

Monthly News Report on Grains

MNR Issue 85 - August 2012

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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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Market News:

Wheat prices ease after Russia shuns export curbs

31 August 2012

Agrimoney

Russia eschewed grain export curbs in a package of measures to stabilise domestic grain markets after drought damage which has left the country facing its worst wheat harvest in nine years.

Russia's agriculture ministry, at a much-anticipated food security meeting to discuss shrunken crop supplies, narrowed its grains harvest forecast to 70m tonnes, at the bottom of a previous range 70m-75m tonnes.

However, officials stopped short of introducing the limits on grain exports which many traders had expected given the harvest shortfall and a rapid pace of shipments which, according to Deputy Prime Minister Arkady Dvorkovich have reached 4.6m tonnes since the 2012-13 crop year started last month.

"As long as I am in charge of this sector, I will be against any export restrictions," Mr Dvorkovich said.

Nikolai Fyodorov, the agriculture minister, estimating Russia's exportable surplus of grains at 10m-14m tonnes said that "domestic requirements will be covered 100%" despite the lack of curbs.

The refusal to introduce restrictions caught many investors off guard, given the country's waning harvest hopes.

SovEcon, the influential analysis group, on Thursday cut by 1m tonnes to 38m tonnes its forecast for the wheat crop, below the 2010 level which prompted a full export ban, although Russia this month acceded to the World Trade Organization, limiting its scope for unilateral action on trade.

On Friday, rival consultancy Ikar cut its forecast for Russia's total grains harvest to 69m-70m tonnes, including 39m-40m tonnes of wheat

And farm operator Trigon Agri revealed that it had abandoned significant acreage because of the drought, with yields on what it had harvested at its Stavropol farms falling below 0.5 tonnes per hectare, from 3.34 tonnes per hectare last year.

Indeed, consultancy Agritel noted that, before the food security meeting, "Russian traders mostly expect a restriction of grain exports from October".

In Chicago, wheat prices eased after the result of the meeting was announced, with the December contract, which had risen to \$9.06 a bushel before the decision, falling to \$8.95 a bushel as of 06:30 local time (10:20 UK time), a drop of 0.9% on the day.

Paris wheat for November was 0.8% down at E264.75 a tonne. London wheat for November stood unchanged at £206.00 a tonne.

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Iranian team coming soon to check wheat quality

30 August 2012

Pakistan News Service

ISLAMABAD: An Iranian inspection team is expected to arrive soon to check the quality of Pakistani wheat a step further in efforts by both countries to enter into a barter trade arrangement under which Pakistan will export one million tons of wheat.

“Pakistan will start exporting one million tons of wheat to Tehran after the Iranian team completes examination of the commodity,” a senior official of the Ministry of Food Security and Research told Our Sources. “Wheat will be supplied at a price of \$300 per ton,” he said.

Pakistan has surplus wheat stock of 1.5 million tons and even after export of one million tons, 0.5 million tons will remain in surplus.

According to a statement issued here on Wednesday, a meeting, held under the chairmanship of Secretary of Ministry of Food Security and Research Ahmed Bakhsh Lehri, reviewed the wheat situation in the country.

Provincial food secretaries, managing director of Pakistan Agriculture Storage and Services Corporation (Passco), senior officials of the food security and research ministry, representatives of the State Bank of Pakistan, Ministry of Commerce and Federal Board of Revenue (FBR) were present in the meeting.

They discussed the supply of wheat and stocks with the government and its associated grain trading organisations. They noted that the country had surplus stock and the commodity's export had risen appreciably after a significant increase in international prices.

The meeting participants agreed that the Ministry of Food Security and Research, in collaboration with relevant stakeholders, would regularly monitor wheat stock and its supply in the country. In this regard, a monitoring committee was constituted, which will be headed by the additional secretary of the ministry.

It was emphasised that the ministry, in association with the provincial agriculture departments, would make sure that proper measures were taken during the upcoming Rabi sowing season to encourage farmers to cultivate more area with wheat and enhance productivity.

The officials also underscored the need for making coordinated efforts to streamline the supply of agriculture inputs like fertiliser, herbicides and credit to the farmers.

Water availability and its possible impact on sowing of the next wheat crop also came under discussion. The officials decided that a separate meeting, to be attended by representatives of the provincial agriculture departments and other agencies concerned, would be held soon to review the situation and make recommendations.

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Corn Prices Set To Drop As South American Farmers Boost Planting

29 August 2012

Bloomberg

Corn prices may decline as farmers around the world increase acres to meet import demand after the worst U.S. drought in half a century cut supply from the largest grower, the U.S. Grains Council said.

“It will take one year, but it could decline from here if they see Brazil having a big crop this winter and in Argentina if they have good weather,” Julius Schaaf, an Iowa-based vice-chairman of the council, said in an interview. “Then you’ll see the market slowly descend into next fall.”

Futures surged to a record \$8.49 a bushel on Aug. 10 as the drought scorched crops in a nation that produced about 36 percent of the world harvest in 2011-2012. Rising prices pushed up global food costs tracked by the United Nations in July by the most since November 2009.

The rally is already rationing demand. Export sales for delivery in the marketing year beginning Sept. 1 have slumped to 7.85 million metric tons as of Aug. 16, from 8.73 million tons a year earlier, U.S. Department Agriculture data show.

"I think people are backing away and waiting to see what this market is going to do," said Schaaf, a fifth-generation farmer who has been growing corn and soybeans in Iowa, the top U.S. grower, for the past 35 years. "In every marketing year, there's an opportunity to buy corn at a very reasonable price."

About 22 percent of the U.S. corn crop was rated good-to-excellent as of Aug. 26, down from 23 percent a week earlier, and still in the worst shape since 1988, according to USDA data.

"I don't know what other bad news you have to pile on corn to drive the price up," Schaaf, 59, said in Phuket yesterday. "How much worse can it get?"

The Washington-based council, formed in 1960, develops export markets for U.S. corn, barley and sorghum and related products, according to its website.

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Syria looks for big wheat purchase

29 August 2012

Reuters

Syria has issued a large tender for wheat, a commodity not subject to sanctions, as feeding its people becomes harder in the chaos of civil war.

The United Nations has said Syria faces food shortages as tens of thousands of families leave their homes due to heavy fighting and with the harvest neglected during the conflict.

Syria's state grains agency issued a new international tender to purchase and import 100,000 tonnes of soft milling wheat, European traders said on Wednesday.

Trade sources said a reluctance among foreign banks, ship-owners and grain traders to sell and transport grain to Syria - even though food is not itself subject to sanctions - had forced Damascus into an array of unusually small wheat purchase deals in past months, many arranged by dealers around the Middle East and Asia.

Traders also said Syria was entering the market at a time of high prices, so a purchase will be more expensive than usual.

Wheat prices have surged about 35 percent since the beginning of June and corn climbed 55 percent as the worst drought in 56 years ravaged grain crops in the United States and drought cut Russia's harvest.

"I think Syria certainly does have a large import requirement but I think a formal international tender might be difficult to undertake with the current sanctions," one trader said.

The tender was issued by Syria's General Establishment for Cereal Processing and Trade (Hoboob). The agency had said in June that it had sufficient supplies from this year's harvest for immediate needs and that it would not issue a new tender until July or August.

"It looks like Syria is going to make an attempt to buy wheat by itself," another trader said. "Sanctions do not ban the sale of food to Syria so they will no doubt get offers."

The tender sought offers in euros, as normal in Syrian grains deals.

The bidding deadline was Sept 10. Shipment was sought within two months from the opening of a letter of credit on the deal.

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Brazilian Farmers Benefit for Global Grain Slump

27 August 2012

The Crop Site

BRAZIL - The world needs two bumper crops and according to specialists, only in this way will the prices of agricultural commodities decline, driving away the risk of food insecurity.

For Brazil, however, this presents new opportunities according to a report on the Brazil Arab New Agency.

The report says the United Nations Food and Agriculture Organization (FAO) has warned that the United States' maize and Russia's wheat crop failures are driving up these commodities' prices and threatening food security worldwide.

The risk is there and specialists estimate that the world will need at least two bumper crops in the next few years for inventories to be replenished and prices to drop.

On the other hand, poor global agricultural performance is causing Brazilian farmers' profits to rise sharply.

In Brazil, maize output will be an all-time high, and some of the wheat has been sold even before it has been harvested.

According to Lucilio Alves, a grain researcher at Esalq/USP's Centre for Advanced Studies in Applied Economics, the maize inventory-to-consumption ratio around the world right now is the lowest since the 1973/1974 crop.

Alves said that 41 per cent of all maize is used as either food or as a food industry input. The commodity is also one of the main raw materials in animal feed manufacturing.

"Right now, the prices of some commodities are higher than they were in 2008, and an eventual food crisis was already being considered back then. It will take two bumper maize crops in order for supply and demand to even out," he said.

A technical and economic analyst at the Organization of Cooperatives of the State of Paraná (Ocepar, in the Portuguese acronym), the agricultural engineer Robson Mafioletti also believes record-high crops will be required in order to halt prices from hiking and causing food insecurity.

"Right now, maize is selling for an average of US\$ 8.50 per bushel and soy is selling for US\$ 17.50, which are among the highest-ever prices. According to forecasts, maize may reach US\$ 10 and soy may go as high as US\$ 20. The world will need two to three very good crops. The demand will not decline enough that it will accommodate crop failure," he said.

According to Mafioletti, the United States will refrain from producing up to 100 million tonnes this year of maize as a result of the crop failure. Russia, whose wheat output reached 56.2 million tonnes in 2011,

is expected to produce 43 million in 2012. The country is expected to export 8 million tonnes of wheat in 2012. Last year's output was 21 million tonnes. Ukraine also had a wheat crop failure: down from 22 million tonnes in 2011 to 15 million this year.

Wheat prices are on the rise. At the Chicago Mercantile Exchange, the settlement price for futures contracts was US\$ 8.96 per bushel as of last Wednesday (22 August). A year earlier, the settlement price of a wheat bushel was US\$ 7.35. During the period, the price was up 22 per cent.

According to Modesto Daga, an agricultural engineer and consultant in Cascavel, Paraná, approximately 5.5 million tonnes of wheat will be produced and 11 million tonnes will be consumed this year in Brazil.

The demand is twice as large as the output, and the country, which is the second leading importer of the commodity in the world, following Egypt, will keep on buying. Still, Brazil will export because bullish prices and declining international supply are getting farmers' spirits up.

"[The state of] Rio Grande do Sul hasn't even begun harvesting wheat yet, and already one third of the forecasted crop has been sold," said Daga.

Mafioletti says Brazil may supply markets in North Africa which would buy from Eastern Europe if not for the crop failure.

"In the past, wheat was the foundation of our agriculture, but we are no longer major producers. Now, farmers are exporting to escape the grip of the industry (the mills). We may go back to selling to Egypt, Algeria, Nigeria and Libya, to whom we exported back in 2010," he said.

"The outlook is interesting when it comes to prices, and they should not drop right away," Mafioletti forecasts.

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Army worm outbreak brought under control

22 August 2012

China Daily

A recent army worm infestation in major grain producing regions in North and Northeast China is now under control and will have little effect on this year's harvest, agricultural professionals said.

The army worm, a common pest, became the most serious threat to the production of corn this summer in the country's major grain-producing regions due to unusual weather conditions.

By Friday, pest control measures had effectively covered about 3 million hectares, or 80 percent of the total corn planting areas nationwide hit by the infestation, the Ministry of Agriculture said on its website on Monday.

The affected areas include Hebei, Jilin, Liaoning, Heilongjiang provinces, as well as the Inner Mongolia autonomous region and Beijing and Tianjin, the ministry said.

"It has been unusual over the past few decades to see an army worm plague affecting so many places in North and Northeast China. The pest usually appears along the middle and lower reaches of the Yangtze River," said Li Maosong, a researcher of disaster reduction at the Chinese Academy of Agricultural Sciences.

"However, frequent cyclonic activities since mid-July provided favorable conditions to the migration of the army worms, and then heavy rainfall forced them to stay in north and northeastern parts of the country," he said.

At present, the country has successfully stopped the spread of the army worm infestation in the affected areas, and there is no severe impact on corn production, the ministry said.

"Only a small number of farmers in Beijing suffered complete crop failures due to the army worm infestation, although it is the most serious case in the city since 1997," said Yang Jianguo, an official from Beijing Plant Protection Station.

"The total corn output will only see a slight loss because of timely and effective pest control measures," he said.

On Tuesday, the city ended its pest control efforts when the infestation gradually died out due to the short lifetime of the army worms, he said.

Authorities urged local branches to continue to improve surveillance and control efforts to fight against army worms, which are still present in some parts of Northeast China.

By Tuesday, the army worm infestation had affected 1.8 million people and 481,600 hectares of farmland, causing direct economic losses of 1.44 billion yuan (\$226 million) in Heilongjiang and Jilin provinces, according to the Ministry of Civil Affairs.

Yao Lucai, who has 1.3 hectares of farmland in Dehui, Jilin, said all his corn leaves have been eaten up by the pests.

"Some have only half cobs left. This is the most serious infestation I've experienced," Yao said.

"I sprayed pesticide for three days, but it's too late. The effect is limited. And the pesticide makes me feel dizzy. My wife even stayed in the hospital for three days because of pesticide poisoning," he said.

"The pesticide price has also soared from 5 yuan per bottle to 14 yuan per bottle. One bottle can be used for 0.07 hectare of land. I have spent over 1,000 yuan on it.

"I think there will be a total crop failure. I'll lose at least 80,000 yuan. For the next year, I'll have to secure a loan to buy seeds and fertilizer."

Li Maosong said China's farmlands will face a serious increase in pests in the future partly because of climate change.

"Some plant diseases that never occurred in the past are very likely to break out. Therefore, more early warning and control efforts should be strengthened," Li said.

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U.S. EPA seeks input on ethanol mandate waiver requests

21 August 2012

Drovers Cattle Network

The U.S. Environmental Protection Agency (EPA) said it has begun weighing requests to suspend the U.S. ethanol mandate, which requires refiners to blend ethanol into gasoline, and is seeking public feedback.

The governors of North Carolina and Arkansas asked the agency last week to temporarily waive the U.S. quota on ethanol made from corn, because the worst drought in 50 years has driven corn prices higher and hurt livestock producers who depend on the grain for feed.

The EPA asked on Monday for public comment on the need for an ethanol waiver. The 30-day comment

period will begin once the notice is published in the Federal Register.

"This notice is in keeping with EPA's commitment to an open and transparent process to evaluate requests the agency receives under the Clean Air Act, and does not indicate any predisposition to a specific decision," agency spokeswoman Alisha Johnson said in a statement.

By law the agency has until Nov. 13 to make a decision on the waivers, meaning EPA could act on the requests after national elections on Nov. 6.

Aimed at reducing U.S. reliance on foreign oil, the Renewable Fuels Standard, or RFS, would require 13.2 billion gallons of ethanol to be made from corn this year.

The EPA is seeking input on whether the RFS would severely hurt the economies of Arkansas, North Carolina or any other part of the United States and what effect a waiver would have on ethanol demand and corn prices.

The agency is also asking, if a waiver is needed, how much should the mandate be eased and when should it apply.

A petition by Texas Governor Rick Perry in 2008 was rejected when the agency said waiver requests had to show the mandate itself was severely harming a region's economy and not just contributing to economic damage.

U.S. livestock groups have argued that complying with the mandate at a time of historic national drought is causing major economic harm to meat and dairy producers.

It is unclear that a waiver would weaken corn prices. Refiners will likely continue buying almost as much ethanol even without the mandate since they use it as an additive to make cleaner-burning fuel required in much of the country.

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Barley belies market moves

17 August 2012

Stock Journal

OFTEN overlooked by analysts concentrating on the big ticket crops such as wheat and corn, analysts say there are a number of factors currently at work in shaping the barley market at present.

CBH barley marketing manager Rob Dickie said in particular the interplay between the malt and feed market would be worth watching over coming months.

"With feed barley trading off world coarse grain values, such as corn, it is really putting a floor in malt values, but as to how much of a spread there is going to be, that is unsure."

Canadian analyst Greg Korstal said already the fickle nature of the malt market had led to the crop becoming more of a niche product in Canada, with growers preferring to focus on high yielding feed lines.

Mr Dickie said Chinese demand for malt was a positive for Australia, but said it would not mean massive premiums over feed for malt barley.

"Chinese demand is very strong and Australia is the major supplier, but equally it is a very price-sensitive market."

He said low-cost producers such as Argentina could be a threat.

“Argentinean barley plantings are estimated to be up 17pc this year due to government policy there, which has an export duty on wheat, but not barley, so they will be a threat for Australia’s share of the Chinese market.”

He said Australian barley production looked like it would remain fairly steady at 8 million tonnes, out of a world crop of 132mt, but the split between feed and malt would be crucial in terms of what the values for the crop would be.

“Even though we are a relatively small producer, the fact we export half of our crop makes what happens here important on world markets, in particular in terms of malt barley.”

He said there had been little movement in international markets in recent months, but now the Chinese buyers were looking at shoring up more supply.

On the feed side, Mr Dickie said Saudi Arabia’s massive 6.7 million tonne import program kept things ticking along.

“It’s hard to say how much in reserve they have in Saudi Arabia, given demand is just so large they just keep buying steadily.

“Overall in the barley sector we think stocks are getting down towards historical lows.”

John Stuart, technical adviser at GrainCorp, said Australian growers faced a more complex environment than 20 years ago.

“There used to be just one major variety in each major production zone, Stirling in Western Australia, Schooner in southern Australia and Grimmer in northern malt regions.

“It’s now more complicated, but there is a wider range of varieties.”

He said northern growers in particular, were set to have a better range of varieties to produce malt quality barley due to breeding advances.

In terms of a focus for the industry, he said with greater affluence in China, it was hard to see it not continuing to be a major opportunity for Australian malt barley producers.

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Super-yielding wheat may solve food crisis

6 August 2012

The Australian

A FLUKE experiment tinkering with the genes of Australian wheat has created a new variety that could rocket wheat yields by 30 per cent a year.

The chance discovery by a CSIRO research team is considered so significant that it has been heralded worldwide as a possible solution to future global food shortages.

Grains Research & Development Corporation chief John Harvey described the surprise breeding breakthrough as one of the most exciting scientific advances for wheat in decades.

"It was a lucky, serendipitous discovery," a delighted Mr Harvey told a national grain industry conference in Melbourne. "Researchers at CSIRO's division of Plant Industry were looking at ways to

change starch in wheat (for industrial processing reasons) and noticed when they grew (these new wheat types) the plants ended up 30 per cent larger, with 30 per cent bigger heads and a 30 per cent increase in grain yield."

The new "super-wheat", bred by a research team in Canberra headed by Matthew Morell, is being grown in field trials in three locations around Australia.

It is hoped it will provide the momentous leap in wheat productivity that researchers have spent years searching for, after worryingly slow advances in recent times.

Jeremy Burdon, CSIRO Plant Industry chief, said yesterday that after the "green revolution" of the 1960s and 70s, when new varieties resistant to common diseases and pests brought giant wheat yield gains, there had been only incremental productivity boosts in recent years.

"The new plant breeding challenge now is, unlike in the past where it was about developing disease resistance, about increasing wheat biomass and grain head yields," Dr Burdon said.

"That's why this new development is potentially so significant; a 30 per cent yield increase is an extraordinary achievement if it can be replicated in the field."

With 650 million tonnes of wheat grown annually around the world -- Australia grew a record 29.5 million tonnes last year -- wheat is one of the most important food crops needed to feed the growing global population of nine billion by 2050.

World wheat prices hit a record high last week following major droughts in the US, Canada and Russia, and world grain prices are expected to continue to rise over the next five to 10 years.

"With this technology, we see more vigorous wheat with larger seed heads, and larger seed," said Bruce Lee, director of CSIRO's Food Futures Flagship.

"If we can achieve significant yield increases in the field, this will have a major impact on food production on a global scale."

CSIRO and grower-funded GRDC jointly own the new wheat "GWD variety", bred using gene manipulation and slicing techniques that turned off a naturally occurring enzyme gene in wheat's genetic makeup.

Dr Morell and his CSIRO Plant Industry team were originally looking to breed a new wheat line with a lower starch content and viscosity, to make industrial wheat flour processing easier. While the CSIRO team has achieved that aim, the discovery of the super-high-yielding new wheat has bowled over the international plant breeding world.

Multinational chemical and seed company Bayer last week signed a joint venture agreement with CSIRO and the GRDC to take the new high-yielding super GM wheat variety through to international commercialisation.

"This is a complex scientific challenge and a long road for development, which we believe will benefit from partnerships with some of the best innovators in the world to help wheat farmers access these significant gains sooner," Bayer Crop Science business head Mathias Kremer said.

Mr Harvey said while Bayer would help further development and refinement of the GM high-yielding trait "outside Australia", all the initial field trials would be located within in Australia..

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Reports

2011 Food Aid Flows

August 2012

WFP

In 2011 global food aid deliveries were the lowest since 1990 at 4.1 million mt. WFP was the primary means of delivery for 60 percent. The priority of donors during the reporting period was to meet emergency needs: 67 percent of food aid was used for this purpose. But response planning requires the needs to address the causes of food insecurity and to introduce interventions that improve nutrition, health, education, resilience and livelihoods.

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