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Market Outlook
Durum
22nd June 2010

June is typically the time of year that durum information becomes somewhat more reliable as planting winds up in Montana, Nth Dakota and Saskatchewan and crop conditions become more apparent in the EU, Nth Africa, Italy and Spain.

This year is no different but there is some big questions still unanswered. Heavy rain across much of the North American prairies has potentially reduced durum acreage but initial estimates show it may not be as much as first expected.

Initially the increase in the US LDP payment for durum saw the US farmer look to increase the area of spring planted durum but to date there is estimated to be between 10% - 15% of Nth Dakota and Montana's projected durum area unplanted due a pro longed wet period.

On the US west coast where the highest US quality durum is produced in Arizona and California we see production dropped by around 33% from 800kt to 540kt. Higher corn prices in California are also seeing this durum make its way into feed rations in preference to the export market at present.

Higher ending stocks in Europe have also seen a reduction in potential production in that region. Spain has confirmed it only expects to harvest 800kt this year Vs almost 1.3mt in 2009.

Canadian durum production is the big one as they are the major exporter on the global market. Recent wet weather has reduced potential area from an April estimate of 3.7m/ac to a June estimate 3.4m/ac but this was the estimate prior to the June rains. Some reports are confirming that what is planted in Canada and what hasn't been washed away is looking exceptional.

With a softer Nth Hemisphere season and lower acres we should see ending stocks shrink and some premiums creep back in for DR1 in late 2010.

Regards
Stuart Dolbel