



# Food Outlook

Global Market Analysis

INTRODUCING

AMIS

## FOCUS

In spite of improved supply prospects and weakening demand, agricultural commodity market conditions remain fairly tight, which is the major factor underpinning prices. Production forecasts for nearly all key food crops in 2011 have risen steadily since the previous report in June. For cereals, while the forecast for ending stocks in 2012 has also been revised up significantly, larger anticipated inventories reflect not only improved production prospects but also expectations of a slowing demand growth because of the unfavourable macroeconomic environment. In spite of these developments, however, international prices of all commodities covered in this report continue to be high and, in most cases, above the previous year. Strong underlying demand in certain countries, where economic growth is robust, is price supportive. Aside from being high, most prices are also extremely volatile, moving in tandem with unstable financial and equity markets. Fluctuations in exchange rates and uncertainties in energy markets are also contributing to sharp price swings in agricultural markets.

Given all these uncertainties, it is difficult to predict how markets will evolve in the near-term. While there is some room for optimism that, for most commodities, prices could remain below their recent highs, the general picture still points to firm markets well into 2012. For most food commodities, next year's production will have to increase in order to meet the expected demand, albeit moderately. However, if this demand were to rise faster than currently envisaged, which is a possibility even assuming a slow economic recovery, then a more significant production expansion will be required. The question therefore is: do the current market signals convey the correct information for producers to adjust their production plans for next year? More critically, will there be enough time for an adequate production response in the event of an unexpected surge in demand? Input costs, from fertilizers to energy, remain high, interest rates have climbed in many emerging economies, all of which could dampen production next year and, hence, draw down stocks and boost prices further. This year's global food import bill is expected to approach USD 1.3 trillion, with the cost of food purchases for the Least Developed Countries (LDCs) soaring by over a third from last year.

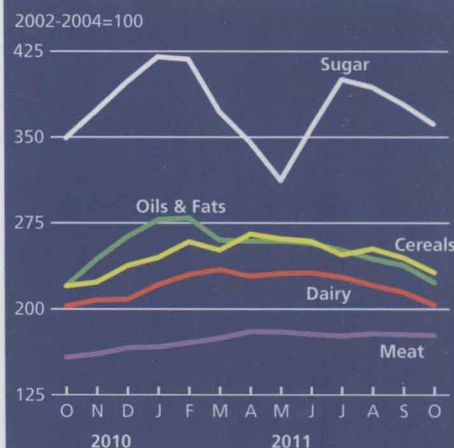
Reducing market uncertainty may not be among the fastest remedies for lowering the number of hungry. Yet, letting international markets continue in their present state, volatile and unpredictable, will only aggravate an already grim outlook for world food security. This is the reason why world leaders have been dwelling at length on the issue of price volatility since the start of the year. Such discussions gained momentum in recent months as attention turned towards finding ways to improve the accuracy of supply and demand forecasts for major food crops as an important first step in promoting stable and transparent food markets.

In June 2011, the Group of 20 (G-20) established a global information system under the banner of Agricultural Market Information System (AMIS). This initiative, proposed by a number of international organizations, has been endorsed by all G-20 Members and, subsequently, by the Committee on World Food Security (CFS). This issue of Food Outlook also introduces AMIS by explaining how it came about, its structure and objectives.

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### FAO Food Price Indices (October 2010 - October 2011)



# Cereal market summary

The outlook for the global cereal supply in the 2011/12 marketing season has improved slightly since the beginning of the season as production forecasts are adjusted upwards and demand expectations point to less robust growth than had been anticipated because of macroeconomic concerns in developed economies.

FAO's latest forecast for 2011 world cereal production confirms a record output of 2 325 million tonnes, up 3.7 percent from the previous year. The overall increase comprises a 6.0 percent rise in wheat production, a 2.6 percent growth in the global coarse grains harvest and a 3.4 percent rise for rice production. The global wheat crop turned out larger than forecast at the onset of the season following better than expected recovery in the Commonwealth of Independent States (CIS) from their drought-reduced harvests of 2010. Also for rice, prospects for this year's crop have improved in the main paddy producing countries in Far East Asia as the season has advanced, leading to the latest expectations of relatively strong production growth in spite of the devastating floods in several countries in South East Asia. For coarse grains, early season forecasts had pointed to a large increase, but adverse dry conditions in the United States, the world's leading producer, have resulted in a smaller than previously predicted global output.

Total cereal utilization in 2011/12 is forecast to reach 2 309 million tonnes, 1.6 percent up from 2010/11. Globally, cereal food consumption is forecast to keep pace with population growth. In spite of slower economic recovery and increasing recession fears in many developed countries, total feed utilization is forecast to resume growth after two seasons of stagnation, rising by 1.7 percent to 780 million tonnes. Strong demand from the livestock sectors in the leading emerging economies is the main driver behind this increase. By contrast, the growth in industrial usage of cereals is expected to be more subdued largely because of stagnating maize-based ethanol production in the United States, the world's largest producer.

The forecast for world cereal ending stocks has been raised, although coarse grain inventories are expected to remain low. World cereal inventories are forecast to increase by 3.3 percent from their opening level, to 507 million tonnes by the end of seasons in 2012.

## World cereal market at a glance<sup>1</sup>

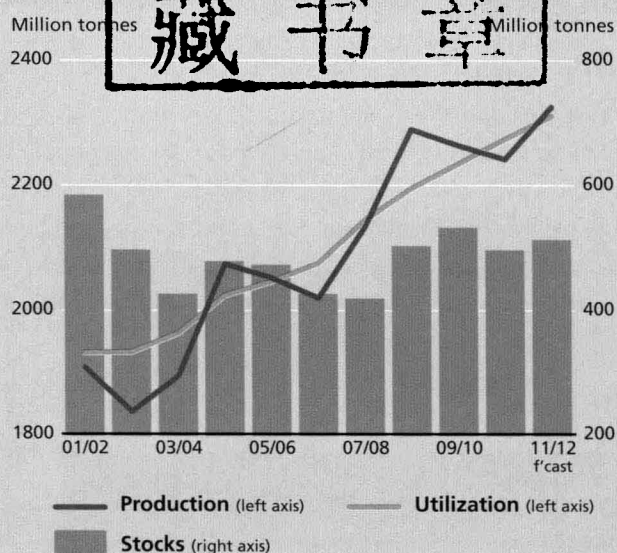
	2009/10	2010/11 estim.	2011/12 f'cast	Change: 2011/12 over 2010/11
	million tonnes			%
WORLD BALANCE				
Production	2 263.5	2 241.3	2 325.1	3.7
Trade <sup>2</sup>	277.4	282.1	284.5	0.9
Total utilization	2 232.9	2 272.7	2 308.6	1.6
Food	1 038.1	1 058.0	1 072.2	1.3
Feed	766.8	766.6	779.8	1.7
Other uses	428.0	448.2	456.6	1.9
Ending stocks	526.2	490.4	506.6	3.3
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	152.0	153.0	153.3	0.2
LIFDC <sup>3</sup> (kg/year)	156.3	157.9	159.1	0.8
World stock-to-use ratio (%)	23.2	21.2	21.6	
Major exporters stock-to-disappearance ratio (%)				
	18.6	15.7	16.2	
FAO CEREAL PRICE INDEX (2002-2004=100)				
	2009	2010	2011 Jan-Oct	Change: Jan-Oct 2011 over Jan-Oct 2010 %
	174	183	252	45.4

<sup>1</sup> Rice in milled equivalent.

<sup>2</sup> Trade refers to exports based on a July/June marketing season for wheat and coarse grains and on a January/December marketing season for rice.

<sup>3</sup> Low-Income Food-Deficit countries.

## Cereal production, utilization and stocks



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# Wheat market summary

A record crop in 2011 will likely boost world wheat supply well above anticipated demand in 2011/12, leading to a recovery also in the level of stocks. The latest FAO outlook indicates a much larger harvest than expected at the start of the season, with global wheat production forecast to increase 6 percent above last year's level. Although, as the season progressed, crop prospects deteriorated in some major producing countries, such as the United States and some EU countries, the recovery in production in the CIS from the drought-reduced level of 2010 has turned out even sharper than predicted, more than offsetting the downward revisions elsewhere. Looking ahead, the winter wheat planting conditions in the northern hemisphere, for harvest in 2012, are generally favourable with the exceptions of the United States, where prolonged dryness in southern parts is hampering field work, and Ukraine, where conditions are also adversely dry. The latest indications point to a 2.2 percent increase in global wheat utilization in 2011/12, driven by more competitive prices boosting feed use, especially in China, the EU and the United States. In spite of higher usage, world wheat stocks are also likely to register a strong expansion, up 8 million tonnes from their reduced opening level, resulting in an increase in world stocks-to-use ratio from 26.7 percent in 2010/11 to 28.2 percent in 2011/12.

World wheat trade is forecast to expand by 4.4 percent in 2011/12. A sharp recovery in export availabilities in the CIS countries is the main feature of the 2011/12 marketing season. In the Russian Federation, this year's recovery in domestic production and the removal of export restrictions could push up exports to 18.5 million tonnes, close to the record in 2008/09. The much improved supply outlook has encouraged many exporting countries to relax or lift export restrictions, a development which has put further downward pressure on international prices in spite of a stronger outlook for world imports and expectation of faster growth in wheat utilization. At around USD 302 per tonne, the average international wheat price for the month of October was sharply below its USD 364 per tonne level in April 2011 and its USD 482 per tonne peak in March 2008.

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## World wheat market at a glance

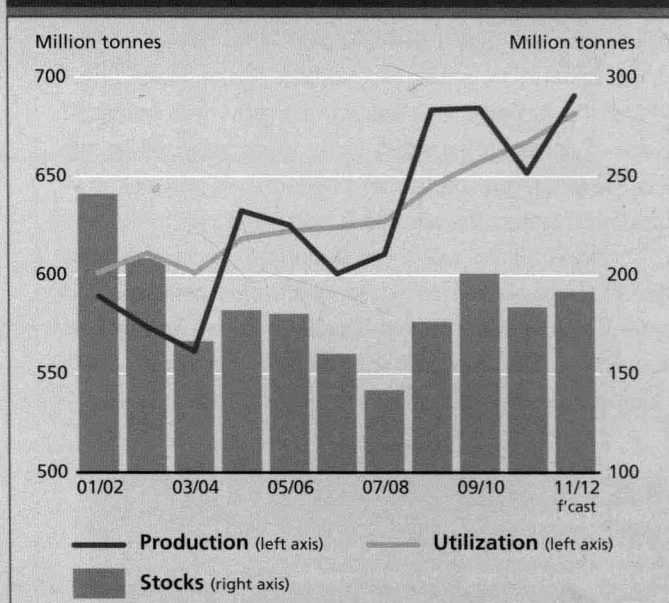
	2009/10	2010/11 estim.	2011/12 f'cast	Change: 2011/12 over 2010/11
	million tonnes			%
WORLD BALANCE				
Production	684.7	651.8	691.0	6.0
Trade <sup>1</sup>	130.1	125.5	131.0	4.4
Total utilization	657.2	667.4	681.9	2.2
Food	463.5	468.8	473.6	1.0
Feed	120.3	124.0	130.9	5.6
Other uses	73.4	74.5	77.4	3.9
Ending stocks	198.8	181.9	189.7	4.3
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	67.9	67.8	67.7	-0.1
LIFDC (kg/year)	54.2	54.1	54.4	0.6
World stock-to-use ratio (%)	29.8	26.7	28.2	
Major exporters stock-to-disappearance ratio <sup>2</sup> (%)	21.4	17.6	19.0	
FAO WHEAT PRICE INDEX <sup>3</sup> (2002-2004=100)				
	2009	2010	2011 Jan-Oct	Change: Jan-Oct 2011 over Jan-Oct 2010 %
	154	169	232	50.9

<sup>1</sup> Trade refers to exports based on a common July/June marketing season.

<sup>2</sup> Major exporters include Argentina, Australia, Canada, EU and the United States.

<sup>3</sup> Derived from International Grains Council (IGC) wheat index.

## Wheat production, utilization and stocks



# Coarse grain market summary

Among all the cereals, the impact of macroeconomic uncertainties in many developed countries is likely to be most pronounced on coarse grain markets, maize, in particular. This is primarily because feed and fuel, the two leading demand sources of coarse grains in major industrial countries, are extremely responsive to economic conditions. Mostly driven by this factor, FAO's latest forecast for total utilization of coarse grains has been adjusted downward to 1 155 million, down 19 million tonnes from FAO's first forecast in June and now only 0.9 percent higher than in 2010/11, compared with 1.4 percent anticipated earlier.

This expectation of very slow growth in world demand for coarse grains is expected to help alleviate some of the earlier supply concerns given the latest world production forecast of 1 152 million tonnes for 2011. Although 2.6 percent higher than 2010, it still barely matches the current forecast for total utilization. Consequently, while the prospects for this season's ending stocks have improved compared with the expectation earlier in the season, still no recovery is expected in the global level of inventories.

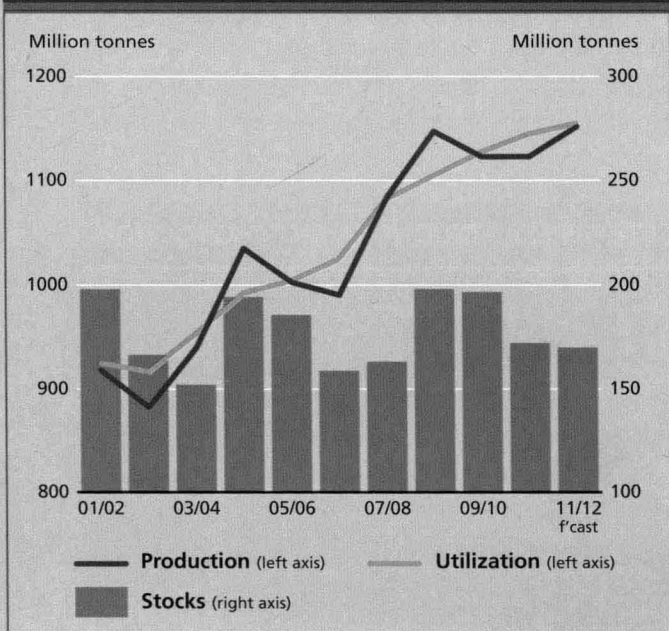
World trade in coarse grains is expected to stagnate at nearly 120 million tonnes in 2011/12, partly reflecting a shift of import demand towards feed wheat, which is increasingly competing with coarse grains in feed rations. As a result, international prices have come under downward pressure although they are still at least 15 percent above the previous year's high level. A faster recovery in economic conditions can inverse the recent downturn in prices, as markets will again focus on the overall supply situation, which remains very tight.

## World coarse grain market at a glance

	2009/10	2010/11 estim.	2011/12 f'cast	Change: 2011/12 over 2010/11
	million tonnes			%
WORLD BALANCE				
Production	1 122.8	1 122.9	1 151.8	2.6
Trade <sup>1</sup>	115.8	122.6	120.0	-2.1
Total utilization	1 126.9	1 144.5	1 154.7	0.9
Food	192.1	199.4	200.8	0.7
Feed	634.7	630.6	636.6	1.0
Other uses	300.0	314.5	317.4	0.9
Ending stocks	194.7	170.1	168.0	-1.2
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	28.2	28.8	28.7	-0.3
LIFDC (kg/year)	37.0	38.2	38.1	-0.3
World stock-to-use ratio (%)	17.0	14.7	13.9	
Major exporters stock-to-disappearance ratio <sup>2</sup> (%)				
	14.9	10.5	8.6	
FAO COARSE GRAIN PRICE INDEX (2002-2004=100)				
	2009	2010	2011 Jan-Oct	Change: Jan-Oct 2011 over Jan-Oct 2010 %
	157	176	284	79.8

<sup>1</sup> Trade refers to exports based on a common July/June marketing season.  
<sup>2</sup> Major exporters include Argentina, Australia, Canada, EU and the United States.

## Coarse grain production, utilization and stocks



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# Rice market summary

In spite of severe flooding undermining crop prospects across Asia again this year, especially in Thailand, expectations of bumper harvests in the five major producing nations are forecast to boost world rice production in 2011 to a new record. If confirmed, world rice output this season would be up by 3.4 percent and more than sufficient to meet consumption needs, even allowing an accrual of world rice reserves for the eighth consecutive year.

Stronger import demand by countries in Asia and Africa has sustained the expansion of international trade to a new high in 2011. As for next year, prospects for good crops in some key importing countries may translate into a small decline in global trade volume. However, recent policy changes by two of the key market players, India and Thailand, have heightened market uncertainty.

Global rice utilization is predicted to increase by 2.4 percent in 2012, driven by larger food demand. On a per capita basis, this is expected to rise by 1 percent to 57 kg per year, in spite of prevailing high, or even rising, retail prices in many countries, which have triggered a series of government responses to keep food inflation in check. Damage to rice held in storage caused by floods in several Asian countries since August also boosted post-harvest losses.

International rice prices have resumed an upward trend since June 2011, reflecting first a tightening of the market and, subsequently, the announcement of a new price policy by Thailand, plus concerns about the effects of the Southeast Asia floods on export availabilities and shipping logistics. India's relaxation of its export ban on regular rice has contributed to dampening the upward pressure on world prices in October.

## STOP PRESS – INDONESIA RICE PRODUCTION

On 1 November, Indonesia downgraded its 2011 production forecast by about 2 million tonnes (milled basis), which may result in larger imports than anticipated and add upward pressure to prices. The forthcoming FAO Rice Market Monitor will assess the implications.

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## World rice market at a glance

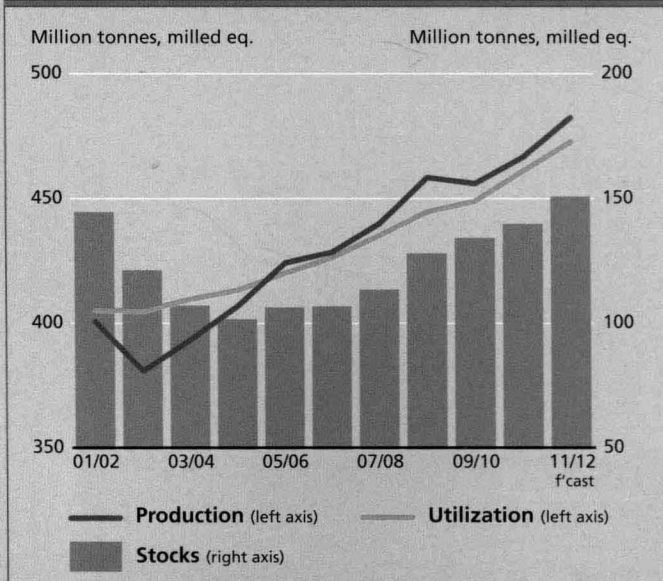
	2009/10	2010/11 estim.	2011/12 f'cast	Change: 2011/12 over 2010/11
	million tonnes			%
WORLD BALANCE				
Production	456.0	466.6	482.4	3.4
Trade <sup>1</sup>	31.5	34.0	33.5	-1.5
Total utilization	448.8	460.9	471.9	2.4
Food	382.4	389.8	397.8	2.1
Ending stocks	132.7	138.4	149.0	7.7
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	56.0	56.4	56.9	0.9
LIFDC (kg/year)	65.2	65.6	66.6	1.5
World stock-to-use ratio (%)	28.8	29.3	31.8	
Major exporters stock-to-disappearance ratio <sup>2</sup> (%)	19.5	18.8	20.9	
FAO RICE PRICE INDEX (2002-2004=100)				
	2009	2010	2011 Jan-Oct	Change: Jan-Oct 2011 over Jan-Oct 2010 %
	253	229	252	12.5

<sup>1</sup> Calendar year exports (second year shown).

<sup>2</sup> Major exporters include India, Pakistan, Thailand, the United States and Viet Nam.

More detailed information on the rice market is available in the FAO Rice Market Monitor which can be accessed at: <http://www.fao.org/economic/est/publications/rice-publications/rice-market-monitor-rmm/en/>

## Rice production, utilization and stocks



# Cassava market summary

Global cassava output in 2011 is expected to rise by over 6 percent from last year and to surpass 250 million tonnes for the first time. The expansion is being driven by increasing industrial applications of cassava in Southeast Asia, especially ethanol, in parallel with rising food demand in Africa, which confirmed the importance of the crop to the food security of many countries in the continent. These trends underscore a growing geographical divide between the contrasting roles of cassava in the agricultural economy of the two regions

In spite of the brisk production growth, world trade in cassava products, entirely sustained by industrial demand, is set to undergo an overall contraction in 2011. This is the result of continued production problems in Thailand, the world's leading international supplier of cassava products. With rising scarcity, reflected in steep rises in Thai quotations in the first half of the year, the industry began to source alternative, more competitive feedstocks, especially grains. The slump in demand for cassava products resulted in considerable falls in quotations since May.

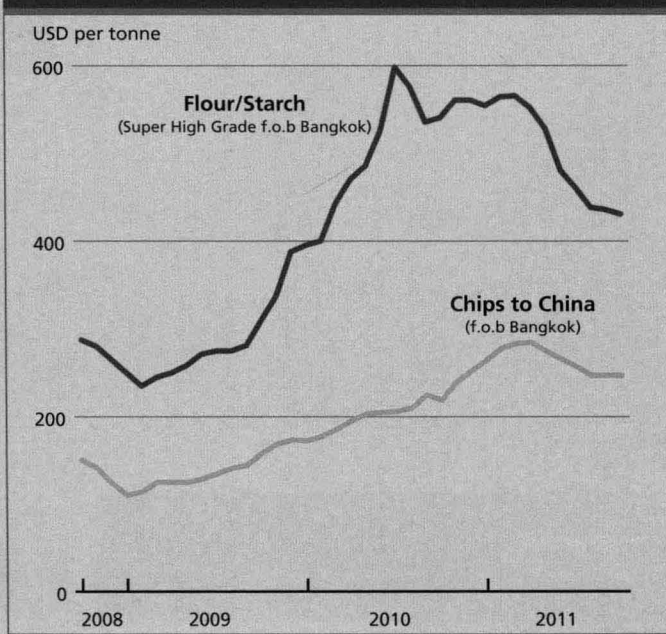
Prospects for 2012 point to a continued expansion of production in Africa, where cassava remains a strategic crop for both food security and poverty alleviation. In Asia, however, the outlook remains far from certain and is being strongly guided by highly competitive procurement by industrial sectors. Prospects for growth in the region will therefore depend on how the relative price between maize and cassava evolves, and also between sugar cane as a substitute in the production of ethanol. Adding to the region's uncertainty is the production outlook for Thailand. With international demand tapering off, domestic root prices have weakened substantially in recent months, casting doubt on the degree of incentive for producers to plant cassava next year. Some respite to the regional production outlook comes from rapidly growing sectors in neighbouring countries, such as Cambodia, Lao People's Democratic Republic and Viet Nam, especially in their ability to compete in the market place with falling international quotations of cassava and substitute products.

## World cassava market at a glance

	2009	2010 <i>estim.</i>	2011 <i>f'cast</i>	Change: 2011 over 2010
	<i>million tonnes, fresh root eq.</i>			%
<b>WORLD BALANCE</b>				
Production	241.9	237.9	250.2	5.2
Trade	25.6	23.2	22.8	-1.8
<b>SUPPLY AND DEMAND INDICATORS</b>				
<b>Per caput food consumption:</b>				
World (kg/year)	17.1	16.9	17.7	5.2
Developing (kg/year)	21.5	21.2	22.2	5.2
LDC (kg/year)	68.1	70.4	73.6	4.5
Sub-Saharan Africa (kg/year)	105.5	108.4	113.1	4.3
Trade share of prod. (%)	10.6	9.8	9.1	-6.6
<b>FAO CASSAVA PRICES<sup>1</sup> (USD/tonne)</b>				
	2009	2010	2011 <i>Jan-Oct</i>	Change: Jan-Oct 2011 over Jan-Oct 2010 %
Chips to China (f.o.b. Bangkok)	137	208	265	32.7
Starch (f.o.b. Bangkok)	281	507	500	0.8
Thai domestic root prices	41	79	80	5.3

<sup>1</sup> Source: Thai Tapioca Trade Association.

## International cassava prices (October 2008 - October 2011)



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# Oilseeds market summary

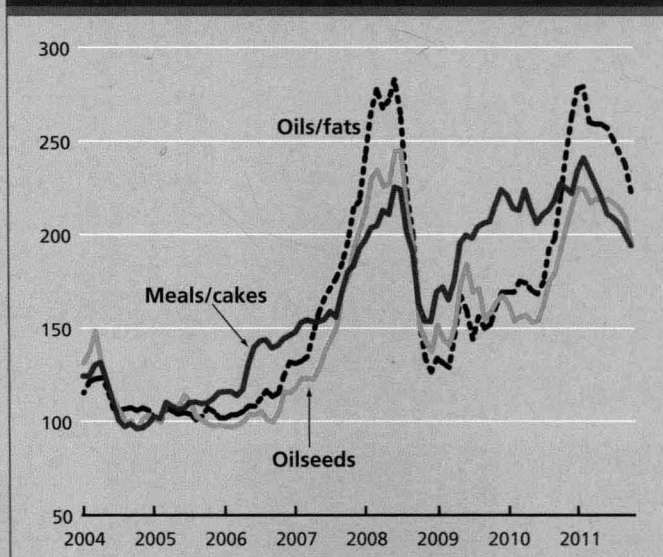
Although likely to exceed last season's record, global oilcrop production in 2011/12 is forecast to grow marginally, with a year-on-year decrease expected for two major oilcrops, soybeans and rapeseed. Growth in global supplies of oils and meals could still be somewhat higher, thanks to ample carry-in stocks from 2010/11. However, with steady expansion in demand for oilseed products, a tightening in the world supply and demand balance seems inevitable. As to international prices for oilcrops and derived products, changes in the short-term prospects and spill-over effects from other markets have led to downward trends in recent months. However, with the onset of the new season, the market should be increasingly driven by the outlook for 2011/12. The anticipated tightening in global supply and demand seems to call for a gradual strengthening in prices of both oils and meals. As the season unfolds, the market will face a drawdown in global inventories as well as a reduction in overall stock-to-use ratios, the reverse of the past two seasons. Furthermore, new risks arise from the fact that global import demand will depend heavily on future supplies from Latin America and the Caribbean. Developments outside the oilseed complex are also adding uncertainty, in particular, the evolution of prices of feedgrain and mineral oil markets and renewed fears of a global economic recession, which could reduce overall commodity demand.

## World oilseed and product market at a glance

	2009/10	2010/11 estim.	2011/12 f'cast	Change: 2011/12 over 2010/11
	million tonnes			%
TOTAL OILSEEDS				
Production	456.7	469.9	472.0	0.4
OILS AND FATS				
Production	172.7	178.6	181.3	1.5
Supply	196.1	204.9	209.8	2.4
Utilization	169.9	175.2	183.6	4.8
Trade	89.4	90.7	94.4	4.1
Stock-to-utilization ratio (%)	15.5	16.2	14.5	-10.5
MEALS AND CAKES				
Production	114.1	117.3	116.9	-0.3
Supply	128.1	136.3	137.6	1.0
Utilization	107.8	113.8	119.1	4.7
Trade	67.0	69.3	72.3	4.3
Stock-to-utilization ratio (%)	17.6	18.1	15.1	-16.6
FAO PRICE INDICES (Jan-Dec) (2002-2004=100)				
	2009	2010	2011 Jan-Oct	Change: Jan-Oct 2011 over Jan-Oct 2010 %
Oilseeds	161	172	218	34.9
Meals/cakes	194	217	220	2.5
Oils/fats	150	193	258	46.3

Note: Refer to table 10 for further explanation regarding definitions and coverage.

## FAO monthly international price indices for oilseeds, oils/fats and meals/cakes (2002-2004=100)



Contact person:

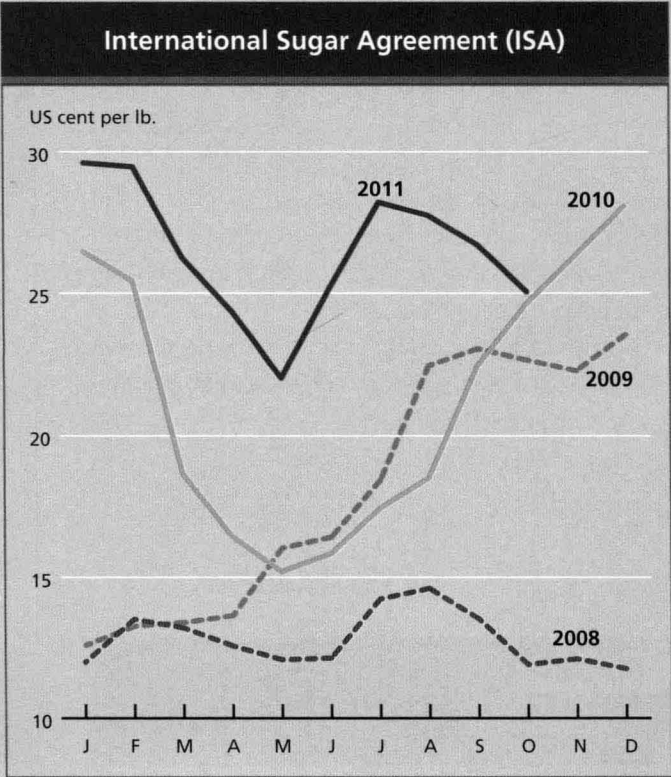
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# Sugar market summary

According to the latest FAO forecasts, world sugar production may reach 173 million tonnes in 2011/12, an increase of 4.1 percent over the 2010/11 season. For the second consecutive year, global production is anticipated to surpass consumption, with a surplus in the order of 7 million tonnes, much larger than last year's. The increase in production is largely attributed to significant expansion in area and input use, prompted by strong international sugar prices over the past two years, and a return to a normal weather pattern.

Growth of world sugar utilization is set to recover from 2010/11, as the lower domestic prices expected for 2011/12 should boost sugar intake in several emerging and developing countries. However, a deterioration of the global economic outlook could curtail demand growth. Larger supply availabilities in several traditional importing countries are also likely to depress world import demand and result in a 6 percent decline in world trade. Against this backdrop, international sugar prices may weaken further in the course of the season, although demand for stock rebuilding is likely to provide some price support.

World sugar market at a glance				
	2009/10	2010/11 <i>estim.</i>	2011/12 <i>f'cast</i>	Change: 2011/12 over 2010/11
	<i>million tonnes</i>			%
WORLD BALANCE				
Production	156.7	166.3	173.1	4.1
Trade	58.1	51.3	48.1	-6.1
Total utilization	162.6	164.1	166.6	1.5
Ending stocks	54.8	56.5	62.3	10.3
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	23.8	23.8	23.8	0.4
LIFDC (kg/year)	16.3	16.0	16.1	0.2
World stock-to-use ratio (%)	33.7	34.4	37.4	
ISA DAILY PRICE AVERAGE (US cents/lb.)				
	2009	2010	2011 <i>Jan-Oct</i>	Change: Jan-Oct 2011 over Jan-Oct 2010 %
	18.1	21.2	26.5	31.8



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# Meat and meat products market summary

The global meat market in 2011 continues to be characterized by drought and disease-depleted animal inventories in many countries as well as constrained sector profitability in others, as input prices remain particularly high. Limping upwards, global meat output is set to rise by only 1 percent, half the previous year output gains, to 295 million tonnes. More than three-quarters of the year-to-year growth will originate in Brazil and China, the suppliers of nearly 40 percent of global output. Among the various meat categories, the retention of animals for herd rebuilding is constraining output of both bovine and sheep meats, while high production costs and diseases are dampening growth in the poultry and pig meat sectors.

Notwithstanding the imposition of trade barriers, vigorous import demand especially from Asian countries and in the Russian Federation is expected to lift trade in meat products by nearly 4 percent to 27.4 million tonnes, with the increases most pronounced for pig and poultry meat.

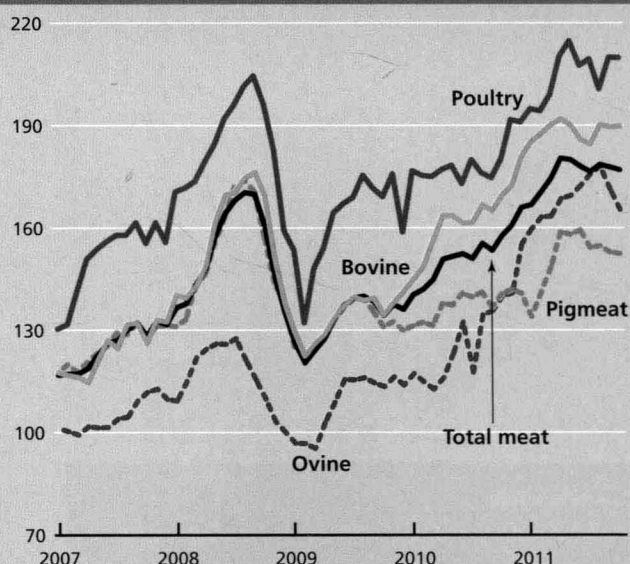
In April 2011, the FAO meat price index rose to a record 180 points, the highest level registered in the more than 20 years the price index series has existed. Since April, prices have eased somewhat, as reflected in the FAO meat price index, which slipped 3 points to 177 by October 2011.

Meat prices remain persistently high. In January-October they averaged 17 percent more in 2011 than in 2010 with year-to-year gains the highest for sheepmeat, up 36 percent, followed by bovine and poultry meats, up respectively by 18 and 16 percent. While high prices and sluggish economic growth have constrained global per capita meat consumption to an average 42 kg per capita, relatively low prices have accelerated the shift of consumers towards poultry, mainly at the expense of beef.

## World meat market at a glance

	2009	2010 estim.	2011 f'cast	Change: 2011 over 2010
	million tonnes			%
WORLD BALANCE				
Production	283.6	290.8	294.7	1.3
Bovine meat	65.0	65.0	64.6	-0.5
Poultry meat	93.6	98.1	101.1	3.1
Pigmeat	106.3	109.2	110.2	0.9
Ovine meat	12.9	13.0	13.0	-0.1
Trade	25.2	26.5	27.4	3.6
Bovine meat	7.2	7.6	7.6	0.9
Poultry meat	11.1	11.6	12.1	3.7
Pigmeat	5.8	6.1	6.6	7.9
Ovine meat	0.9	0.8	0.8	-2.8
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	41.4	42.0	42.1	0.1
Developed (kg/year)	78.4	78.6	78.3	-0.4
Developing (kg/year)	31.1	31.9	32.2	0.8
FAO MEAT PRICE INDEX (2002-2004=100)				
	2009	2010	2011 Jan-Oct	Change: Jan-Oct 2011 over Jan-Oct 2010 %
	133	152	175	15.9

## FAO international meat price indices (2002-2004 = 100)



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# Dairy market summary

Following a peak in the first quarter of 2011, prices for most dairy products fell back for the remainder of the year. The price slide reflected a rise in export availability and a fall in the value of the Euro in relation to the US Dollar since July, which promoted competition among exporters, as import demand remained firm.

World milk production in 2011 is forecast to grow by 2 percent to 728 million tonnes. Most of the increase will come from developing countries, in particular Argentina, China and India. Output of milk will also increase in a number of developed countries, including in the EU, New Zealand and the United States. The continuing effects of drought may reduce output in some parts of Africa.

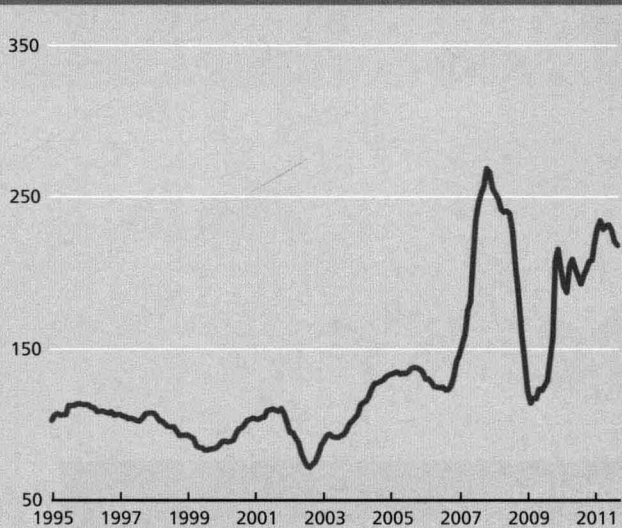
Economic growth and a desire for a more diversified diet in many developing countries are expected to sustain import demand in 2011 to 49.5 million tonnes of milk equivalent, an increase of 5.4 percent. Increased trade is anticipated for all major dairy products, although growth in butter will be muted, as some processors switch to more remunerative products. Overall, most of the main trading countries are likely to record an increase in sales, especially Argentina, Belarus, the EU, New Zealand and the United States.

An extended period of favourable international prices has meant that publically financed inventories of dairy commodities have been drawn down and are now at minimal levels in the EU and the United States. Consequently, international dairy quotations for the coming year will remain particularly sensitive to climatic conditions in relation to pasture growth, the availability and price of fodder and feed, and their effect on milk production.

## World dairy market at a glance

	2009	2010 <i>estim.</i>	2011 <i>f'cast</i>	Change: 2011 over 2010
	<i>million tonnes, milk equiv.</i>			%
WORLD BALANCE				
Total milk production	701.4	713.6	727.6	2.0
Total trade	44.3	47.0	49.5	5.4
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	101.7	102.3	103.1	0.8
Developed (kg/year)	233.9	233.4	233.7	0.1
Developing (kg/year)	66.7	68.0	69.4	2.1
Trade share of prod. (%)	6.3	6.6	6.8	3.4
FAO DAIRY PRICE INDEX (2002-2004=100)				
	2009	2010	2011 <i>Jan-Oct</i>	Change: Jan-Oct 2011 over Jan-Oct 2010 %
	142	200	227	14.0

## FAO international dairy price index (2002-2004=100)



The index is derived from a trade-weighted average of a selection of representative internationally traded dairy products.

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# Fish and fishery products market summary

Strong continued growth in aquaculture production and a rebound in capture fisheries after the decline in 2010 caused by El Niño moved total fish supply for 2011 to an estimated 152 million tonnes, the highest level ever. Although some of the increases from capture fisheries will go to fishmeal and oil production, 2011 can still expect a 1.3 percent increase in per capita consumption of fish for direct human consumption.

Trade has also been brisk, in particular in the first half of the year, but with some weakening of prices for a number of species during the second half. Total import and export values for 2011 are bound to set a new record despite the current softening, with growing volumes pushing total exports to almost USD 120 billion, an 11 percent increase over 2010.

The FAO Fish Price Index reached its highest level ever in March 2011, after which price levels declined for some fisheries commodities. As usual, the picture is not uniform, with supply constraints for some species such as tuna, shrimp, tilapia, herring and mackerel pushing prices upward. At the same time, prices have declined for farmed Atlantic salmon due to supply increases.

## World fish market at a glance

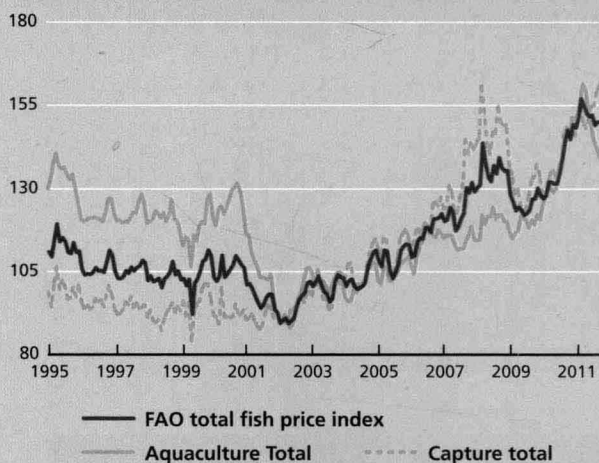
	2009	2010 estim.	2011 f'cast	Change: 2011 over 2010
	million tonnes			%
WORLD BALANCE				
Production	144.8	146.9	151.7	3.2
Capture fisheries	89.1	87.7	90.1	2.7
Aquaculture	55.7	59.2	61.6	4.0
Trade value (exports USD billion)	95.7	107.5	119.7	11.3
Trade volume (live weight)	54.9	55.2	56.0	1.4
Total utilization	144.8	146.9	151.7	3.2
Food	118.0	121.1	124.0	2.5
Feed	20.0	17.7	20.3	14.4
Other uses	6.8	8.1	7.3	-9.3
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
Food fish (kg/year)	17.3	17.6	17.8	1.3
From capture fisheries (kg/year)	9.1	9.0	9.0	-0.2
From aquaculture (kg/year)	8.2	8.6	8.8	2.8
FAO FISH PRICE INDEX <sup>1</sup> (2002-2004=100)				
	2009	2010	2011 Jan-Oct	Change: Jan-Oct 2011 over Jan-Oct 2010 %
	126	137	152	16.4

<sup>1</sup> Data source: Norwegian Seafood Export Council

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## FAO fish price index (2002-2004 = 100)



Data source: Norwegian Seafood Export Council

# Market assessments

## WHEAT

### PRICES

#### Lower prices amid higher production

Larger than anticipated world production and a strengthening US Dollar contributed to the decline in international wheat prices in recent weeks. A recovery in the CIS countries and bigger crops than expected in northern Europe helped improve the supply outlook and put more downward pressure on prices. While at the beginning of the 2011/12 marketing season in June, the benchmark **United States No.2 Hard Red Winter, f.o.b.** was as much as 80 percent higher than in the corresponding period last year, it averaged USD 302 per tonne in October 2011, up marginally from October 2010. Wheat export prices have fallen sharply from USD 364 per tonne in April and their peak of USD 482 per tonne in March 2008.

However, in spite of a declining price trend, wheat markets remain volatile. International wheat prices continued to move in tandem with swings in maize markets. The much tighter maize balance has been the main driver of price changes in wheat markets since the beginning of the current season, mostly because of the increased use of wheat for animal feed. Furthermore, the fact that maize continues to trade close, if not at a premium, to wheat at the Chicago Board of Trade (CBOT) has become one of the emerging features of the current season.

In October, the **CBOT wheat for March 2012 delivery** averaged USD 243 per tonne, 9 percent below the corresponding period last year. Larger than expected inventories and generally favourable planting conditions for harvests in 2012 are expected to moderate any upside pressures on wheat prices that might arise. However, amidst the backdrop of much tighter maize markets and macroeconomic uncertainties, wheat prices are likely to remain firm through the remainder of the 2011/12 season.

### PRODUCTION

#### Global wheat output set to reach a new high in 2011

FAO's latest forecast for global wheat production in 2011 stands at 691 million tonnes, 6 percent above last year's level and some 6 million tonnes above the previous high, which was set in 2009. Even with some important southern hemisphere crops still to be gathered, the forecast for the 2011 world wheat crop is now quite firm and indicates a much larger harvest than expected at the start of the season. Although, as the season progressed, crop prospects deteriorated in some major producing countries such as the United States and some EU countries, the predicted sharp recovery in production in the CIS countries from the drought-reduced level of 2010 has turned out even larger than expected, more than offsetting the downward revisions elsewhere.

In the **EU**, the aggregate wheat output is now estimated just over 1 percent up from 2010 at 138.6 million tonnes. Early season hopes for a larger crop were dashed when drought struck major producing areas from the United

Figure 1. Wheat export price (US no. 2 H.W. Gulf)

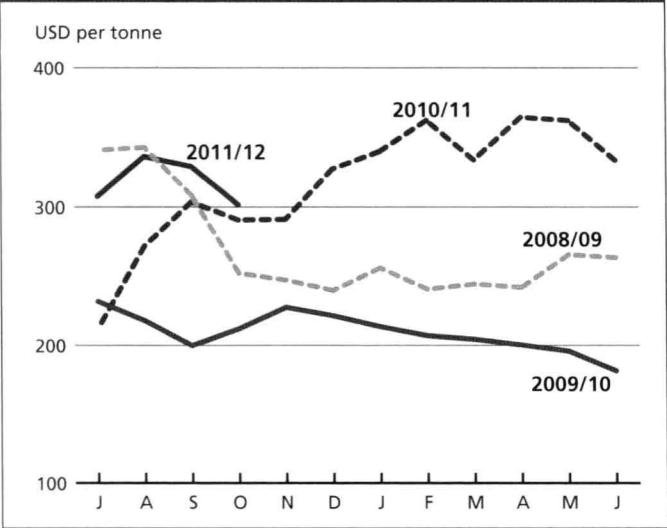
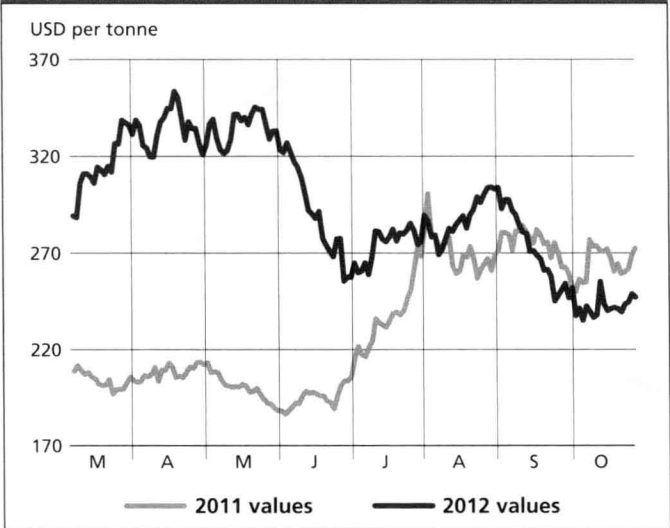


Figure 2. CBOT wheat futures for March





Kingdom through France and Germany and into Poland. However, particularly favourable conditions led to unexpectedly good outputs in some eastern EU countries, particularly Hungary and Romania, that partially offset the drought-reductions elsewhere. In the rest of Europe, production in the CIS countries has exceeded earlier expectations, recovering sharply from the drought-reduced level of 2010 in the **Russian Federation** and **Ukraine**.

In *North America*, the **United States** recently completed its delayed spring 2011 wheat harvest, which was down by some 9 percent compared with 2010. In **Canada**, good summer weather improved the outlook for 2011 grain crops after an uncertain start of the season because of a late damp spring. Latest official forecasts now put the 2011 wheat harvest at just over 24 million tonnes, nearly 4.3 percent above last year's level.

In *Asia*, after concern about exceptionally dry conditions in some parts of **China** early in the season, the 2011 wheat harvest in the country has set a new record, up 1.4 percent from the previous record, which was set last year. Production in **India** and **Pakistan** has also risen to new highs. In the CIS group in Asia, production in **Kazakhstan** has recovered sharply from last year's drought-reduced harvest.

Elsewhere in the northern hemisphere, aggregate output in *North Africa* rebounded significantly from last year's drought-reduced level following upturns in the main producing countries. In the *Near East*, Turkey has harvested another bumper crop but, in most other countries, outputs were below average, reflecting late and erratic rainfall.

In the southern hemisphere, the bulk of the 2011 wheat crops are to be harvested between now and the end of the year. In *South America*, prospects in **Argentina** have deteriorated somewhat in recent weeks due to adversely dry conditions. Yields are expected to be well down from last year's records and given a similar area planted, the country's wheat crop is forecast to drop by almost 12 percent. In *Oceania*, prospects for the wheat crop in some eastern parts of **Australia** worsened during the latter part of the season, but conditions in Western Australia still favour a sharp recovery after last year's drought in that region. The country's aggregate wheat output is forecast to remain close to the overall good 2010 level.

## Wheat planting for 2012

In many parts of the northern hemisphere, the winter wheat crops for harvest in 2012 are already being planted, or are due to be sown in the next few weeks. Planting conditions are reported as generally favourable in most of the concerned areas, with the exception of the **United**

**Table 1. World wheat market at a glance**

	2009/10	2010/11 estim.	2011/12 f'cast	Change: 2011/12 over 2010/11
	million tonnes			%
WORLD BALANCE				
Production	684.7	651.8	691.0	6.0
Trade <sup>1</sup>	130.1	125.5	131.0	4.4
Total utilization	657.2	667.4	681.9	2.2
Food	463.5	468.8	473.6	1.0
Feed	120.3	124.0	130.9	5.6
Other uses	73.4	74.5	77.4	3.9
Ending stocks	198.8	181.9	189.7	4.3
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	67.9	67.8	67.7	-0.1
LIFDC (kg/year)	54.2	54.1	54.4	0.6
World stock-to-use ratio (%)	29.8	26.7	28.2	
Major exporters stock-to-disappearance ratio <sup>2</sup> (%)	21.4	17.6	19.0	
FAO WHEAT PRICE INDEX <sup>3</sup> (2002-2004=100)				
	2009	2010	2011 Jan-Oct	Change: Jan-Oct 2011 over Jan-Oct 2010 %
	154	169	228	43.9

<sup>1</sup> Trade refers to exports based on a common July/June marketing season.

<sup>2</sup> Major exporters include Argentina, Australia, Canada, EU and the United States.

<sup>3</sup> Derived from International Grains Council (IGC) wheat index.

**Table 2. Wheat production: leading producers<sup>1</sup>**

	2010 estim.	2011 f'cast	Change: 2011 over 2010
	million tonnes		%
European Union	136.9	138.6	1.2
China (Mainland)	115.2	116.8	1.4
India	80.8	84.3	4.3
United States	60.1	54.7	-9.1
Russian Federation	41.5	57.0	37.3
Australia	26.3	26.2	-0.4
Canada	23.2	24.2	4.3
Pakistan	23.3	24.2	3.9
Turkey	19.7	21.8	10.7
Ukraine	17.0	22.5	32.4
Kazakhstan	9.6	22.2	131.3
Iran Islamic Rep. of	13.5	13.5	0.0
Argentina	14.7	13.0	-11.6
Egypt	7.2	8.4	16.7
Uzbekistan	6.7	6.3	-6.0
Other countries	56.1	57.4	2.2
<b>World</b>	<b>651.8</b>	<b>691.0</b>	<b>6.0</b>

<sup>1</sup> Countries listed according to their position in global production (average 2009-2011).

**States**, where prolonged dryness in southern parts is hampering fieldwork, and **Ukraine**, where conditions are also adversely dry. With current wheat prices similar to their levels a year ago and utilization expected to outstrip supply in 2011/12, the crop should remain an attractive option for producers. As a result, farmers are expected to maintain, or even increase, the area under wheat. In the United States, early indications point to a considerable increase in wheat plantings for harvest in 2012, contrasting with the relatively small coverage in the past two years.

In *Europe*, plantings may also increase in the CIS countries, where farmers will be keen to continue benefiting from attractive prices and strong demand in the region after the huge production shortfall in 2010. In the **EU**, however, with other crops competing strongly for land, the wheat area is expected to remain relatively unchanged. In *Asia*, planting of winter wheat for harvest in 2012 is already underway or due to start in October in the main producing countries. Prospects in **India** are favourable but persistent dryness in parts of **China** and severe floods in the Sindh province of **Pakistan** could impact sowing in the affected regions.

TRADE

World wheat trade to rebound in 2011/12

World wheat trade (exports, including wheat flour in wheat equivalent) in 2011/12 (July/June) is forecast to reach 131 million tonnes, 4.4 percent higher than estimated for 2010/11 and 6 million tonnes more than FAO's first trade forecast for 2011/12, published in the June 2011 *Food Outlook*.

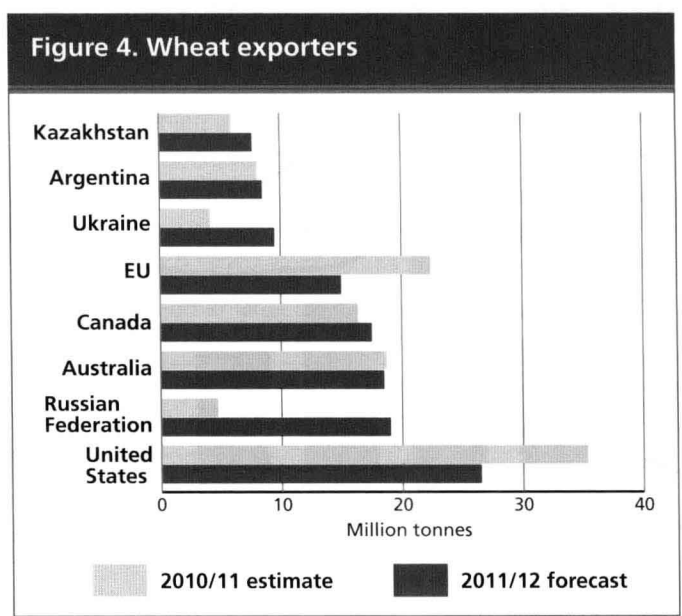
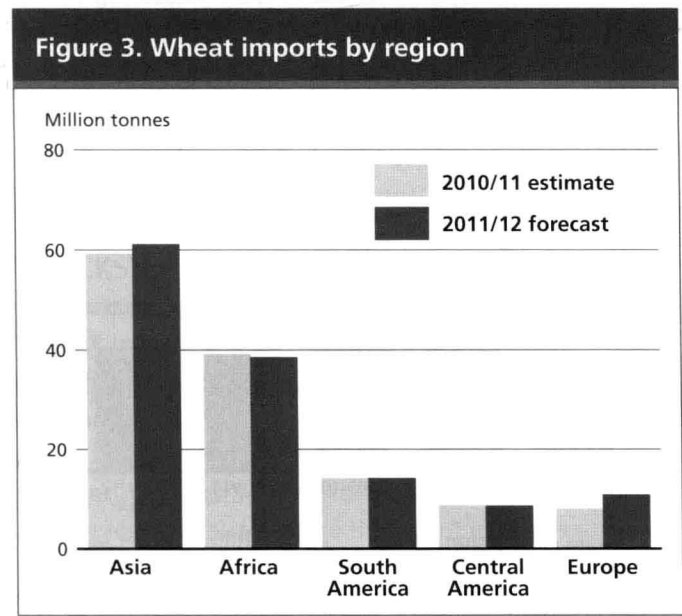
The bulk of the trade expansion in 2011/12 over the previous season is expected to be supported by strong import demand in *Europe*, primarily in the **EU**. The EU's total wheat imports are forecast to increase by nearly 3 million tonnes in 2011/12, given this year's small increase in wheat production in the EU but large supplies in the Black Sea region.

In *Asia*, the biggest wheat importing region, total wheat imports in 2011/12 are forecast to approach 60 million tonnes, up nearly 2 million tonnes from 2010/11. The biggest increases are forecast for **Afghanistan**, **Iraq**, **Israel**, **Saudi Arabia**, **Syrian Arab Republic** and **Yemen**, mostly to compensate for lower domestic outputs, and in **China** and **Indonesia** because of a continuing strong growth in domestic demand. However, smaller wheat purchases are forecast for **Bangladesh** and **Turkey**, largely because of higher domestic crops, and for **Viet Nam**, because of relatively large carryover inventories.

Total wheat imports by *Africa* are forecast to exceed 37 million tonnes, down 500 000 tonnes from 2010/11. The decrease will be mostly due to lower imports by several countries in North Africa, notably **Egypt**, **Morocco** and **Tunisia**, following bigger harvests, more than offsetting larger shipments to several countries in sub-Saharan Africa, particularly **Ethiopia**, because of lower production and rising domestic prices.

In *Latin America and the Caribbean*, total wheat imports in 2011/12 are forecast to remain unchanged from the previous season, at around 20.4 million tonnes. Imports by **Brazil**, the region's largest wheat importer, are forecast to increase slightly, to compensate for a decline in production.

Regarding exports, a sharp recovery in availabilities in the CIS countries is the main feature of the 2011/12





marketing season. In fact, the prospect for exports from the Black Sea region improved steadily as the season progressed and harvests completed, confirming a strong recovery from last year's drought-reduced levels. In the **Russian Federation**, a strong upturn in production (up 37 percent from last year) and the removal of export restrictions since the start of the season are expected to boost wheat shipments to at least 18.5 million tonnes, close to the record in 2008/09 after the previous season's reduced level. The Government has recently announced that, if total grain exports approach 24 million tonnes, it may impose export taxes. Wheat shipments from **Ukraine** are forecast to triple, to 9 million tonnes, and a 30 percent growth in exports is expected by **Kazakhstan**, to 7.2 million tonnes. As a result, the aggregate wheat sales of the three major CIS wheat producers may reach 33 million tonnes, well above the world's largest exporter, the United States. Wheat exports from the **United States** are forecast to decline this season to 26 million tonnes from 35 million tonnes in 2010/11, due to a cut in domestic production and stronger currency, which reduces its price competitiveness against other export origins. A significant reduction in shipments is also expected in the **EU**, where a relatively tight domestic supply compared with last year is expected to curb sales by almost one-third to just under 15 million tonnes. However, shipments from the other traditional major exporting countries, namely **Argentina, Australia and Canada**, are forecast to remain close to the previous season's levels or even rise slightly.

## UTILIZATION

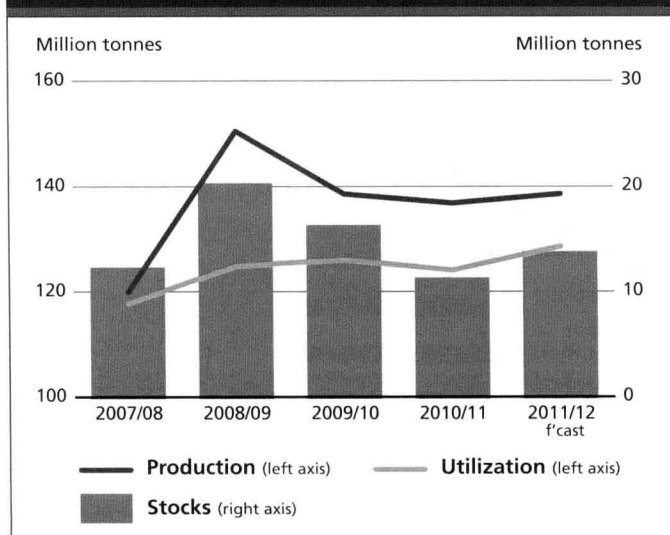
### Higher feed use boosts world wheat utilization in 2011/12

Contrary to the forecast at the start of the season, for a slight expansion in total wheat utilization in 2011/12, the latest indications point to a significant increase, mostly in response to larger availabilities than anticipated earlier and competitive feed wheat relative to maize. At the current forecast level of 682 million tonnes, total wheat utilization would be 2.2 percent higher than in 2010/11. The 2.2 percent expansion exceeds the ten-year trend as well as the 1.5 percent and 1.8 percent increases in 2010/11 and 2009/10 respectively but lower than the 2.9 percent expansion in 2008/09.

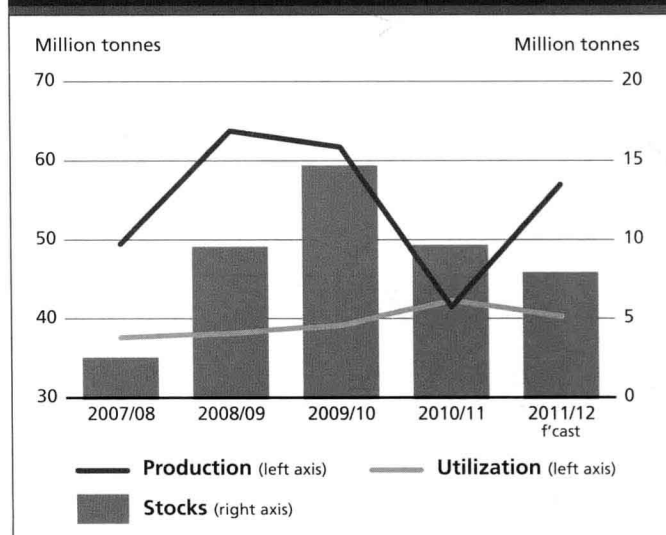
World utilization of wheat for **direct human consumption** is forecast at 474 million tonnes, up 1 percent from 2010/11. This implies a 68 kg annual consumption per person, which is similar to the levels of the past two seasons, thus indicating that the global food use of wheat is continuing to keep up with average world population growth. Among the most populous countries, per capita wheat consumption in China<sup>1</sup> is likely to continue a slow decline, at just under 64 kg, compared with 73 kg at the start of the millennium. The gradual fall in per capita wheat consumption in China is mainly due to larger intake of more value-added food products. However, in India, per capita

<sup>1</sup> All references to China from here onwards refer to Mainland China unless otherwise specified.

**Figure 5. EU wheat production, utilization and stocks**



**Figure 6. Russia wheat production, utilization and stocks**



consumption of wheat has been rising over the past decade and is now over 61 kg. While unexpected drops in year-on-year consumption may be rare, they can happen as a result of conflicts, unexpected production and/or economic problems. In 2011/12, the largest consumption declines among major wheat consuming countries are anticipated in Libya with a fall of 4 kg, and in Bahrain and Oman, which will have declines of 2–3 kg.

The latest forecast for total **feed utilization** of wheat stands at 131 million tonnes, 5.6 percent higher than the revised 2010/11 estimate and up 4 million tonnes from FAO's first forecast in June. As a share of total cereal utilization, feed usage of wheat remains relatively limited and concentrated in few countries or regions with the EU being the largest market for feed wheat. However, in recent years, the usage of wheat for animal feed has been increasing due to its price competitiveness compared with coarse grains. In 2011/12, the strong recovery in wheat production in the CIS and larger global supplies of feed wheat, in the face of very tight maize availability, are among the main factors for the surge in wheat usage for animal feed. The fastest expansions are expected in China, the EU and the United States.

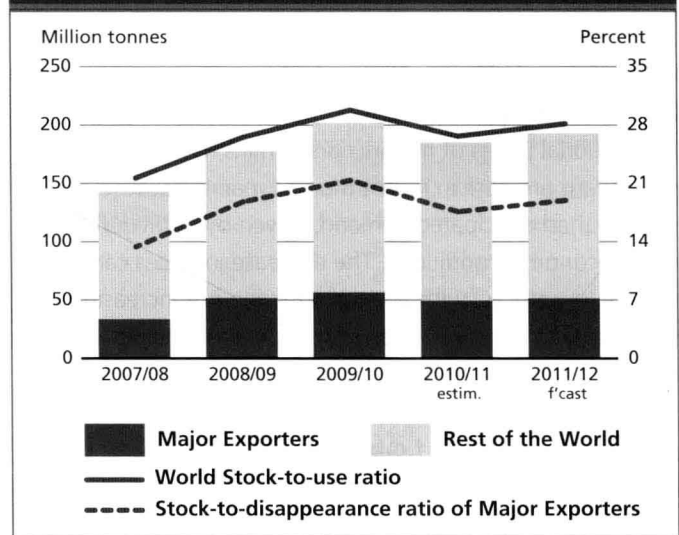
The **other uses** of wheat include industrial use and seeds. The combination of other uses and post harvest losses account for 11 percent of world wheat production in 2011/12. The industrial use of wheat has expanded over the past decade, mostly driven by larger utilization of wheat as feedstock for biofuels (ethanol). According to the International Grains Council (IGC), total wheat used for industrial production in 2011/12 could reach 21 million tonnes, 1 million tonnes higher than in 2010/11. Starch manufacturing constitutes the primary industrial use of wheat followed by biofuels. The IGC forecasts that wheat used for production of biofuels (excluding non-fuel uses) will reach 7.3 million tonnes in 2011/12, 22 percent higher than in 2010/11 mostly is concentrated in the EU (5.3 million tonnes), followed by Canada (2.1 million tonnes) and China (1 million tonnes).

## STOCKS

### Wheat inventories to increase in 2011/12

FAO's forecasts for ending stocks in 2012 have been revised up steadily since the beginning of the season. The main reason is bigger harvests than earlier anticipated in many countries. The latest forecast for global stocks takes into account recent adjustments to the size of wheat inventories in the CIS, China, the EU and the United States. Based on the latest production estimates for 2011 and the utilization

Figure 7. Wheat stocks and ratios



forecasts for 2011/12, world wheat stocks are likely to approach 190 million tonnes by the close of the crop seasons in 2012, 10 million tonnes, or 4.3 percent, above their opening levels. This forecast is 4 million tonnes higher than was reported in the October issue of FAO's *Crop Prospect and Food Situation*. The latest upward adjustments reflect expectation of larger ending stocks in several countries; namely **Australia**, **Canada**, the **Russian Federation**, and the **United States**, more than offsetting downward revisions to the previous forecasts for **China** and the **EU**.

Based on the current supply and demand estimates, the **global stocks-to-use ratio** for 2011/12 is expected to reach 28.2 percent, up sharply from 26.7 percent in 2010/11. It would be well above the low of 21.6 percent registered in 2007/08 as well as its five-year average (2004/05–2008/09) of 26.2 percent. Total wheat stocks held by the five traditional exporters (Argentina, Australia, Canada, the EU and the United States) are forecast to increase slightly from their opening levels, to nearly 50 million tonnes. At the current forecast, the ratio of stocks held by the major exporters to their disappearance (i.e. domestic utilization plus exports) is put at 19 percent, up slightly from 17.6 percent in 2010/11 but well above the low of 13.4 percent in 2007/08.

Among the other large stockholders, wheat inventories in **China** are forecast to remain stable at around 50 million tonnes. Also in **India**, where this year's wheat production is also at a record, ending stocks are anticipated unchanged, at around 18 million tonnes.



# COARSE GRAINS

## PRICES

### Prices declined in spite of low stocks

International prices of major coarse grains have come under downward pressure in recent months mainly because of weaker than anticipated demand, driven by unfavourable macroeconomic conditions. The decrease in prices came despite low stocks, with 2011 production not increasing sufficiently to bring about any significant recovery in world inventories from their current low levels.

In October 2011, the benchmark **United States maize prices (yellow, No. 2, f.o.b.)** averaged USD 275 per tonne, down 8 percent from the previous month. For most of 2011, however, maize was traded at values well over 50 percent above those of the previous year. In June, the gap widened to double last year's level but by October, maize prices had fallen to only 15 percent above October 2010. Among other major coarse grains, **sorghum** prices have followed a similar trend and, by October, they stood at roughly 15 percent above last year's levels. **Barley (feed)** prices in October were also hovering close to 2010 levels. Barley markets have remained more subdued this season, benefiting from a production recovery in the Russian Federation and large global supplies of feed wheat.

The outlook for supply and demand in 2011/12 has been exceptionally uncertain since the beginning of the season. The tight maize situation in the United States, the world's largest producer, consumer and exporter of maize, has proven to be one of the foremost determining factor of price changes. Between May and September, the planted area

and/or yields of maize in the United States were subject to several unexpectedly large monthly revisions to production forecasts. The US Department of Agriculture (USDA) Quarterly Stocks Report, released on September 30, pointed to much larger ending stocks for the 2010/11 season than previously anticipated. This resulted in a sharp fall in maize futures on 30 September, with the December maize futures contract in CBOT falling by its maximum daily limit, to USD 233 per tonne, down 6.3 percent from the previous trading day closing. Nonetheless, prices have recovered some of their earlier losses and, as of 26 October, CBOT maize futures for March 2012 delivery were up again to USD 252 per tonne. The prospect of continuous tightness in maize markets kept maize above wheat quotations for several months since the beginning of 2011, making wheat more price competitive than maize. By late October, **CBOT maize futures for March 2012 delivery** were quoted at around USD 261 per tonne, 4 percent or USD 11 per tonne higher than wheat futures for March delivery. As mentioned, maize futures plunged on 30 September, although they subsequently recovered, largely sustained by continuing strong import demand in Asia and the recent weakening of the US Dollar. Although, under the current macroeconomic climate, it is difficult to predict how prices will behave in coming months, the tight maize supply is likely to keep prices firm, lending support to other markets, especially, to wheat.

## PRODUCTION

### Coarse grains output increases in 2011

FAO's latest forecast for 2011 world production of **coarse grains** stands at 1 152 million tonnes, which would be

Figure 8. Maize export price (US no. 2 yellow, Gulf)

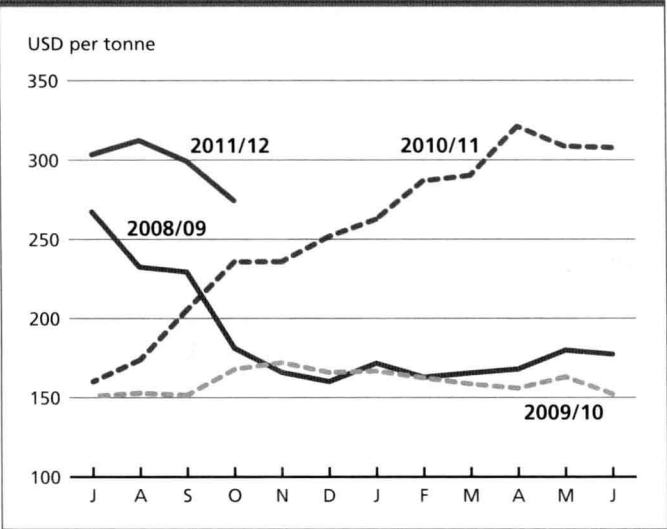


Figure 9. CBOT maize futures for March

