

# The reality of a global grain market



Despite a difficult UK harvest, global wheat production is set to reach an all time record, writes **Jeremy Cole**

Forecasts based on last autumn's drillings have come true – global wheat yields are higher than ever. The latest estimate from the International Grains Council is a global harvest of 672m tonnes – some 70m tonnes above last year – and 40m tonnes above annual consumption.

World prices, as predicted for months, have steadily fallen as a result, helped by the ever greater production estimates from the US corn market, now 25% off its recent highs during their drilling period in May.

UK prices for harvest have drifted to £100-105/t and are now £50/t off recent highs – equivalent to £500/ha lost on a 10t/ha crop. With wet grain flooding the market, storage space is scarce. Never before has so much wet wheat been stored in so many flat stores.

The crystal ball on my desk forecasts that £120/t for January 2009 will be a good price. If and when the market gyrates or twitches like a caterpillar pupating to that level again, it should be taken with both hands.

Now let me recount the events of a recent dinner party. In attendance were a doctor, and four other university educated people and two non-working “yummy mummies”. The normal chitchat ensued with children, schools, holidays and work all mentioned. Then came the subject of the credit crunch and how it was affecting us. Not by much judging from the cars in the drive, the holidays we'd recently taken and the free-range, organically grown, en-suite bathroom chicken we were eating.

“Isn't food expensive now? Those farmers must be raking it in,” was one opening gambit. This was a general comment but I took it to heart and I did my best to explain about rising production costs, growing demand from India and China, and the unsustainably low values a year ago. But it is difficult to fully explain the situation without getting on my soapbox and putting on my agricultural economics hat.

Then came: “Isn't it appalling that most farmland is set aside and

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