



Grain Markets Overview

MONTHLY BULLETIN

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GENERAL OVERVIEW

Agricultural markets plunged in early April, driven by massive selling by hedge funds. Long positions in corn were closed at ¾ during the first two weeks of the month to 51 000 from 192 500 and are currently at their lowest level since 2006.

The main reason for the plunge as always was the monthly report from the U.S. Department of Agriculture, USDA, which marked a higher than expected ending in the three major crops - wheat, corn and soybeans. But that was only the beginning. We have seen a general withdrawal of investors from the commodity markets with significant declines in commodities such as oil and gold. Especially in crops decline continued despite the cold weather in the Northern Hemisphere.

Few explanation for this unprecedented closure of positions were given – from a transfer of funds to the stock markets, where U.S. indices reached peak historic levels, to signs of lower than expected inflation and to conspiracy theories about a manipulation of commodity markets. The most apocalyptic, but so far the most timid comments are about a beginning of a process of general deflation and an entry in a period of global depression.

Prices of major grains and oilseeds continued to decline in the Black Sea region, where a better than last year harvest is expected.

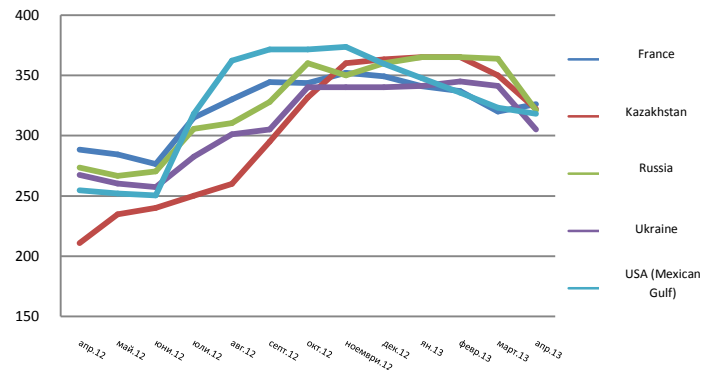
We predict a slight increase in prices of wheat and corn prices in late April and early May, which will be short-lived and followed by a fall in anticipation of the new harvest. This will be the last relatively favorable moment for selling.

Futures Prices, Chicago Mercantile Exchange

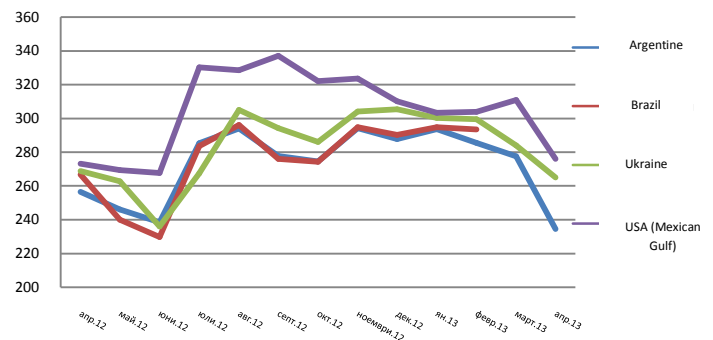
CBOT Wheat	Apr 15	Mar 15	change
cash	713,4	758,0	-5,88%
May	693,6	723,0	-4,07%
July	699,2	721,2	-3,05%
CBOT Corn	Apr 15	Mar 15	change
cash	670,6	747,0	-10,23%
May	646,6	717,0	-9,82%
July	628,0	700,2	-10,31%
CBOT Soybeans	Apr 15	Mar 15	change
cash	1414,0	1445,0	-2,15%
May	1395,0	1426,0	-2,17%
July	1356,0	1410,8	-3,88%

Source: CME

Milling wheat price (FOB, USD/ton), April 2012-April 2013



Maize export price (FOB, USD/ton), April 2012-April 2013



Source: FAO

For now, we stick to our conservative estimates of new crops prices, wheat ranging between BGN 370 and BGN 390 and maize ranging between BGN 310 and BGN 330/ton. Rabo bank also revised its forecasts downwards for the third quarter of 2013, expecting the average maize price to reach USD 5,80/bushel (8% decrease from levels in mid-April) and wheat price to reach USD 6.80.

SELECTED MARKETS

USA: Wheat ending stocks in the U.S. is estimated to be higher by some 15 million bushels than in the March WASDE report. USDA expects lower demand for feed use and slightly higher for seeds. Producer prices of wheat are estimated to be somewhere between USD 7,70 and 7.90/bushel, which currently looks overvalued.

Increase in forage crops ending stocks is expected, and the producer price for maize was revised to USD 6,30-6,50/bushel.

At the same time USDA expects an increase in the production of soybean meal, mainly for export. The farm gate price of soybean will range between USD 13.80-14.80/bushel.

Europe: Mid-April was marked by the withdrawal of large funds from commodity markets. Prices of major cereals in European markets fell in line with the decrease in the price of other tradable commodities such as gold, oil, etc. The November 2013 futures from the new crop fell to GBP 184,10/ton (BGN 420) in the UK.

Rainy weather in Europe hampers the sowing of spring barley. Sowing is done at only 30% in the beginning of April compared to 90% last year. We haven't seen such a weak campaign since 2002, and there is a risk to repeat the 2006 situation when the late harvest of barley

left was ruined the yields in many places. As a result the price of malting barley almost doubled in six months, reaching EUR 300/ton in the fall of 2007.

Sowing is extremely lagging behind in Central Europe, especially in the Czech Republic and Poland, where it just started and many farmers will most likely switch to corn. The situation also raises concerns in France and England.

Russia: Forecasts for the new crop do not differ from last month - the expected harvest of grain in 2013 is 90-92 million tons. Along with traditional concealment of grain by farmers, the total amount will probably reach 95 million tons.

In poor condition are 1.3 million ha of the total planted 15 million hectares with winter grains, which is 8% less than last year.

Until 1 July Russia will deliver 14.8 million tons of grain, predicted IGC. Similar forecast were made by the Ministry of Agriculture.

Ministry of Agriculture set minimum intervention prices for the purchase of wheat, which vary in different regions of the country. In the South, Central, Northwestern, Volga and north Caucasus price is USD 210,91 / tonne of wheat grade III.

Ukraine: As of the first week of April spring sowing in Ukraine is carried out on 30% of the area or 876 thousand ha. Of these, 740 thousand hectares account for barley, 91 ths ha. of peas, 29 ths ha. oats and 7 ths ha. spring wheat. Sowing is delayed significantly compared to last year due to rainfall.

The area under winter crops to be reseed are likely to reach 8.4% or a maximum of 500 thousand hectares.

Expected spring grain harvest is estimated at 32.1 million tons, according to APK-Inform, the average yields are expected to be 13% higher than last year, or 3.91 tons/ha.

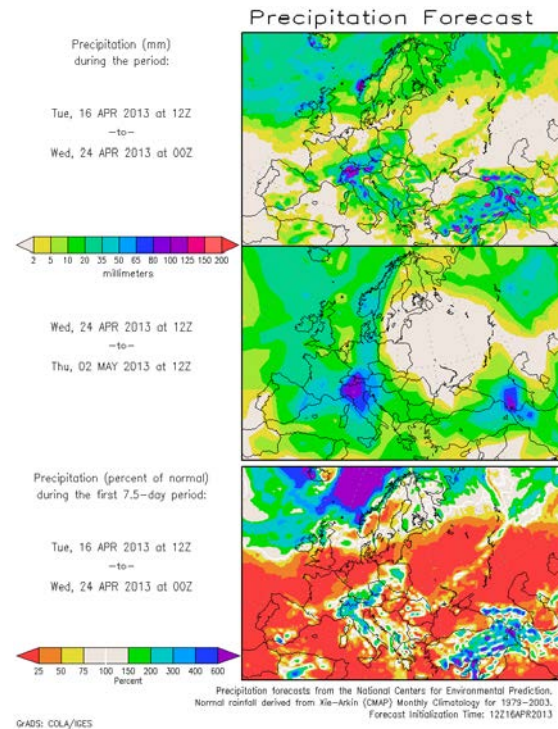
Exports in the marketing year 2012/13 is estimated at 20.2 million tons on April 15, which is 22% more than the previous year. Of these, 11.4 million tons of corn were traded and 6.6 million tons of wheat.

Romania: The condition of winter wheat is defined as good, and soil moisture is sufficient for normal development of the crop. Romania expects a good harvest of wheat compared to last year - about 6.1 million tonnes, which is 20% more than last year's poor harvest. The European Commission, however, expects average yield of less than 3 t/ha and predicts a harvest of about 5.6 million tons.

BULGARIA

2013 winter wheat harvest to surpass last year's show first estimates. 85.8% of wheat and 79.1% of the area under barley was assessed as "good" or "very good." 12.8% of the area under wheat and 19.4% in barley are assessed as "medium". Less than 2% of the area is assessed as "poor". We still miss estimates for the condition of rapeseed where the situation varies considerably. Although no data is available it is obvious that some area under rapeseed was reseeded. Anyway harvest will be lower than last year due to the reduced area and should not exceed 200-210 thousand tons.

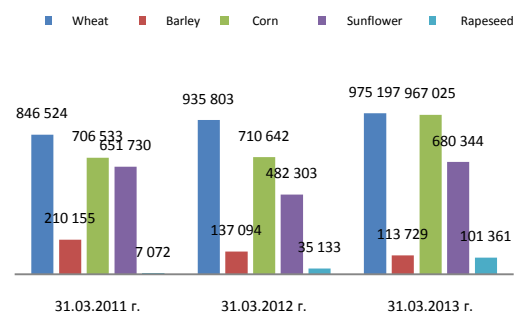
Weather forecast shows mainly dry weather till the end of April with temperatures near to the average for this time of the year. Light rains are possible in some parts of the country in April 22-23rd but in general weather will be favorable for speeding the spring sowing.



Источник: www.wxmaps.org

We still think that waiting for the "best price" many farmers detained large amounts of grain. If we are to believe the National Grain Service estimates, stocks of all major crops except for barley are at their three-year peak level as of March 2013. Their release on the market is possible only at lower-than-expected prices and it is still doubtful whether such large quantities are needed.

Grain Stocks, March 2011 - March 2013 r.



Source: NGS

Prices during the second week of April continued to fall and reached BGN 400/ton for wheat (4.8% decline compared to the same period of March), BGN 360/ton for maize (10% decrease), BGN 780/ton for sunflower (9.4% decline) EXW.

Wheat	Beginning stocks		Production		Import		Export		Consumption		Ending stocks	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
World	198,9	199,4	697	655,4	148,3	141,9	157,4	135,7	696,5	672,6	199,4	182,3
USA	23,5	20,2	54,4	61,8	3,1	3,5	28,6	27,9	32,2	37,7	20,2	19,9
EU-27	11,8	13,5	137,2	132	7,4	6,0	16,6	20,5	127,5	121	12,3	10
Russia	13,7	10,9	56,2	37,7	0,6	1	21,6	10,5	38,0	33,5	10,9	5,4
Ukraine	3,3	5,4	22,3	15,8	0,1	0,1	5,4	6,5	15	11,8	5,4	2,4
Kazakhstan	2,9	6,4	22,3	9,8	0,1	0	11,8	6,5	7,4	6,8	6,4	2,9
Canada	7,2	5,9	25,3	27,2	0,5	0,5	17,4	15,8	9,7	9,4	5,9	5,7
Australia	8,1	7	29,9	22	0,1	0,1	24,7	17,5	6,5	6,8	7	4,7
China	59,1	56	117,4	120,6	2,9	3,2	1	1	122,5	120	56	58,8

Maize	Beginning stocks		Production		Import		Export		Consumption		Ending stocks	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
World	128,1	131,9	882,7	855,9	99,2	95,5	117,1	88	879,6	862,5	131,2	125,3
USA	28,6	25,1	313,6	273,8	0,7	3,2	39,2	20,3	279	262,6	25,1	19,2
EU-27	4,8	6,7	66,2	56	6,2	10	3,2	1,0	67,3	67,5	6,7	4,3
Ukraine	1,1	1,1	22,8	20,9	0,1	0,1	15,2	13	7,8	7,7	1,1	0,8
Brazil	10,3	9,2	73	74	0,8	0,8	24,3	19,5	50,5	53	9,3	11,5
Argentina	4,1	1	21	26,5	0	0	17,5	19	6,7	7,5	0,9	0,9
China	49,4	59,3	192,8	208	5,2	3	0,1	0,1	188	207	59,3	63,3

Source: WASDE, data in mln. Tons as of April

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