



**INTERNATIONAL GRAINS COUNCIL
MEETING AND CONFERENCE**

LONDON, UNITED KINGDOM.
7 – 8 JUNE 2012

**PRECIS OF THE INTERNATIONAL GRAINS COUNCIL
MEETING AND CONFERENCE,
7 - 8 JUNE 2012, LONDON, UK**

EXECUTIVE SUMMARY

The International Grains Council (IGC) Conference was held on 7 June 2012 and attended by approximately 320 delegates. This year's theme was "*World trade: what prospects for growth?*"

The Council invited key speakers from different countries including the US, China, India, Saudi Arabia and Iraq. Notable speakers from Canada, UK, Belgium, Italy, Nigeria and Australia covered a wide-range of the grain market developments, including changes in the marketing arrangements in Australia and Canada.

The IGC's Session held on 8 June 2012 reviewed the global supply and demand outlook for grains, rice and oilseeds for 2012/13. It revealed that while prospects remained uncertain in several key producing countries, total grains supply was likely to increase. World wheat crop was expected to slightly decrease but would be compensated by an increase in the maize harvest. Rice production was expected to reach a new record as a result of anticipated good prospects in China and India. The global Soyabeans supplies were reported to be tight but were expected to stimulate plantings in the next production season.

The Food Aid Committee (FAC) invited observers to attend its Session on 11 June 2012. The invitation was later retracted due to pertinent issues Members needed to conclude. Re-negotiation of the Food Aid Convention started in January 2010 and was renamed the Food Assistance Convention. The latter was adopted in London on 25 April 2012 and opened for signature on 11 June 2012, hence a closed session. The new Convention is expected to come into effect on 1 January 2013. Members of the Food Aid Convention, 1999 agreed not to extend it. The Convention expired on 30 June 2012.

BOIKANYO MOKGATLE, MR
30 August 2012

**REPORT ON THE INTERNATIONAL GRAINS COUNCIL
MEETINGS AND CONFERENCE
4 - 8 JUNE 2010, LONDON, UK**

1. INTRODUCTION

The International Grains Council (IGC) Conference was held on 7 June 2012 and attended by approximately 320 delegates. The Conference's theme was "*World trade: what prospects for growth?*"

The IGC invited speakers from different countries including US, China, India, Saudi Arabia and Iraq. Speakers from Canada, the UK, Belgium, Italy, Nigeria and Australia, covered a wide-range of the latest grains market developments, including changes in the marketing arrangements in Australia and Canada.

The IGC's Session held on 8 June 2012 reviewed the global supply and demand outlook for grains, rice and oilseeds for 2012/13, noting that total grains supply was likely to increase. The ocean freight meeting, which preceded the Council's Session, gave an update of the trend in the global shipping business.

The Food Aid Committee members met on 11 June 2012. The invitation for observers to attend was retracted in order to finalize the re-negotiated Food Assistance Convention. The latter was adopted in London on 25 April 2012 and opened for signature on 11 June 2012. The new Convention is expected to come into effect on 1 January 2013. The Food Aid Convention, 1999 expired on 30 June 2012 and Members decided not to extend it.

South Africa attended the FAC meetings as an observer in the past and members always expected an update regarding its membership. It becomes imperative once again call upon government consider membership of new Food Assistance Convention positively. It stands to reason that South Africa needs to be part of the global village on issues pertaining to food aid.

The IGC Conference and Session were attended by Mr Boikanyo Mokgatle of the National Chamber of Milling (NCM) as well as Mr Thapsana Molepo, Counsellor-Agriculture: South African Embassy to Belgium and Luxemburg, Mission to the European Union.

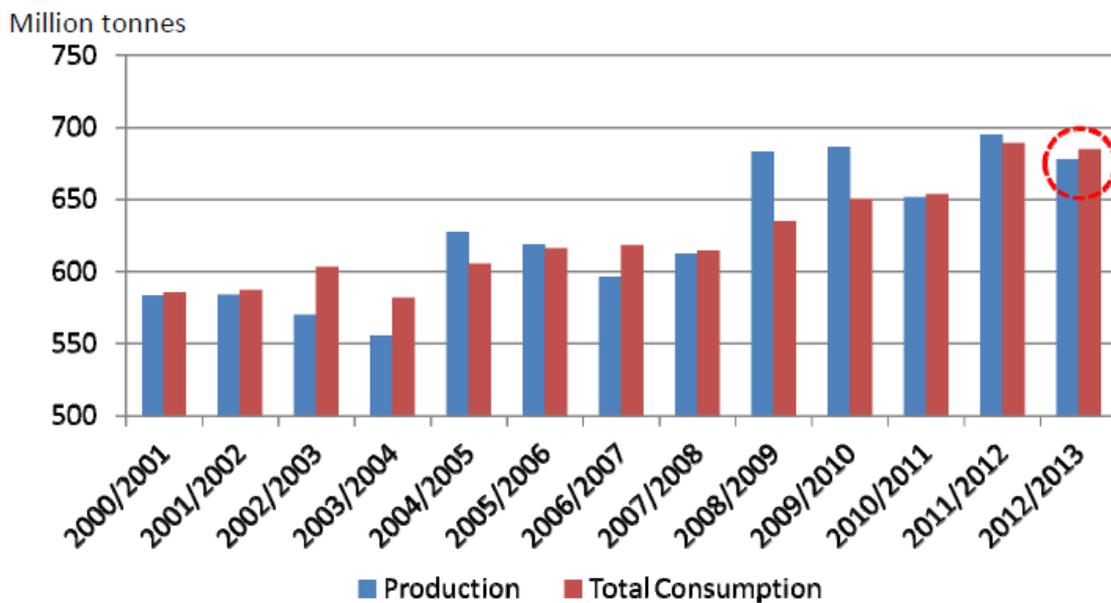
2. THE INTERNATIONAL GRAINS CONFERENCE

The 2012 Conference held on 7 June 2012 was themed: “*World trade: what prospect for growth?*”

Dr Joseph W Glauber, Chief Economist from US Department of Agriculture opened with a presentation on the outlook for Grains and Oilseeds. He gave a summary forecast on wheat, maize, rice and soyabeans:

- The world wheat production and consumption were estimated to decline by 2.5% and 1% in 2012/13. Total consumption was however forecast to be at least 1.3% higher than total production.

Figure 1: World Wheat Production & Consumption

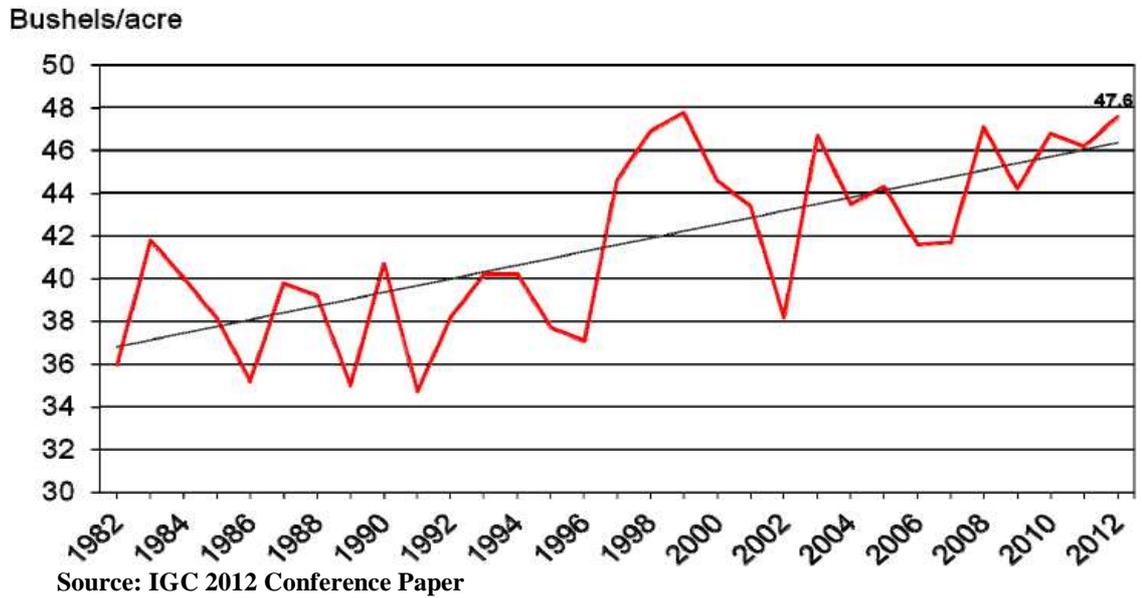


Source: IGC 2012 Conference Paper

The world wheat production reached all time record high of 694.6 million tons in 2011/12, which was estimated to decline to 677.6 million tons in 2012/13. Ukraine and Kazakhstan were said to be the most affected with a record decrease in wheat production of 41.2% and 34.0% respectively.

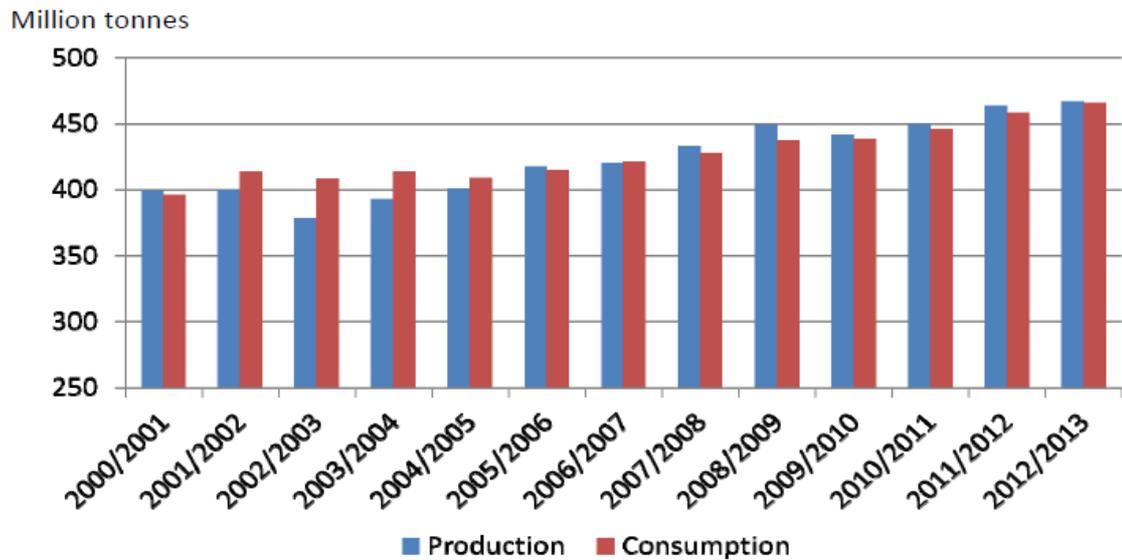
Contrary to the world wheat decline, the US winter wheat yield per unit was expected to continue showing an increasing trend as depicted in Figure 2 below.

Figure 2: US Winter Wheat Yield



- The world rice production and consumption were estimated to increase by 0.7% and 1.7% respectively in 2012/13. Consumption is however expected to remain tight at 0.2%, lower than production.

Figure 3: World Rice Production & Consumption



- The world maize production was forecast to increase by 8.7%, while consumption was estimated to increase by 6.2%, from 867.3 million tons in 2011/12 to 921.0 million tons in 2012/13. The world maize supply and use forecast are contained in Table 1.

Table 1: World Maize Supply & Use (million tons)

	2009/10	2010/11	2011/12	2012/13F
Beginning stocks	148.1	143.9	124.4	127.6
Production	813.4	829.1	870.5	945.8
Imports 1/	90.3	92.7	93.5	98.8
Feed	483.0	501.1	508.5	549.5
Total domestic use	816.7	848.6	867.3	921.0
Exports	96.8	91.4	97	104.2
Ending stocks	143.9	124.4	127.6	152.3
Stocks-to-use	17.6%	14.7%	14.7%	16.5%
Price (\$/tonne) 2/	140	204	240	181

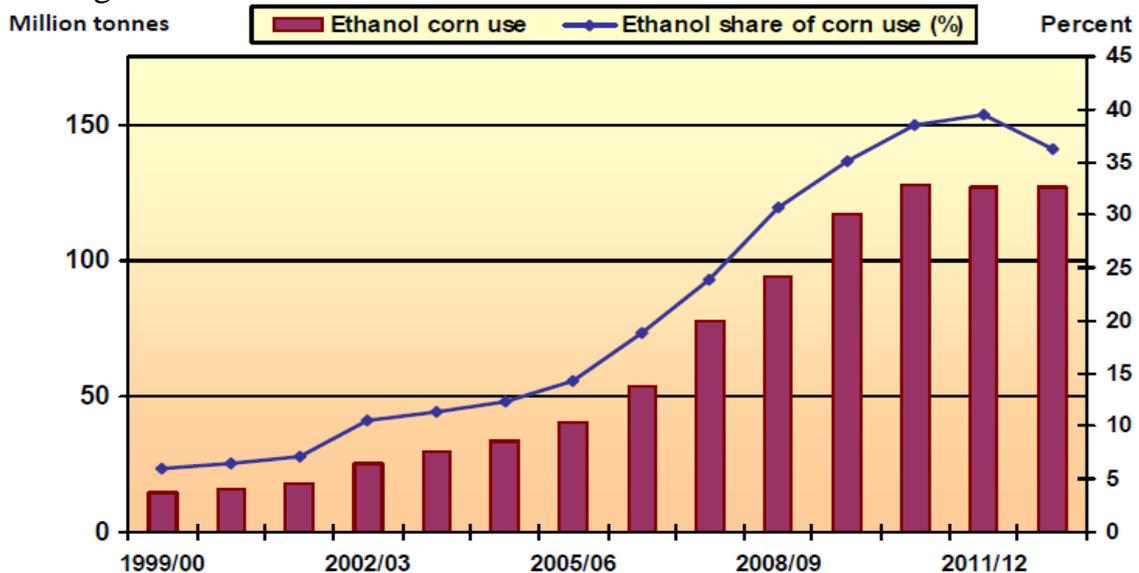
1/ World imports and exports may not balance due to differences in local marketing years and to time lags between reported exports and imports.

2/ US average farm price.

Source: IGC 2012 Conference Paper

- The US ethanol share of maize use reached an all time high of 40% in 2011/12, but was expected to slightly decrease closer to 35% in 2012/13.

Figure 4: US Maize Used for Ethanol



Source: IGC 2012 Conference Paper

- The world Soyabean production was expected to increase by 14.6% in 2012/13. The United States produces just over a third of the world Soyabean production. Argentina and Brazil were forecast to showcase 29.4% and 20.0% increases in production in 2012/13 respectively. Table 2 contains the world Soyabean Supply and Use.

Table 2: World Soyabean Supply & Use (million tons)

	2009/10	2010/11	2011/12	2012/13F
Beginning stocks	43.4	60.5	70.1	53.2
Production	261.1	264.7	236.9	271.4
Imports 1/	86.8	88.9	89.4	95.8
Domestic crush	209.5	221.2	224.1	234.2
Total domestic use	237.9	251.3	254.1	265.1
Exports	92.9	92.6	89.0	97.3
Ending stocks	60.5	70.1	53.2	58.1
Stocks-to-use	24.9%	27.9%	20.9%	21.9%
Price (\$/tonne) 2/	352	415	454	478

1/ World imports and exports may not balance due to differences in local marketing years and to time lags between reported exports and imports.

2/ US average farm price.

Source: IGC 2012 Conference Paper

The other notable Conference speakers included Mr Bingzhou Cheng, Director General, Department of General Affairs, China Grain Reserves Corporation (Sinograin); Mr Nilambuj Sharan, Director in the Department of Food and Public Distribution, Government of India; Mr Waleed A. Elkhereiji, Director General, Grain Silos and Flour Mills Organisation (GSFMO), Saudi Arabia and Dr Khairullah Hasan Babakr, Minister of Trade, Iraq. Speakers from Canada, the UK, Belgium, Italy, Nigeria and Australia, covered a wide-range of the latest grains markets developments, including the changes to marketing arrangements in Australia and Canada.

The IGC Conference presentations are available on request from the office of the National Chamber of Milling, email: info@grainmilling.org.za.

The Conference also featured two workshops, one organized by the North American Export Grain Association (NAEGA), which explored progress in facilitating international grain trade with International Grain Trade Coalition (IGTC) members, while the other discussed efforts to improve market transparency in the Black Sea region.

3. OCEAN FREIGHT OVERVIEW

The IGC Freight Consultant gave an update of the trend in the global shipping business at the ocean freight meeting that preceded the Council Session.

The **Capesize** market (120 – 180 000 tons carriers): There was a significant improvement in the daily average Capesize rates from \$4875 in March 2012 to \$8500 in May 2012. The rates dropped again in June 2012 to an average of \$5500. The latter was attributed to too many vessels and a lack of demand for commodity cargoes. The ore route rates from Brazil and West Australia to China were also reported to have dropped. Rates were expected to recover or stabilize with nearly 38 million dwt of the total Capesize fleet waiting at congested ports.

The **Panamax market** (55 – 75 000 tons carriers) market had a modest experience compared to the Capesize. The rates also dropped but not significantly perhaps as a result of China's reluctance to import coal.

The **Handy / Handymax** and **Supramax** (carriers of 10 – 40 000 tons and 40 – 55 000 tons respectively) market rates remained steady despite a large number of new-buildings entering the market in the first quarter. A steady resilience rather than a sudden leap in rate levels signified a firmer market stance though prospects for the future were uncertain.

The **new building** costs were reported to be under a constant pressure. The spotlight focused on latest generation of eco-designs. If competitive, these may stimulate orders across all sectors and increase much needed employment in the shipyards. Buyers were still eager to acquire **second-hand** dry bulkers at low prices although financing was becoming increasingly difficult, especially in Europe.

The well stocked **demolition** yards, weakening steel demands in China as well as the monsoon season have caused a decrease in scrapping prices and activities. There were plenty of vessels available for demolition but reduced prices forced owners to withdraw and wait for a better prospects.

The IGC Freight Consultant concluded that the overall market sentiment in the global shipping industry remained remarkably positive.

4. INTERNATIONAL GRAINS COUNCIL MEETING

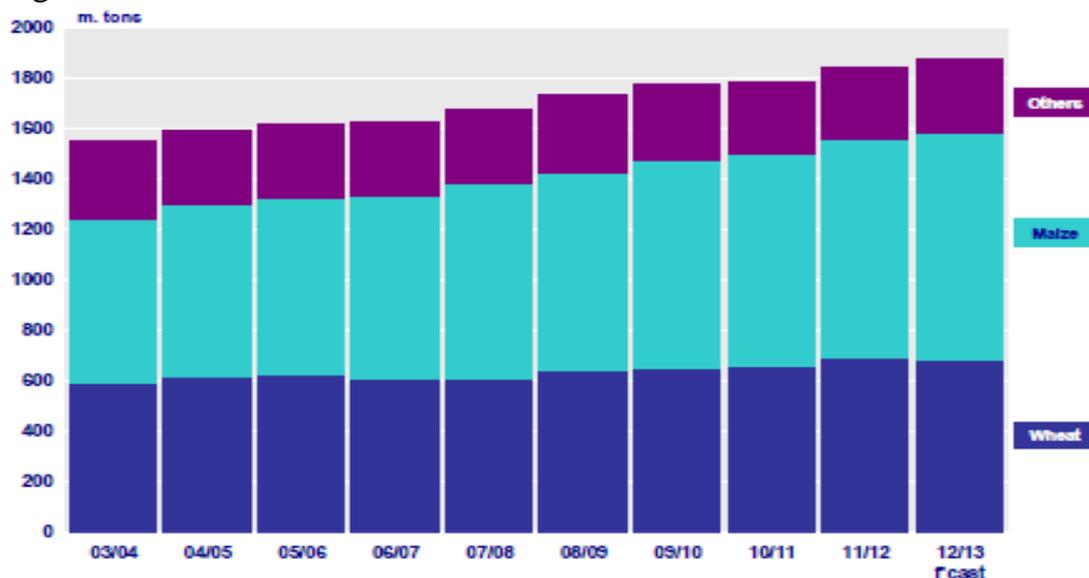
The IGC's 35th Session was held on 8 June 2012. The Council reviewed the global supply and demand outlook for grains, rice and oilseeds for 2012/13, noting that while outcomes remained uncertain in several key producing countries, total grains supply was likely to increase.

The Council's further forecasts were that a smaller world wheat crop was expected to be compensated by a sharp rise in the maize harvest, while rice production was seen reaching a new record due to anticipated increases in China and India. The global soyabeans supplies were estimated to be tight but expected to stimulate plantings the following season.

Some of the Secretariat's visual presentations and summary comments on the grain market situation and outlook were as follows:

- While outcomes remained uncertain in several key producing countries, global grains production was expected to increase slightly during 2012/13. Consumption growth was expected to be 2%, slower than in the past decade due to a reduced pace of industrial use expansion. Feed demand was expected to increase by 2%, with some switch back to maize after a surge in wheat use the previous year.

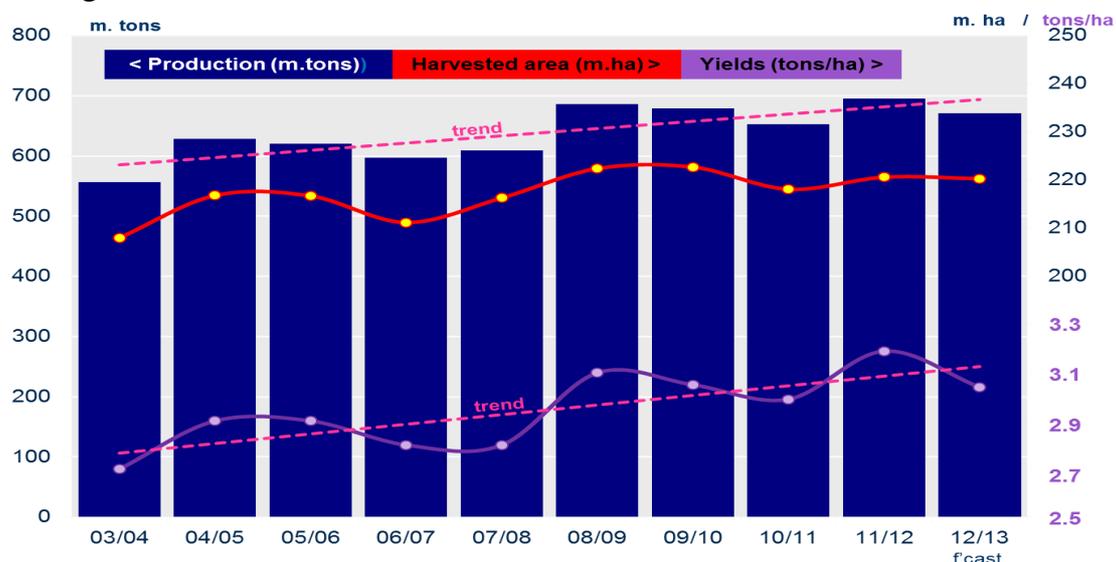
Figure 5: Global Grains Production



Source: IGC 2012 Council Session

- World wheat production was forecast to decrease by at least 3.5%, lower than the record set the previous year due to smaller crop expectations in the EU, Argentina, Australia and Morocco.

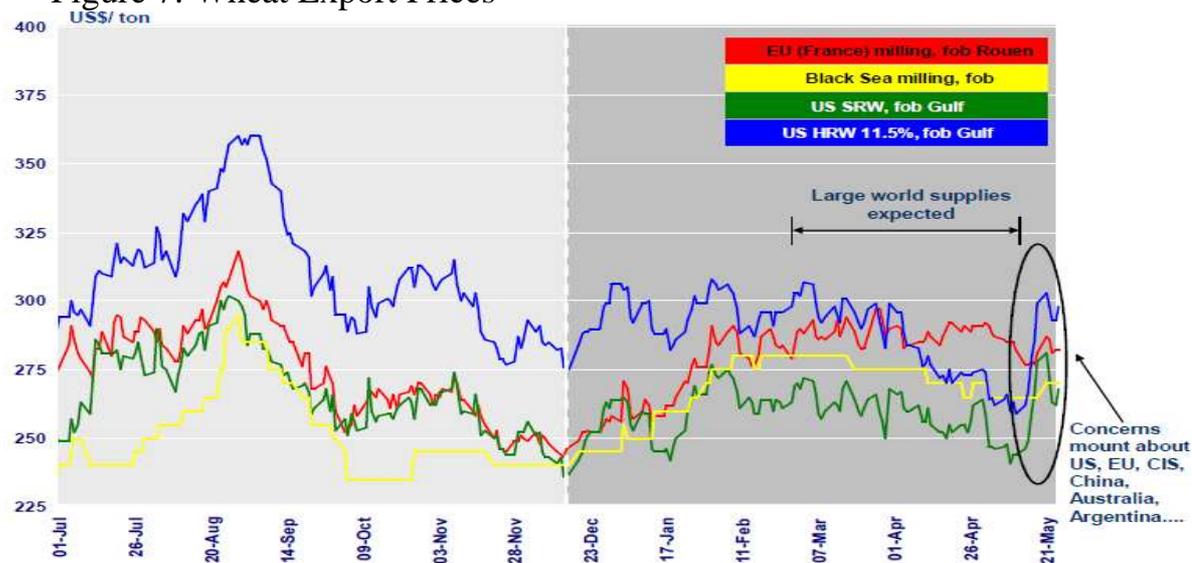
Figure 6: Global Wheat Production



Source: IGC 2012 Council Session

- Wheat export prices were forecast to be triggered by crop concerns in some of the major producing areas.

Figure 7: Wheat Export Prices



Source: IGC 2012 Council Session

- A smaller world wheat crop was expected to be offset by a sharp rise in the maize harvest, especially in the US. Based on a ten-year yield trend of about 9.8 tons / ha, the US maize production was estimated at record 355.0 million tons, 13% higher than in 11/12.

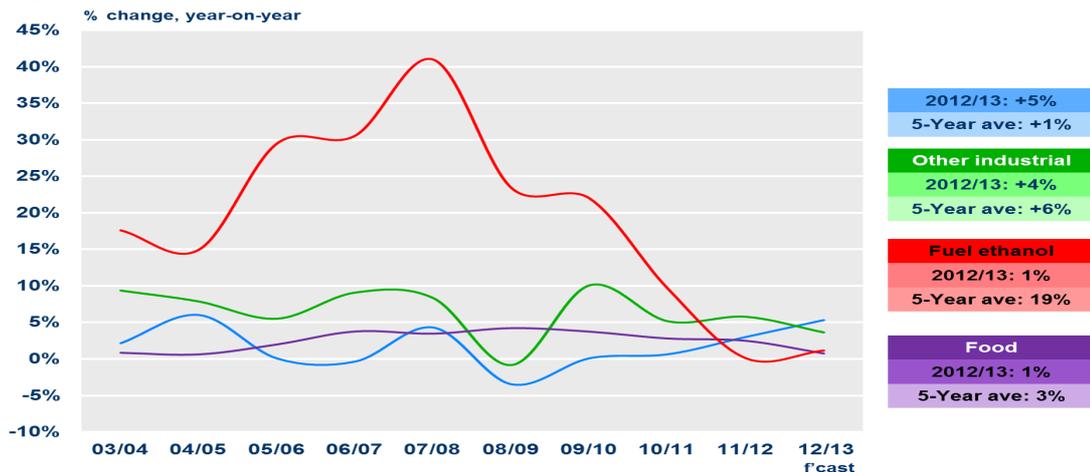
Figure 8: US Maize Crop



Source: IGC 2012 Council Session

- Global feed demand on maize was forecast to be strengthening, but there was a slower growth in fuel ethanol use.

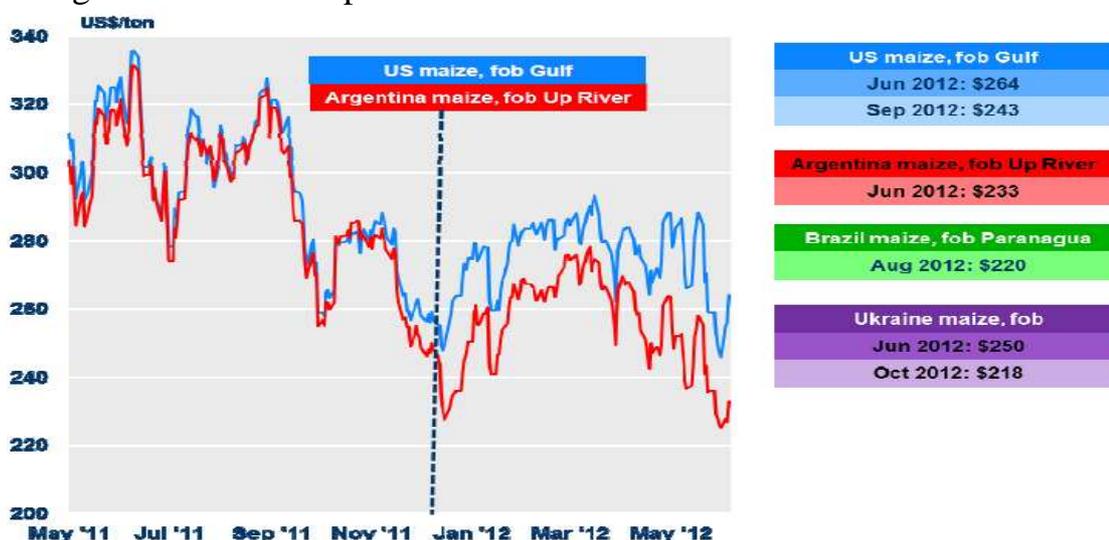
Figure 9: World Maize Use



Source: IGC 2012 Council Session

- Maize exports prices showed a volatile trend during Jan-May 2012 due to tight supply prospects.

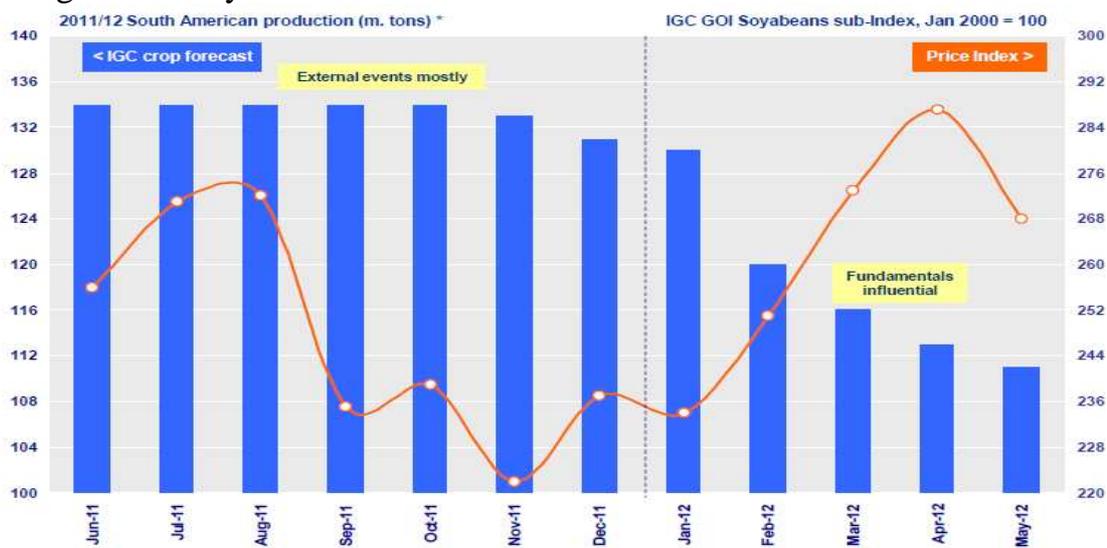
Figure 10: Maize Export Prices



Source: IGC 2012 Council Session

- The IGC’s monthly forecasts of South America soyabean production showed a steep fall in prices in the second half of 2011. The beginning of 2012 was marked by a sharp increase fundamentally due to prospects of crop reduction in S America and the EU.

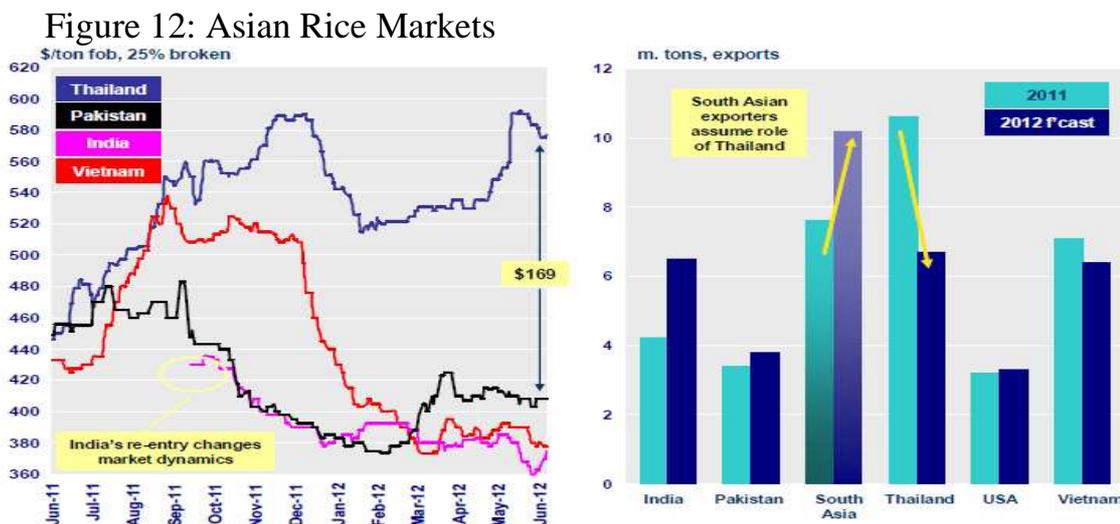
Figure 11: Soyabean Production & Price Index



* Aggregate production of key exporters: Argentina, Brazil and Paraguay.

Source: IGC 2012 Council Session

- The Asian markets for white rice were reported to be mixed. Thailand’s quotations were being kept at high levels due to domestic intervention. The government procured large quantities from farmers since late 2011 and that has tightened exportable supplies.



Source: IGC 2012 Council Session

- Thailand’s exports were forecast to fall as a result of intervention measures in place. This inevitably firmed the rice market slightly as opposed to the other grains as shown in Figure 14 below.



Source: IGC 2012 Council Session

5. EXTRACT FROM MR MOLEPO'S REPORT

- **AMIS:**

The establishment of Agricultural Marketing Information System (AMIS) has brought some discomfort in the IGC given that it has potential for duplication of responsibilities. This is mainly because AMIS' objective is to make information such as grain availabilities, productions, costs and etc. available free of charge whilst the very basis of IGC existence and revenue generation is making such information available at certain costs. Concern is around that if such information is made available, it won't make economic sense for countries or organisations to join IGC as such services provided by IGC is available at no cost. The IGC secretariat was mandated to further engage AMIS Secretariat with intention of finding acceptable solution for both IGC and AMIS however the secretariat reported that in their previous meetings, they couldn't agree. He further committed to engaging AMIS in finding a lasting solution.

It still remains to be seen how AMIS will shape up given the potential risk of duplication of responsibilities with FAO World Food Committee which was recently established.

- **Hosting IGC Conference 2014 or 2015**

On the side-lines of this meeting Mr Mokgatle and Mr Molepo had an informal meeting with Executive Director Mr Kitahara and Ms Lily Theopilou. The objective of the meeting was to ascertain prospects of South Africa hosting one of the IGC conferences. IGC gave an overview of how previous governments hosted this event and elaborated on the conditions for hosting such events. Specifically they said host government is expected to carry responsibilities of hosting such an event and IGC can contribute 7 300 British Pounds. This may be used to cater for return tickets for five IGC members including meals and stipend for the five officials. IGC and SA will have to sign MoU and the event will have to be approved by the Council.

In the discussion with Mr Mokgatle it was felt that this may be explored with DAFF in terms of it being supported by government and the general costs may be covered by the industry.

(Comment: A shared thought was to explore a possibility that all role players in the grain value chain, including government, collaborate jointly to share efforts and responsibilities towards hosting the event. It stands to reason that would play a leading role as a signatory of the Grain Trade Convention – Mr Mokgatle).

The Conference is usually attended by participants not more than 200 and they pay for their accommodation and travel costs. If the event is held in close proximity to the airport, this may reduce logistical costs in terms of transport. Mr Mokgatle and Mr Molepo felt that this may be an opportunity to showcase South African grain industry and are of the opinion that it may be proposed to the industry and if in agreement it could be considered within the department.

6. ACKNOWLEDGEMENTS

- Ms Joanna Lanecki, Department of Agriculture, Forestry and Fisheries (DAFF) - administrative arrangements.
- Mr Thapsana Molepo, Counsellor-Agriculture: South African Embassy to Belgium and Luxemburg, Mission to the European Union – cordial engagements and company.
- Winter Cereal Trust – financial assistance
- National Chamber of Milling – an opportunity to attend the 2012 Council Session and Conference.

BOIKANYO MOKGATLE, MR
30 August 2012