South African Grain Information Service
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INTERNATIONAL GRAINS COUNCIL - JUNE 2010

Report by Mrs A Enslin to the Winter Cereal Trust and Wheat Forum

Gratitude.
It was a wonderful experience to attend the various meetings of the IGC during June 2010. The uniqueness of being there was:

- the confirmation that matters experienced in RSA, whether it is political, economical, grain or wheat related or even personal, are not unique to RSA. People needs information and those in possession of strategic information is not always willing to share it;
- the realisation about how small the world became. I read in the London papers and heard on television about the horrific case of a lion that killed a woman in Zimbabwe. The woman was the daughter of one of my personnel members and was killed the day before I left Pretoria for London;
- that SAGIS was, in the presence of representatives from all over the world, once again thanked for the timely submission of quality information; and
- to find that although every country has its own agenda, the 1 billion hungry people of the world is not forgotten.

For this priceless experience, I thank the Executive Committee of the Wheat Forum for nominating me, the Winter Cereal Trust for financing the trip and the Minister of Agriculture of Forestry and Fisheries for approval.

Various meetings.
I attended different meetings but because the discussions were interlinked, I do not report on each meeting separately. Mr Kilian Greter of Switzerland was appointed as Chairperson of the IGC for the 2010/11 fiscal year.

South Africa has, during November 1996, deposited a declaration of **provisional application** to the Grains Trade Convention (GTC) 1995. Mr Itumeleng Makabanyane, Counsellor: Agriculture, South Africa Mission in Brussels, who acted as the leader of the 2010 RSA delegates, undertook to initiate processes to have the application ratified in the near future.

SHORT TERM

Ministers of Agriculture from the OECD countries and from non-member countries met in Paris during February 2010. They focussed on food security and whether the food and agriculture system would be able to respond as increased population growth will have increased demands on both safe and healthy foods. They concluded that it is essential for governments to make sure that the right policies and institutions are in place to meet emerging demands. (A report is apparently available from OECD).

It was reported at **the Food Aid Committee (2010),** that an estimated 1 billion people in the world experience hunger and that the only way to fight hunger is if ALL nations are working together. Concerns were raised that food aid could rise even more if the virus (brown streak) that affects cassava in Nigeria, would distribute fast and to other regions as well.

Although the 2008 economic crisis was experienced world-wide and more severely in some donor countries the donor countries were still committed to make regular contributions. The significant contributions of the regular donors such as Australia, Canada, Russia and USA are, however, only about 3% of the total funding needed for food aid purposes.

Various members reported on the fulfilment of their FAC obligations but no figures are available about the actual donations and food aid distribution for any period. It seems as though more than one party (the donor country as well as the FAO and WFP) report on the same ton grain that was donated. The IGC requested members to provide estimates of their shipments but it was, unfortunately, not submitted.

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For the **2010/11 wheat situation**, it was forecasted that 660million tons of wheat will be produced. This is 6million tons more than the projected record high consumption of 654million tons. China's production is down to 109million tons and India is on 81million tons with Russia and USA on 57 and 54million tons respectively.

World use of grains for ethanol is projected on 138.1million tons:
- This is 180% higher than the 49.4million tons during 2005/06.
- About 127.4million tons of maize and 7.2million tons of wheat will be used.

Carryover stock is projected on a 9-year high of 201million tons.

As a matter of interest, the **Australian grain industry** has now consolidated down from 15 organisations in1985 to 4 major national integrated marketers and bulk handlers. Growers are concerned about the impact of deregulation on their profitability and debate is still going on about the need for and who should pay for generic wheat marketing and the provision of information. They previously showed a keen interest in SAGIS' methodology and indicated that they will be in touch again.

LONG TERM VISION

The following phrases are not unfamiliar to the South African agriculture sector:

"Increasing population growth will drive demand of food, feed grain and energy uses. This demand need to be produced sustainable in an environment of climate change and limited resources."

and

"For the grain industry to continue to grow, it will be essential for the world's grain growers to make a satisfactorily return on their investment".

As far as I am concerned, Mr Vince Peterson of US Wheat Associates made the most uncomplicated but fascinating presentation during the **Grains Conference**. Included are 2 slides from his presentation for your convenience, namely:

- Slide A: illustrating the projected **world population growth in 2050;** and

- Slide B: about the major grain production areas and the major import areas of the world.

According to the information on Slide A, population growth is expected to increase from 7 billion in 2010 to 9 - 9.5 billion (28.6% up) in 2050 while wheat consumption could increase by 36,4% from 660million tons to 900million tons within the next 35 years.

On Slide B the 2 major wheat production belts are marked and the belt where the most imports are required is exactly between those 2 production belts. The majority of future population growth will happen in the middle area (almost twice the population growth of the OECD countries) with a huge demand on the productivity of the 2 production belts.

Hectares harvested show a downward trend. If hectares continue to decrease, while population and demand increase, pressure on yields and research will become more severe. The existing international slowdown in public investment in **research** (e.g. OECD countries, US, Australia, SA, etc.) could have a negative impact on productivity growth for a considerable period of time. A key focus of R&D efforts would be to improve productivity (better varieties and farming practises) and to adapt to changing climate conditions. It is, however, not foreseen that GM wheat will be commercially available within the next 10 years.

Projections by the OECD:
- The use of coarse grains for ethanol production should grow relatively less after 2015 when the mandate for Conventional Renewable Fuels reaches its maximum in the US.
- According to the net production index for 2010-2019, Brazil is the fastest growing agriculture sector by growing over 40% when comparing to the 2007-2009 base period. Projected growth for a few other countries is: Russia 26%; Ukraine 29%; China 26%; India 21% and Australia 17%.
- Production in the Sub-Sahara region is expected to be stagnant in per capita terms as production barely keeps pace with population growth (+/- 2.2%).
- Average wheat and coarse grain prices are projected to be nearly 15-40% higher in real terms relative to 1997-2006 prices.