



**Rabobank**

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## ***'No relief on the horizon' – global grain prices remain under pressure***

Oversupply of global grains continue to outpace demand across the international grains landscape – further pressuring prices with little relief on the horizon – says a Canadian grains market strategist visiting WA farmers this week.

Neil Townsend, director of CWB Market Research, hails from Winnipeg, Manitoba and is touring the grain-rich state of Western Australia this week with the message that the heavily oversupplied wheat, corn and soybean markets are not going to ease anytime soon, with further pressure on prices forecast for the coming marketing year.

Mr Townsend, who has been presenting at a series of Rabobank events this week from Perth to Geraldton, Meckering, Narrogin, Lake Grace, and Esperance, says world fundamentals do not paint a “pretty picture” for grain growers at present.

“There isn’t really any significant or unexpected demand out there that is required to create positive, sustained price momentum,” Mr Townsend says.

“We are seeing a combination of factors come to a head – the ethanol era is tapering off and farmers have responded to that by planting more acres across the grains complex. There are constant improvements in technology which are helping improve yields, combined with good growing seasons around the world which is resulting in an increased grains and oilseeds market globally.”

Mr Townsend says with regular year-on-year demand growth already factored in, there is not enough incremental demand to alleviate the surplus.

“Eventually, if prices keep falling and remain low, we could see producers steering away from planting their usual hectares, but we’re not there yet,” he says.

“For the markets to turn around, we need a significant supply shock to occur in a key producing region.”

Mr Townsend joined CWB in February 2010 and set up CWB Market Research to provide farmers and organisations the best analysis and insights on grain markets available anywhere. As one of Western Canada’s best-known grain market analysts with more than a decade of experience, Mr Townsend provides analysis of relevant trends and events taking place in global markets and explains how these impact the bottom line on-farm.

Prior to his tenure at the CWB, Mr Townsend worked as a grain marketing advisor for Cargill in Winnipeg. Neil has previous experience teaching at the University of Manitoba in the Department of Agricultural Economics and as a marketing advisor in the Department of Agricultural Economics, University of Kohn Kaen, Thailand.



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Turning to the all-important market – China – Mr Townsend even warns there is “lacklustre” demand when it comes to China’s importing of grain and oilseeds.

“On the soybean front, we all expect the Chinese to import more year-on-year, but with regards to wheat, it’s a bit more neutral than people think,” he says.

“This is factored into the soybean market as we have seen many non-traditional countries and regions turning their focus to plant soybeans – take southern Brazil for example, or even parts of Canada.

“When it comes to wheat, we also don’t know what China’s supplies are like – it’s just not that transparent. China has also had a very successful production year themselves and they are taking steps in government to protect their domestic production and limit imports in order to better support their own farmers.

“They are looking at their policies around price support to make a stronger connection with global prices and they also want to find other means to support their own production and farmers.”

These ‘warning signs’, as Mr Townsend says, only further reinforce bearish price forecasts.

Another market to watch is the United States which is forecast to hit record production levels for corn and soybeans in 2014.

Mr Townsend reports that an all-time record crop is expected out of the US corn crop this year, with the US aggressively growing stocks.

“Things can turn around quickly, but the evidence of what I see in the fundamentals shows that there is nothing out there to suggest that we are going up 30 bucks a tonne we can and should expect prices to remain subdued or potentially drop further,” Mr Townsend says.

With recent political instability taking place across the Black Sea region, a key grain production area on the world stage, Mr Townsend warns risks remain, however he says both Russia and Ukraine have been ‘surprisingly confident’ about their ability to continue to participate in the world grain market.

“These export/import bans are more likely to impact meat and dairy trade, but we are yet to see whether the embargoes will be absolutely enforced and there may be ‘loop holes’ as time passes,” he says.

“If the political tension gets noticeably worse, that could really impact commodity prices but we are yet to see this play out.”

Also travelling with Mr Townsend throughout Western Australia this week is Rabobank state manager for WA Crawford Taylor.



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Mr Taylor knows the value that Mr Townsend's research can bring farmers by sharing valuable and relevant insights into market dynamics at play in the global grains complex.

"Given the time of year – mid-year and approaching the all-important grains harvest period – it's really important that farmers are well informed to make the best decisions for their crop, how they plan to market it and sell their grain come harvest," Mr Taylor said.

"Such brilliant information coming from Neil this week has helped our us all take stock of the situation, learn about the global market fundamentals and see how they are likely to impact us locally in WA. With a sole focus on agribusiness, this is a clear-cut example of how Rabobank can bring some additional value to farmers and help them succeed – equipping them with knowledge and information."

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**Rabobank Australia & New Zealand is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 110 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 41 countries, servicing the needs of approximately 10 million clients worldwide through a network of more than 1600 offices and branches. Rabobank Australia & New Zealand is one of Australasia's leading rural lenders and a significant provider of business and corporate banking and financial services to the region's food and agribusiness sector. The bank has 93 branches throughout Australia and New Zealand.**

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