

MONTHLY NEWS REPORT ON GRAINS
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IN THE NEWS:

- Russian Grain Exporters to Receive Subsidies
- EU, US to Discuss Curbing Farm Commodity Volatility
- Grain Market Report Summary (IGC)
- Global Markets Painting a Gloomy Picture for Farmers
- Panamax Revival Snuffed Out by Excess Tonnage
- China May Buy 10 Million Tons Corn to Boost Incomes
- Russia Sells Wheat At Low Prices As US Hopes For Brazil Business
- Laos to Ask Thailand to Lift Corn Import Ban
- Russia Proposes June 2009 World Grains Summit
- Farmers Store Grain to Wait Out Bad Prices (Australia)
- Government Developed Support Measures for Grain Exports (Russia)
- CAP Health Check Will Help Farmers Meet New Challenges (EU)
- India's Corn Exports Seen Crashing this Year
- Turkey Increases Grain Import Tariffs to 130%
- USDA Credit Guarantees Good for Grain Farmers, USGC
- Ethanol Industry Update: VeraSun Files for Bankruptcy, Poet & KL Energy Move Forward

NEW REPORTS:

- Food Outlook, November 2008

WEB RESOURCES:

- IGC – Latest Market Updates (Prices, Freight, Supply & Demand, Trade)
<http://www.igc.org.uk/en/grainsupdate/igcsd.aspx>
- World Food Situation Portal:
<http://www.fao.org/worldfoodsituation/>
Portail sur la situation alimentaire mondiale:
<http://www.fao.org/worldfoodsituation/accueil.html?L=1>
Portal sobre la situación alimentaria mundial:
<http://www.fao.org/worldfoodsituation/inicio.html?L=2>

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IN THE NEWS:

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27/11/08 – RBCnews.com

RUSSIAN GRAIN EXPORTERS TO RECEIVE SUBSIDIES

The government will earmark some RUB 10bn (approx. USD 365m) to subsidize grain exports, First Deputy Prime Minister Viktor Zubkov told a cabinet meeting today. He said that the move had been approved as part of a whole range of measures to support grain exports. He reiterated that the government also intended to take steps to reduce the infrastructure costs of agricultural producers exporting grain. Furthermore, concerned agencies had already been commissioned to speed VAT refund to grain exporters, making it under 30 days.

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27/11/08 – Felx-News-Food.com

EU, US TO DISCUSS CURBING FARM COMMODITY VOLATILITY

EU regulators should discuss with United States authorities ways to curb volatility in agricultural commodity markets so as to avoid unwanted build-ups in speculative positions, a draft paper showed on Wednesday.

The European Commission, the EU's executive arm and author of the document, said it would examine the possibility of taking regulatory initiatives in this area. If they were necessary, proposals would be finalised by summer 2009, the paper said. "The Commission is of the opinion that such a degree of volatility as the one appreciated during the recent months is not in the benefit neither of producers nor of consumers," said the paper, to be presented for endorsement by the full European Commission at its regular meeting next week. "For this reason, the Commission will examine, together with the regulators of commodity markets and in close contact with other non-EU regulatory authorities ... what measures contributing to a reduction in price volatility in agricultural commodity markets could be taken," it said.

Those authorities would particularly include the United States, home to the most important commodity exchanges, it said. It would review the supervisory and regulatory framework applied to all significant financial market players, including hedge funds and private equity, with a particular focus on capital requirements, risk management and transparency, it said. It would also "investigate actively how excessive volatility and the build-up of herd-like speculative positions can best be avoided in view of the potential damage that these may cause".

The Commission has had commodity market speculators in its sights for some time, aware of what it calls a considerable increase in the activities of non-commercial players. In May, it said they had to bear at least some of the blame for high food prices earlier this year.

Now, while repeating that speculators' activities needed to be carefully monitored, its latest paper concluded that not all the analytical evidence supported the view that speculation had played a "significant role" in commodity price formation. Even so, the potential market damage of excessive speculation still needed to be avoided, it said, adding that the level of market volatility witnessed in recent months was not to the benefit either of producers or consumers.

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27/11/08 – International Grains Council

GRAIN MARKET REPORT SUMMARY

Grain markets fell again in November, but in some cases less steeply than before, the month also punctuated by several rallies in futures. Price direction was frequently dictated by developments in global financial markets, as well as day-to-day movements in crude oil, other commodities and the US dollar. There were more reports that difficulties in arranging credit were inhibiting new grains business, while some buyers awaited further price falls before returning to the market. Dry bulk freight rates again fell heavily, particularly those for the largest vessels (mainly used to transport minerals).

With this year's record crop still weighing, and southern hemisphere crops soon to enter markets, wheat export prices registered net declines of around \$20/ton. Concerns about harvest-time rains in Australia also featured, several other countries already having experienced significant quality downgrading this year. Maize prices often succumbed to market developments elsewhere, but the falls in US futures, to 15-month lows, were partly a reflection of slowing export sales. Prices in China stayed weak, prompting the removal of export taxes, although large-scale sales are not expected. Global feed barley values declined by up to one-quarter in the past month, Black Sea origins in particular being affected by a weakening of demand.

Full summary of report is available at: <http://www.igc.org.uk/en/publications/grainmarketreport.aspx>

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26/11/08 – World-Grain.com

GLOBAL MARKETS PAINTING A GLOOMY PICTURE FOR FARMERS

The price of crude oil has recently fallen way back from the record levels posted earlier this year to just short of dollars 60 per barrel giving some hope to farmers that fertiliser, which is heavily reliant on oil, could also become noticeably less expensive in the run-up to the planting of spring crops of grain and potatoes.

However, any drop relating to input costs is likely to be more than offset by the continuing slide in most commodity values. There is little spot business currently being conducted in the UK, where feed wheat is now under GBP 90 per tonne on an ex-farm basis compared to GBP 150, or better last November. In Canada high-quality milling wheat available for export from the St Lawrence basin has slipped by dollars 11.61 to dollars 321.15 per tonne.

All the principal futures trading centres are also heading towards even lower values. London, as of yesterday, was quoting GBP 110.25 per tonne for November 2009 - down by GBP 2.75. The early indications for 2010 were little better at GBP 121.65 per tonne.

Chicago is the world's leading trading centre for all cereals, but there the outlook is equally grim from the farmer's perspective with quotes of dollars 183 per tonne for soft red wheat for next month - down by dollars 20.30. December 2009 is also rated back by dollars 22.69 at dollars 216.12 per tonne.

Chicago soya oil is also following the lower trend of crude oil with quotes of dollars 677 per tonne for next month - down by almost dollars 42 on the week. US maize, which is in relatively short supply, has not been immune from the bear market, with the futures for December this year declining by dollars 16.43 to just dollars 133.27 per tonne.

But the fact remains that global supplies of grain remain on a knife-edge, with barely 60 days of wheat in store. The Chicago wheat futures may be at its lowest level since May 2007, but any unexpected change in supply patterns could have a dramatic impact on what is clearly a hugely volatile scenario.

For example, it appears likely that the wheat crop in Argentina will be appreciably lower than anticipated while yields of rapeseed in Australia seem set to be below earlier forecasts.

Meanwhile, here in the UK, beef producers, who have enjoyed a profitable time for most of this year, are being warned that January onwards may prove more difficult as the credit crunch bites still harder and unemployment rises. However, supplies of beef both in the EU and throughout the world remain tight and prices may not fall significantly.

Argentina is a major player in world terms as far as beef production is concerned, but the industry appears to be contracting rapidly as a result of the government in Buenos Aires placing bans on exports earlier this year.

Malcolm Rodman, a leading beef industry consultant in Argentina, explained the current situation. He said: "Producers were on strike earlier this year preventing exports of beef and grain in protest at government policies which were forcing down prices to unsustainable levels.

"Exports are now in theory permitted but they [the government] are being very slow in processing the necessary paperwork."

The latest official statistics clearly illustrate Rodman's comments. In the first nine months of this year, Argentine exports amounted to just 168,100 tonnes compared to 215,400 tonnes in the comparable period of 2007. However, trade to the high-value EU market has just about been maintained at 44,000 tonnes.

But business with non-EU destinations has suffered, with the total falling from 172,700 tonnes to only 124,100 tonnes. In the longer-term, beef production in Argentina is almost certain to fall still further: farmers, even with a low-cost system of production, are still not making any money. The kill of young female cattle is reported to be running well ahead of usual trends and this is likely to have an impact on global supplies over the next three years.

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25/11/08 – World-Grain.com

PANAMAX REVIVAL SNUFFED OUT BY EXCESS TONNAGE

Shipbrokers in Southeast Asia see no hope for improvement in the Pacific panamax market, with operators reluctant to take on period charter, and supplies of tonnage far exceeding demand, writes Sandra Tsui in Hong Kong.

The Baltic Panamax Index's short-lived revival ended last week, settling at 848 points on Monday, down 38 points.

A Shanghai-based shipbroker, who preferred not to be named, said sentiment remained weak. However he said a significant amount of minerals were being transported by sea from south China to the US Gulf last week, before mineral export taxes increase in December.

There was also more iron ore being shipped from India to China last week, to the benefit of smaller sized tonnage, according to the broker.

A Pacific round voyage stands at about \$6,000 per day, while a backhaul trip is at \$5,000 per day.

Charterers are not willing to face owners' demands for period rates of around \$15,000 per day and have held back to see what happens, according to a daily report by ICAP Shipping.

As a result, the period market is quiet, with operators worrying about how to survive and reluctant to take on tonnage.

"There are just too many uncertainties in the market," said a Hong Kong-based shipbroker.

Industry analyst Johnson Leung from JP Morgan illustrated the possible impact of hijacks by Somalian pirates in a report issued on Sunday. "Re-routing shipments through the Cape of Good Hope instead of the Suez Canal would extend the Middle East/Far East-Europe trade by about 3,000 nautical miles," he wrote.

"The ton-mile expansion theme could be positive for shipping, but only if the ton-mile expansion is sufficient to absorb all excess capacity in the market."

Operators could be hit if they are unable to pass on the far higher costs of a longer voyage and higher insurance premium.

"Most of the iron ore shipments are routed through the Cape of Good Hope. So the impact on dry bulk may be limited to some coal and miner bulks," he added.

Recent time charter fixtures include the 72,891 dwt, 1999-built Deep Seas, which was taken by Klaveness at \$6,300 per day from south China to the US Gulf.

Norden has chartered the 73,729 dwt, 1998-built Global F at \$5,000 per day to sail from Qingdao, via the Australian port of Weipa, to load bauxite to Porto Vesme in Italy; and the 75,756 dwt, 2006-built Navios Sagittarius at \$7,250 daily to carry salt from west Australia to China.

In the period market, several operators have fixed 12-month period charters at \$15,000 per day. They included Klaveness, Cargill, Cosbulk, Grain House and Armada.

Klaveness has taken the 74,255 dwt, 2001-built Aeolian Breeze for 12 months with a delivery date set between November 20-25.

Cargill has taken the 74,444 dwt, 2004-built Erato for 11-14 months with a delivery date between January and March 2009.

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21/11/08 – Bloomberg.com

CHINA MAY BUY 10 MILLION TONS CORN TO BOOST INCOMES

China may buy at least 10 million metric tons of corn from local farmers to revive prices and boost rural incomes, two executives at state-owned companies said.

The purchases would double earlier plans to buy 5 million tons, said the executives, who declined to be identified as state reserve actions are considered secret. The corn would be worth 15 billion yuan (\$2.2 billion) and represent about 6 percent of the forecast total crop.

China said Oct. 20 it would buy an unspecified amount of local soybeans and corn to help farmers prevent losses after prices plunged. The effort has so far failed to revive slumping agricultural markets, and local officials are lobbying the central government to boost the rescue, analysts said.

“The market is pinning all its hope on the government, but the government has left the market guessing,” Cao Yanhui, analyst at Liaoning Cifco Futures Co., said by phone from Dalian. “If prices keep slumping, then it’s certain that they have to take more aggressive measures.”

The government is still meeting an original target to buy 1.5 million tons of soybeans, and has not decided on the level of any increase, the executives said.

China may harvest 156 million tons of corn and 16.5 million tons of soybeans this year, the China National Grain and Oils Information Center said Nov. 12.

Dalian Futures

Corn for May delivery on the Dalian Commodity Exchange fell 2 yuan, or 0.1 percent, to settle at 1,598 yuan a ton. The contract yesterday gained 8 yuan, or 0.5 percent, after jumping as much as 1.1 percent, amid speculation about state purchases.

Soybeans for May delivery in Dalian dropped 72 yuan, or 2.2 percent, to 3,217 yuan a ton, after earlier falling as much as 3.8 percent. Most-active futures have tumbled 39 percent from a record 5,241 yuan a ton on July 3 amid a global plunge in agricultural commodities.

Losses were limited by expectations that the government will increase its soybean purchases and help absorb a supply glut, said analysts including Li Xiaozhi at Wanda Futures Co.

“The market seems pretty confident that the government won’t let prices plunge because it has made boosting farming incomes a priority this year,” Li said by phone from Beijing.

The government would pay 3,700 yuan a ton for soybeans and 1,500 yuan for corn in northeastern China, the National Development and Reform Commission said in a statement on its Web site Oct. 20.

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21/11/08 – CattleNetwork.com

RUSSIA SELLS WHEAT AT LOW PRICES AS US HOPES FOR BRAZIL BUSINESS

The Black Sea region should continue to beat the U.S. for world wheat export business as traditional customers hunt for low prices, although the U.S. could score some unexpected sales to Brazil due to production problems in Argentina.

Russia, in particular, has shown up the U.S. by offering the most attractive prices in recent tenders from countries in North Africa and the Middle East. Egypt, Jordan and Syria said Thursday they had all booked Russian wheat.

Egypt's state-owned wheat buyer, the General Authority for Supply Commodities, said it bought 30,000 metric tons of Russian wheat for \$160 a ton, free on board. By contrast, the cheapest French wheat was offered at \$181 and the cheapest U.S. soft red winter wheat was offered near \$182, according to a breakdown of bids.

"U.S. wheat is just simply unattractive pricewise," said Terry Reilly, analyst for Citigroup.

Russia has "a little bit of an edge" quality-wise over other countries in the Black Sea region, such as Ukraine and Kazakhstan, Reilly said. The region in general has struggled with quality issues this year and produced more feed quality wheat than usual.

Exporters had indicated that Egypt was interested in buying some U.S. or European wheat to blend with poor-quality Black Sea wheat, according to brokerage firm Tenco. However, Egypt was only willing to pay a \$5 premium for the European wheat, the firm said in a market comment.

Egyptian wheat buyers have "warned those at Black Sea ports very harshly to watch the quality secured for each vessel," Tenco said. Egypt hopes "the point hits home and as a result Black Sea wheat arrivals to Egypt will no longer be as large of a problem," the firm said.

Russia Makes Aggressive Sales

Wheat exports from the Black Sea are expected to continue "at a healthy pace" due to cheap prices, an analyst said. Russia's government has said it plans to encourage grain sales by offering subsidies to exporters and by lowering railway and port handling tariffs.

Russia may be eager to push wheat out the door because it doesn't have enough facilities to store its bumper crop.

Russia is expected to produce a record 63 million tons of wheat in 2008-09, up from 49.4 million last year, and to export 14 million tons, up from 12.2 million last year, according to the U.S. Department of Agriculture.

"Record production in Russia is expected to strain storage and handling capacity," the USDA said in its November supply and demand report.

There also are ideas Russia wants to sell its exportable surplus to avoid depressing domestic prices and to make a name for itself in the world wheat market, said Dale Durchholz, analyst for AgriVisor. Variable production has made it difficult for Russia to establish itself as a reliable exporter.

"It may be that they're trying to push some stuff out to get a toe-hold in the world trade, not just this year but for years to come," Durchholz said of the Russians.

Traders said they were surprised Egypt only purchased 30,000 tons of wheat in the tender. Officials probably kept the purchase small to see whether prices decline further in the coming weeks, analysts said.

Importers have the upper hand in the wheat market due to ample global supplies, and they may be cautious about making purchases due to the global economic downturn, Durchholz said. Nearby Chicago Board of

Trade December wheat, a benchmark for world prices, has fallen 61.5% to about \$5 per bushel since hitting a high of \$13 in February and is down about 25% since Oct. 1.

"In the economic environment that we're working within at this point, it's just a matter of, 'Where can I get something cheap?'" Durchholz said. "Quality doesn't seem to be as much of an issue as price today. I think that's because of the uncertain economic situation we're living in around the whole world."

Egypt will likely issue another tender for wheat next week to secure supplies before year-end and snap up more than 100,000 tons, Reilly said. U.S. wheat probably won't be competitive enough to make major sales in upcoming Egyptian tenders, he said.

"They'll be back several times before the end of the year, securing supplies for the first quarter of the year," Reilly said about Egypt. "They'll be aggressive over the next few weeks, in my opinion."

Brazilian Demand Could Shift To U.S.

The U.S. could win some business from Brazil due to production problems in Argentina. Argentina typically supplies 96% of total Brazilian wheat imports but has suffered from dry weather and reduced plantings this year, according to AgResource Company.

Argentina's Agriculture Secretariat on Thursday cut its forecast for 2008-09 wheat production to 10.1 million tons, down from 16 million tons last year. The USDA last week projected Argentina would produce 11 million tons and export 5.8 million, down from the 10.5 million exported last year.

The USDA will likely ratchet down its export estimate again in the coming months, Reilly said. The agency's current export projection would represent the smallest share of production exported by Argentina since 1995, according to AgResource.

"A minimal 1.43 million metric tons exportable wheat supply deficit has been created by Argentina's shortfall versus Brazil's import needs," AgResource said in a research note. "With quality and freight rate advantages, the U.S. is ideally positioned to fill this void."

Brazil used to be a big buyer of U.S. wheat until several South American countries formed a regional trade agreement, known as Mercosur, that allowed grain to move between the countries duty-free. U.S. export prospects "will look a little bit brighter" if Brazil suspends its import tax, Reilly said.

"Until that happens, U.S. export prospects look bleak," he said.

The steep decline in Argentina's production and export potential has occurred despite a major increase in total world wheat production. The world is expected to produce a record 682 million tons of wheat after high prices prompted producers to expand plantings in many areas.

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21/11/08 – Asianewnet.net

LAOS TO ASK THAILAND TO LIFT CORN IMPORT BAN

The Lao government will ask Thailand to lift its ban on the import of Lao sweetcorn after learning Lao growers are facing hardship, according to a senior official from the Ministry of Industry and Commerce.

The ministry's Export-Import Department Director General, Khoun Southammakhot, said on Wednesday the government was drafting an official letter to the Thai government.

The letter requests the immediate resumption of sweetcorn imports from Laos so growers will be able to earn a living.

“The ministry has agreed the government should urge Thailand to lift the ban,” he said.

He said Laos and Thailand were neighbouring countries and should help each other when one was faced with a difficult situation.

Thailand stopped importing sweetcorn earlier this month as a measure to stabilise the price of its own crop. The sale price of Lao sweetcorn to Thailand has plunged from 2,000 kip (8 baht) per kg in 2007 to 750 kip (3 baht) per kg this month, according to The Nation.

Khoun said although Thailand had made a commitment to resume the import of sweetcorn early next year, Lao farmers could not wait until then to sell their crop. Farmers have no means of storing the crop for sale at a later date.

He said if farmers were to store sweetcorn they needed modern drying facilities and large warehouses, otherwise the cobs would go rotten.

Khoun said the government was looking for alternative markets in China and Vietnam , but these countries had sufficient supplies of their own so the price they were offering for Lao produce was lower than last year.

Xayaboury Industry and Commerce Department Deputy Director, Thongsak Phommachanh, said the province was a prolific producer of the crop for export to Thailand .

He said some growers had obtained bank loans, intending to repay the loans after selling their sweetcorn this month. Now, he said, farmers would have to pay more interest on their loans until they could repay the money.

Thongsak said farmers were faced with the prospect of heavy losses because the price of sweetcorn was very low this year.

Thai Royal Embassy Commercial Attaché in Vientiane , Chalaemphon Pongchabubnapa, said the Thai government would resume imports of sweetcorn from all countries including Laos after the end of this year, and urged Lao farmers to keep the crop for later sale.

He said the Thai government's decision to suspend sweetcorn imports was due to an oversupply of the crop during the harvest season. But, while Thailand had sufficient sweetcorn at present, domestic supplies would not fill the country's needs year round.

Thailand requires 4 million tonnes of sweetcorn a year, but can only obtain 3 million tonnes from both domestic and foreign sources. Laos exports about 200,000 tonnes to Thailand annually, he said.

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21/11/08 – Worldbulletin.net

RUSSIA PROPOSES JUNE 2009 WORLD GRAINS SUMMIT

Russia, which aims to play a bigger role in world food markets, is proposing hosting a world grains summit in St Petersburg at the beginning of June 2009, a Kremlin official said on Friday.

The summit would focus on the most serious problems facing consumers and producers of grains and food products, the source said, without giving further details.

Russian President Dmitry Medvedev pledged to take a leading role in tackling a looming global food shortage during a meeting in July between the leaders of the Group of Eight countries in Japan.

He said then that G8 leaders had backed a Russian initiative to convene a meeting of agricultural ministers, followed by a grains summit. Russia, the world's fifth-largest grain grower and exporter last year, expects to harvest its best crop in 15 years in 2008.

The agriculture ministry forecasts a 2008 grain crop in excess of 100 million tonnes, and says Russian exports in the year to June 30, 2009, could total between 20 million and 25 million tonnes.

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21/11/08 – World-Grain.com

SA FARMERS STORE GRAIN TO WAIT OUT BAD PRICES (AUSTRALIA)

Low grain prices are forcing farmers in South Australia to warehouse their grain until the market improves.

An oversupply of feed barley domestically, the global financial crisis and a good harvest in the Ukraine and Russia are the reasons being blamed for the price falls for feed barley and wheat.

Farmers say these prices combined with high input costs will see them struggle to make a profit.

Tony Parker from Wharminda on Eyre Peninsula.

"I'm sitting on the harvester and I notice Incitec Pivot announced a \$600 million profit, up almost 200 per cent, AWB announced a \$60 million profit, just seems to me, everybody that supplies us or we market our grain to are making good profits," he says.

"I'm not making a profit."

Richard Way from Port Vincent is taking the 'wait and see' approach hoping the market will improve.

"I just received an SMS from my grain marketer and feed barley has just dropped \$10 dollars a tonne, so there's no great incentive to sell at these low and dropping prices."

Steve from Loxton in the Riverland.

"There's no way there's going to have any young farmers left in South Australia if we continue to have prices this low, it seems ABB and AWB make big profits and the farmer makes nothing anymore."

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20/11/08 – Apk-inform.com

GOVERNMENT DEVELOPED SUPPORT MEASURES FOR GRAIN EXPORTS (RUSSIA)

In order to export 10 mln tonnes of grain, from 2008 harvest surpluses, Viktor Zubkov approved the package which will cost 7-10 billion RUR to budget. In Addition to direct financing of exporters at the level of 20-25 % of cost, the government plans to decrease railway tariff for grain transportations, service costs of forwarders and to reimburse value added tax (VAT) to exporters.

According to data of the Ministry of agriculture, at the end of 2008, unclaimed stocks of grain will exceed the last year level by 10 mln tonnes. On a global scale, overproduction of 35 mln tonnes was recorded. In December 2007, Victor Zubkov as a prime-minister, imposed prohibitive duties for wheat and barley due to struggle with price increasing on the food market and the fact that inflation splash in the Russian Federation was caused by rise in prices.

Yesterday, Victor Zubkov worried not over inflation, but survival of agrarian producers in the conditions of world grain overproduction and "requisitioning of surpluses from domestic market". According to the data of the Vice Prime-Minister, in 2008, grain exports totaled 9.8 mln tonnes of grain, but in order not to admit "price collapse by 1/3", exports should be increased to 20 mln tonnes.

As Andrey Slepnev, the Deputy head of the Ministry of agriculture, informed, that “ they discussed separately the subject on granting exports subsidies which have to provide with not less than 10 mln tonnes of exports till the beginning of new grain year, July, 1, 2009 ”. Different variants were proposed. According to the minimal variant, subsidy amount is offered at 708 RUR/tonne , to the highest possible one – 966 RUR/tonne .

However, the Ministry of economics reported that the countries of WTO, where Russia has not joined yet, have already decided to reject exports subsidies in agriculture since 2013. In view of WTO opinion, crediting of importers is the safest method.

Andrey Slepnev also noted that they agreed the measures on decreasing infrastructure load - reduction of railway tariffs and tariffs in the ports. There are three variants of lowering factor for railway transportations - 0.5, 0.7 and 0.8 — since November, 2008, till July 2009. One offered to decrease the average rate for grain transshipment in Novorossiysk from 350 RUR to 200 RUR per tonne.

One more approved measure was decrease of the term of repayment of VAT to exporters. At the moment the formal term of repayment is 3 months, if needed , it may be extended to 180 days, but the real repayment terms are 6-10 months.

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20/11/08 – Europa.eu

CAP HEALTH CHECK WILL HELP FARMERS MEET NEW CHALLENGES (EU)

The European Commission welcomes the political agreement by EU agriculture ministers on the Health Check of the Common Agricultural Policy. The Health Check will modernise, simplify and streamline the CAP and remove restrictions on farmers, thus helping them to respond better to signals from the market and to face new challenges. Among a range of measures, the agreement abolishes arable set-aside, increases milk quotas gradually leading up to their abolition in 2015, and converts market intervention into a genuine safety net. Ministers also agreed to increase modulation, whereby direct payments to farmers are reduced and the money transferred to the Rural Development Fund. This will allow a better response to the new challenges and opportunities faced by European agriculture, including climate change, the need for better water management, the protection of biodiversity, and the production of green energy. Member States will also be able to assist dairy farmers in sensitive regions adjust to the new market situation. "I'm pleased we managed to find a compromise which preserves all the principles of our original proposal," said Mariann Fischer Boel, Commissioner for Agriculture and Rural Development. "The Health Check is all about equipping our farmers for the challenges they face in the upcoming years, such as climate change, and freeing them to follow market signals. Transferring more money into Rural Development gives us the chance to find tailor-made solutions to specific regional problems. The changes agreed represent a major step forward for the CAP."

Phasing out milk quotas: As milk quotas will expire by April 2015 a 'soft landing' is ensured by increasing quotas by one percent every year between 2009/10 and 2013/14. For Italy, the 5 percent increase will be introduced immediately in 2009/10. In 2009/10 and 2010/11, farmers who exceed their milk quotas by more than 6 percent will have to pay a levy 50 percent higher than the normal penalty.

Decoupling of support: The CAP reform "decoupled" direct aid to farmers i.e. payments were no longer linked to the production of a specific product. However, some Member States chose to maintain some "coupled" – i.e. production-linked - payments. These remaining coupled payments will now be decoupled and moved into the Single Payment Scheme, with the exception of suckler cow, goat and sheep premia, where Member States may maintain current levels of coupled support.

Assistance to sectors with special problems (so-called 'Article 68' measures): Currently, Member States may retain by sector 10 percent of their national budget ceilings for direct payments for use for environmental measures or improving the quality and marketing of products in that sector. This possibility will become more flexible. The money will no longer have to be used in the same sector; it may be used to help farmers producing milk, beef, goat and sheep meat and rice in disadvantaged regions or vulnerable

types of farming; it may also be used to support risk management measures such as insurance schemes for natural disasters and mutual funds for animal diseases; and countries operating the SAPS system will become eligible for the scheme.

Extending SAPS: EU members applying the simplified Single Area Payment Scheme will be allowed to continue to do so until 2013 instead of being forced into the Single Payment Scheme by 2010.

Additional funding for EU-12 farmers: €90 million will be allocated to the EU-12 to make it easier for them to make use of Article 68 until direct payments to their farmers have been fully phased in.

Using currently unspent money: Member States applying the Single Payment Scheme will be allowed either to use currently unused money from their national envelope for Article 68 measures or to transfer it into the Rural Development Fund.

Shifting money from direct aid to Rural Development: Currently, all farmers receiving more than €5,000 in direct aid have their payments reduced by 5 percent and the money is transferred into the Rural Development budget. This rate will be increased to 10 percent by 2012. An additional cut of 4 percent will be made on payments above €300,000 a year. The funding obtained this way may be used by Member States to reinforce programmes in the fields of climate change, renewable energy, water management, biodiversity, innovation linked to the previous four points and for accompanying measures in the dairy sector. This transferred money will be co-financed by the EU at a rate of 75 percent and 90 percent in convergence regions where average GDP is lower.

Investment aid for young farmers: Investment aid for young farmers under Rural Development will be increased from €55,000 to €70,000.

Abolition of set-aside: The requirement for arable farmers to leave 10 percent of their land fallow is abolished. This will allow them to maximise their production potential.

Cross Compliance: Aid to farmers is linked to the respect of environmental, animal welfare and food quality standards. Farmers who do not respect the rules face cuts in their support. This so-called Cross Compliance will be simplified, by withdrawing standards that are not relevant or linked to farmer responsibility. New requirements will be added to retain the environmental benefits of set-aside and improve water management.

Intervention mechanisms: Market supply measures should not slow farmers' ability to respond to market signals. Intervention will be abolished for pig meat and set at zero for barley and sorghum. For wheat, intervention purchases will be possible during the intervention period at the price of €101.31/tonne up to 3 million tonnes. Beyond that, it will be done by tender. For butter and skimmed milk powder, limits will be 30,000 tonnes and 109,000 tonnes respectively, beyond which intervention will be by tender.

Other measures: A series of small support schemes will be decoupled and shifted to the SPS from 2012. The energy crop premium will be abolished.

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18/11/08 – DailyTimes.com.pk
INDIA'S CORN EXPORTS SEEN CRASHING THIS YEAR

India's corn exports are set to crash to 200,000 tonnes in 2008/09 from three million tonnes as a three-month export ban and more attractive shipments from Brazil after its currency weakened hit demand, a top exporter said.

"All Asian buyers, except China and Thailand, which were buying from us have now turned to Brazil, Argentina and even the US due to falling freight," Amit Takkar, assistant vice-president of Adani Enterprises, told Reuters on Tuesday.

Exports to Malaysia, Indonesia, Vietnam, Japan and South Korea had risen sharply in the year to September, as high freight costs made purchases from the United States and South America costly, he said in an interview. Adani is India's biggest private exporter of farm goods.

Capitalising on an earlier sharp upturn in freight rates, India captured three percent of the global corn trade of 100 million tonnes in 2007/08. But Takkar said the availability of cheaper transport had reduced the South Asian nation's cost advantage. Along with substantially lower exports, falling prices and slowing demand from poultry owners at home would hurt farmers unless government agencies bought large quantities, he said.

Exports stopped: "When buyers can get corn at \$190-\$195 per tonne, why will they come to India, which will not be able to sell below \$200 free-on-board," Takkar said.

Brazil's real has seen sharper falls than the Indian rupee, he added, adding to the allure of Brazilian exports. The government in July banned exports of corn until Oct 15 to ensure sufficient supplies, part of a string of measures taken to counter rising food prices.

Traders in the southern city of Nizamabad, the hub of the domestic corn trade, say the export ban hurt India's image. "Although our supplies had reached even Japan last year, India is not being viewed as a long-term supplier due to the changes in export policies," Takkar said.

Analysts say a 33 percent rise in the price the government is paying farmers for this season's corn has pushed up spot prices, making purchases by poultry firms unviable.

"Industry is not able to absorb that. I see market turning very, very bearish," Takkar said. Traders said poultry firms, which used to pay immediately, now take 75 days to clear their dues, reflecting poor demand for their products.

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18/11/08 – World-Grain.com

TURKEY INCREASES GRAIN IMPORT TARIFFS TO 130%

On Nov. 12, the Turkish government announced an increase of custom duties for corn (maize), sorghum and millet from 50% to 130%, the U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) said. The country has produced a record domestic crop, per the FAS, and local officials have released repeated statements that corn imports will not be necessary this year.

Turkey's marketing year 2008-09 crop is forecast at a record 4 million tonnes, as planted area rose 22% from the previous crop year; and yields were excellent the FAS said.

In the 2008 annual tariff rate announcement published Dec. 31, 2007, the tariffs for corn, sorghum and millet were set at 35%, with a footnote saying the rate would rise to 70% from May 15, 2008. However, because of the jump in commodity prices and the need to import more, a cabinet decision published on April 8, 2008, gave the Turkish Grain Board (TMO) the right to import 300,000 tonnes of corn with zero duty by May 31, 2009. This quota was added to another 300,000 tonnes zero-duty quota issued in September 2007. TMO has imported 295,000 tonnes of corn under each of these quotas.

The same April 8, 2008, cabinet decision reduced the tariff on corn, sorghum and millet outside of any quota from 35% to 20%, valid until July 31, 2008, when the tariff rate increased to 50%.

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04/11/08 – World-Grain.com

USDA CREDIT GUARANTEES GOOD FOR GRAIN FARMERS, USGC

The U.S. Department of Agriculture (USDA) recently announced \$3.5 billion in credit guarantees for the 2009 fiscal year. Ken Hobbie, U.S. Grains Council (USGC) president and chief executive officer, said Oct.

31 that, while the program benefits U.S. overseas customers, the program also benefits U.S. farmers, and serves "almost as a guarantee" that they have buyers for their feed grains.

Specifically, the USDA's Commodity Credit Corporation (CCC) administers export credit guarantees for commercial financing of U.S. agricultural exports. The guarantees encourage exports to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without CCC guarantees, the USGC said.

The Export Credit Guarantee Program (GSM-102) covers credit terms up to three years. GSM-102 underwrites credit extended by the private banking sector in the United States to approved foreign banks using letters of credit to pay for food and agricultural products sold to foreign buyers.

"This program provides the opportunity to our overseas customers to obtain credit that in many cases they wouldn't be able to get as a result of the volatile state of the global economy," Hobbie said. "This program truly allows overseas livestock and feed industries to be able to produce food for growing populations, which in turn works to reduce global hunger. Programs like this are particularly important in countries like Korea, Egypt, Morocco and Algeria, to name a few, because they don't have well developed banking industries."

GSM-102 mandates the overseas buyers to purchase the needed commodities from the United States. In Korea, for example, the country is turning to cheaper feed wheat coming from the Black Sea region, rather than opting to purchase high-quality feed grains from U.S. growers.

"This program ensures that U.S. farmers and agribusinesses have markets for their barley, corn, sorghum and their co-products," Hobbie said. "It also guarantees livestock producers will have the feed ingredients they need to produce meat, milk and eggs for their consumers, despite weakened banking industries. This is truly one of the best programs the U.S. government has in place for enabling trade."

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04/11/08 – RenewableEnergyWorld.com

ETHANOL INDUSTRY UPDATE: VERASUN FILES FOR BANKRUPTCY, POET & KL ENERGY MOVE FORWARD

South Dakota, United States [RenewableEnergyWorld.com]

VeraSun Energy Corporation announced that it and 24 of its subsidiaries have filed voluntary petitions for relief under chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The company said that it made the move in order to enhance liquidity while it reorganizes its operations.

The filing comes after a series of events that led to a contraction in VeraSun's liquidity. The company suffered losses in the third quarter of 2008 from a spike in its corn costs. This was caused in part by costs attributable to its corn procurement and hedging arrangements, as well as historically unfavorable margins. Beginning in the third quarter, the national and international problems in the credit and capital resulted in severe constraints on the company's liquidity position.

During the chapter 11 proceedings, VeraSun said that it plans to resume normal operations. The company also said that it has taken steps to ensure continued supply of product to its customers and to fulfill all customer obligations.

"Today's filing allows VeraSun to address its short-term liquidity constraints as we navigate historically challenging market conditions while we focus on restructuring to address the company's long-term future," said Don Endres, VeraSun's CEO. "We appreciate the loyalty of our employees, customers and suppliers during this challenging time."

VeraSun said on Tuesday that it had received commitments for up to US \$215 million in debtor in possession (DIP) financing from certain holders of its 9 7/8% senior secured notes due 2012 and groups of

lenders led by AgStar Financial Services. The U.S. Bankruptcy Court entered an interim order allowing VeraSun and its affiliates to borrow up to US \$40 million from these DIP facilities and authorized the use of cash collateral to enable VeraSun to operate its business.

Meanwhile, other ethanol companies have moved forward with plans in both the corn and cellulosic ethanol spaces. Poet announced plans to showcase its Project Liberty plant in Iowa to the media and local farmers.

The project involves the transformation of a 50 million-gallon-per-year (MGPY) grain-to-ethanol plant in Emmetsburg, Iowa into an integrated corn-to-ethanol and cellulose-to-ethanol biorefinery and is jointly funded by Poet and the U.S. Department of Energy (DOE). The company also announced last week the start up of a plant capable of producing 65 million gallons of corn ethanol per year in Marion, Ohio.

KL Energy Corp. announced that it has acquired KL Process Design Group (KLPDG), a leading process design and engineering firm and a pioneer in the commercialization of second generation cellulose-based ethanol (CBE) production. This acquisition and accompanying funding will allow KL Energy Corp. to develop its second commercial scale CBE production facility, the company said.

NEW REPORTS:

November 2008 – FAO / GIEWS
FOOD OUTLOOK – NOVEMBER 2008

The previous (June 2008) issue of Food Outlook foresaw world prices of major agricultural commodities declining from the record levels they had just reached, amidst favourable prospects for global supplies. Since then, prices have indeed fallen, but farther and faster than can be explained through production gains alone. Underlying the price slide, in excess of 50 percent from their recent peaks, are other important factors, including the financial crisis, the halving of world crude oil prices and the appreciation of the US dollar. And uncertainty is emerging as a dominant feature of world agricultural markets, as many of them are entering or about to enter a new season.

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WEB RESOURCES:

IGC – LATEST MARKET UPDATES (PRICES, FREIGHT, SUPPLY & DEMAND, TRADE)
<http://www.igc.org.uk/en/grainsupdate/igcsd.aspx>

WORLD FOOD SITUATION PORTAL:

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