



**WTO Seminar on Domestic Support, 30 March
2023
The Evolution of Grains Prices
Peter Clubb**

International Grains Council

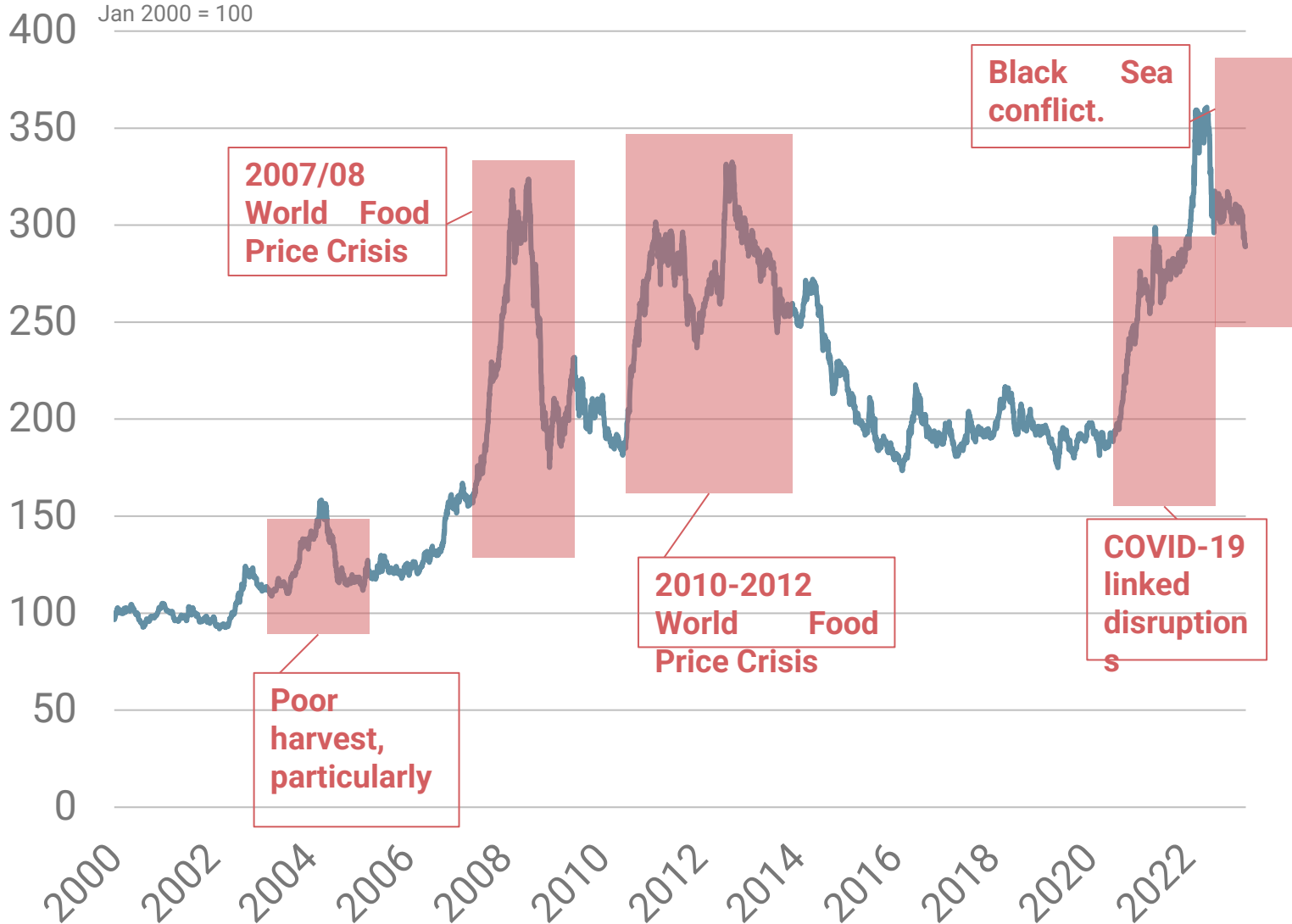




Grains and Oilseeds price evolution – an overview

IGC Grains and Oilseeds Index (GOI)

Jan 2000 = 100



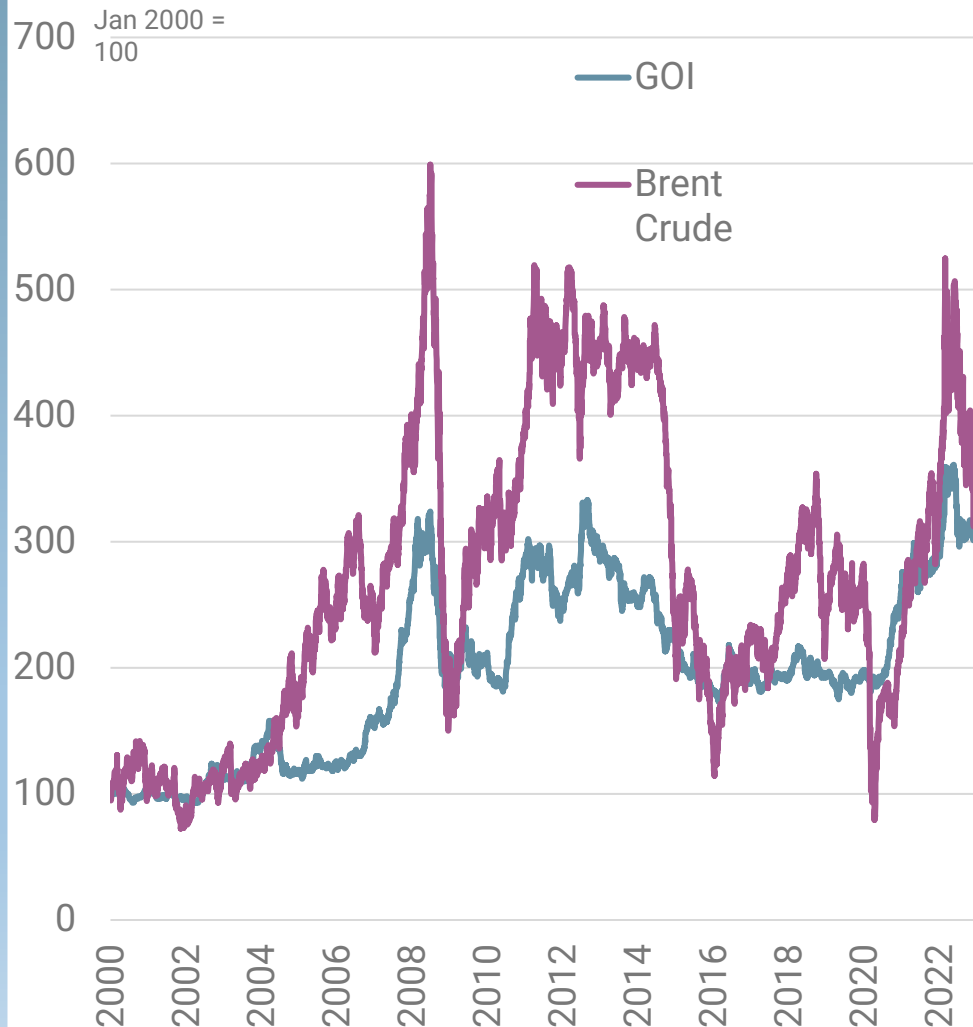
The IGC Grains and Oilseeds Index (GOI) tracks movements in 34 export (fob) quotes across:

- Wheat
- Maize
- Barley
- Sorghum
- Rice
- Soyabeans
- Rapeseed



Grain price movements are influenced by crop outcomes, broader economic developments and other factors

IGC GOI vs Brent Crude oil (rebased, Jan 2000 = 100)



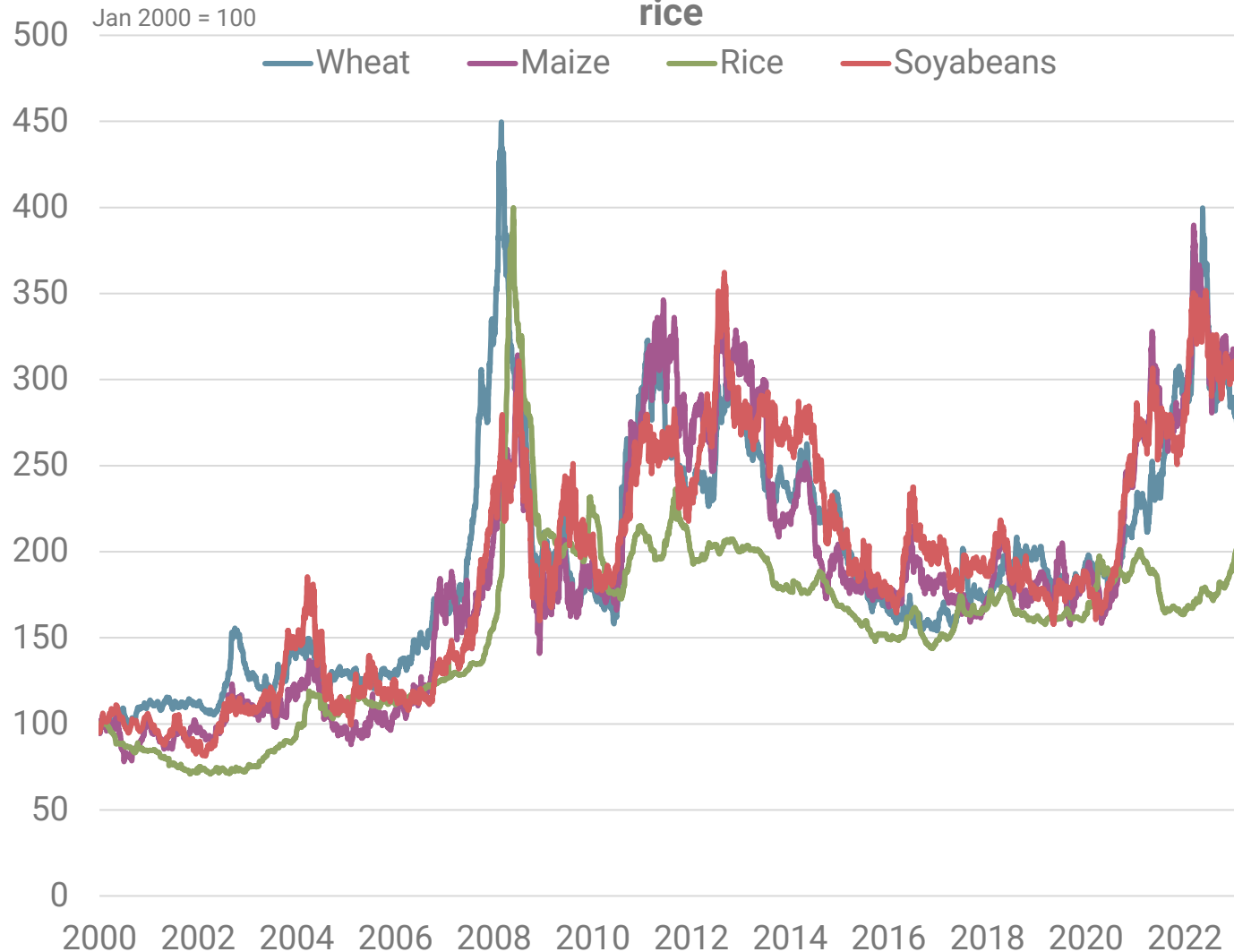
Major factors influencing grains prices include:

- Crop outcomes (particularly in major exporters) – largely linked to the weather
- Stock availabilities – often measured on a stock-to-use ratio
- Policy developments – e.g. export/import restrictions, and other government policies.
- Geo-political and other events – e.g. Covid-19
- Movements in energy markets (via fertiliser and other input costs, as well as through biofuel markets).
- Logistical disruptions – e.g. at ports and internal routes to ports..
- Currency movements and other macro-economic factors
- Long-term supply trends, such as the emergence of new exporting regions (e.g. in South America)



GOI sub-indices – highlighting the similarities and disparities between grain and oilseed commodities

IGC GOI sub-indices for wheat, maize, soyabeans and rice



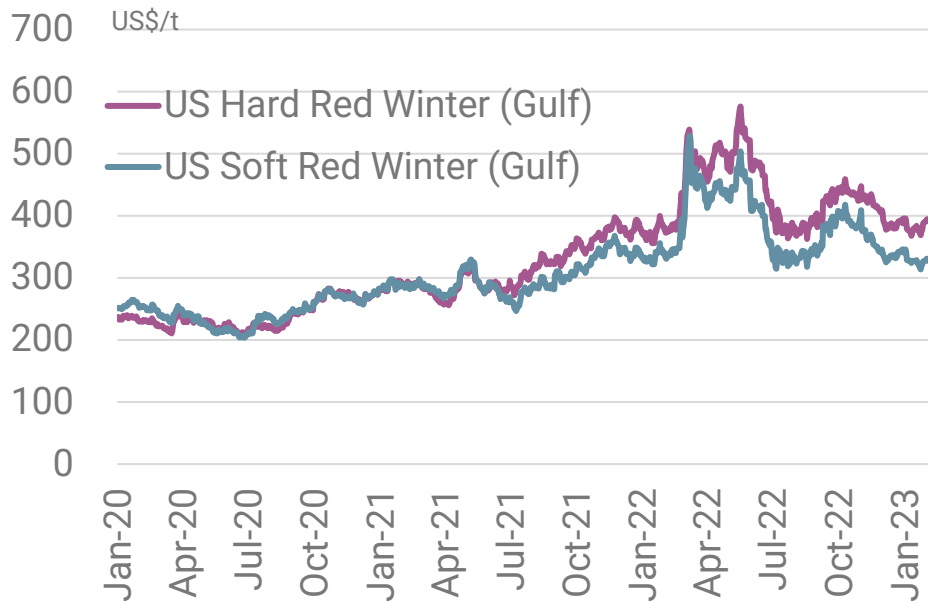
- Wheat, maize and soyabeans, which are widely grown in Europe and the Americas, typically have higher levels of price correlation with each other than with rice, which is largely grown in Asia
- The exception was in 2007/08 – the Rice Price Crisis
- Over the last decade, and particularly in recent years, ample supplies of low-cost exports have seen little



Prices are assessed on a daily basis, utilising a range of sources

The GOI and GOI sub-indices are composed from a range of **assessed** export (fob) quotations covering multiple grades and origins

US Gulf wheat export values



HRW is used for making bread and typically trades at a premium to SRW, used for cookies and cakes. Over recent months, HRW growing regions in the US have been experiencing drought which is adding support to prices relative to SRW.

FOB prices are assessed by IGC analysts using a range of sources:

- Futures Markets (e.g. the Chicago Mercantile Exchange for the Americas and Euronext for Europe)
- Price Reporting Agencies (PRAs)
- Other private and official sources

We monitor more than 100 daily prices across 15+ commodities, with more assessed on a weekly basis.

Assessments aim to capture an indicative market value on any given day – yet actual trades will take place at a range of prices depending on grain specifications, delivery times, trader negotiations and other factors.



Wheat: A range of major exporters and different qualities make up the world market

Nominal fob quotations for selected wheat classes and origins

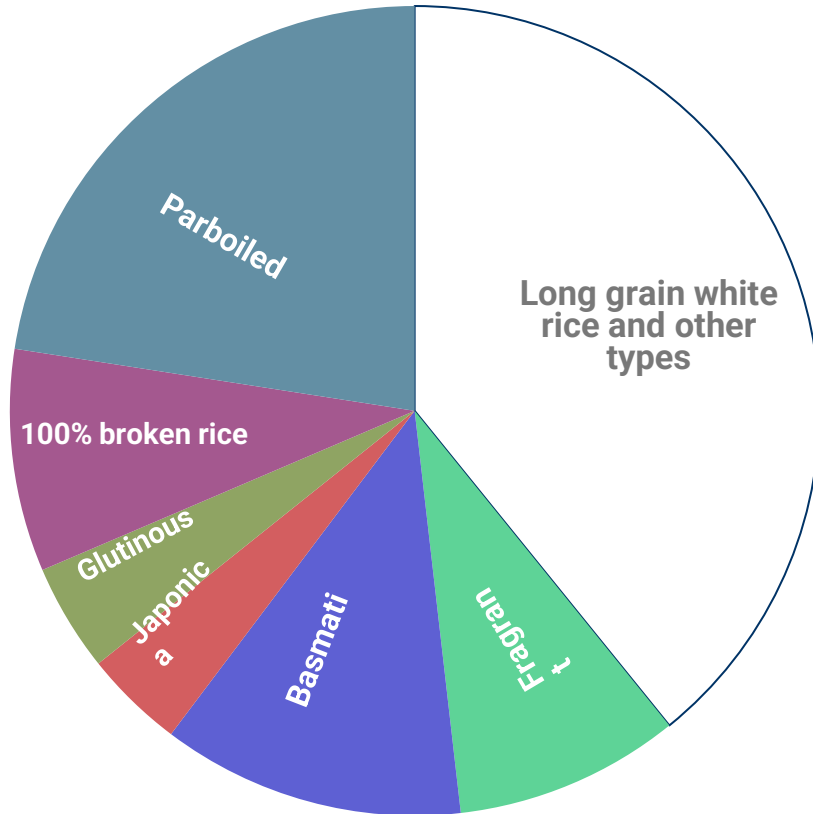


- The global wheat market has multiple origins – largely in the northern hemisphere, yet with some notable southern hemisphere origins.
- The market also has a range of wheat quality, which influence prices. As well as milling wheat, feed wheat is also part of the global market.
- Origins outside of the major exporters can also shape the world market – for example, India supplied around 10.0m t in 2021/22 despite typically



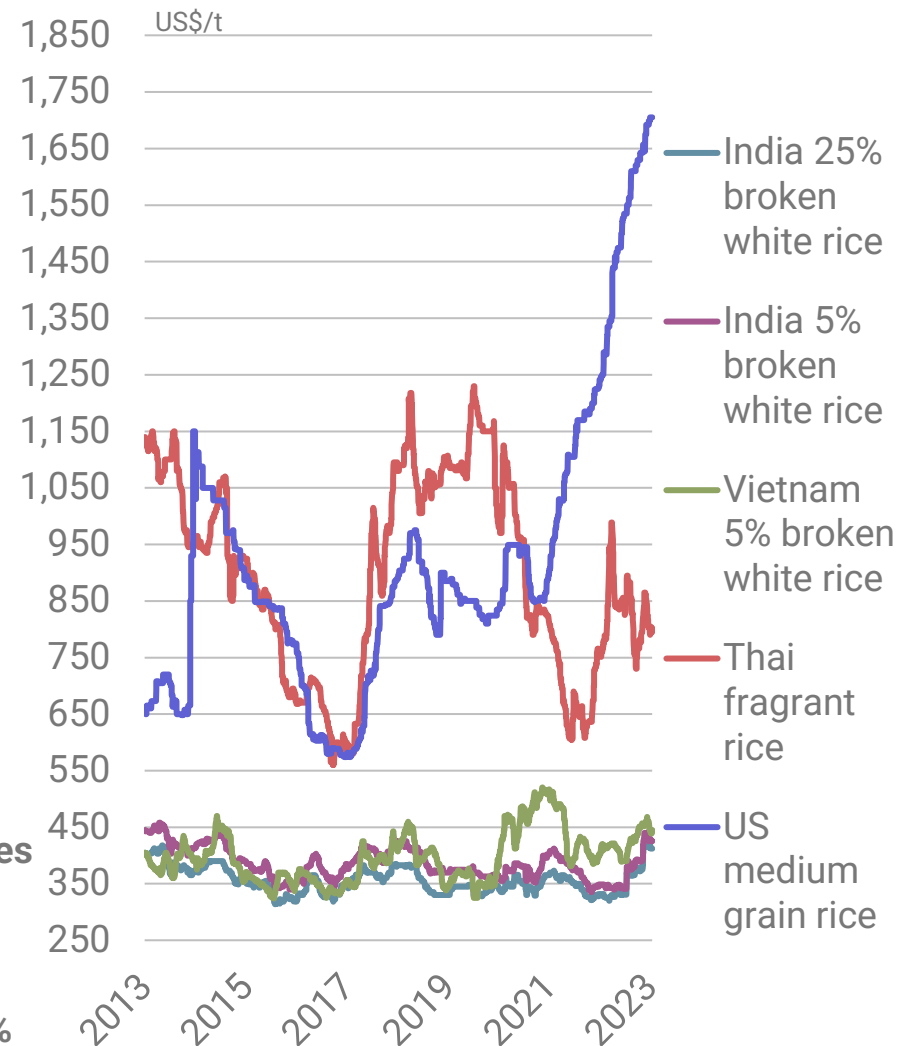
Rice is not just rice! The global market is composed of a range of grades and varieties, each with their own supply & demand

Estimated share of global rice exports, by type of rice



- Rice types are also differentiated by various varieties – e.g. ‘fragrant’ rice includes Hom Mali, Pathumthani, Sen Kra Ob etc.
- Furthermore, rice trades are differentiated by the percentage of broken kernels – e.g. 5% broken, 25% broken etc.

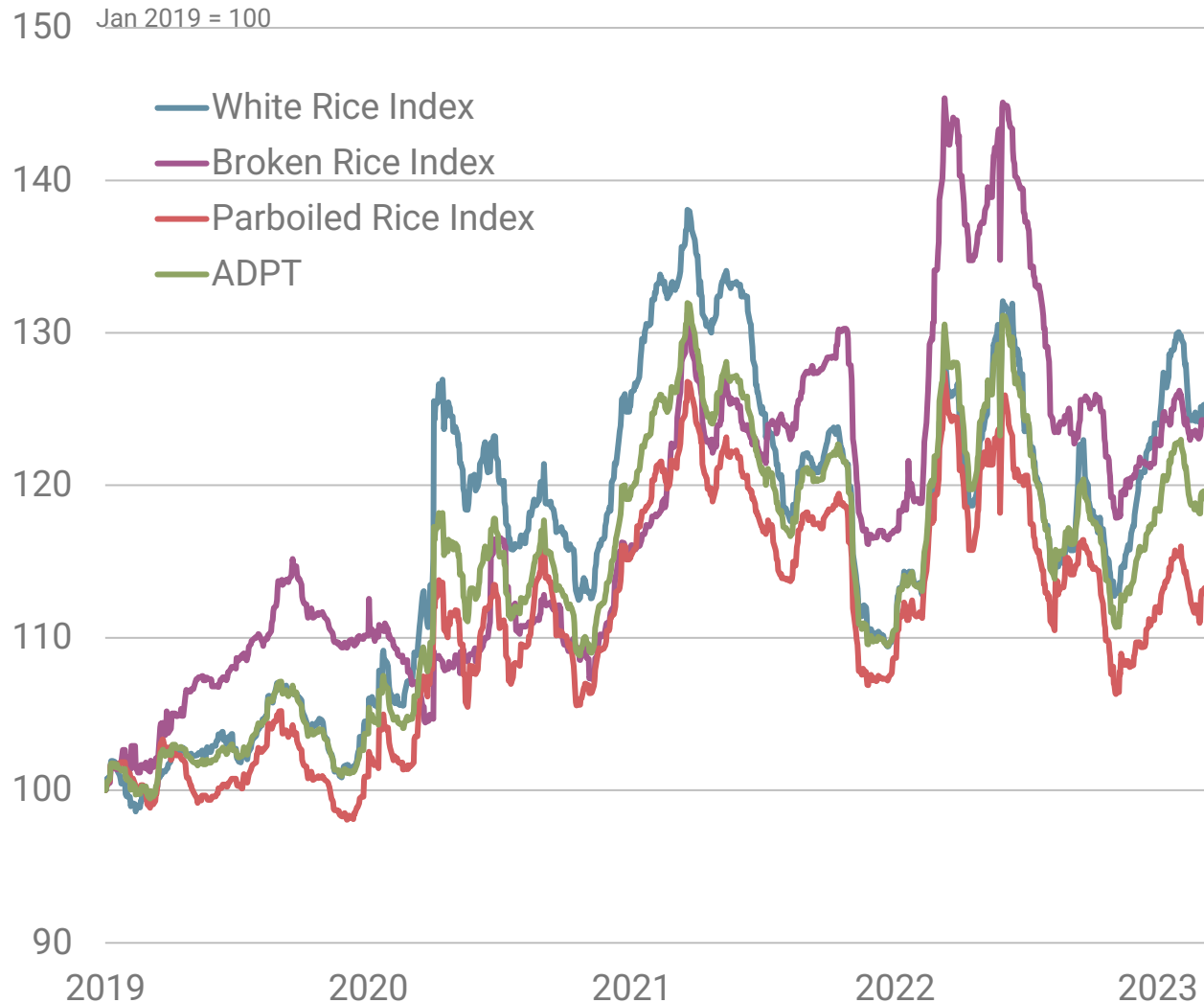
Export prices of selected rice grades and varieties





The IGC's African Delivered Price Tool (ADPT) tracks movements in delivered (fob + freight) rice prices to Africa

IGC Africa Delivered Price Tool (ADPT)

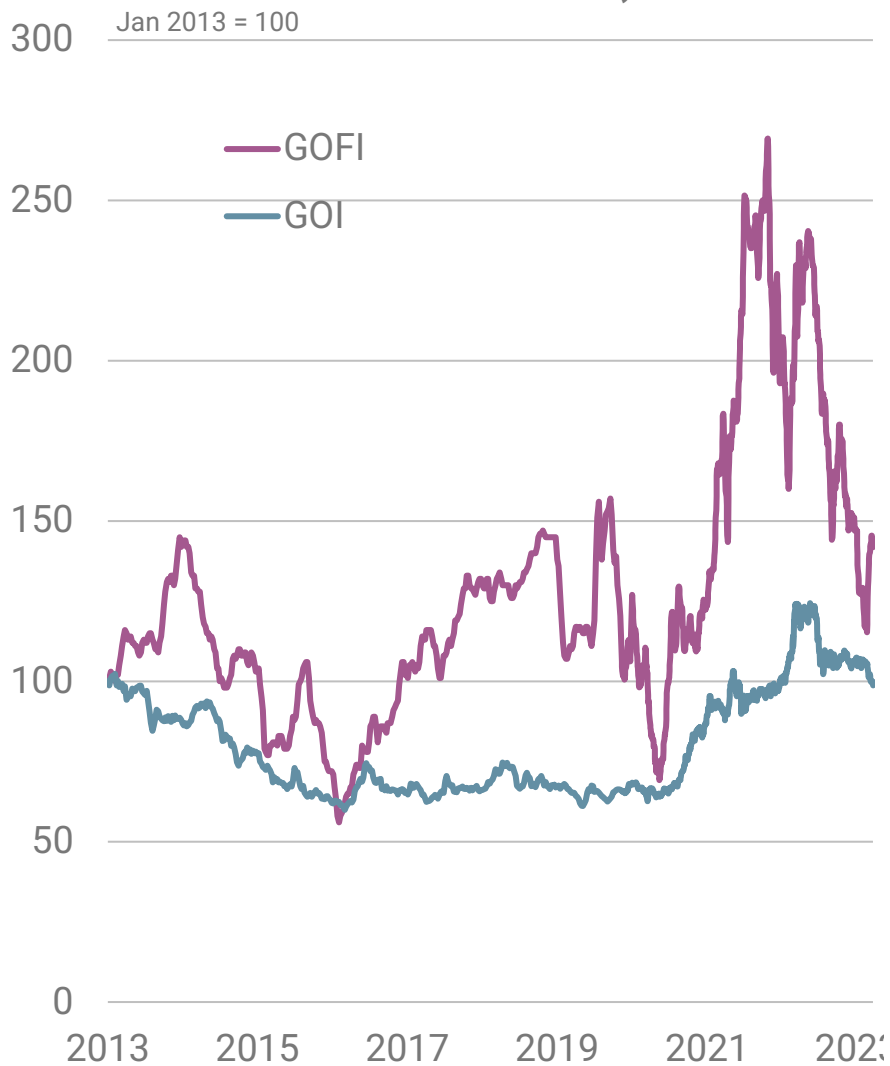


- The ADPT tracks delivered prices from Asia's major rice exporters to sub-Saharan Africa's importers, using both fob values and assessed freight costs to calculate a c&f price.
- Highlighting the complexity of the rice market, the IGC required three separate indices – white, parboiled and broken rice – to effectively monitor trade to Africa.
- Yet this still excludes medium grain and fragrant rice!
- Freight rates are calculated using the IGC freight methodology.

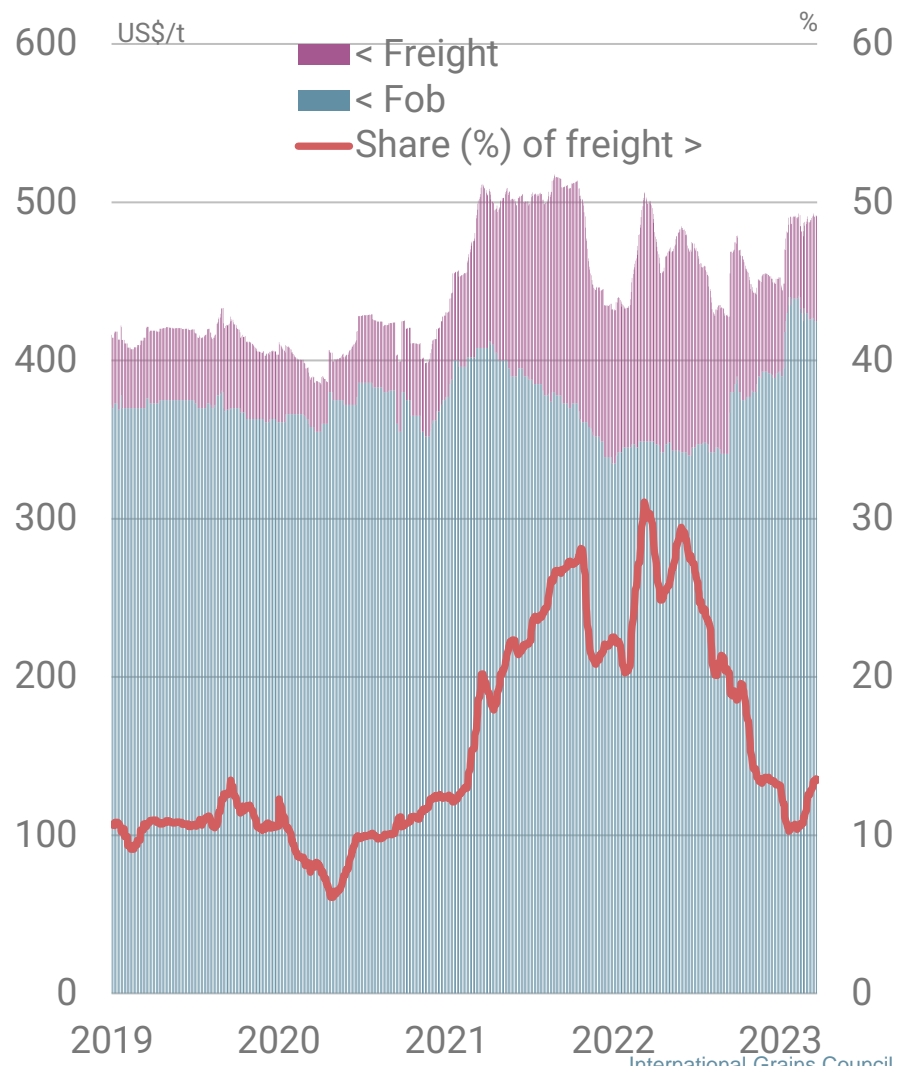


Share of freight costs in delivered prices can vary significantly

IGC Grains and Oilseeds Freight Index (GOFI) vs Grains and Oilseeds Index (GOI, re-based – Jan 2013 = 100)



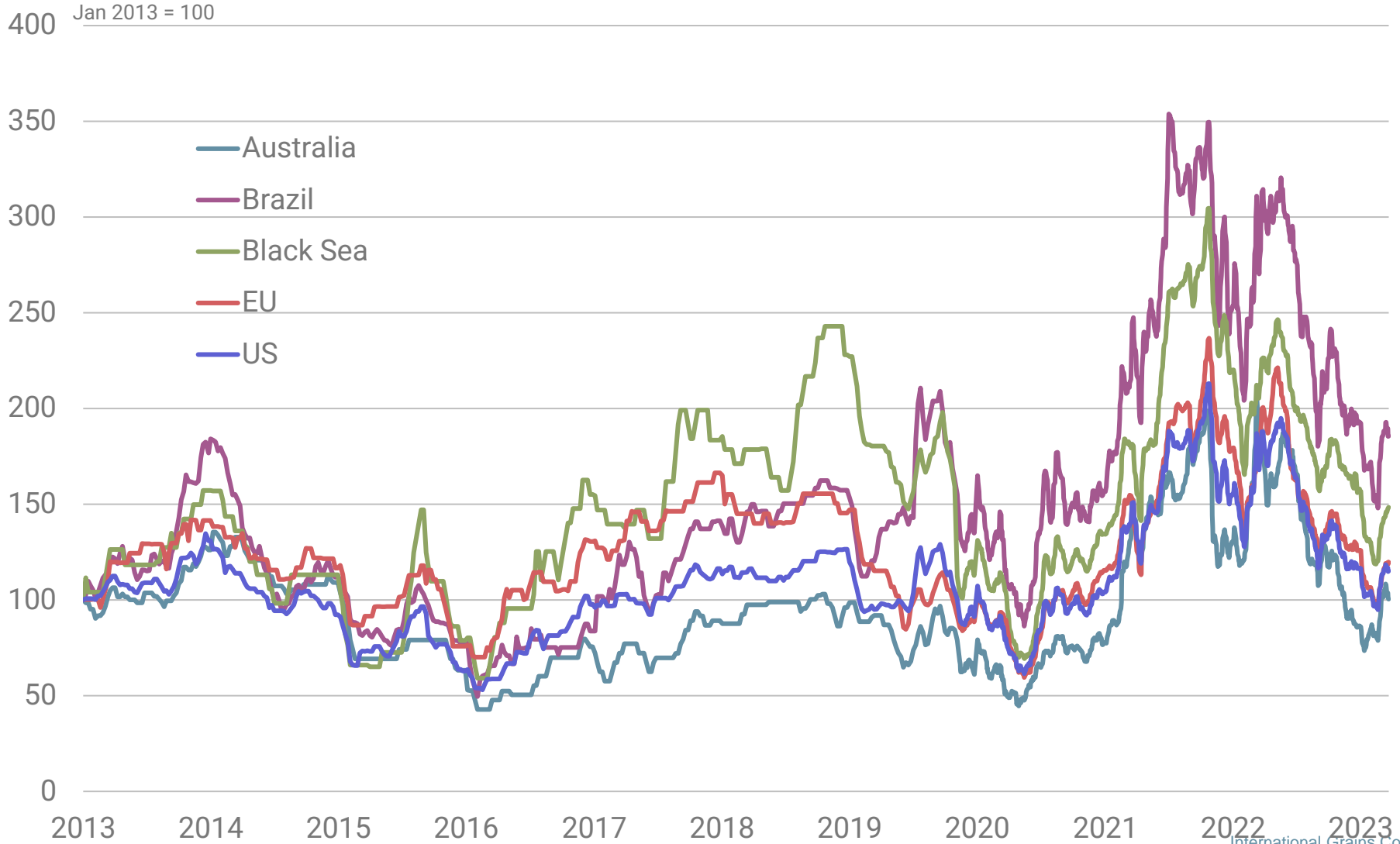
Calculated delivered price of 5% broken white rice from India (Kakinada) to Benin (Cotonou)





Freight costs will also vary based on prevailing supply and demand on major grain exporting routes

Grain and oilseeds sub-indices for selected origins





Thanks for listening!

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