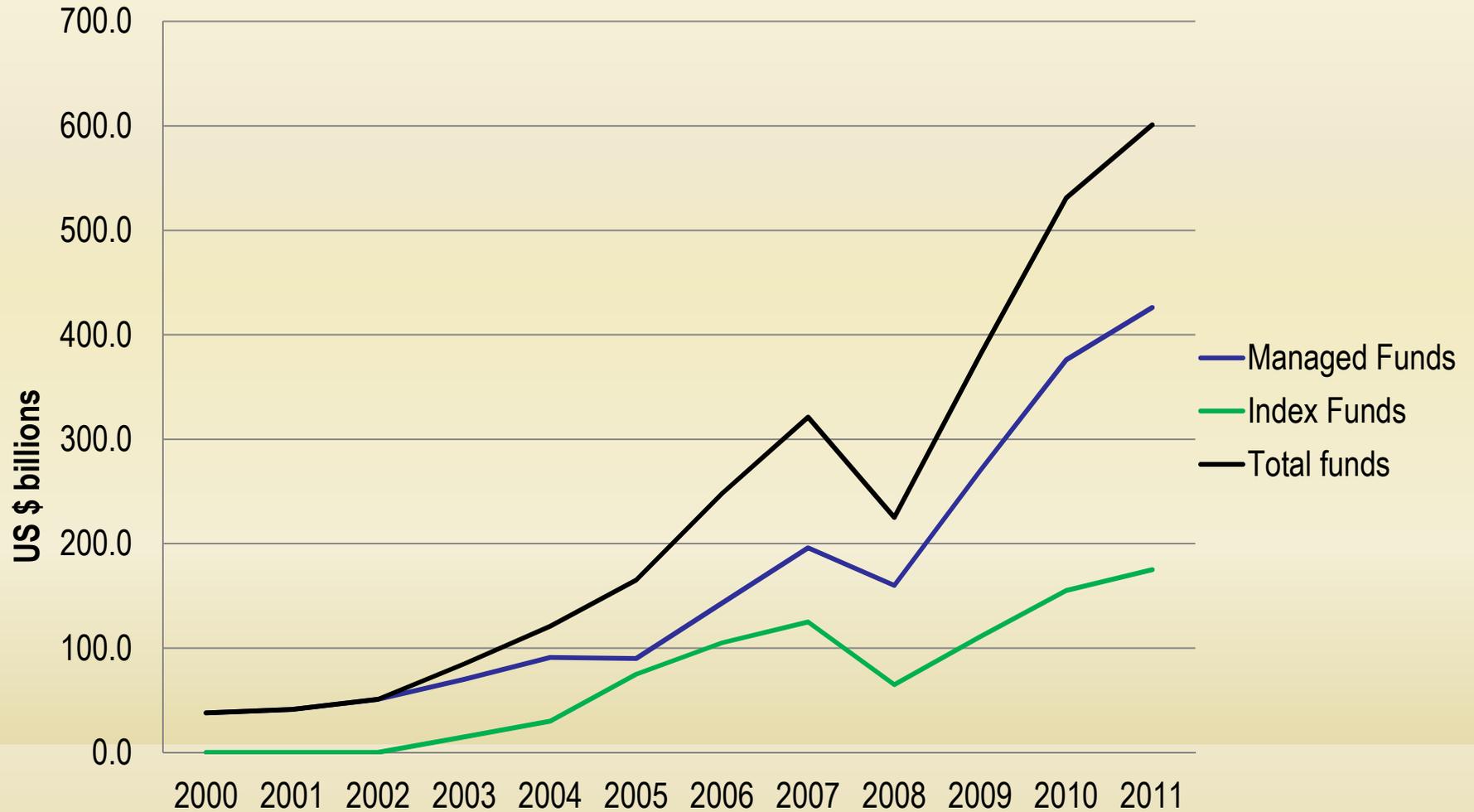


## Divers Of Volatility

- Fund/Investor Activity
- Weather
- Yield
- Lack of Arable Land
- Low Interest Rates
- Politics
- USDA Reports
- Tight Stock/Usage Ratios

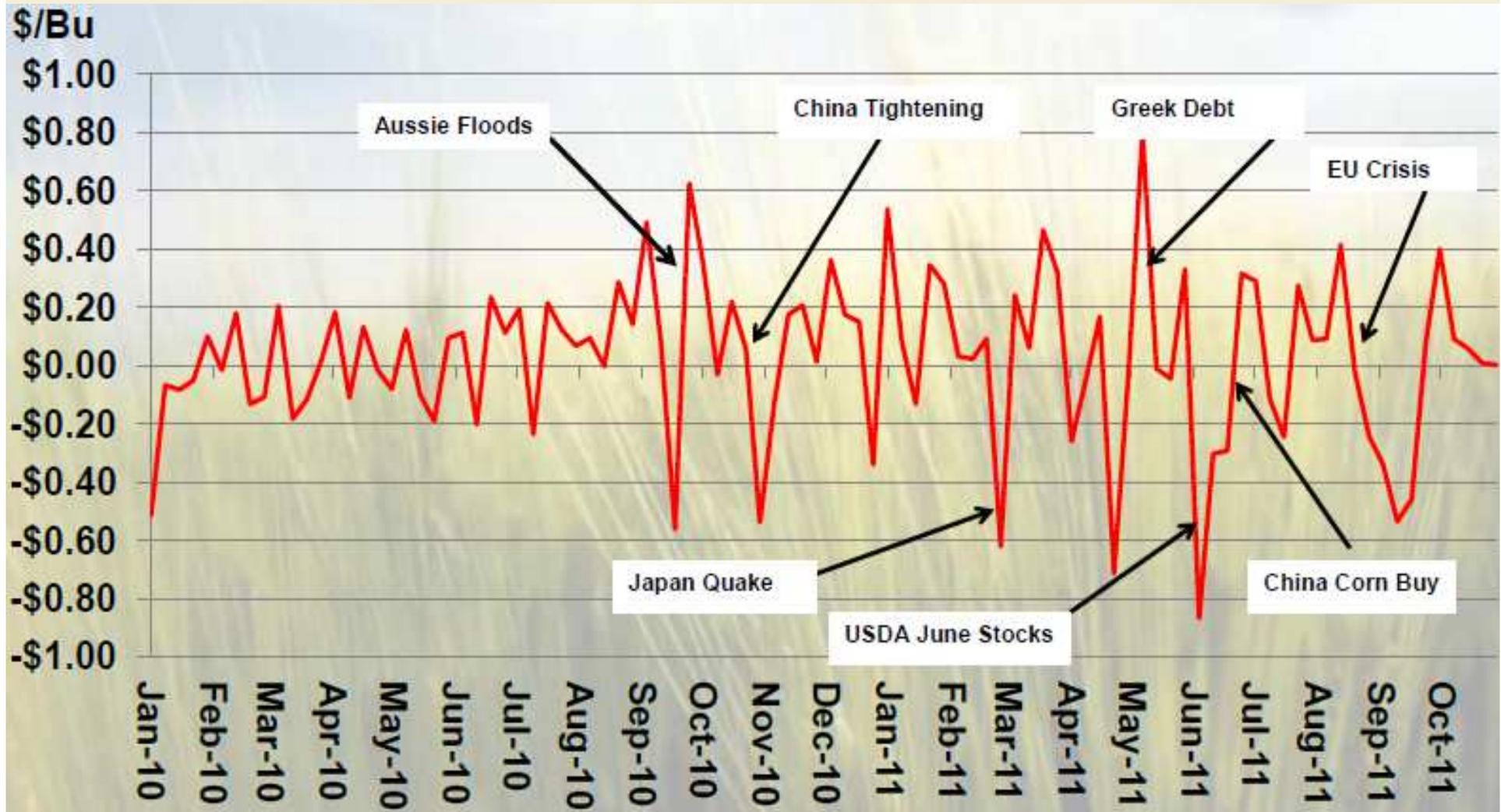


## Other Factors – Fund Activity has significantly increased in the past 10 years (US\$billion invested in commodity funds)





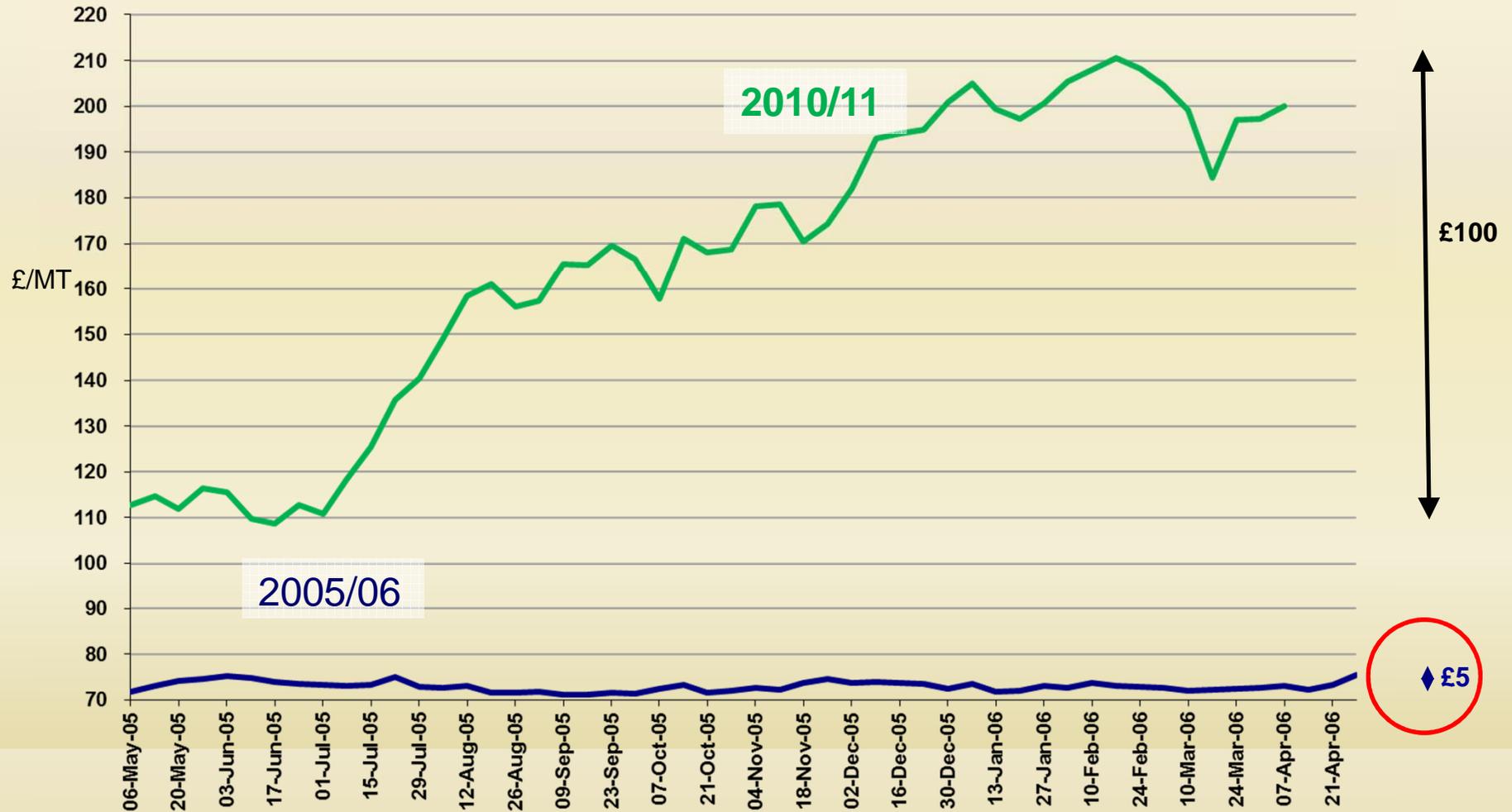
# Corn Volatility Since 2010 – Weekly Price Change



Source: AgResource



# LIFFE Wheat 2010/11 compared to 2005/06 – 20 times increased volatility combined with higher prices

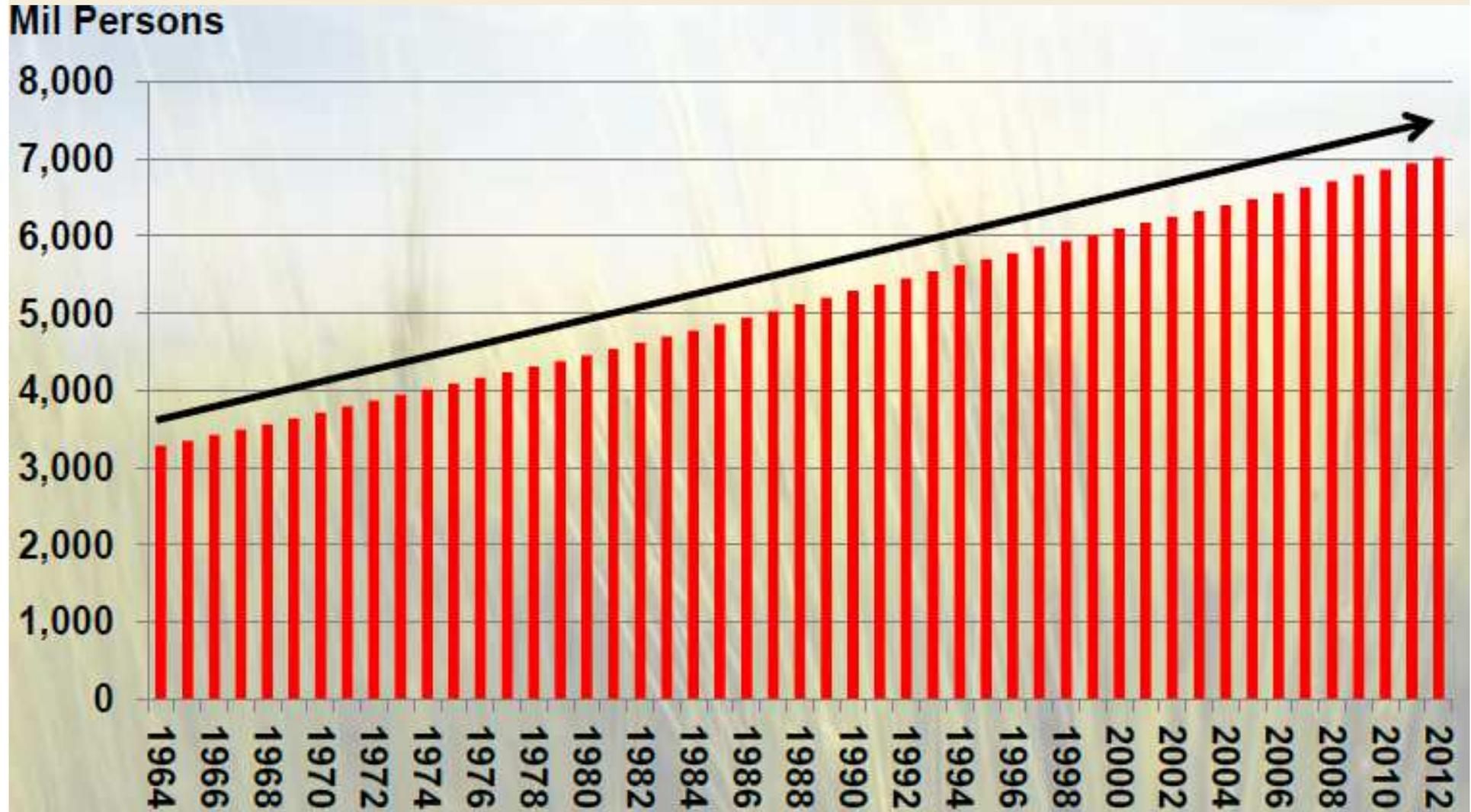




# Long Term Market Drivers



# World Population Growth – 7 Billion

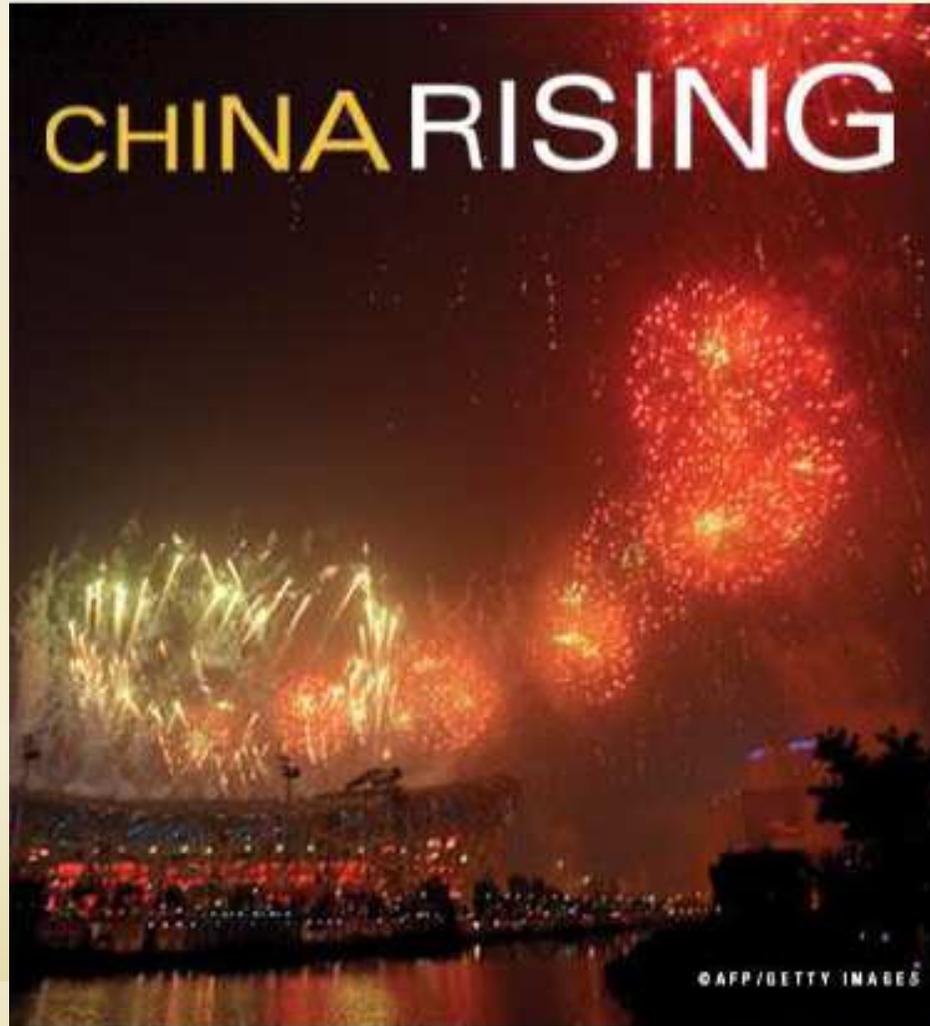


Source: AgResource



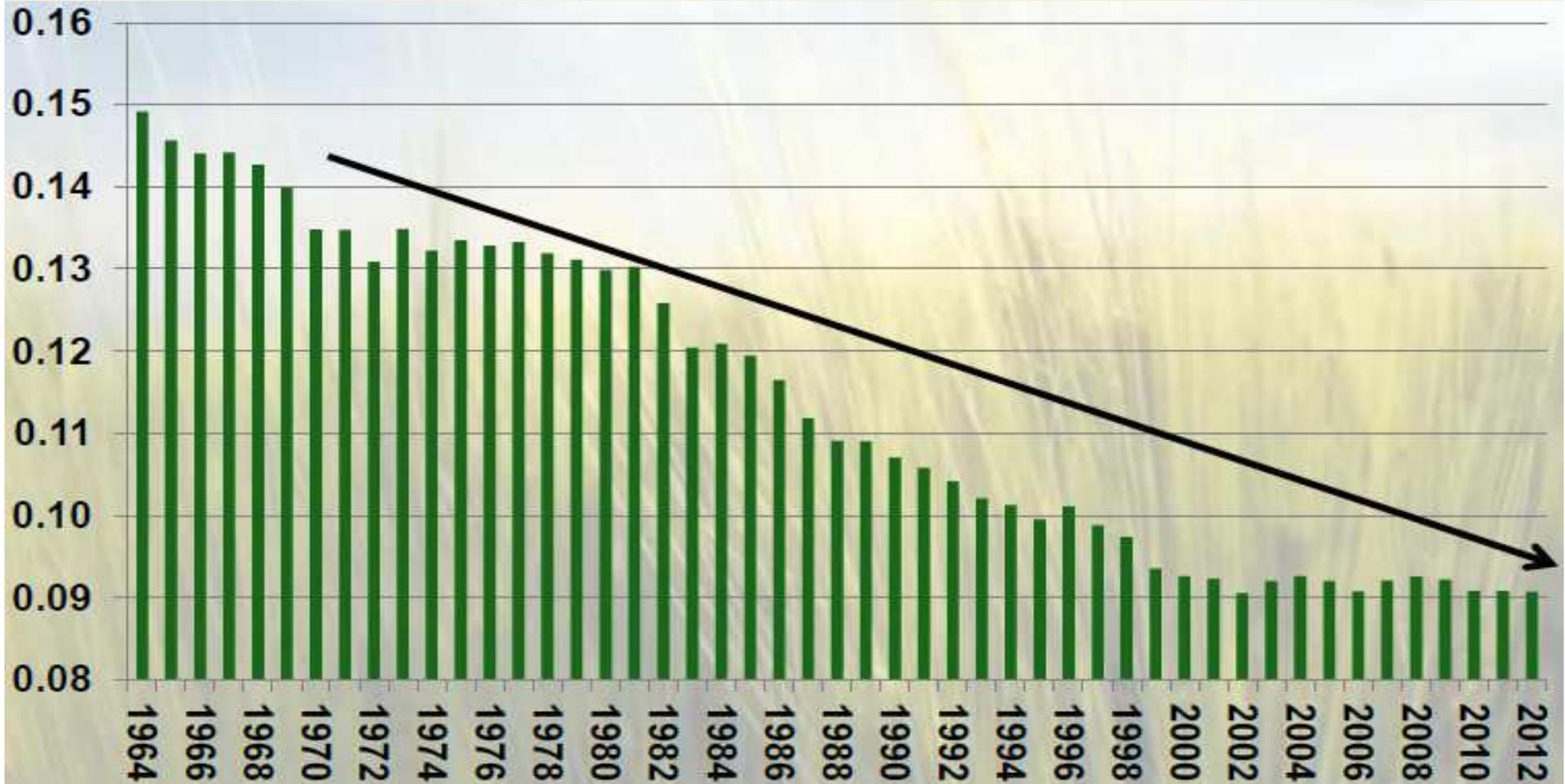
Northern Ireland Grain Trade Association

## The China Effect...





# Global per Capita Harvested AG Hectares – New Record Low 0.09ha



Source: AgResource



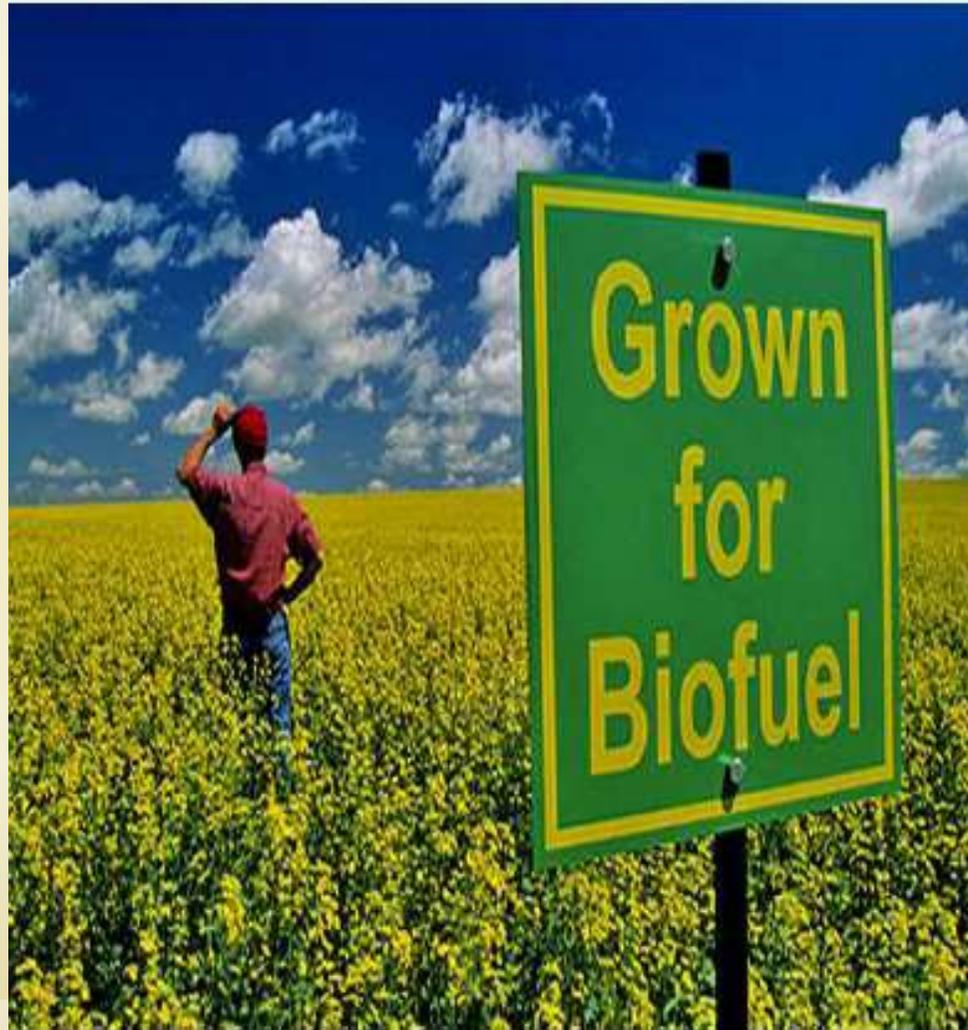
# Global Grain Crop (Wheat, Rice & Coarse Grain in million tonnes)



Source: USDA

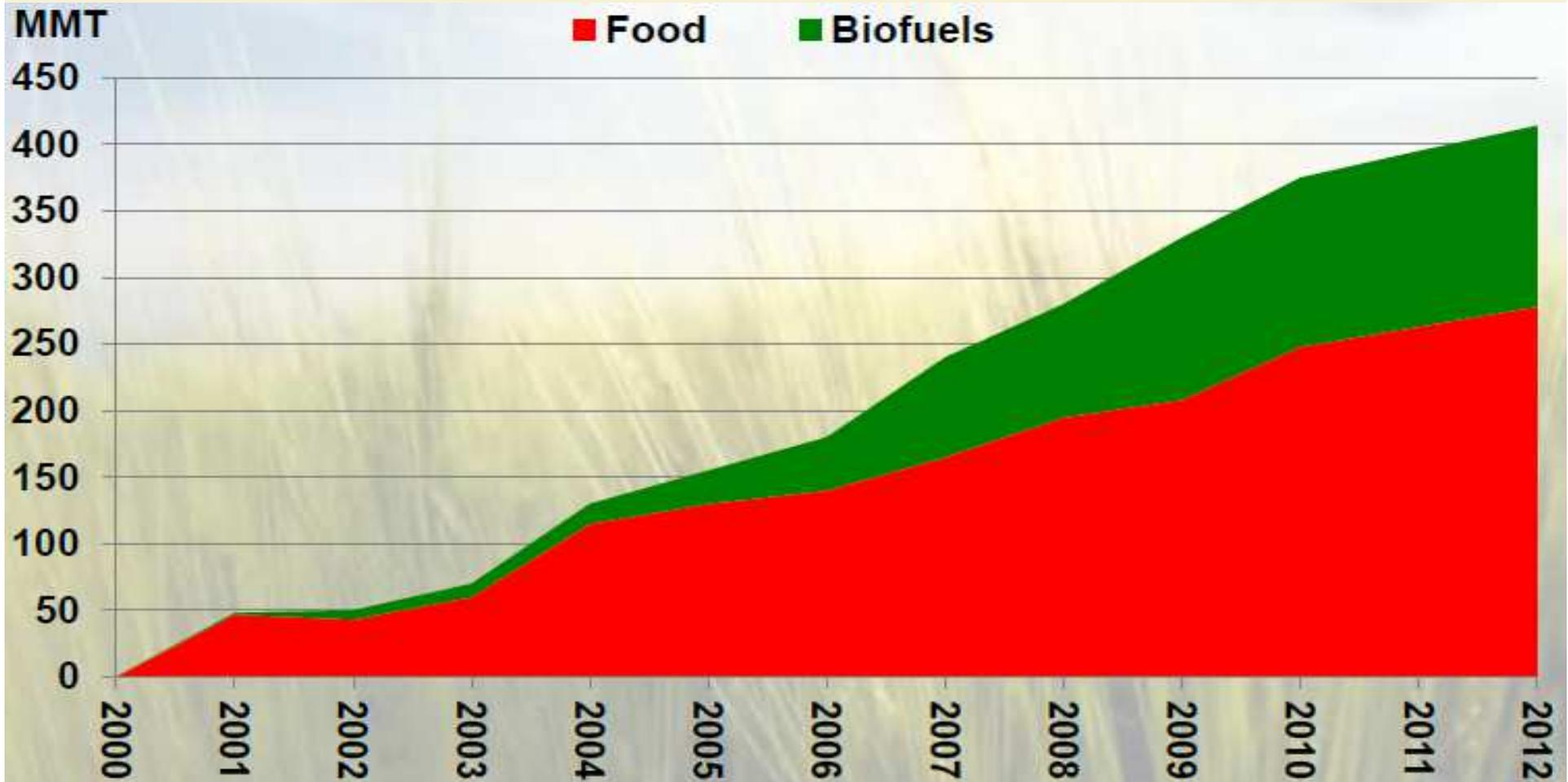


## Non-food use of grains





# Change in World Grain Use Since 2000 – 135mmt of Grain for Biofuels in 2012

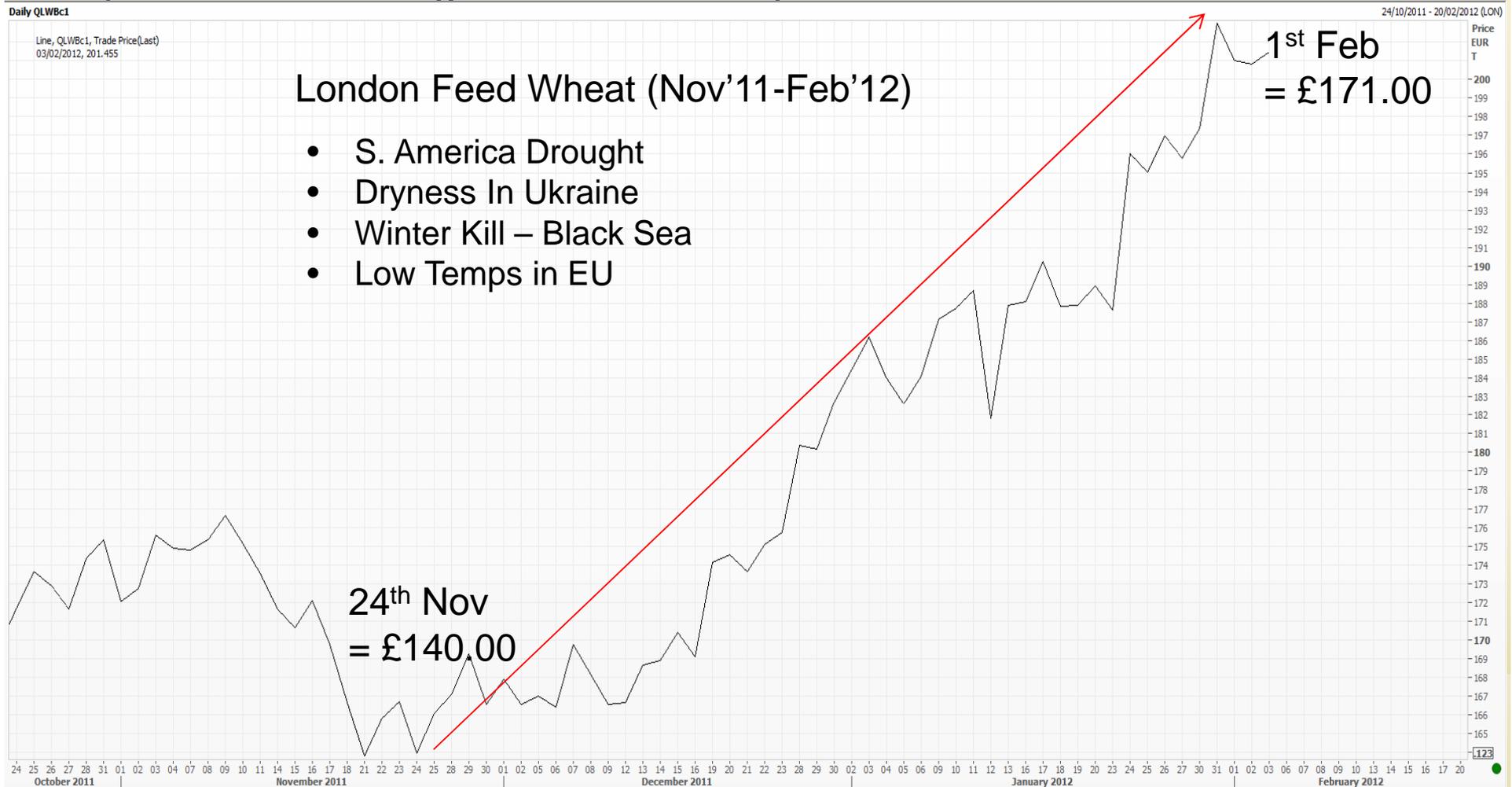


Source: AgResource



# Conclusion

The effect of all this is that the market reacts violently to any real or perceived treat to global food security.





**Thank You**