Cereals market 2007-2008

Situation and Perspective

The Sixth national meeting of cereals operator.

Zaragoza, 14th February 2008

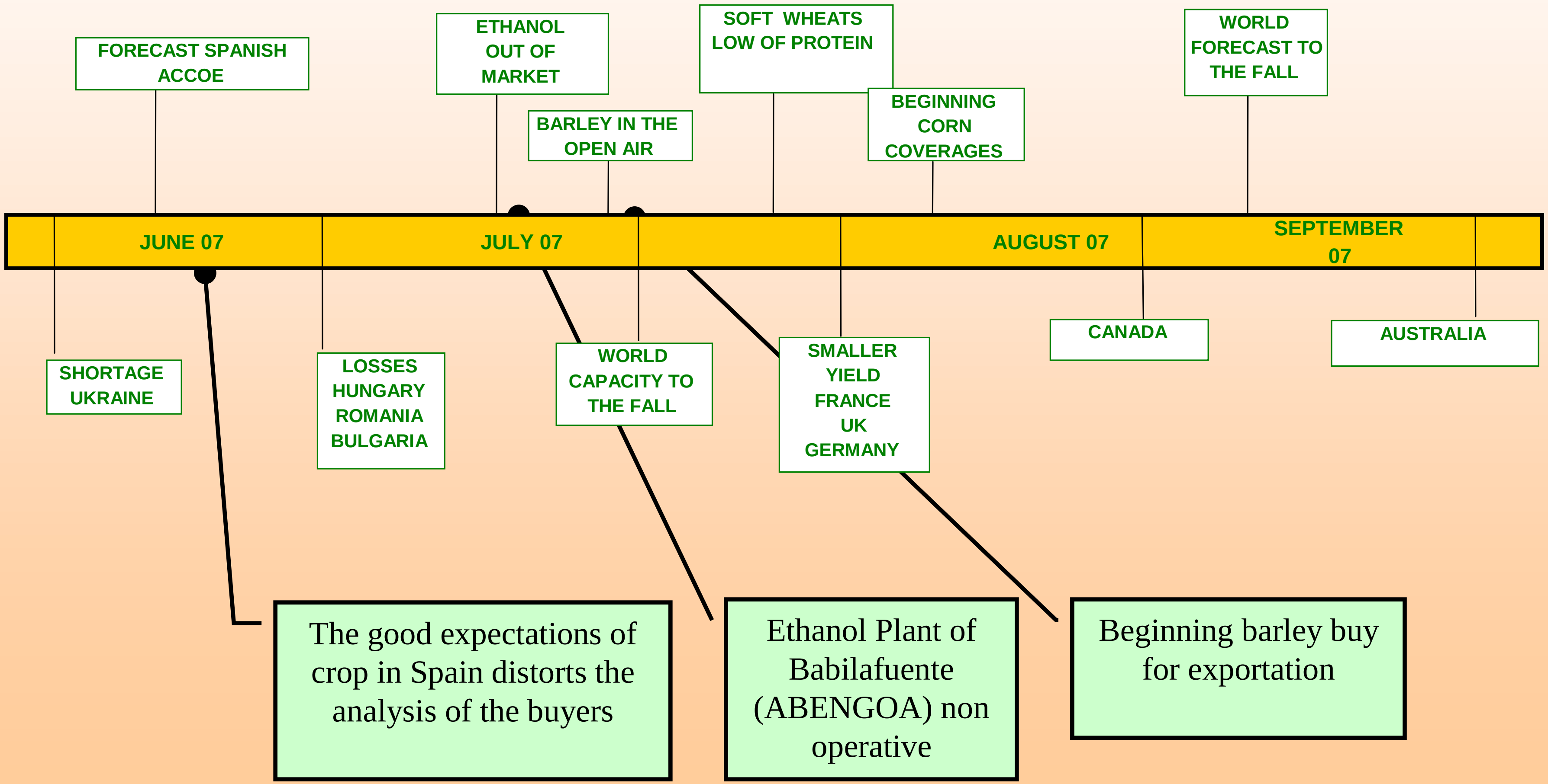
Indice

1.1 Situation pre-harvest 07

SPANISH HARVEST (MMt)	COCERAL 2006	1st June 07 ACCOE	November 07 MAPA	December 07 COCERAL
Soft Wheat	4	5.329	5.116	5.121
Durum Wheat	1,568	1.363	1.233	1.230
Barley	8,318	11.508	11.597	11.592
Corn	3,46	*3,5*	3.646	3.395
Rye	0,158	0,228	0,258	0,258
Oats	0,752	1.042	1.302	1.307
Triticale	0,114	-	0,135	0,135
TOTAL	18,37	23	23,287	23

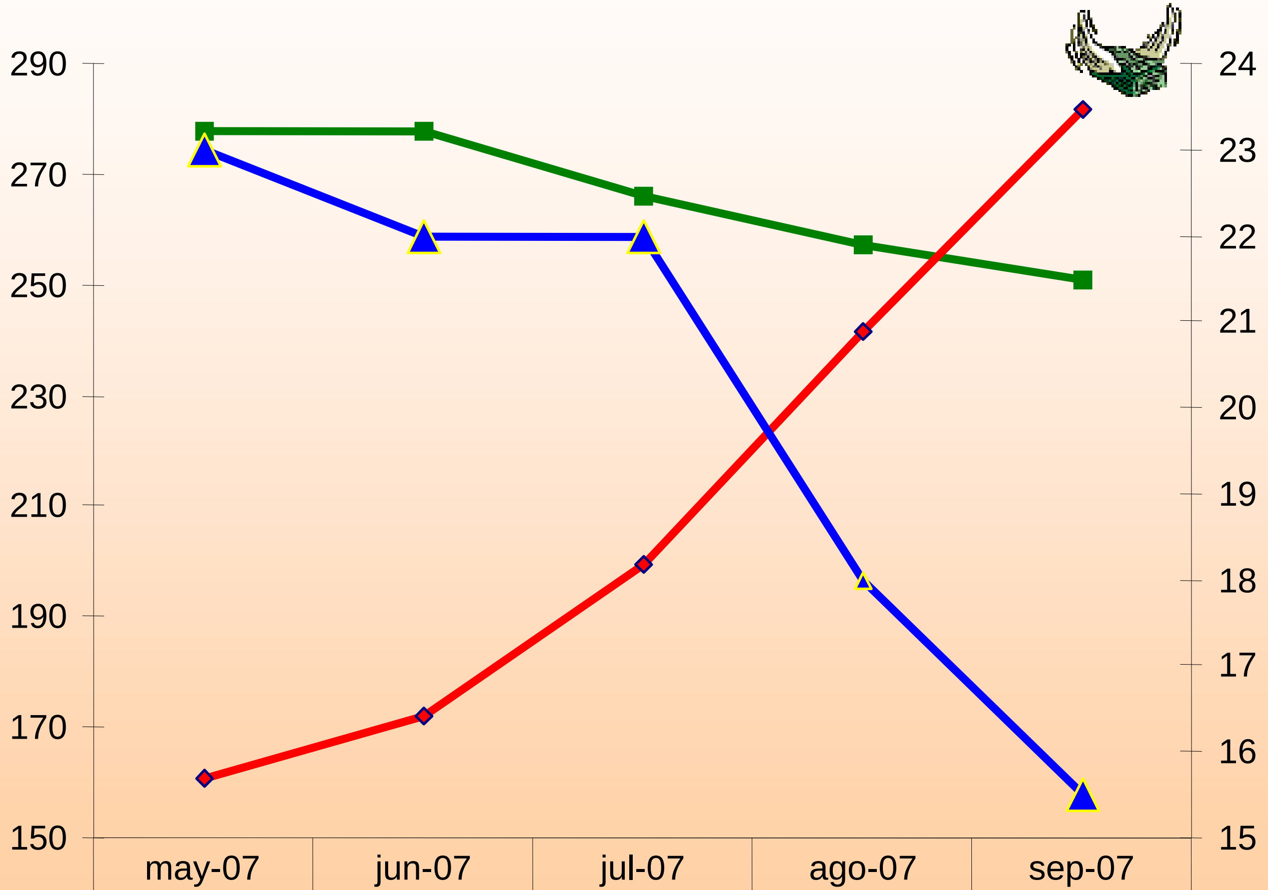
- **Forecast of ACCOE fitted to the reality.**
- **COCERAL: 2007 4.6 MMt > 2006**
- **Good perspectives in pre-crop**
- **Optimism in local buyers.**

1.2a. Situación during harvest 07



1.2b. Situation during harvest 07

Weather Market/Capacity of Crop



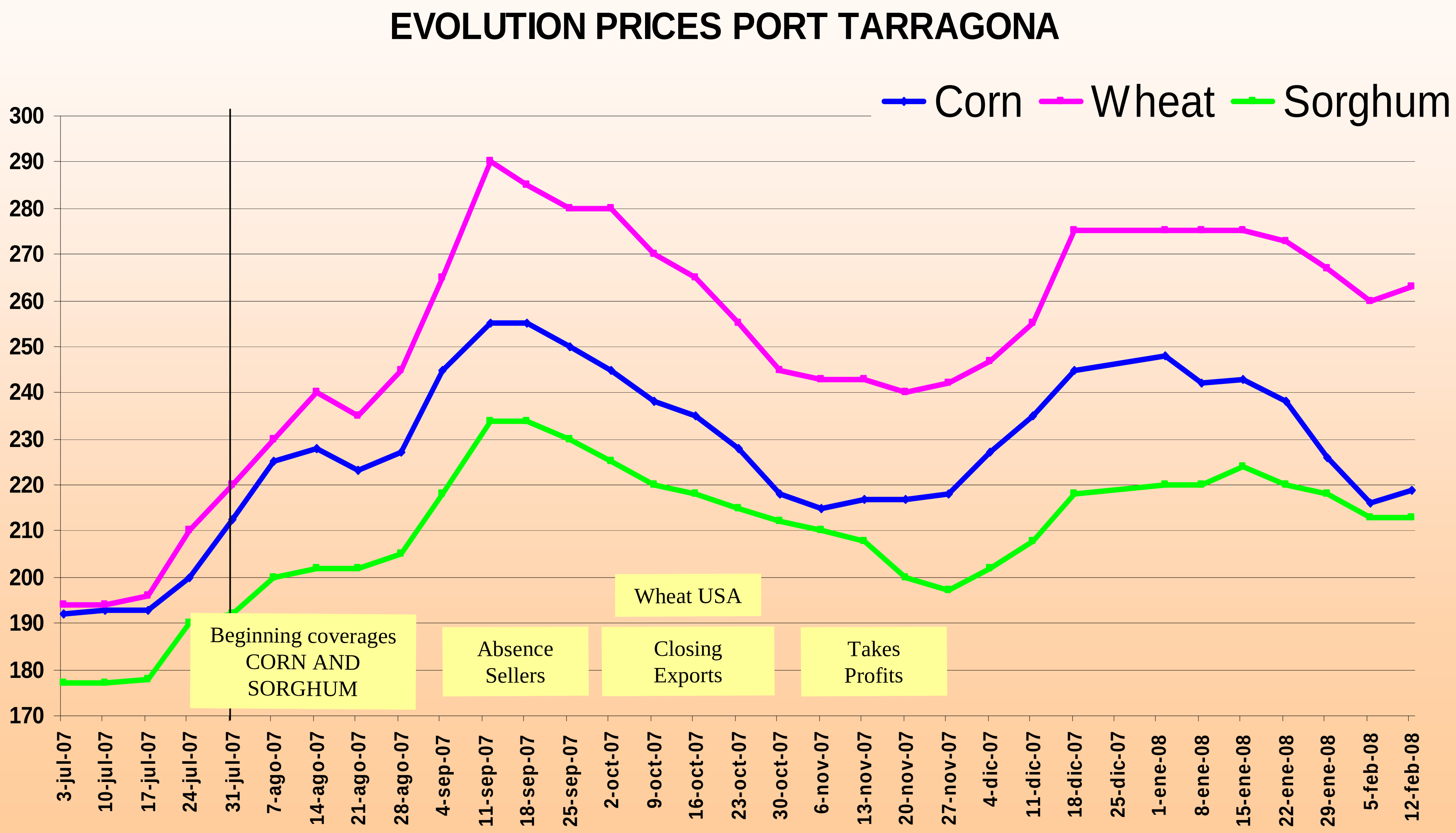
	may-07	jun-07	jul-07	ago-07	sep-07
Prev. EU 27 MMt	278	278	266	257	251
Price FOB FR €/Tn	160,65	172,09	199,34	241,51	281,59
Prev. Australia MMt	23	22	22	18	15,5

1.2c. Situation during harvest 07

Milling Wheat: Important descent of protein

	Wheight		Protein DBM		W	
	2006	2007	2006	2007	2006	2007
Andalucia	82	79	14.1	14	226	265
Aragón	77	78	**14.1**	**11.6**	103	117
C. la Mancha	75	79	**14.9**	**11.7**	151	126
C. León	75	78	**14.3**	**10.5**	95	84
Catalunya	80	78	14.6	13	167	144
Extremadura	74	73	12.7	11	119	92
Rioja	75	75	**13.7**	**10.7**	138	105
Navarra	73	75	**13.7**	**10.8**	138	100

1.3. Situation post-harvest



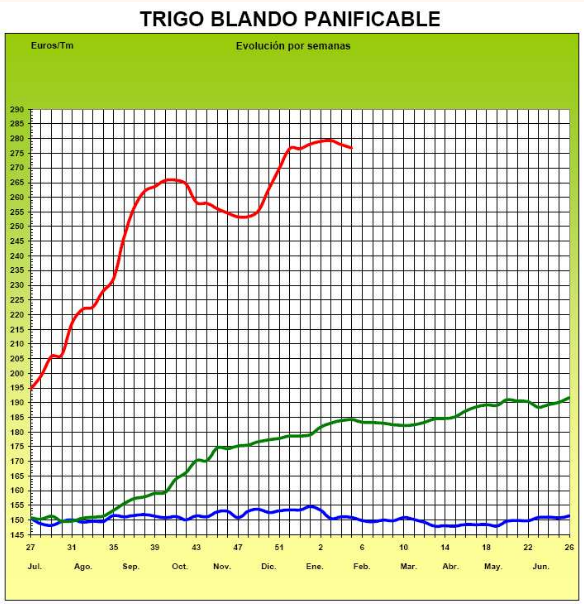
2. Current situation of market

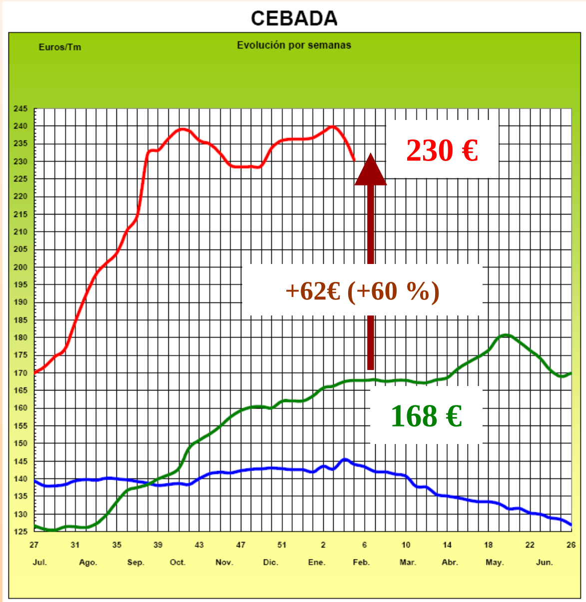
- **Complicated Situation in the exporter countries**
- **Ukraine under discussion for extension of exportable quotas (1-2.9 MTn) and with goods transit duty.**
- **Russia: exports with 40% of tax in wheat (mín 105 €/Mt)**
- **Kazakhstan: collapse in the railroad system**
- **USA: exportable balance of wheat = 0**
- **Argentina: quotas re-opened for maximum 2 MMt and maximum 400.000 Tn/month**
- **Europe: not significant exportable balance.**

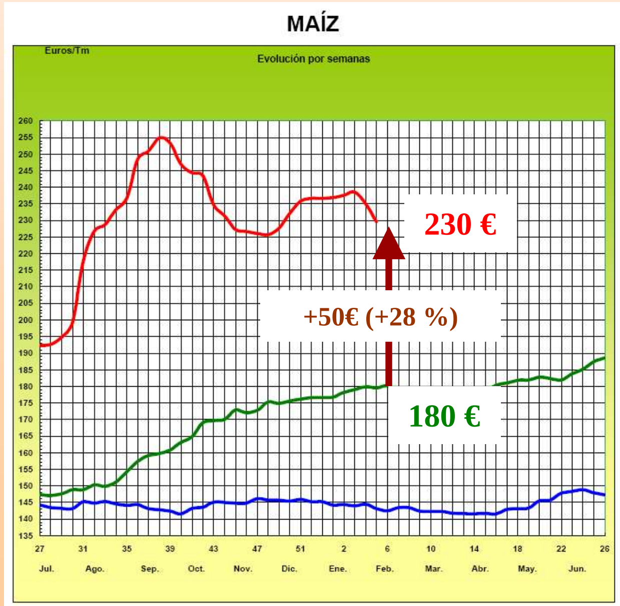
2. Current situation of market

2.1. Agricultures Minister: weekly report average prices

campaña 2005/06 campaña 2006/07 campaña 2007/08

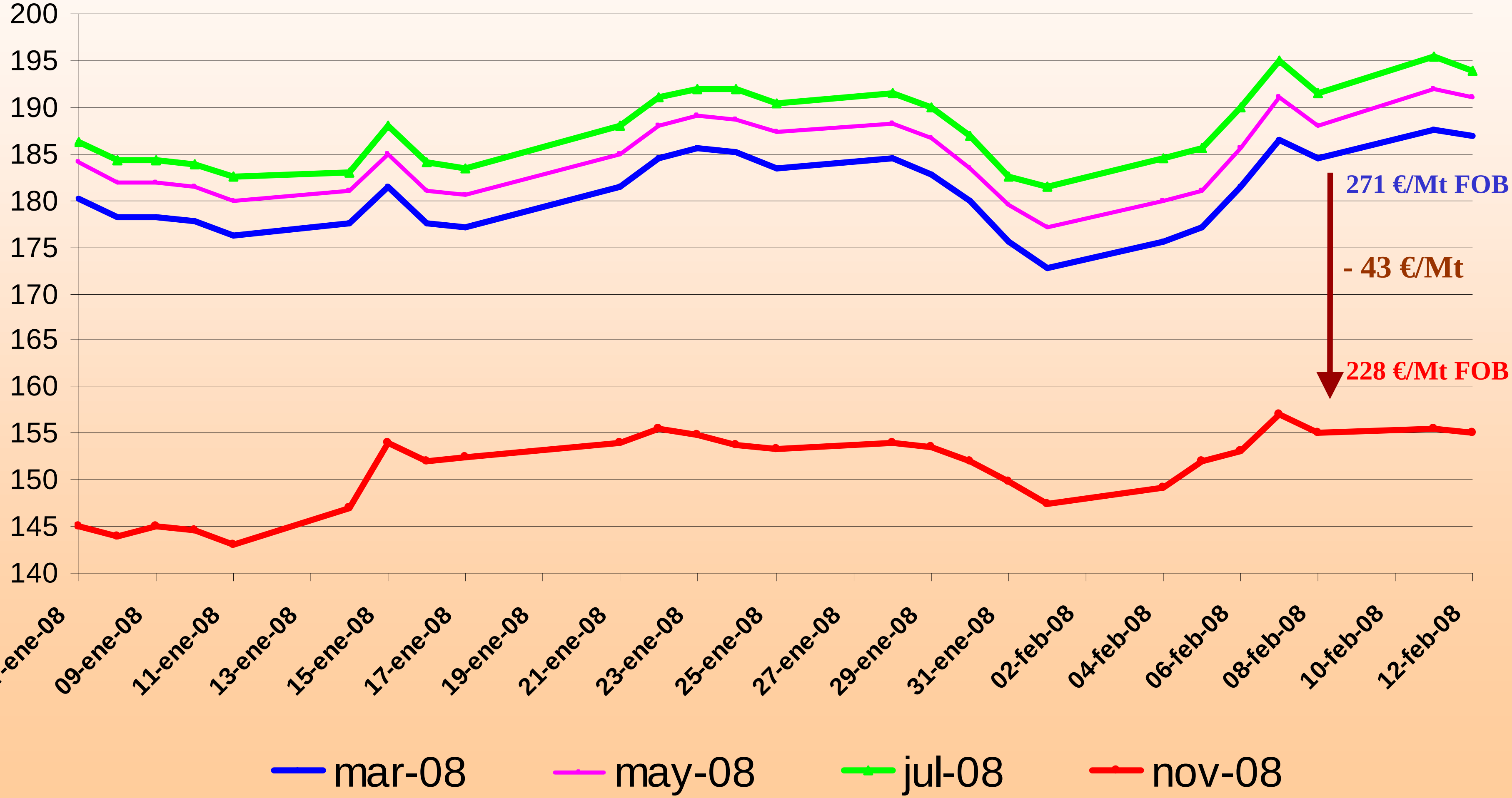






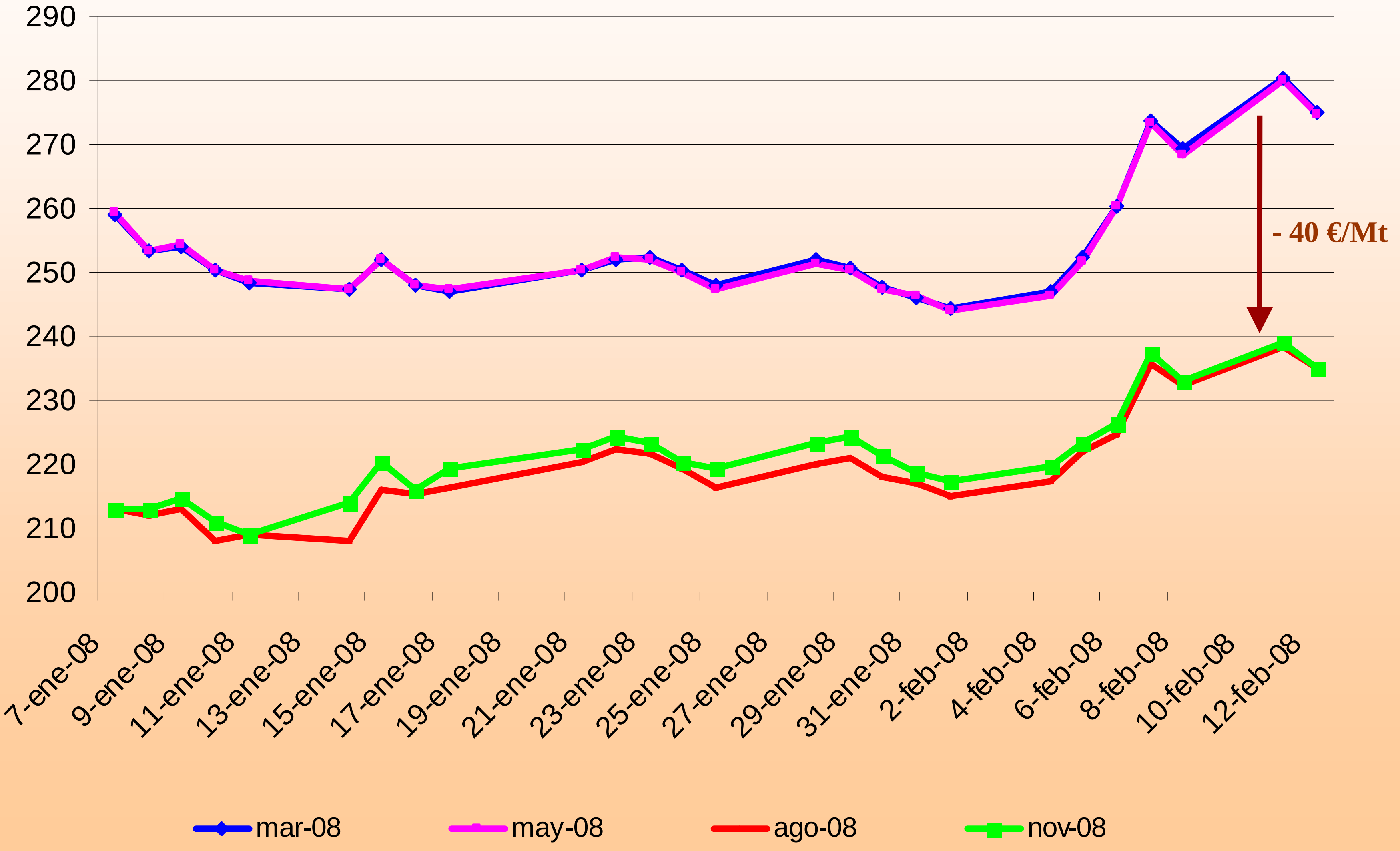
2. Current situation of market

2.2. Feed wheat UK (Pounds/Mt.)



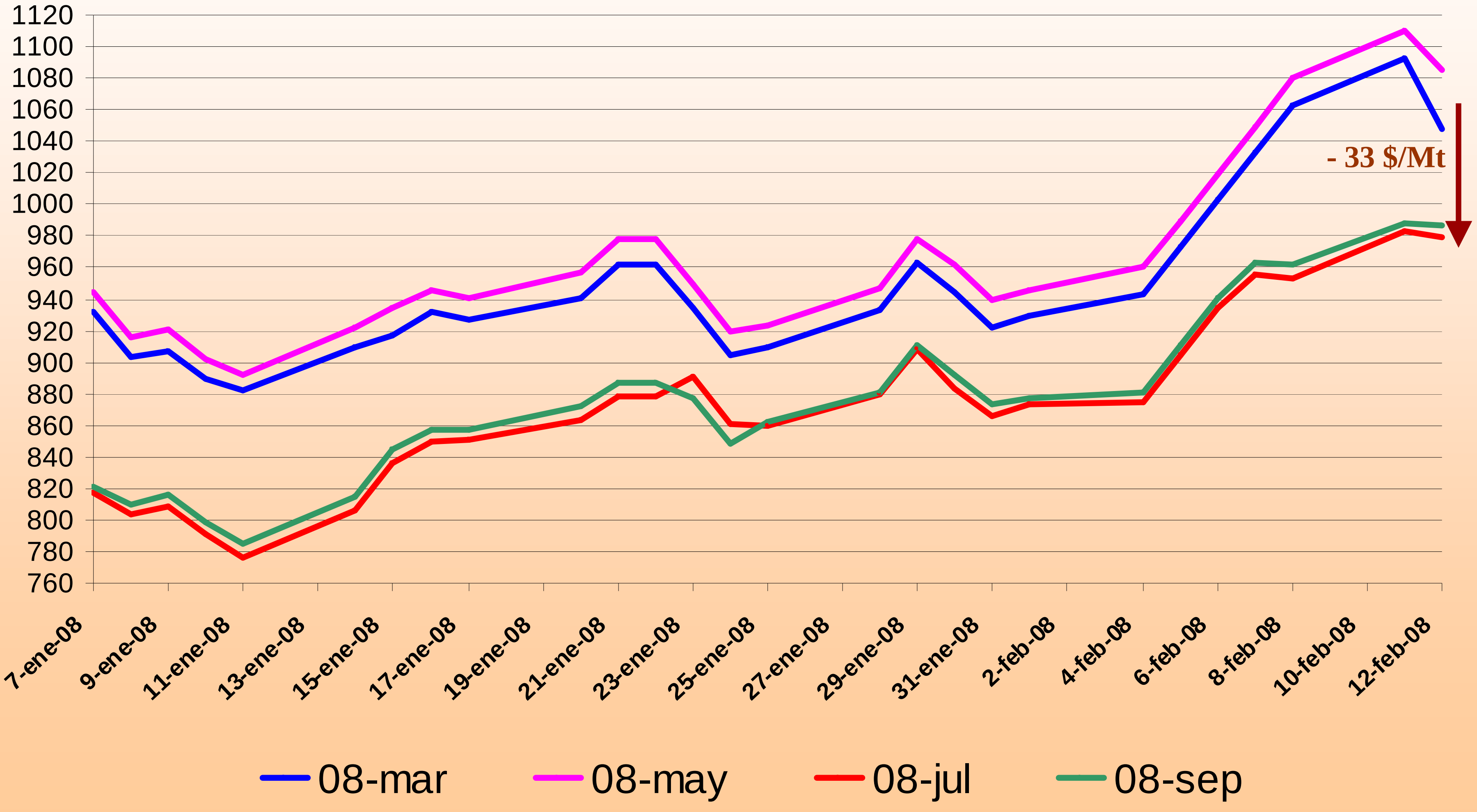
2. Current situation of market

2.3. French milling wheat Matif (€/Mt.)



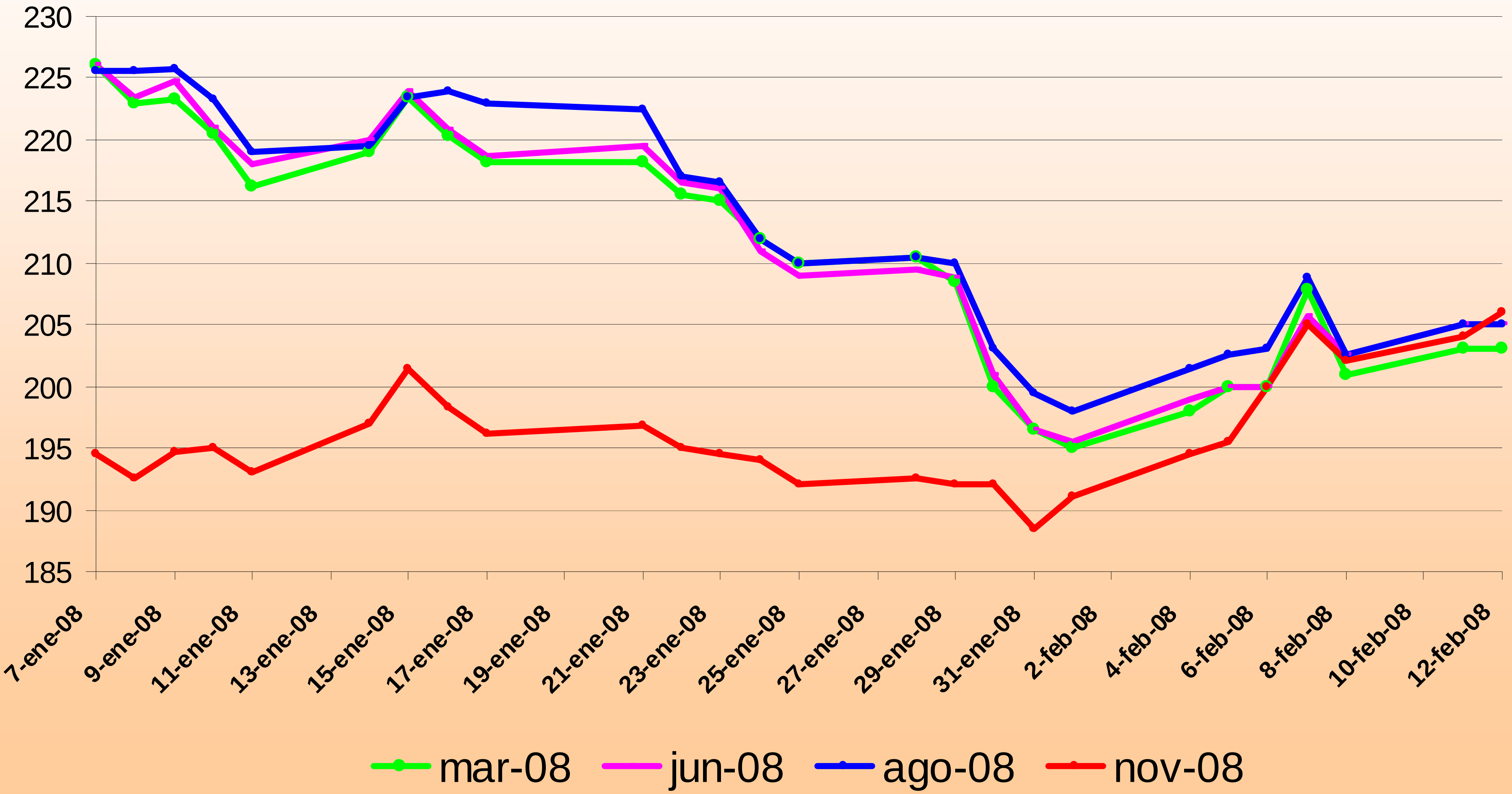
2. Current situation of market

2.4. Chicago Wheat (Cent.$/Bu)



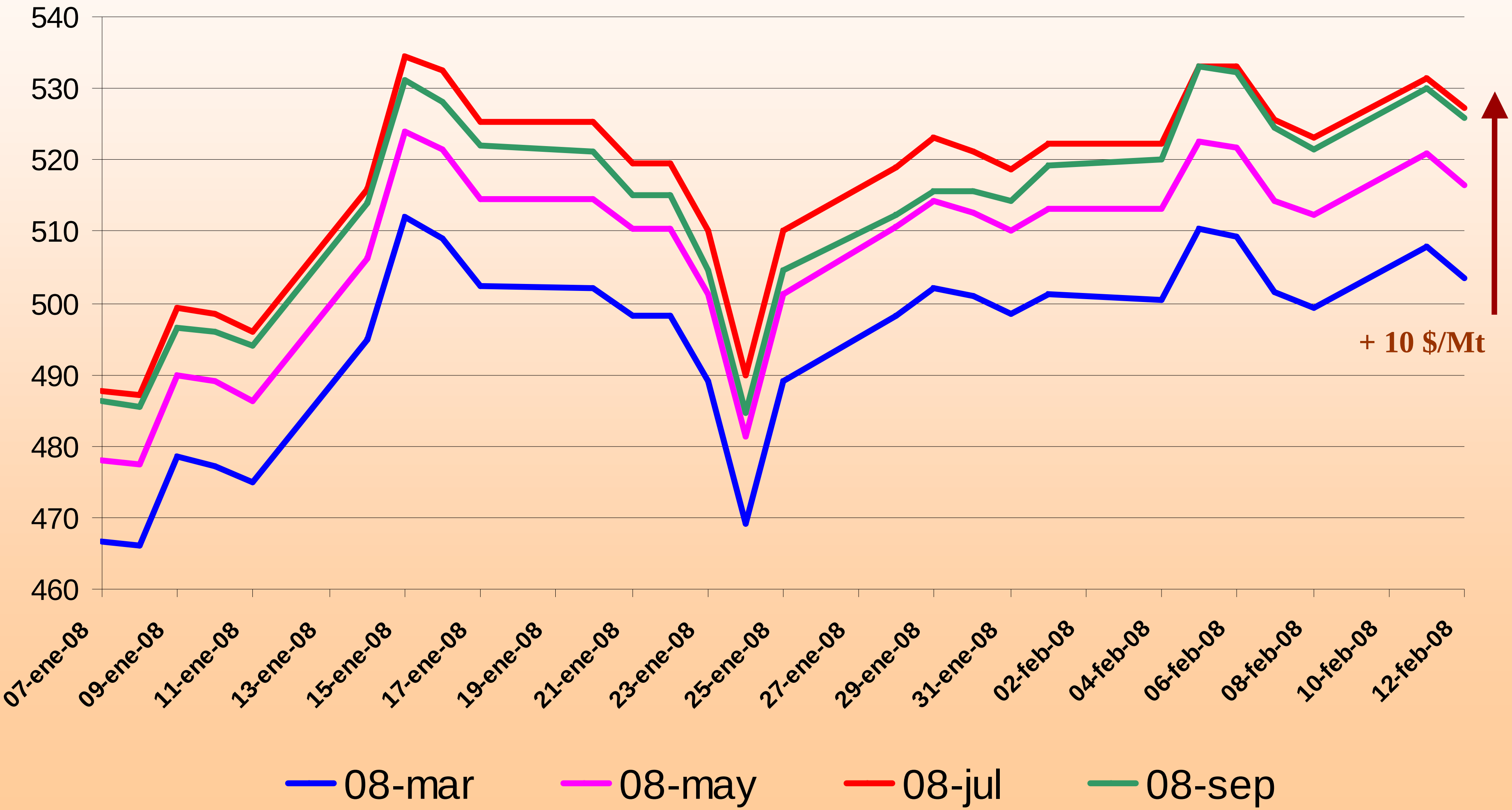
2. Current situation of market

2.5. Corn Matif (€/Mt)



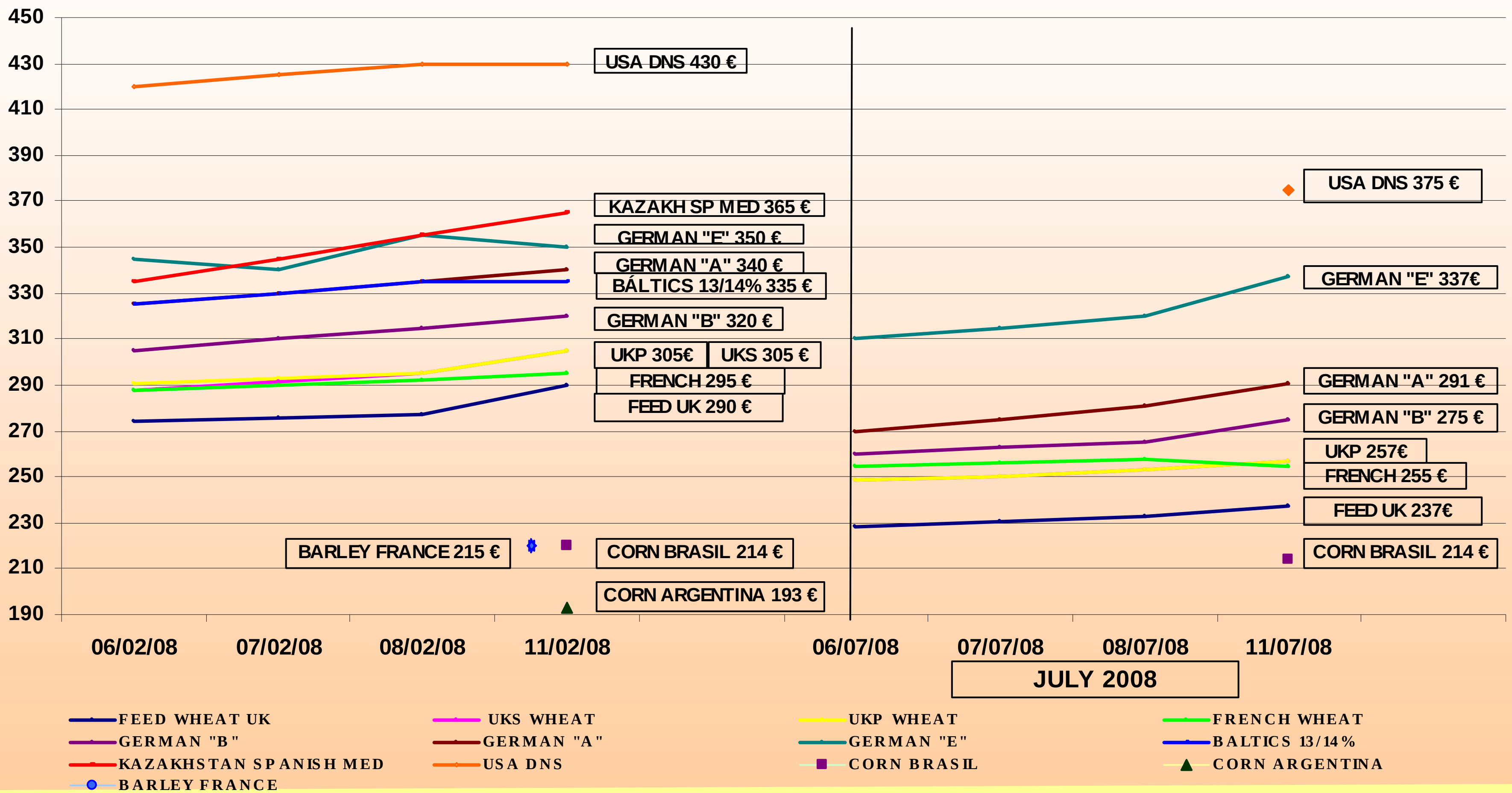
2. Current situation of market

2.5. Chicago Corn (Cent.$/Bu)



2. Current situation of market

2.6. Physical prices CIF on February 11st, 2008



DIFFERENTIAL NEW/OLD CROP:

Feed wheat UK –53 €/Mt. French milling wheat –40 €;

Milling wheat UK –48 €/Mt. DNS Wheat –55 €Mt. German wheat “E” –13 €/Mt

3. Final situation of campaign

WHEAT ESTIMATIONS 2008

	2006	2007	2008
WORLD (MHas)	208,3	214,8	220,5
(MMt)	591,5	603	642
EUROPE (MHas)	25,9	25,1	26,3
(MMt.)	129,5	120	136,7
SPAIN (Mhas)	1,336	1,334	1,378
(MMt)	4,01	5,1	4,36

Campaign 2008
+ 40 MTn. WORLD
+ 3 % Surface
+ 6.5 % Production

Campaign 2008
+ 17 MTn. EUROPE
+ 5 % Surface
+ 14 % Production

ESTIMATIONS 2008 - SPAIN

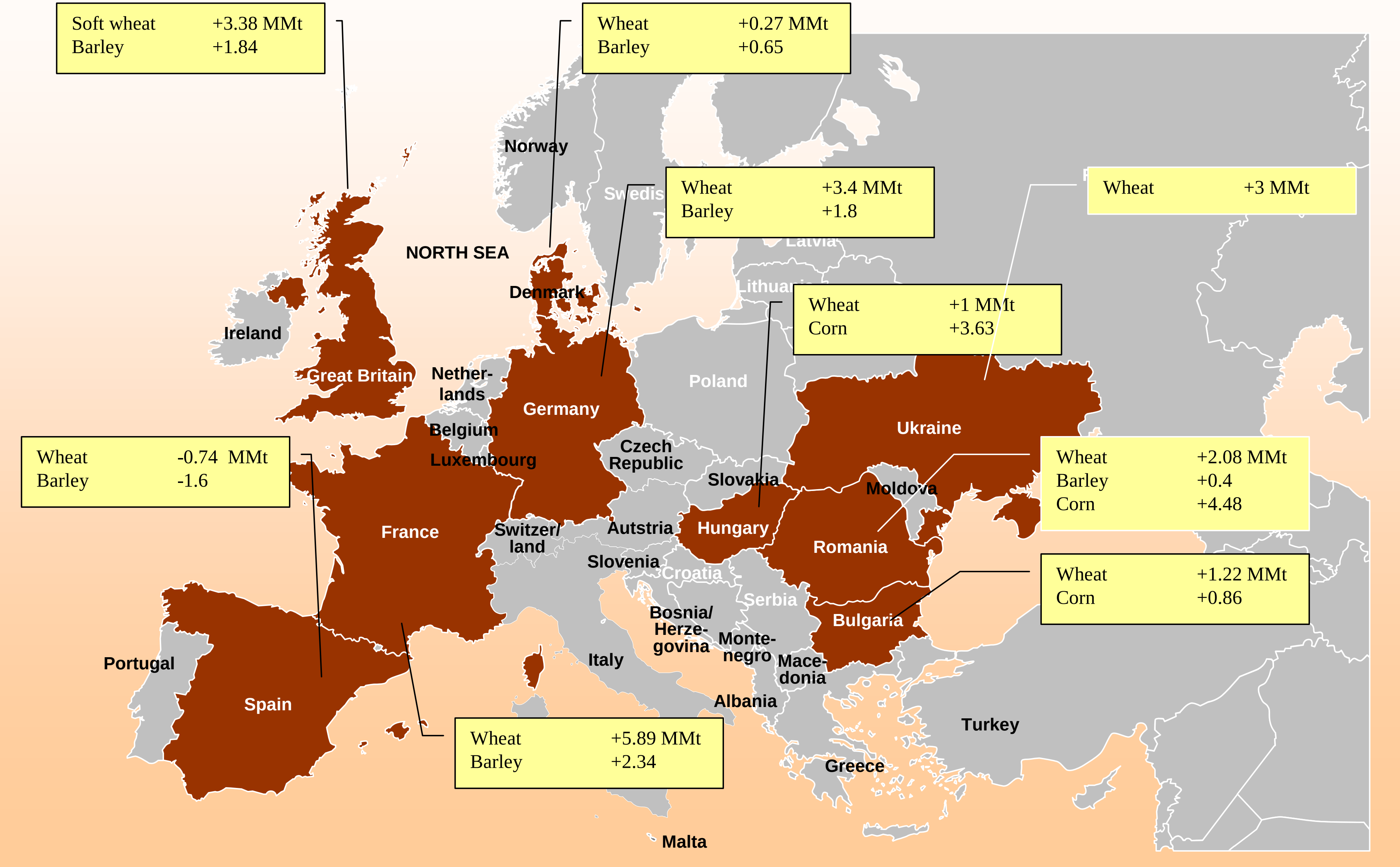
	2006	2007	2008
WHEAT (Mhas)	1,34	1,33	1,39
(MTn)	4,01	5,1	4,36
BARLEY (Mhas)	3,23	3,22	3,31
(MTn)	8,1	11,4	9,76
CORN (Mhas)	0,35	0,37	0,39
(MTn)	2,83	3,27	3,53
OTHERS	-	-	-
TOTAL (Mhas)	**5,78**	**5,68**	**5,99**

Spain 2008
-740.000 Mt wheat
-1,64 Mt barley

Campaign 2008
+ 310.000 Has in
SPAIN

3. Final situation of campaign

Forecast variation 2008 respect 2007



3. Final situation of campaign

Estimation Import Spain

FORECAST IMPORT SPAIN 2007/08				
	WHEAT B	BARLEY	CORN	SORGHUM
EUROPE				
Germany	60.000			
Denmark	60.000			
France	550.000		1.500.000	
Netherlands	65.000			
Portugal	103.000			
UK	486.000			
Sweden	30.000			
Baltics	160.000			
	1.514.000	85.000	1.566.000	
THIRD COUNTRIES	1.000.000		4.500.000	2.000.000
	(USA			(USA, BRASIL,
TOTAL	2.514.000	85.000	6.066.000	2.000.000
				10.665.000

3. Final situation of campaign

Spanish cereals balance

SPAIN	WHEAT B	BARLEY	CORN	TOTAL
Initial stock	650.000	390.000	1.000.000	**2.040.000**
Production	5.100.000	11.400.000	3.300.000	**19.800.000**
Import	2.580.000	85.000	6.000.000	**8.665.000**
TOTAL OFFER	8.330.000	11.875.000	10.300.000	**30.505.000**
				-
Export		900.000	100.000	**1.000.000**
Human consumption	4.000.000	790.000	1.500.000	**6.290.000**
Feed Ind. Consumption	2.400.000	4.500.000	5.400.000	**12.300.000**
Farm consumption	800.000	3.590.000	1.200.000	**5.590.000**
Seed	480.000	600.000	124.000	**1.204.000**
TOTAL DEMAND	7.680.000	10.380.000	8.324.000	**26.384.000**
				-
Final stock	650.000	1.495.000	1.976.000	**4.121.000**

3. Final situation of campaign

Spanish balance raw material

OFFER		DEMAND	
INITIAL STOCKS	**2.040.000**	**SEEDS**	**1.200.000**
Wheat	650.000	Wheat	480.000
Barley	390.000	Barley	600.000
Corn	1.000.000	Corn/Others	120.000
PRODUCTION	**22.450.000**	**EXPORT**	**1.600.000**
Wheat B	5.100.000	Barley	900.000
Wheat D	1.200.000	Corn	100.000
Barley	11.400.000	Wheat D	600.000
Oats	1.200.000		
Corn	3.300.000	**HUMAN CONSUMPTION**	**6.750.000**
Rye	250.000	Flours	4.000.000
		Semolinas	450.000
CEREALS IMPORT	**10.550.000**	Maltery	800.000
Corn F	1.500.000	Industry	1.500.000
American corn	4.500.000		
Wheat EU	1.500.000	**INDUSTRIAL FEED**	**19.990.000**
American wheat	1.000.000	Wheat	2.400.000
Sorghum	2.000.000	Barley	4.500.000
Oats	50.000	Corn	5.400.000
		Oats	500.000
SOYA IMPORTS	**5.130.000**	Rye	100.000
Argentina	2.500.000	Bran	1.000.000
Brasil	250.000	Flour Prot.	560.000
Spanish crashing	2.380.000	Soya meal	5.130.000
		Others	400.000
FLOURS PROT.	**560.000**		
National	360.000	**FARM CONSUMPTION**	**6.090.000**
Import	200.000	Wheat	800.000
		Barley	3.590.000
		Corn	1.200.000
		Oats	500.000
		BIOFUEL	**650.000**
		Barley	150.000
		Corn	300.000
		Sorghum	200.000
TOTAL OFFER	**40.730.000**	**TOTAL DEMAND**	**36.280.000**
BALANCE	**4.450.000**		

3. Final situation of campaign

Details about Lifestock Sector

EUROPEAN LIFESTOCK Millions heads 2005					
	BOVINE	**SHEET SECTOR**	**GOAT SECTOR**	**PIG SECTOR**	**TOTAL**
EUROPE	88.663	88.340	12.300	148.724	338.027.000
SPAIN	6.463	22.749	2.841	24.884	56.937.000
	7,20%	**25%**	**23%**	**16,70%**	**16,80%**

Spanish lifestock (MAPYA Ag. 2007 millions heads)						
	2003	*2004*	*2005*	*2006*	*2007*	*2008*
BOVINE	6.548	6.653	6.463	6.410	6.462	¿
PIG SECTOR	24.056	24.895	24.884	25.066	26.804 April 26.952 August	¿

Maximum number of pig heads (1.9 in extensive)!!

Industrial Production Feed Componer Mmt				
	2005	*2006*	*2007*	*2008*
EUROPE	134,6	136	138	138,5
SPAIN	21	20,2	20	¿19?
Bovine	6,20	5,90	5,40	-
Pig Sector	8,87	8,70	9,00	-
Poultry	4,30	3,90	4,40	-
Others	1,70	1,70	1,20	-

Spain has 16.8% EU lifestock and makes 14.5% feed

4. The upward bases

Wheat Consumption > Production: 7 of last 10 years

Final World stock Wheat (109.7MMt) minimum in 30 years

USA final stock: lowest in 60 years

World population increased: 80 Mpax/year

Change about habits consumptions in emergent countries

Increase energy consume

Climb the upward of oil

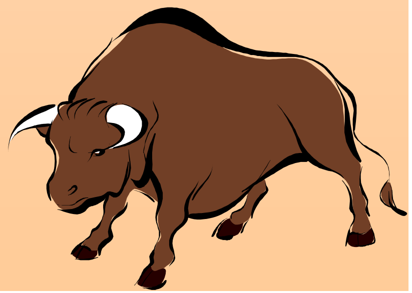
Biofuels (90 MMT Cereals + 9 MMt Oils)

Major production costs (oil, fertilizer ...)

Funds Investment

Restrictions exporting countries

Climatic change: La Niña



4. The downward bases

Increase sowings surface (5.7 MMHas world)

2008 forecast wheat harvest record (40MMt)

Approval Corn (GMO) GA 21

Decrease lifestock

Freight to the fall

Type of change $/€

5. Conclusions 1

SPANISH FINAL STOCK HIGHCAMPAIGN

➔prices to the Fall?

NOT NECESSARILY!

- **World Upward scene**
- **Dry winter**
- **Risk: Absence spring rains**
- **Delay / advance harvest**
- **Spanish harvest forecast 2008 : -2.44 MTn.**
    - **- 800.000 Mt Wheat**
    - **- 1.600.000 Mt Barley**

5. Conclusions 2 (reflections)

- **MARKET = fundamentals + " IF speculation"**
  - **What importance does it have each one in every moment?**
  - **The "prediction" of market behavior becomes much more complex: need of fundamental analyses + thecnical analyses of the market (complex for the small operator)**
- **Stock Exchanges of raw materials = investing refuge: " rich in the evening ”**
- **Creation of specific funds in raw materials ➔ access to the small investor.**
- **Stock Exchanges “guides” and tool? Or distorting the phisical market ?**
  - **Example: Matiff initiates +15 to close – 5 € coming for-11**
  - **Selling company 241 €/Tn in the morning and don’t sell in the evening 253.**
  - **What does it mean the extension of “ limit up ” of stock Exchanges?**
- **Does it force this situation to use tool of risk control? ... or in sense more "accessible" to link purchases and sales? ... is it always possible?**

5. Conclusiones 3

- **ALTERNATIVE 1: good climate=good harvest 2008**
  - **-35/40 €/Mt on February 07**
  - **Barley 180-195 €/Mt**
  - **Wheats BASE 210-222 €/Mt**

- **ALTERNATIVE 2: bad climate=normal/bad harvest 2008**
  - **0 €/Mt on February 07**
  - **Barley 210-216 €/Mt**
  - **Wheat BASE 240-246 €/Mt**

Thanks for your attention

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