

World wheat prospects start to improve

FO Licht's World Ethanol & Biofuels Report

Friday August 01 2008

World wheat production prospects have improved during the last month and a record crop of 662 mln tonnes is now forecast for 2008/09, the International Grains Council (IGC) said this week.

The projection is 4 mln tonnes up from an estimate issued last month and 54 mln or nearly 9% up from last year when drought devastated crops in several regions, the IGC said in a monthly report.

"The outlook improved in the EU, Russia, Ukraine, the US, Brazil, India and Australia but worsened in Argentina and in Near East Asia," the report said. World maize production in 2008/09 was projected at 759 mln tonnes, up from a previous forecast of 756 mln but still well below the prior season's 785 mln.

"Rains benefited (wheat) crops in key producing areas but delayed harvesting and put quality at risk in parts of the EU, Ukraine and the US," the IGC said.

Meanwhile, farmers in Western Canada are projected to harvest 20% more wheat than they did last year, but the crop is delayed, putting quality at risk, the Canadian Wheat Board said this week.

Crop development is two to three weeks behind last year, and a week behind the long-term average, Chief Executive Ian White told reporters.

"We need warmer weather in August to ensure crops can mature before the first fall frost," White said.

The farmer-run CWB, one of the world's largest grain exporters, has a monopoly on sales of wheat and barley from Western Canada to millers, maltsters and export markets.

The CWB forecast production at 22.1 mln tonnes of all types of wheat from the Prairies, up 4% from projections it made last month, reported Reuters.

Australian wheat crops, which have doubled in recent decades to provide the world's second-biggest block of exports, could begin to decline by as much as half following deregulation of the export industry, some industry leaders fear.

Hopes are high that spring rains will fall this year to allow Australia's wheat production to recover from two years of drought to reach 23 mln tonnes or more, reported Reuters.

But a big wheat crop could also lead to smaller crops in later years if it cannot be handled by rail and port infrastructure which has been run down in recent years by the small tonnages of winter grains produced, industry leaders say.

Millions of tonnes of wheat clogged in the system and unable to reach export markets would add to concerns by Australian growers in the first year of deregulation of an export monopoly about how they are to be paid for the wheat they produce, said Graham Blight, a former president of the National Farmers Federation, the top national farmers representative body.

The new Australian government of Prime Minister Kevin Rudd opened the bulk wheat export trade to all-comers who could pass a probity test, to be conducted by the government-appointed body Wheat Exports Australia.

LIFFE Wheat Nearby Contract

