

# Monthly News Report on Grains

*MNR Issue 81 - March 2012*

## About the MNR:

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The main purpose of the MNR is to establish a communication vehicle for closer dialogue between the FAO Secretariat and the Members of the Intergovernmental Group (IGG) on Grains as well as the general public.

The MNRs are dispatched electronically on the last working day of the month except in July and December.

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### U.S. Corn Acres Seen Jumping to 75-Year High on Profit Outlook

30 March 2012

Bloomberg

U.S. corn acreage this year will be the largest since 1937, and more than expected, as profit prospects improve and warm, dry weather encourages farmers to boost plantings, the government said. Soybean acres are forecast to fall while wheat seeding may climb.

About 95.864 million acres will be planted with corn, up 4.3 percent from 91.921 million last year and more than the 94.658 million expected by analysts, the U.S. Department of Agriculture said today in a report based on a farmer survey. Farm net income may total \$91.7 billion this year, the second highest on record, the USDA said last month.

At current prices, farmers in some parts of the Midwest can make more than twice as much from an acre of corn as from soybeans, according to AgStar Financial in Rochester, Minnesota. In Illinois, the biggest corn-growing state after Iowa, farmers have already started seeding following recent record high temperatures, the USDA said earlier this week.

"With the early spring and relatively high prices, we're going to get even more total crop area planted," Richard Feltes, a vice president of research for R.J. O'Brien & Associates, said by telephone from Chicago. "If April and May continue the above-normal temperature pattern, and precipitation will largely be normal to below normal, that's the perfect formula for rapid early planting and maxing out the total planted area."

Farmers may sow 73.902 million acres in soybeans, down 1.4 percent from 74.976 million last year and less than the 75.429 million expected by analysts. Seeding of wheat, including spring and winter varieties, may total 55.908 million acres, up 2.8 percent from 54.409 million a year earlier and lower than analyst expectations of 57.551 million.

The USDA said in February that rising acreage may push U.S. corn production to a record, capping food inflation. Global food costs rose to an all-time high in February 2011, spurring unrest in northern Africa and the Middle East. Corn futures touched a six-month high at \$6.7575 a bushel on March 19 on the Chicago Board of Trade. In June, the grain climbed to a record \$7.9975 as U.S. stockpiles slid to a 16-year low.

At current prices, farmers in southern Minnesota can make about \$130 per acre of corn, compared with about \$60 per acre of soybeans, because corn crops yield more, said Tom Neher, a vice president at lender AgStar Financial. Soybean futures have surged 20 percent since the end of November, as adverse weather threatened South American crops. Four months ago, before the rally, farmers would have lost \$60 per acre on the oilseed, Neher said.

"Soybeans have worked really hard to buy back more acres," said Neher, who helps manage AgStar's grain portfolio, worth \$2.1 billion in loans and leases to farmers. "Soybeans are more in favor now than they were earlier, but there's still a lot more profit to be made in corn."

Farmers from Minnesota to Washington may plant 11.976 million acres in spring wheat, down from 12.394 million last year, the USDA said. Analysts expected 13.35 million acres of the grain, used to make bread and pizza dough. Durum wheat, used in pasta, may be planted on 2.223 million acres, up from 1.369 million last year, when floods swamped fields.

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## Price cuts win Argentina wheat order from Egypt

30 March 2012

Shipping Herald

Argentina confirmed its reappearance as a price leader in wheat exports by winning its first order from Egypt's state grain authority of 2012, undercutting Black Sea, European and, most, US supplies despite higher shipping costs.

Egypt's General Authority for Supply Commodities (Gasc) revealed that, after its third tender this month, it had bought 60,000 tonnes of Argentine wheat, and 60,000 tonnes of the grain from the US.

Argentine wheat narrowly missed out at the last tender, two weeks ago, by Gasc, the world's biggest wheat buyer.

Victory this time meant a cut of \$5 a tonne to \$259.35 a tonne in the winning Argentine offer, from agribusiness giant Cargill, more than making up for the extra cost of shipping to Egypt from South America.

Indeed, Argentine wheat was considerably cheaper than French supplies, of which the only offer came from Glencore at \$300 a tonne, excluding freight, boosted by fears for the impact of last month's European cold snap and ongoing drought on supplies.

"European origin [wheat] is not competitive for now as prices have risen much more than in other places since the end of the cold wave," Agritel, the Paris-based consultancy, said.

"Frost damage seems to be more important than initially estimated in Europe with damage in Germany that wasn't taken in account until now."

Argentine wheat was also cheaper, excluding freight, than the US supplies which have been the price leader for most of 2012.

Furthermore, it undercut the Black Sea wheat which set the pace for the last half of 2011, but was offered from Ukraine at \$277.26 a tonne and Russia at \$280 a tonne.

Russian prices have been lifted by the depletion of supplies next to port, and Ukraine's by the prospect of a poor winter cereals crop following a dry autumn and February freeze which has prompted farmers to hang on to supplies in expectation of a local market squeeze.

Nonetheless, Russia's deputy prime minister, Viktor Zubkov, said separately that Russian grain shipments would hit 26m-27m tonnes in 2011-12, a figure which, with shipments at 21.4m tonnes by the end of last month, implies a solid rate of trade for the rest of the season.

"If we are able to reach these volumes, and I think it's absolutely achievable, we will become the second-largest wheat exporter in terms of volumes after the US," Mr Zubkov said.

Separately, Prime Minister Vladimir Putin pegged grain shipments in 2012-13 at 25m-27m tonnes.

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## Glencore now top in grain market

29 March 2012

West Australian Countryman

Glencore is now the biggest player in the Australian grain market after buying out major rival Viterra.

The \$6 billion deal gives the Swiss commodity giant a 25 per cent share of the Australian grains industry, meaning that two companies - Glencore and Cargill - now control half of the market.

In 2009, Viterra bought out ABB Grain for \$1.6 billion, giving the company a significant footprint in South Australia through the ownership of ABB's storage and logistics network. Those assets will now move to Glencore once shareholder approval is obtained.

But Glencore plans to sell off most of Viterra's agri-products business in Canada and other assets to Agrium and Richardson for a combined amount of \$2.6 billion (\$2.5 billion).

Rumours had been circulating for weeks about a Viterra takeover, with analysts pointing to Cargill or Glencore as the potential suitors.

In the public domain, the takeover seemed to move at lightening speed but industry insiders say the smooth and well executed takeover bid points to a long, behind-the-scenes courting of Viterra.

Speculation is now rife that Glencore will now offload some of Viterra's Australian assets, such as ports or processing assets, and Emerald Group has already flagged interest.

Speaking at the WAFarmers annual conference, Emerald chairman Alan Winney said further consolidation of the industry was inevitable and Emerald would certainly look at any Viterra assets Glencore was looking to jettison.

"I'm not sure too many people would have suspected Viterra, which had about a \$4 billion market capitalisation, would be subject to a very quick takeover," he said.

"Glencore came in and upped the price to about \$6 billion."

Mr Winney pointed to GrainCorp as the next target likely to be gobbled up by larger grains companies.

"Publically-listed companies that have open share registers in this climate are targets," he said. "I think GrainCorp is in that category. Some of the food processing assets in the grain and other industries are in the same category.

"Publically-listed agribusinesses like Ridley are certainly open to someone coming in and wanting to pay more money than its shareholders think it's worth.

"Certainly in the soft commodity industries there are about eight firms I nominated as likely acquirers of assets.

"That included Cargill, Glencore and Bunge from the established Western world and Olam, Wilmar, Sumitomo, Cofco and Noble from Asian agribusiness groups that are emerging strongly."

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## **Morocco's trade deficit soars by 27,6% in February**

28 March 2012

Middle East online

Morocco's trade deficit dramatically widened in February 2012 mainly due to the soaring costs of energy and wheat imports, according to Morocco's central bank's latest report.

The North African kingdom's trade balance showed a trade deficit of 38 billion dirhams against 25.7 billion dirhams in the same period last year, an increase of 27.6% driven by a higher increase in imports, Bank Al Maghrib said.

February trade deficit worsened due to a rise in imports from 52.94 to 60.23 billion dirhams while

exports increased from 26.21 to 27.45 billion dirhams despite the 29% rise in exports of phosphate and derived products.

The soaring costs of energy are affecting Morocco's balance of trade as it is almost entirely dependent on imports to satisfy its energy needs.

Agricultural exports, which represent 14% of Morocco's output saw a dramatic fall due to rain shortage this year. Exports of citrus fruit decreased by 30% and fresh vegetables by 48.5%.

Drought and an unusually long cold spell in the first two months of this year have taken their toll on Morocco's cereal cultivation, which will force the north African kingdom to import more cereals.

Morocco is one of the world's biggest cereal importers. An increase in cereal imports will adversely affect its balance of payments and is likely to send the huge deficit of 2011 to new highs.

According to the finance ministry's report on the progress of the farming season earlier this month, rainfall from September to mid-January was 27 percent below a normal year.

Last month, King Mohammed VI asked his ministers about the effects of rain shortage on the agricultural season.

Agriculture employs 40 percent of the workforce in the country. A bad harvest season will force rural-urban migration which will put more pressure on Morocco's economy.

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## **Wheat on key US farms in best condition since 2010**

27 March 2012

Agrimoney

The condition of wheat crops in America's top-producing state has recovered to its highest since 2010, helped by rains which look set to continue to boost the crop's revival.

The proportion of Kansas's winter wheat crop rated in "good" or "excellent" condition rose five points to 59% over the last week, overnight data from the US Department of Agriculture said.

The improved figure, which contrasts with the deepening concerns over drought-hit winter cereals in Europe, compared with 31% a year before.

Indeed, it represented the highest rating for Kansas wheat since summer 2010, before the onset of a drought in the southern Plains which hit neighbouring Oklahoma particularly hard, leaving some parts with their lowest moisture levels on record.

"Last week, Kansas producers throughout the state received ample amounts of precipitation, coupled with unseasonably warm temperatures."

Some 36% of winter wheat has jointed, the first development stage after emerging from dormancy, up from 11% a year ago.

Rains boosted the rating Oklahoma crop too, by five points to 75% seen as "good" or "excellent" categories, after a "slow-moving system brought needed rains across much of the state, improving drought conditions".

And they lifted the condition of Texas winter wheat, which has also suffered a shortage of moisture, by five points to 34% rated good or excellent.

Separately, Rabobank lifted its forecast for the US wheat yield by 1 bushel per acre to 45 bushels per acre, and its estimate for the crop by 50m bushels to 2.3m bushels, citing the improved condition of hard red winter wheat crops.

"Overall drought conditions have reduced in recent weeks, and yield improvements should be expected as early winter wheat emergence proves beneficial," the bank said in a monthly report.

Furthermore, the precipitation spurred the progress of Texas corn planting, after a slow start, with 42% of the crop sown as of Sunday, up nine points week on week, narrowly behind the average of 46% by then.

In Oklahoma, USDA officials noted that "corn seed bed preparations was 66% complete by the end of the week, remaining 10 points ahead of normal".

About 9% of the state's expected corn area has been planted so far.

And the rains look set to continue refreshing southern states, although temperatures look set to fall back nearer to seasonal norms - potentially posing a threat to early-sown corn in northern areas.

Next week the southern Plains will "be wet and not terribly warm, favouring development of hard red winter wheat", Gail Martell at Martell Crop Projections said.

But the return near-normal temperatures further north means "the risk of frost would be elevated in Midwest northern corn states".

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## **Rains to hand Australia another bumper wheat crop**

26 March 2012

Black Sea Grain

Australia's wheat crop will fall less than domestic officials believe, supported by the persistent rains which continued over eastern area during the weekend, US Department of Agriculture attaché said.

Elevated returns from canola, expected to boost sowings of the rapeseed variant in Canada too, "will likely displace some winter cereal planting" in Australia, the attaches said in a report.

However, the rains which at the weekend returned to the east coast, exacerbating flooding in parts of Queensland, will give wheat, as an earlier-seeded crop, the edge over barley in farmers' cereal sowing plans.

"Soil moisture levels in the lead up to planting are considered to be excellent, particularly in eastern Australia, and this will likely to allow for an earlier and more orderly planting regime," the briefing said.

"Early planting conditions favour wheat over barley."

Furthermore, the rains mean that while even wheat area will fall to 13.5m hectares, a six-year low, the crop will be helped by "near-ideal moisture conditions".

The attaches estimated the wheat yield at 2.0 tonnes per hectare, compared with an average 1.87 tonnes per hectare.

"Perhaps the greatest constraint to planting and yield is the possibility that, with further heavy rainfall, the worst-affected areas may be too wet to plant or may suffer a yield decline from water logging."

The attaches estimated the wheat harvest at 27.0m tonnes, down from the 2011-12 record but still among Australia's strongest-ever harvests.

Indeed, the estimate was above the 25.7m-tonne forecast from Abares, the official Australian crop bureau, besides from many private forecasters.

Rabobank has estimated the crop at 24.7m tonnes, with Standard Chartered pegging it at 25m tonnes, and Sydney-based Advance Trading putting it at 23.6m tonnes.

However, the USDA attaches were more downbeat on prospects for barley, thanks to the sowing shift, pegging the harvest at a three-year low of 8.0m tonnes.

Abares has estimated the crop at 9.01m tonnes, and Rabobank at 8.13m tonnes.

The rich wheat harvest will leave Australia with ample inventories of the grain at the end of 2012-13, of 9.1m tonnes, down only 400,000 tonnes on the figure that they will end this season, on attach's estimates.

The ample inventories would appear to imply further softness in prices, whose decline has already "eroded returns received by growers".

"True for all grains, but more so for feed quality grain, where the situation is exacerbated by a larger proportion of feed quality grain currently in domestic storage."

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## **Pakistan likely to import hybrid wheat varieties from China**

25 March 2012

Pakistan International News

KARACHI: Pakistan is thinking on importing hybrid wheat varieties from China to boost up its local yield, said President of Farmers Association of Pakistan, Dr Muhammad Tariq Bucha.

Two hybrid wheat varieties developed by the Beijing Academy of Agriculture and Forestry Sciences, including Beijing Wheat No6 and No7, have been successfully grown in pilot areas in Pakistan, and are expected to increase local wheat production by 50 percent.

According to an intergovernmental agreement, Pakistan may start importing and growing the two wheat varieties on a large scale, he said. Currently, no import was made through official channel, he added.

Bucha said that private parties might have imported the seed from China but it was not official yet. Pakistan was importing rice hybrid seed for last five years from China.

Pakistan's yield of wheat is around 27 maund per acre, even though some progressive farmers get it increased to 42 maund per acre. But, the ratio of progressive farmers is very limited, he said.

Up to 90 percent farmers get yield of 25 to 27 maund per acre. World average of wheat production is nearly 45 maund per acre. The US leads the world wheat production with around 100 maund per acre.

In fact, Beijing's hybrid wheat was identified by the municipal government as internationally competitive products several years ago, but it did not get a chance to be put into commercial use, until recently.

The Beijing National Modern Agricultural Science and Technology City, whose construction started in 2010, has conducted bold, innovative seed research with full support of China's Ministry of Science and

Technology and Beijing Municipal Science and Technology Commission.

It has actively promoted the cooperation between research institutions and seed companies through the establishment of a breeding platform, an industry association, and an innovative mechanism for research project management, in hopes of building a complete innovation-driven industry chain.

At present, Beijing's seed technology transactions are growing rapidly.

The city has sold 51 seed technologies for 190 million yuan since the launch of the Beijing National Modern Agricultural Science and Technology City, up 250 percent from the last cycle.

General Secretary Sindh Abadgar Board Syed Mehmood Nawaz Shah told The News that wheat was only crop in Pakistan whose local seed was better than other crops. "Local farmers have achieved yield of around 60 maunds per acre from local varieties," he said.

Shah said that China was keen to provide wheat and cotton seed to Pakistan but officially no import was made through official channels.

Shah said that hybrid varieties were good for the production, as they were high yielding but sometimes problems occurred in hybrid varieties if there was any change in the environment, as hybrid seeds are sensitive.

Besides importing the hybrid seeds, if local scientists were rewarded they would produce good and high yielding varieties, he said.

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## **Iran looks to import 3 million tonne Indian wheat**

22 March 2012

The Economic Times

NEW DELHI: The Indian government has initiated the process of exporting wheat to Iran. The sanction-struck Asian neighbour has made enquiries to the Indian government for an import requirement of up to 3 million tonne. This is likely to be purchased by Iranian government agencies as well as private importers.

Iranian firms such as Kengan Wheat Flour Factory, ALP Company and Magna Business Management have sent wheat import enquiries to the Indian government-run agency Agricultural and Processed Food Products Export Development Authority (APEDA) through the Indian embassy.

"Two Indian firms have shown interest in shipping wheat to Iran. However, no export has taken place so far to the beleaguered country," said a senior APEDA official.

A wheat production of 88.31 million tonne in 2012 is driving exports. The strong stock position of wheat in the central pool, at 23.4 million tonne, is also boosting export prospects. After opening wheat exports in last September, the country has shipped about 6 lakh tonne to countries like Bangladesh, UAE, Nepal, Thailand and other countries.

Indian traders, however, are skeptical about payment for the exports after Iran defaulted on rice imports from India. But a payment mechanism recently set up by the two countries, which allows using the rupee for 45% of oil dues and to pay Indian exporters, has instilled some confidence in Indian exporters.

"More companies will come forward now to export wheat and other items to Iran if the new mechanism works well," said an Indian exporter.

According to media reports, Iran is scaling up grain imports to hedge against the growing impact of sanctions and poor crops due to dry weather. It has been importing wheat from Russia, Australia and Pakistan in large quantities. In 2007-08, Iran imported around 8 million tonne of wheat when it had a poor harvest.

Apart from wheat, Iran is also looking at importing sugar, IT products, machinery, metal products, iron, steel, minerals, clothes, fibre, tea, wood and automobiles from India.

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## **Morocco grains 'crisis' to force record imports**

20 March 2012

Agrimoney

Morocco may import the most wheat in at least a half century in the 12 months beginning in July after rain delayed planting and cold curbed crop development, the U.S. Department of Agriculture said in a report.

The nation may buy 5.6 million metric tons, from 3.2 million tons a year earlier, the USDA's Foreign Agricultural Service wrote in the report. Domestic production will plunge to 2.3 million tons from 5.8 million tons. Barley imports will jump to 1 million tons, from 510,000 tons as output slumps to 900,000 tons from 2.34 million tons, the FAS said.

"Morocco's cereal crop has entered a precarious period, with farmers and government officials bracing for a difficult time ahead," authors Hassan Ahmed and Idriss El Honsali wrote in the report. "It is reported that some farmers have lost hope in the wheat crop this year and let their livestock animals feed on their fields."

The slump in Moroccan cereals production contrasts with an expansion in harvests elsewhere. The USDA is predicting record wheat and corn crops this year after a surge in prices spurred farmers to plant more fields. Global food costs rose for a second month in February, and the world food-import bill last year climbed 24 percent to a record \$1.29 trillion, the United Nations' Food & Agriculture Organization estimated.

Imports of 5.6 million tons would make Morocco the world's seventh-biggest buyer based on this season's purchases, behind Egypt, the European Union, Brazil, Indonesia, Algeria and Japan, USDA data show. France supplied 63 percent of Morocco's common wheat cargoes in 2011 and Argentina and the U.S. 9 percent each, the data show.

The government created an emergency plan to deal with the slump, offering compensation to cereal farmers, cheaper feed to livestock producers and suspending duties on imports, the FAS authors wrote. Prices for barley, mainly used as animal feed, reached a record 5,000 dirhams (\$600) a ton in February as reserves fell to 40,000 tons, they said.

Sowing of wheat and barley started late because of rain and was not completed until the end of December in some areas, according to the report. Colder-than-average weather in January and February curbed grain sprouting. The current drought may be the worst since 2007, when grain output was below 2.35 million tons, the FAS said, citing unidentified agricultural experts.

The average Moroccan eats 258 kilograms (569 pounds) of wheat a year, among the highest in the world, the FAS estimates.

It anticipates total consumption of 8.4 million tons in the next marketing year, from 8.75 million this year. Import duties on soft and durum wheat are suspended until the end of April and those on barley until the end of December.

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## **Kazakhstan adds \$100M transport subsidy for grain exports**

19 March 2012

Kazakhstan newswire

The Kazakh government will spend \$100 million in transportation subsidies to boost grain sales to foreign buyers in 2012, a top official told an agri-forum on Friday.

The money will be invested in subsidizing the cost of transport of grain to markets located west and east of the landlocked Central Asian country, Minister of Agriculture Asylzhan Mamytbekov told the meeting in the Kazakh capital Astana.

By doing so, the Astana government will increase grain exports "in the direction of the Black and Baltic Seas, as well as to China and via China," the official told delegates at KAZGRAIN-2012 grain forum, the Blackseagrains.net news site reported.

The state funding will work out at \$27 per ton of grain, allowing transportation financing "of about 3.5 million tons in these directions," Mamytbekov said.

The minister also vowed that Kazakhstan would never resort to halting exports of grain in favor of domestic demand.

"We can firmly state that Kazakhstan will never declare a ban on grain exports, because the internal market will be ensured in full at the expense of state resources," he said.

Separately, Agriculture Ministry Executive Secretary Evgeny Aman told journalists the republic aims to "export up to 15 million tons of grain this marketing year," which he said ranged from July 2011 to July 2012.

The country has already exported around 7.5 million tons of grain, while "we plan to ship another six to seven million tons until the next harvest," Aman said in a government report.

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## **Reports**

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### **Prospective Plantings**

March 2012

USDA

In spite of improved supply prospects and weakening demand, agricultural commodity market conditions remain fairly tight, which is the major factor underpinning prices.

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## Measuring Aid to Agriculture and Food Security

Overseas Development Institute

This Briefing Paper discusses flaws in the system for identifying and classifying aid to agriculture and calls for a purposeful (policy-relevant) measure that addresses global commitments on transparency, accountability and results-based aid.

[Link to report](#)

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## New Web-Based Resource

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### U.S. Grains Council

March 2012

The U.S. Grains Council, which develops export markets for U.S. barley, corn, sorghum and related products, has launched a significantly enhanced website at [www.grains.org](http://www.grains.org). The website, a component of the Council's branding and communications initiative, presents the latest news and data relating to the U.S. and global grain trade.

[Link to site](#)

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## Monthly Information Sources

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### Commodity Price Data March 2012

March 2012

The World Bank

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