

Global cereal supply and demand brief

The outlook for cereals tightens further and wheat prices reach record levels

Although latest FAO forecast for world cereal production in 2007 still points to a relatively strong expansion from 2006, the global cereal supply and demand outlook for the 2007/08 season remains grim. While expected improvements in maize supplies have eased somewhat pressure on maize prices, which are at high levels reflecting strong demand from the biofuel industry, recent reductions in the forecast for production of wheat, particularly in exporter countries, in a context of very low levels of stocks has pushed wheat prices to record highs in world markets. Those high prices spilled over to other markets, lending support to prices of most other cereals, including major feed grains. Higher grain prices are wearing through the food chain, increasing the cost of many basic food items, which has already lead to food riots in some countries. Food inflation fears have driven some countries to accelerate their early grain purchases

and others to delay as they hope for lower prices later in the year. These developments further aggravated market volatility.

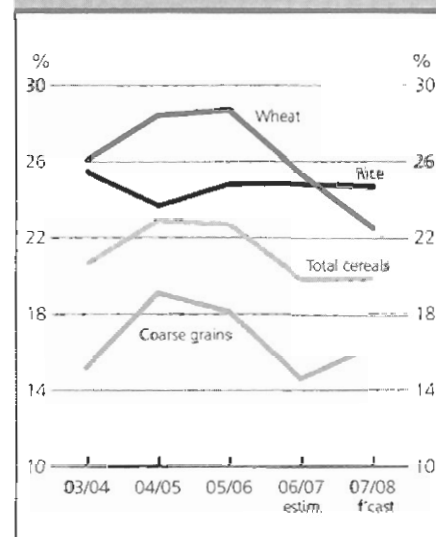
Given the anticipated growth in world cereal demand in 2007/08, the current level of production, if it materializes, will not allow any replenishing of world reserves from their very low opening levels. As a result, the world cereal stocks-to-use ratio is likely to remain at around 20 percent, which would be identical to the previous season's low and therefore the smallest since the beginning of FAO's tracking of the global cereal market some 30 years ago. World trade is likely to be negatively influenced by the rise in world prices as well as soaring freight rates. Trade in wheat and coarse grains are likely to be affected most, falling well below the previous season's peak.

However, the combination of higher prices and freight rates would still drive up the cost of cereal imports from world markets to a new record; an outcome with more worrying consequences for the developing countries, particularly the Low-

Income Food-Deficit Countries (LIFDCs). The developing countries are likely to spend a record US\$52 billion on imports of cereals in 2007/08, up 10 percent from 2006/07. This is after a striking 36 percent growth already in the previous season. The total cereal import bill of the LIFDCs, as a group, is forecast to hit an all time high of US\$28 billion, up roughly 14 percent from the previous high in 2006/07.

Against this background of continuing high and volatile prices, trade activity during the early months of the current

Figure 1. Ratio of world cereal stocks to utilization



season 2007/08 has been generally faster than normal with above-average sales registered by a number of exporting countries, most notably by the United States and the Russian Federation. In the coming months, a calmer period is expected as the 2007 production numbers become firmer and if the anticipated increase in 2008 winter wheat plantings materializes. However, given the extent of supply tightness, for wheat in particular, any further deterioration in conditions of southern hemisphere crops and/or any deliberate attempts to limit export sales to curb domestic food prices in exporter countries, could easily send prices well above the highs already reached.

Record cereal harvest still forecast in 2007 despite poorer wheat prospects

FAO's forecast for world cereal production in 2007 has been revised downward since the previous report in July, but at 2 114 million tonnes (including rice in milled terms), would still be a record high, and 5.3 percent up from 2006. Most of the downward revision since July has concerned wheat, output of which is now forecast to reach just about 605 million tonnes, considerably less than expectations earlier this year, although still 1.7 percent up from the about average level of the previous year. The forecast has been reduced on account of poorer results than earlier potential had suggested in some northern hemisphere countries and deterioration in the prospects for the seasons still to be concluded in the southern hemisphere. Of the crops already harvested, the largest deviation from expectation has been in Europe, where latest estimates point to a significant 2.9 percent decline in production, compared to the early season prospects for a sizeable increase. The worst losses were encountered by the eastern producing parts of the region where several weeks of exceptionally hot and dry weather severely compromised yields. However, in some major producing

northern countries a combination of early summer dryness followed by excessively wet conditions also led to poorer results than earlier forecast. In North America, a small downward revision has also been made in the latest estimate of this year's output in the United States, however, the harvest was still a good level, sharply up from the previous year. A more substantial revision was made for Canada, struck by hot and dry conditions, which will compound the impact of a reduced area. The latest estimate of the aggregate 2007 wheat output in Asia remains at a good level and above last year's, although a slight downward revision was made for Pakistan, where, nevertheless, a bumper crop was harvested. Elsewhere in the northern hemisphere, drought devastated

this year's wheat crop in Morocco, so despite about-average harvests elsewhere in North Africa, the subregion's aggregate output is sharply down from last year and the average of the past five years. In the southern hemisphere, the bulk of the major 2007 wheat crops are yet to be harvested between now and the end of the year. In South America, aggregate output is forecast to increase 7 percent from 2006, with a recovery in Brazil more than offsetting a small decrease expected in Argentina. In Oceania, prospects for the wheat crop in Australia have deteriorated significantly because of hot and dry weather, which set-in after planting in the major producing areas.

In many parts of the northern hemisphere the winter wheat crops

Table 1. Cereal production¹ (million tonnes)

	2006 estimate	2007 forecast	Change: 2007 over 2006 (%)
Asia	911.1	924.4	1.5
Far East	809.4	824.3	1.8
Near East in Asia	72.1	70.2	-2.6
CIS in Asia	29.4	29.7	1.1
Africa	144.0	136.2	-5.4
North Africa	35.6	29.0	-18.7
Western Africa	48.6	48.4	-0.4
Central Africa	3.6	3.5	-2.7
Eastern Africa	34.9	33.9	-2.7
Southern Africa	21.4	21.4	0.1
Central America & Caribbean	37.1	39.4	6.4
South America	109.6	128.3	17.0
North America	384.5	469.7	22.2
Europe	402.7	390.9	-2.9
EU ²	246.9	262.4	6.3
CIS in Europe	118.5	112.5	-5.1
Oceania	18.5	25.3	36.6
World	2 007.5	2 114.2	5.3
Developing countries	1 154.0	1 180.9	2.3
Developed countries	853.4	933.3	9.4
- wheat	594.9	604.8	1.7
- coarse grains	984.5	1 080.4	9.7
- rice (milled)	428.1	428.9	0.2

¹Includes rice in milled terms.

²EU-25 in 2006 and EU-27 in 2007.

Note: Totals computed from unrounded data.

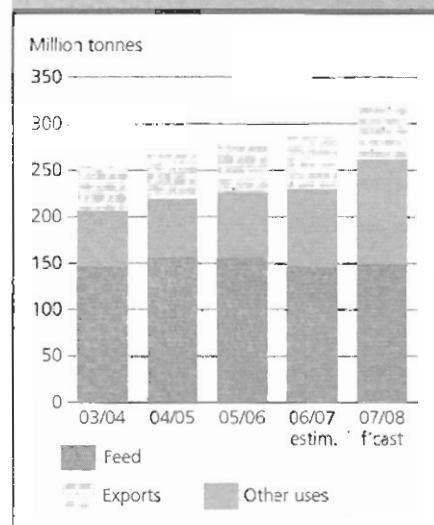
for harvest in **2008** are already being planted. In the United States, conditions are generally favourable for fieldwork, and although planting has got off to a slower start than normal, early indications all point to the likelihood of a record area. In Europe, weather permitting, a large increase in the winter wheat area is also likely. The EU has removed its 10 percent obligatory set-aside requirement for 2008, which could bring up to an estimated 3 million hectares of arable land back into production for the season. Early indications from the large producing areas in eastern Europe also suggest that farmers have intentions to plant larger wheat areas if weather and inputs allow.

FAO's latest forecast for world production of **coarse grains** in 2007 has been revised upward slightly and stands at 1 080 million tonnes, 9.7 percent above last year's crop and an all-time high. The bulk of the increase is attributed to a record global production of maize, now forecast at 784 million tonnes. A record output is expected in the United States where the harvest is just getting underway, and plantings increased sharply in response to exceptionally strong demand from the biofuel industry. Bumper crops have also been harvested in the South America, reflecting favourable growing conditions that led to exceptional high yields, and increased plantings in response to high international prices. The secondary crop just gathered in Brazil was estimated at 25 percent above last year's already good level. A record crop is also expected in Central America, where plantings expanded in Mexico, the major producer. Elsewhere, the 2007 coarse grain crops are seen to remain relatively unchanged in Asia and Africa, while unfavourable dry and hot conditions have compromised the crops in Europe and Australia, where declines in production are expected. With regard to the first of the major 2008 crops, planting of the important summer maize crop is already underway in South America. Early indications point

to a continued expansion in area because of the incentive of attractive returns relative to other crops. However, with soil moisture levels reported to be limited in mid-September additional precipitation will be needed for farmers to fulfil their intentions.

Notwithstanding serious flooding problems reported in recent months in Asia, Africa and Central America and the Caribbean, prospects for global **paddy** production in 2007 remain favourable. The global paddy crop is forecast at about 643 million tonnes (429 million tonnes in milled terms), marginally above a revised estimate of the 2006 crop. Much of the increase is expected in Asia, although, within the region, the production outlook is rather mixed; large increases are foreseen in China, India, Indonesia and Myanmar, while Japan, the Philippines, Sri Lanka, Turkey and Viet Nam may incur sizeable reductions, largely a reflection of adverse weather conditions. Paddy production is also set to increase in Africa, where floods have favoured rice crops, which had endured drought stress until July. By contrast, declines are forecast in all the other regions.

Figure 2. United States' maize utilization and exports



Growth in cereal utilization to exceed trend despite high prices

World cereal utilization in 2007/08 is forecast to expand by over 2 percent from the previous season, to 2.1 billion tonnes, some 1.4 percent above its 10-year trend. This relatively high growth is mostly driven by the continuing expansion in industrial use - in particular for biofuels - which accounts for two-thirds of the expected increase.

Table 2. World cereal utilization by grain (million tonnes)

	2005/06	2006/07	2007/08	Change: 2007/08 over 2006/07 (%)
WHEAT				
World	621	622	620	-0.2
Food	439	444	447	0.8
Feed	116	112	110	-1.8
Other uses	66	66	63	-4.6
COARSE GRAINS				
World	1 000	1 021	1 064	4.2
Food	176	180	182	1.4
Feed	624	620	627	1.1
Other uses	200	221	255	15.1
RICE (milled)				
World	418	425	430	1.1
Food	368	373	378	1.3
Feed	9	9	8	-4.8
Other uses	41	44	44	0.4

Total **food** consumption of cereals is forecast to reach 1 007 million tonnes, up by over 1 percent from 2006/07. This increase would generally follow the expected growth in world population. As a result, per caput intake of cereals

is likely to remain stable in most regions, at least at aggregated levels. This outlook does not exclude some possible dampening of demand, especially in countries where price increases have been more significant. Escalating prices, especially for wheat-based food products, have caused serious concerns in many countries across the world. While, in most cases, governments are struggling to contain the rise in food prices with different types of measures, in some countries sharp price increases may prove inevitable, which could lead to reductions in consumption. By individual cereal, early indications point to only 0.8 percent increase in total food consumption of wheat at the global level. This increase would be below the population growth and thus would lead to a decline in per caput consumption of wheat from an estimated 70 kg per annum in 2006/07 to 67.6 kg in 2007/08. However, this drop is likely to be compensated by a rise in rice and coarse grains food consumption, which are forecast to expand by 1.4 percent from the previous season. In aggregate, the total consumption of cereals is anticipated to remain virtually unchanged from the previous year at 152.4 kg per caput.

Total world **feed** utilization of cereals is forecast to increase marginally in 2007/08, by less than 1 percent. While usage of maize and sorghum are forecast to increase by at least 2 percent, wheat and barley usage for feed are expected to contract, mainly in response to much tighter supplies this season. Feed utilization in the developing countries, as a group, is forecast to expand by more than 3 percent, while that in the developed countries is envisaged to decline by 1 percent. The faster expansion in the developing countries mainly reflects continuing strong economic growth which boosts consumption of meat and dairy products and in turn raises demand for feed. The gradual recovery from previous outbreaks of animal diseases is

Table 3. Basic facts of the world cereal situation (million tonnes)

	2005/06	2006/07	2007/08	Change: 2007/08 over 2006/07 (%)
PRODUCTION¹	2 052.9	2 007.5	2 114.2	5.3
Wheat	625.8	594.9	604.8	1.7
Coarse grains	1 003.0	984.5	1 080.4	9.7
Rice (milled)	424.1	428.1	428.9	0.2
SUPPLY²	2 519.6	2 476.9	2 534.6	2.3
Wheat	802.3	773.5	763.3	-1.3
Coarse grains	1 194.2	1 169.8	1 235.7	5.6
Rice	523.1	533.6	535.6	0.4
UTILIZATION	2 039.3	2 067.4	2 113.4	2.2
Wheat	621.0	621.6	620.2	-0.2
Coarse grains	1 000.2	1 020.8	1 063.6	4.2
Rice	418.2	424.9	429.6	1.1
Per caput cereal food use (kg per year)	152.2	152.5	152.4	-0.1
TRADE³	247.6	257.2	252.6	-1.8
Wheat	110.3	113.6	109.0	-4.1
Coarse grains	108.1	113.2	113.0	-0.2
Rice	29.2	30.4	30.6	0.6
END OF SEASON STOCKS⁴	469.2	419.7	420.2	0.1
Wheat	178.5	157.6	143.2	-9.1
- main exporters ⁵	58.8	38.3	27.5	-28.2
Coarse grains	185.3	155.4	170.0	9.4
- main exporters ⁵	91.3	58.6	73.5	25.5
Rice	105.5	106.7	107.0	0.3
- main exporters ⁵	22.9	24.4	23.7	-2.8

Low-Income Food-Deficit Countries (LIFDCs)⁵

Cereal production¹	859.1	886.6	895.3	1.0
excluding China and India	292.6	305.1	299.7	-1.8
Utilization	926.3	1 115.2	1 135.4	1.8
Food use	648.7	658.9	668.0	1.4
excluding China and India	271.6	278.3	283.7	1.9
Per caput cereal food use (kg per year)	156.6	156.8	156.7	-0.1
excluding China and India	158.5	159.2	159.1	-0.1
Feed	166.1	166.1	170.7	2.8
excluding China and India	45.9	47.9	48.5	1.1
End of season stocks⁴	228.6	240.1	245.5	2.3
excluding China and India	53.0	56.1	50.6	-9.9

¹ Data refer to calendar year of the first year shown.

² Production plus opening stocks.

³ For wheat and coarse grains, trade refers to exports based on July/June marketing season.

For rice, trade refers to exports based on the calendar year of the second year shown.

⁴ May not equal the difference between supply and utilization because of differences in individual country marketing years.

⁵ Includes food deficit countries with per caput annual income below the level used by the World Bank to determine eligibility for IDA assistance (i.e. US\$ 1 575 in 2004), which is in accordance with the guidelines and criteria agreed to by the CFA should be given priority in the allocation of food aid.

also contributing to higher demand for feed.

Total **industrial use** of cereals is forecast to increase by some 9 percent, driven up by the continuing strong growth in the ethanol sector, most notably of maize which is the main feedstock for grain-based ethanol production. The largest market for maize-based ethanol is the United States, where maize used to produce ethanol is likely to increase from an estimated 54 million tonnes in 2006/07 to 84 million tonnes in 2007/08. This high number is 30 million tonnes more than the size of maize exports from the United States and, even more striking, is close to the volume of world trade in maize.

World cereal stocks remain at low levels

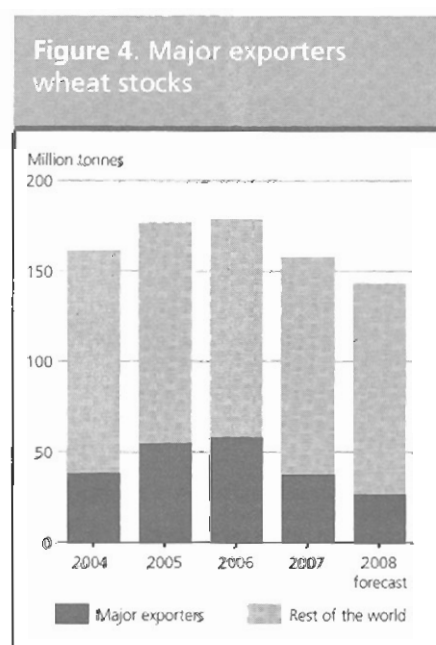
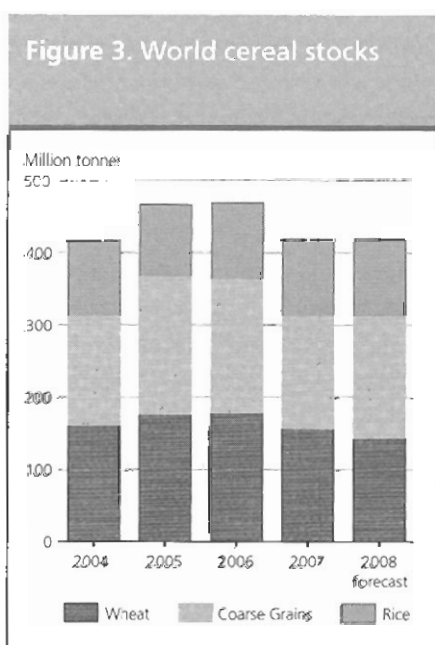
Based on the latest forecasts for world production and utilization, global **cereal** stocks by the close of the seasons ending in 2008 are expected to stand at 420 million tonnes, unchanged from their reduced opening levels and only 3 million tonnes above the 20-year low in 2004. At the current forecast levels, the ratio of world cereal stocks to utilization is put at nearly 20 percent which is also unchanged from

the previous season's low ratio. Among the individual cereals, more worrying is the stocks situation with regard to **wheat**. Sustained demand amid insufficient increase in production this year, especially among the major exporting countries, which are also among the leading stock holders, is expected to result in at least a 14 million tonne drawdown of world inventories, from their already depleted openings, to 143 million tonnes, the lowest since 1982. Most of the contraction is in major exporting countries, notably in the United States, where stocks are forecast to hit a 10-year low of 11 million tonnes, as well as in Australia, Canada, and the EU. Among other countries, sharply smaller stocks are forecast for Egypt, Morocco, Tunisia, Turkey, and nearly all major wheat producing countries in the CIS. However, in a number of countries, wheat stocks are expected to increase; among them India and China, two important wheat growing countries where this year larger crops have been harvested.

Total **coarse grain** stocks are forecast at 170 million tonnes, up nearly 15 million tonnes from their sharply reduced opening level. This expected recovery is mainly driven by the anticipated strong rebound in world production of coarse grains, lead by

the United States where maize production alone is anticipated to increase by 70 million tonnes, or 26 percent, this year. In fact, this bumper maize production in the United States, which is expected to boost stocks in that country by almost 14 million tonnes to over 42 million tonnes, largely mitigates drawdowns elsewhere. Coarse grain carryovers are forecast to decline in the EU offsetting the small increase expected in Argentina and Canada. Sharp reductions are forecast for Ukraine, the Republic of South Africa and several countries in Asia as well as in North Africa. In Brazil, this year's large maize crop is expected to result in bigger inventories despite higher exports. In China, stocks are anticipated to increase for the first time since 2001, reflecting the forecast increase in production this year and a possible decline in exports.

Global **rice** inventories at the close of the 2007 marketing year are forecast to rise marginally above their opening level to reach 107 million tonnes. The rise is anticipated to be concentrated in China, where they could reach 61 million tonnes, 2 million tonnes more than carried over from 2006. Stocks could also end higher in Indonesia and Myanmar, but widespread cuts are expected elsewhere.



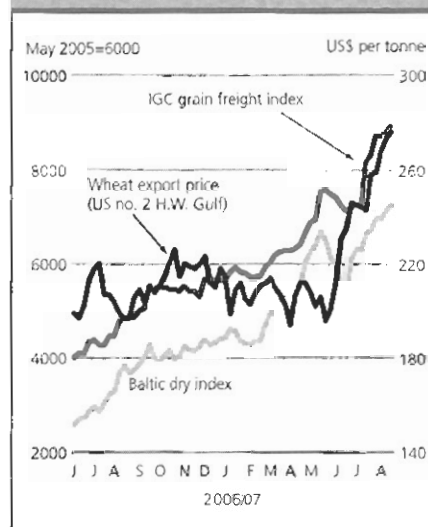
Cereal prices remain high, wheat hit record

International prices for all major cereals remain high and most have registered considerable gains from the previous season. Tight supply from low levels of stocks and insufficient increases in production to meet sustained demand is the underlying factor for the continuing strength in prices. This is particularly the case for **wheat**, the price of which soared to all-time highs in September. Low wheat stocks, compounded by repeated downward revisions to this year's production forecast for major exporting countries, most notably in Australia and in Europe, have pushed wheat prices up since June. In addition, stronger trade activity in

the early months of the season (2007/08 July/June) and developments in currency markets, which continues to favour the United States' origin wheat because of the weaker US dollar, also provides support. In September, the United States' hard wheat (HRW, No. 2, f.o.b.) averaged US\$343 per tonne, up US\$93 per tonne since the start of the season in July and as much as 65 percent above the already high level of September 2006. Recent weeks witnessed even higher increases in wheat export prices from other major origins, such as from Argentina, where the price of wheat in September has virtually doubled its level of a year earlier, and from Australia and the EU. Wheat futures prices for December delivery on the Chicago Board of Trade (CBOT) continued on an upward trend since April and hit a new record in September. Wheat prices remain highly vulnerable to the prevailing tight situation in the markets and are therefore likely to stay volatile. Any unfavourable developments regarding production prospects in the southern hemisphere or policy changes that may result in restricting export supplies, such as the recent exports restrictions in Ukraine, could send wheat prices even further above the recent highs.

Prices have also risen in **coarse grain** markets this season, although the increases have so far proven less than those in wheat markets. International prices of maize, barley and sorghum have all increased substantially due to strong demand. Prices of maize started to rise sharply already during the previous season and in February they reached their all-time high. The strong demand from the biofuels sector has been the underlying factor for the strength in maize prices since last year. Maize prices have receded somewhat in recent months mainly because of the anticipated record crop to be harvested soon in the United States, as well as a bumper crop in South America. However, this season's restricted supplies from the CIS and shortage of maize and feed wheat in the EU continue to put upward pressure on prices while the

Figure 5. Freight rates and international wheat prices



spillover effect from the wheat market has also been significant at times. The United States' yellow maize (US No. 2 Gulf, f.o.b.) averaged US\$ 152 per tonne in September, US\$ 12 per tonne more than at the start of the season in July and US\$ 39 per tonne (or 33 percent) more than in September 2006. Also, by late September, the CBOT December maize futures price stood at US\$147 per tonne, more than 52 percent more than in the corresponding period in 2006.

World **rice** prices have gathered strength since May, but the increase was far smaller than for the other cereals, in particular wheat. According to FAO's all rice price index, rice quotations gained 4 percent from May to August. In July, prices were sustained by a sudden strengthening of the Thai currency vis a vis the US dollar. In August, prices remained steady, except for those of aromatic rice, which lost several points, reflecting a weakening of Basmati quotations in Pakistan. With large crops soon to be harvested in a number of important producing countries, international rice prices could be under pressure in the coming months, but the decline might be moderated by a weakening of the US dollar relative to the currencies of the major exporting countries, in particular China, Thailand and India. A possible shift of import demand from wheat to rice would also lend strength to international rice prices.

World trade to decline from the record level in 2006/07

World **cereal** trade in 2007/08 (July/June) is currently forecast at around 253 million tonnes. At this level, world trade would be some 5 million tonnes, or some

Table 4. Cereal export prices* (US\$ per tonne)

	2007		2006			
	Sept.	Aug.	July	June	May	Sept.
United States						
Wheat ¹	343	277	250	231	203	208
Maize ²	158	152	146	165	159	119
Sorghum ²	177	171	157	166	155	128
Argentina³						
Wheat	325	273	249	239	219	167
Maize	170	157	141	156	147	114
Thailand⁴						
Rice white ⁵	332	336	337	333	325	314
Rice, broken ⁶	273	269	261	255	252	222

*Prices refer to the monthly average.

¹ No.2 Hard Red Winter (Ordinary Protein) f.o.b. Gulf.

² No.2 Yellow, Gulf

³ Up river, f.o.b.

⁴ Indicative traded prices.

⁵ 100% second grade, f.o.b. Bangkok.

⁶ A1 super, f.o.b. Bangkok.

1.8 percent, below the revised volume in 2006/07. In spite of this anticipated decline, world cereal trade in 2007/08 would still represent the second highest after last season's record. FAO's trade estimates for the previous season (2006/07) have been revised up sharply this month reflecting recent export statistics received from exporters. The revisions concern mostly wheat and coarse grains, the international trade of which has now been put at nearly 4 million tonnes more than previously reported. At these revised levels, world cereal trade in 2006/07 registered a new record with wheat trade at all time high of nearly 114 million tonnes, followed closely by a record trade in coarse grains, at 113 million tonnes, of which maize exports alone are estimated at a new peak of around 88 million tonnes. At the current forecast level, total volume of cereal imports by the LIFDCs in 2006/07 is seen to increase by about 5 million tonnes from the previous season and would represent about one-third of total cereal trade.

World trade in **wheat** in 2007/08 (July/June) is forecast at 109 million tonnes, down 4.6 million tonnes from the revised estimate in 2006/07. Most of the reduction is anticipated in Asia and of that mainly in India. In 2006/07, faced with depleted supplies, India imported 6.7 million tonnes of wheat; however, with higher international prices and a significant improvement in domestic production, India's wheat purchases from world markets are foreseen to drop to 3 million tonnes, almost half of which already purchased since the start of the season in July. Imports by Indonesia are also expected to decline significantly, by 600 000 tonnes, because of high world prices and reduced supplies in Australia, its main supplier. However, larger purchases are now forecast by Bangladesh and Yemen, mostly to contain increases in their domestic flour prices. In contrast to Asia, higher imports are forecast for Africa. Imports by drought-stricken Morocco

are forecast to double this season, to 3.5 million tonnes, while in Egypt imports are likely to rise by 500 000 tonnes to ease the domestic supply situation in the face of a continuing strong demand. In September, the Egyptian Government raised its subsidies for bread by US\$840 million because of rising prices. Wheat imports by most countries in Europe as well as Latin America and Caribbean are forecast to remain stable at previous season's levels. However, in Brazil, imports are expected to be lower because of higher production.

An indication of this season's tight wheat situation is the reduced export supplies for the second consecutive year. Among the major exporters, lower output in Canada and the deteriorating crop prospects in Australia are expected to weigh heavily on their export availability. In the EU, the tight market and high prices are also likely to keep its wheat sales well below the historical average. Only the United States is expected to boost its exports this season, by at least 4 million tonnes to 29 million tonnes. The increase reflects higher domestic production coupled with the weakness of the dollar, which makes supplies from the United States more competitive. In fact, in less than four months into the new season, the United States is reported to have already sold 70 percent of the total forecast for the season. Aside from the traditional major exporters, wheat supplies from other origins also seem increasingly stretched. While most countries in the CIS gathered larger harvests this season, their willingness to sustain exports is under continuous pressure as prices have started to rise also in those countries. Following similar measures taken in 2006, Ukraine announced in late September that exports will be limited from November. The Russian Federation, now the world's 6th largest wheat exporter, plans to introduce a 10 percent tariff on exports in order to curtail sales, which during the two months of July and August reached an unprecedented level of nearly 2.5 million tonnes

World trade in **coarse grains** in 2007/08 (July/June) is forecast at 113 million tonnes, nearly unchanged from the previous season's record. Strong import demand for coarse grains is largely sustained by higher needs in several countries in Africa, Central America and Europe. In Africa, it is again in Morocco where imports of barley are likely to increase mostly because of severe drought. In Central America, maize imports by Mexico are forecast to rise sharply this season despite the expected increase in its domestic output. The rise in imports partly reflects increased purchases of cracked maize, used as a fodder for animal feed, from the United States. Cracked maize is not subject to the import quota which Mexico applies to regular maize but even that quota continues to be adjusted in order to sustain the domestic tortilla and maize price rises which were the underlying reasons for street riots in January. In Europe, the EU's stronger demand for feed grains would be met by larger imports of maize. The tight supply situation in the EU has in fact resulted in the decision to cut the 10 percent obligatory set-aside rate (in place since 1992) for autumn 2007 and spring 2008 sowings. This, according to estimates by the EU officials, could result in 10 million tonnes more output next year. In addition, the EU Commission has also proposed the suspension of all import tariffs on grain for this season.

Elsewhere, imports in Asia are expected to decline as most countries are seen to import as much as in the previous season. Imports by Indonesia are likely to decline the most mainly because of bigger carryovers due to large purchases last season and better crop prospects this season. However, high prices in most countries are expected to encourage imports, including China (Mainland) which this season could import some maize, although it will remain a net-exporter. In South America, smaller imports are forecast for Brazil and Chile with both countries gathering record crops this season.

The export supply situation in coarse grains market is tight. While larger barley supplies in Canada and record maize production in Brazil, Argentina and the United States would allow those countries to export more coarse grains this season. Export supplies are likely to be curtailed significantly elsewhere, especially in the CIS and in China, on concerns about their own rising domestic prices.

Trade in **rice** is set to rise by 4 percent to 30.4 million tonnes in calendar year 2007, supported by growing imports by Asian countries, in particular Bangladesh and Indonesia. Rice deliveries to Latin American and the Caribbean are also

expected to be larger than last year, while rising world prices and freights may depress imports by African countries. Much of the increase in global trade is forecast to be supplied by Asian countries, especially Thailand, the sole major rice supplier holding ample availabilities this year. Among the other major exporters, Cambodia, China, Egypt and Myanmar are also expected to contribute to the world export increase, while limited supplies will result in declining sales by Pakistan, Argentina, Brazil and Australia.

Although still highly preliminary, trade in rice is forecast to increase somewhat in 2008, to some 30.6 million tonnes.

The expansion would be sustained by increased imports by Bangladesh, China, the Democratic Republic of Korea and the Philippines, which would more than compensate for a likely cut of imports by Indonesia. Outside Asia, African countries may also increase their imports, while little change is currently anticipated in the other regions. Among major exporters, Cambodia, India and Thailand would be in a position to step up deliveries, while limited supplies may depress sales by Viet Nam and the United States.