Current Global Grain Market Outlook, Dec. 2011

- World barley production up 8% (U.S. crop down 14%), usage up 1% (U.S. down 9%) and carryover down 11% (U.S. down 38%). Consumption will outpace production for the second consecutive year.
- World wheat production up 6% (U.S. crop down 9%), usage up 4% (U.S. up 4%) and carryover up 4% (U.S. up 2%).
- World corn production up 5% (U.S. crop down 1%), usage up 3% (U.S. down 2%) and carryover down 1% (U.S. down 25%).

Key Drivers to Watch -

- **Outside market influences / investor attitudes –** investment money flow continues to be highly erratic due to prolonged uncertainties about Europe's worsening debt crisis and faltering global economic growth. Volatility is likely to remain high as a result.
- **U.S. beer demand remains stagnant** (down 1.5% overall in 2010 and down 1.1% in first half of 2011, while craft beer segment grew by 15% (up 11% in 2010).
- **How much corn will China need to import to meet its expanding livestock feed demand?** China purchased at 1.2 MMT of U.S. corn in MY 2010 and about 2.77 MMT so far in MY 2011, with about half of that amount already shipped. Many analysts believe China may need to **import as much as 4 to 5 MMT of new crop corn to replenish depleted government stocks.** China reportedly produced a record crop above 191 MMT, an increase of 8% from the previous year.
- **Future of U.S. ethanol subsidies –** it now appears that current ethanol excise tax incentive and import tariffs will sunset at the end of this year, while the RFS2 blending mandate is expected to remain in place, although some legislative proposals are lurking in the wings to make adjustments when U.S. corn stocks to use levels fall below a certain trigger level.

MY 2011-12 U.S. Grain Supply & Demand
USDA, Dec. 9, 2011 (million bu)

	BARLEY		CORN		WHEAT	
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
Harvested Acres (mln)	2.5	2.2	81.4	83.9	47.6	45.7
Carryin	115	89	1,708	1,128	976	862
Production	180	156	12,447	12,310	2,207	1,999
Imports	9	10	28	15	97	120
Total Supply	305	255	14,182	13,453	3,279	2,982
Food, seed & industrial	159	160	6,428	6,405	997	1,018
Ethanol			5,021	5,000		
Feed	50	30	4,792	4,600	132	160
Exports	8	10	1,835	1,600	1,289	925

Total usage	216	200	13,054	12,605	2,417	2,103
Ending stocks	89	55	1,128	848	862	878
Stocks-to-use	41%	27%	8.6%	6.7%	35.7%	41.7%

MY 2011/12 World Grain Supply & Demand

USDA, Dec. 9, 2011 (million metric tons, MMT)

	BARLEY		CORN		WHEAT	
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
Carryin	37.5	25.4	144.1	128.3	202.1	199.7
Production	123.5	133.3	827.6	867.5	651.6	688.9
Total Supply	161.0	158.7	971.7	995.8	853.7	888.6
Export trade	15.1	16.1	91.3	94.0	132.3	138.1
Total Usage	135.6	136.1	843.4	868.6	653.9	680.2
Carryout	25.4	22.6	128.3	127.2	199.7	208.5
Stocks / Use	18.7%	16.6%	15.2%	14.6%	30.5%	30.7%