

# Monthly News Report on Grains

*MNR Issue 93 - May 2013*

## 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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## Market News:

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### **Overall exports to fall short of USDA's 2012/13 expectations as marketing year closes**

30 May 2013

US Wheat Associates

While the 2012/13 marketing year does not officially close until May 31, it was already clear as of May 16 that total exports will fall shy of USDA's forecast for 27.9 million metric tons (MMT), below the five-year average of 28.6 MMT and about 3 percent lower than 2011/12. Early last summer, sales were more than 20 percent off the prior year's pace, but more competitive prices and supply issues in other key wheat producing countries helped U.S. exports make up ground.

As of May 16, USDA reported total 2012/13 accumulated exports and outstanding sales of 27.1 MMT, including higher year-over-year sales for three of the six wheat classes. To date, sales of hard red winter (HRW), the largest U.S. wheat class in terms of production and exports, are 2 percent greater than the prior year at 10.5 MMT but well below the five-year average of 12.4 MMT. As of May 16, sales to four of the top five 2011/12 HRW customers were lower in 2012/13, but increased sales to Brazil, Colombia and Egypt helped offset those reduced sales.

Soft red winter (SRW) will see the largest year-over-year sales increase of all U.S. wheat classes. As of May 16, sales were up 21 percent to 5.36 MMT, well above the five-year average of 4.35 MMT and the highest since 2007/08. In December, tight supplies in the Black Sea pushed world wheat prices higher and U.S. SRW became the least expensive wheat in the world, prompting Egypt to turn to the United States. SRW sales to Egypt in the first half of the marketing year were just 73,300 MT. As of May 16, Egypt had purchased 1.07 MMT of SRW, 39 percent greater than total 2011/12 sales and the most since 2008/09. So far, SRW accounted for 64 percent of Egypt's total U.S. wheat purchases in 2012/13.

SRW sales to Mexico were also very strong for the second consecutive year at 1.11 MMT to date, down 13 percent from last year but 32 percent greater than the five-year average and the second highest on record. As of May 16, SRW sales to Ecuador have already set a new record at 134,000 MT, doubling 2011/12 sales and up significantly from the five-year average of 58,000 MT. The increased sales are due, in part, to changes at the Canadian Wheat Board, which historically provided Ecuador with special price arrangements.

U.S. durum exports rebounded slightly in 2012/13, up 14 percent to 571,000 MT as of May 16. Lower planted acreage and serious production issues have hindered durum the last two years, pushing the price higher and limiting the exportable supply. Despite higher sales, 2012/13 exports will fall well below the five-year average of 812,000 MT. Higher sales to Algeria, Belgium, Turkey and Mexico helped offset lower sales to the European Union, including Italy, the largest U.S. durum customer.

Exports fell for both hard red spring (HRS) and white wheat in 2012/13. High prices made HRS less competitive, leading to an 11 percent drop in sales to 6.02 MMT as of May 16. To date, sales are lower in four of the top five HRS markets than in 2011/12 and are 15 percent below the five-year average. While total 2012/13 white wheat sales of 4.64 MMT are currently 21 percent lower than last year, they are equal to the five-year average. White wheat sales soared to a record high in 2011/12 when low prices and feed use significantly increased sales to Korea and Japan, the top two white wheat markets. White wheat sales to Mexico returned to an average level in 2012/13 after a severe drought spurred record sales in 2011/12.

Two trade policy changes helped improve commercial wheat sales in 2012/13. The U.S.-Colombia free trade agreement (FTA) was implemented May 15, 2012, permanently eliminating import duties on wheat just two weeks before the beginning of the marketing year. It helped the U.S. regain market share lost to Canada when its FTA with Colombia was implemented nine months earlier. Current year sales to Colombia increased 48

percent year-over-year to 672,000 MT as of May 16 but remain 6 percent below the five-year average. Due to a supply shortage in Merosur countries, Brazil temporarily eliminated its 10 percent import duty on up to 2.0 MMT of wheat from April 1 to July 31, 2013. As of May 16, sales to Brazil of 526,700 MT far surpass total 2011/12 sales of 112,000 MT and will likely increase when the final marketing year data is available. Outstanding sales to Brazil for the 2013/14 marketing year are already 112,000 MT.

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## **Genetically engineered wheat found in Oregon field, federal investigation underway**

29 May 2013

Oregon Live

Illegal genetically-engineered wheat has been discovered growing in an Eastern Oregon field, which may cause severe marketing and export problems for one of the state's biggest crops.

State agriculture department Director Katy Coba said 85 to 90 percent of the Pacific Northwest's soft white wheat crop is exported to Japan, South Korea, Taiwan and other nations, where it's used to make noodles and crackers. Oregon's wheat crop is valued at \$300 million to \$500 million annually, depending on yield and price.

"Clearly there's a concern about market reaction," Coba said. "Japan and Korea jump out. They do not want genetically-engineered food, they do not want genetically-engineered wheat. They could shut off the market to us."

If that happens, Oregon may have to institute testing of its shipments to prove they do not contain genetically engineered - or GE - material, Coba said. The wheat industry would have to pay for it, she said.

Coba and federal agriculture officials insist the particular variety of GE wheat is safe for human consumption or for use as animal feed, but the discovery this month outraged activist groups that have long warned about the potential adverse health effects of genetically modified crops.

The Center for Food Safety, based in Washington, D.C., said the U.S. Department of Agriculture has "once again failed to protect the food supply from GE crop contamination."

In a prepared statement, Executive Director Andrew Kimbrell said the incident shows stronger regulation is "long overdue" and the agriculture department should immediately ban open-air field testing of GE crops.

A 2005 study estimated that the national wheat industry could lose \$94 to \$272 million annually if GE wheat were introduced, because many markets oppose or prohibit modified crops, according to the Center for Food Safety.

GMO Free Oregon, a group opposed to the presence of genetically modified organisms in the food supply, said the "crisis" should lead to greater regulation of Monsanto Co., which produces genetically engineered seed and the herbicide glyphosate, marketed under the brand name Roundup.

The incident threatens Oregon's wheat export markets and the livelihoods of the state's wheat farmers, GMO Free Oregon spokesman Scott Bates said in a prepared statement. In addition, organic farmers are very concerned about cross-pollination, he said. The group helped organize a March Against Monsanto in Portland last weekend.

The investigation began when an unidentified Oregon wheat farmer noticed that some wheat plants he had sprayed with glyphosate had survived. Genetically-engineered wheat is resistant to glyphosate, and such plants are often referred to as "Roundup resistant" or "Roundup ready" because they resist the Monsanto product.

The farmer was preparing a field for planting, which often involves killing weeds or plants that sprout voluntarily from seeds knocked loose during harvest. However, some wheat plants that had popped up survived spraying with glyphosate.

The farmer reported it to an Oregon State University researcher and delivered plant samples on April 30. Initial tests showed the presence of a transgene that conveys resistance to glyphosate, according to a U.S. Department of Agriculture website. The OSU scientist notified the USDA on May 3, touching off the federal investigation.

The USDA is taking the discovery seriously, and has nine investigators on the ground in Oregon, said Mike Firko, acting deputy administrator for biotechnology regulatory services. He works for the USDA's Animal and Plant Health Inspection Service, or APHIS.

No varieties of genetically-engineered wheat have been approved for planting, Firko said, and its presence in the Oregon field is a potential violation of federal law, punishable by up to a \$1 million fine and other penalties. At this point, Firko said, investigators don't know how the plants appeared in the 123-acre wheat field. No other GE plants have been discovered so far, Firko said Wednesday.

"I'm not going to speculate on what may or may not have happened," he said. "One small field in Oregon with some plants, that what we've got."

Federal investigators have no reason to believe the farmer who reported the plants has committed any infraction.

Blake Rowe, chief executive of the Oregon Wheat Commission and Oregon Wheat Growers League, praised the farmer for reporting the plants.

"The grower did the right thing, at some personal risk," Rowe said. "He did something that was really important from the industry standpoint."

"This is not supposed to happen," Rowe said. "Given that it did, the best thing is to figure out how it did happen, and what do we do about it."

APHIS last approved field trials of glyphosate-resistant wheat in Oregon in 2001. Trials also occurred in 15 other states - including Washington, Idaho and California - from 1998 through 2005, but GE wheat has not been approved for commercial sale or planting.

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## **Corn planting has at most two weeks left, analysts say**

29 May 2013

Food Business News

KANSAS CITY — The 2013 corn crop has little more than two weeks left to plant the final 14% before mid-June, but the overall outlook for the crop remains favorable, said Kurt Setzer, market analyst at MaxYield, a West Bend, Iowa, grain elevator operation.

Darrel Good, an agricultural economist at the University of Illinois, thinks some producers, especially in the northwest Corn Belt, will throw in the towel earlier than the second week of June and take crop insurance that becomes available about June 5.

"In parts of Iowa, Minnesota, Wisconsin and the Dakotas, they will plant corn until the first week of June," he said. After that, unplanted corn acres will either be switched to soybeans, written off for crop insurance or simply abandoned, he said.

The U.S. Department of Agriculture said in its latest Crop Progress report that 86% of the crop was planted as of May 26, down from the five-year average of 90%.

Because of a wet spring, farmers had to frenetically plant as much of the 2013 crop as they could earlier in May, when a window of dry weather allowed a concentrated burst of fieldwork. But the wet weather returned and planting over the long Memorial Day weekend was sporadic, leaving a sizeable chunk of about 10 million acres still unplanted, Mr. Setzer said.

What happens to that final 10 million acres is an interesting question, he noted. Rains may slow down additional planting this week, Mr. Setzer said, but farmers would still have the opportunity to plant shorter-maturity corn that may take only 85 to 90 days to grow rather than the usual 105 days. He said a certain number of producers will stay loyal to corn rather than switching to later-planted soybeans because corn remains the more profitable crop. And he said that, despite some risk premium in prices, the attitude in the futures market is still that "rain makes grain."

After mid-June, planting soybeans over corn will become a necessity, Mr. Setzer said. Corn planted close to the drop-dead date of June 15 would probably yield about 10@15 bus less than the trend line 158 bus per acre, he said. But he contended that the lower yields would still be acceptable.

"Even reduced yields of 145 bus (per acre) would produce a comfortable carryout," he said. "At 155 bus per acre, there would be a carryout of about two billion bus," he said, which would send corn futures prices markedly lower.

He predicted some spikes in corn futures prices over the next couple of weeks if rain continues, but he doesn't foresee soaring prices. A panicked market isn't likely because "a wet year doesn't get as much attention as a dry year," he said.

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## **Argentina says 2013/14 wheat area to expand 40 percent**

23 May 2013

Ag Professional

High wheat prices, a government tax rebate plan and expected good weather will prompt Argentine farmers to expand planting of the grain by 40 percent this season compared with the 2012/13 crop year, Agriculture Secretary Lorenzo Basso said on Tuesday.

"The area will be close to 4.5 million hectares, for sure," Basso told the Reuters Latin America Investment Summit.

In the 2012/13 growing season, which ended in February, the Argentine government says farmers sowed wheat on 3.16 million hectares, the smallest area on record.

Other estimates vary. The Buenos Aires Grains Exchange forecasts Argentina's 2013/14 wheat area at 3.9 million hectares, up from its estimate of 3.6 million last season.

Argentine 2013/14 wheat planting has already begun and the country is a key supplier to neighboring Brazil.

Farmers have however turned to other crops in recent years due to government export curbs meant to ensure ample domestic food supplies, but that growers say distort prices.

To reverse the trend and spur more wheat sowing, the government is giving tax rebates to farmers to compensate for a 23 percent levy on wheat exports.

"Wheat planting area will increase for several reasons: the rebates, good soil moisture and better market conditions," Basso said. Benchmark Chicago wheat prices are up 3.8 percent so far this year.

In March, Argentine officials authorized exports of 5 million tonnes of 2013/14 wheat as part of the drive to increase production. In the past, export quotas were announced in small increments, a system farmers disliked because they said it made accurate crop planning impossible.

The U.S. Department of Agriculture (USDA) forecasts Argentina's 2013/14 wheat crop at 13 million tonnes, up from the previous season's output of 11 million tonnes.

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## **Iran stops wheat exports to avert illegal sales**

21 May 2013

Tehran Times

TEHRAN - The trade Promotion Organization of Iran has stopped exports of wheat in a bid to curb illegal selling of wheat at high prices to western neighboring countries by profiteers, the Fars News Agency reported.

On Saturday, a number of Iranian MPs criticized the government for buying wheat from farmers at a low price, saying it has encouraged Iraqi merchants to buy wheat from Iranian farmers at a higher price.

"Now, Iraqi dealers are buying wheat produced in the country at a price of 1200 tomans (12,000 rials or half a U.S. dollar)," three MPs said in separate messages to the president and the administration's economic team.

The Agriculture Jihad Ministry purchases wheat from domestic producers at a price of 7000 rials per kilo.

The price set by the government will lead to the "destruction" of the agricultural industry, the MPs stated.

"Last year (March 2012-March 2013), we celebrated self-sufficiency in the production of wheat, while we imported six million tons," said MP Ahmad Shohani, who represents the western city of Ilam.

If this trend continues this year, Iran will be forced to import 10 million tons of wheat instead of six million, he added.

MP Hamed Qaderi, who represents the city of Qorveh in Kordestan Province, said the government pays 12,000 to 13,000 rials for each kilogram of wheat that it imports while it pays 7000 rials per kilo for wheat produced domestically.

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## **Argentina, Brazil join U.S. in International Corn Alliance**

17 May 2013

Prairie Farmer

Corn groups from the U.S., Argentina and Brazil signed a memorandum of understanding this week to form an international alliance of corn producers, collectively called MAIZALL.

The National Corn Growers Association, ABRAMHILO (Brazil), MAIZAR (Argentina), and the U.S. Grains Council signed the agreement in Buenos Aires Tuesday.

Though the countries are competing in the marketplace, USGC President Tom Sleight said the agreement is a way to reach out to international customers and talk about modern agriculture, food security and the role of modern stewardship and technology.

"The main idea is to coordinate communications and speak with a more united voice as producers to the rest of the world," Sleight explained.

According to Sleight, benefits to U.S. corn producers include finding solutions to biotech and phyto-sanitary trade barriers.

"When you have the major corn producing countries talking with a more united voice it adds the farmers' voice to the ongoing government to government negotiations, the industry negotiations," Sleight said.

He said interest is also growing among legislators, namely Sen. Debbie Stabenow, D-Mich., and Sen. Chuck Grassley, R-Iowa, to get global agricultural producers on the same regulatory page ahead of forthcoming trade agreements.

The formation of the group comes just a month after six countries – Argentina, Australia, Brazil, Canada, the United States and Paraguay – signed an agreement to work together to limit ag technology barriers and promote science-based, transparent regulatory approaches.

After signing the MOU, MAIZALL partners met for two days to establish organizational details and meet with agricultural, scientific and government leaders. A tentative agreement was reached on the structure of the MAIZALL Board of Directors, officers, preliminary funding targets and next steps.

Over the next several weeks, the proposed organizational structure will be presented for approval to the Boards of the four participating organizations, USGC said.

"We are competitors," USGC Vice Chairman Julius Schaaf noted, "and we will remain competitors. But we grow the same crop, we serve the same customers, and we face the same problems on market access issues. We have a common interest in working together to open markets and improve food security around the world. That is the goal of MAIZALL."

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## **Cheap Black Sea wheat to get pricier as storage improves**

16 May 2013

Agrigate Media

The Black Sea region may no longer be a source of deeply discounted wheat on world markets this autumn as improving storage and financing conditions mean farmers will have less need to sell urgently.

In the past, farmers in Russia and Ukraine sold quickly and aggressively, as storage capacity constraints and limited access to credit forced them to market immediately after harvest.

Major investment in grain infrastructure and storage in recent years in the region has convinced banks to participate more in financing the trade.

"They had no place to store and needed funds to complete threshing of late grains, sunflower and to process sugar beet, but now there is no real problem to find money, as traders and banks are ready to finance them," said Mykola Vernytsky, director of Kiev-based ProAgro consultancy.

While Russia and Ukraine are expected to store some grain, analysts said they would remain one of the world's cheap suppliers, typically attracting interest from price-sensitive buyers in north Africa and the Middle East.

"They like to be at the front when third country buyers come in for the new crop. When it comes to doing the business the Black Sea will make sure they are competitive, but we might not see the wider spreads that we've seen historically," said James Dunsterville, head analyst with Geneva-based Agrinews.

"The spread between their prices and the U.S. and France will be much closer but they will continue to be the cheapest."

Dunsterville estimated that new crop Black Sea prices were on par with U.S. soft red winter and French wheat at the moment. This compares with a discount of around \$10 per tonne at the same time last year.

Global wheat prices have fallen by around 10 percent since the start of the year on the prospect of a major rebound in world wheat and corn production after droughts and adverse weather in major world grain growing areas last year.

"Russian farmers will be trying to hold grain for longer at the start of the new season in anticipation of higher prices," said Dmitry Rylko, head of the Institute for Agricultural Market Studies (IKAR).

"At the start of every season some volumes always go to market, because farmers need to repay short-term debt."

Agrinews' Dunsterville pointed out that risks including cold weather closing ports down for prolonged periods and the potential for governments to limit exports after crop problems would remain as factors encouraging some Black Sea farmers to sell early in the season.

Russia shocked grain markets with a one-year export ban in 2010 when drought ravaged that year's harvest. While a drought in 2012 did not result in the same extreme measures, past experience has made those in the agriculture industry wary.

In April, Ukraine lifted a cap on wheat exports which was introduced last September after a drought and a spike in foreign demand threatened to leave the country without enough grain for domestic consumption.

The U.S. Department of Agricultural forecasts Ukraine 2013/14 wheat production rising 40 percent on last year to 22 million tonnes, while Russia's wheat output is expected to rebound by 48 percent to 56 million tonnes. However, analysts and traders say these estimates may prove too optimistic, as dry weather is again raising the risk of damage to Black Sea grain crop yields.

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## **Cambridge-based scientists develop 'superwheat'**

12 May 2013

BBC

British scientists say they have developed a new type of wheat which could increase productivity by 30%.

The Cambridge-based National Institute of Agricultural Botany has combined an ancient ancestor of wheat with a modern variety to produce a new strain.

In early trials, the resulting crop seemed bigger and stronger than the current modern wheat varieties.

It will take at least five years of tests and regulatory approval before it is harvested by farmers.

Some farmers, however, are urging new initiatives between the food industry, scientists and government.

They believe the regulatory process needs to be speeded up to ensure that the global food security demands of the next few decades can be met, says the BBC's Tom Heap.

One in five of all the calories consumed round the world come from wheat.

But despite steady improvement in the late 20th century, the last 15 years have seen little growth in the average wheat harvest from each acre in Britain.

Just last month, cereal maker Weetabix announced that it would have to scale back production of some of its products due to a poor wheat harvest in the UK.

Now British scientists think they may have found the answer to increasing productivity again.

Around 10,000 years ago wheat evolved from goat grass and other primitive grains.

The scientists used cross-pollination and seed embryo transfer technology to transfer some of the resilience of the ancient ancestor of wheat into modern British varieties.

The process required no genetic modification of the crops.

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## **Rain, snow may eat into grain harvest**

11 May 2013

China Daily

Excessive rain and snow in Northeast China - the country's main grain-growing area - has delayed spring plowing by about 10 days, with some doubting that the country will achieve yet another increase in its grain harvest this year.

By Wednesday, 66.323 million mu (4.4 million hectares) of farmland had been ploughed, accounting for only 40 percent of the planned acreage, Heilongjiang Daily reported on Thursday.

In the worst-case scenario, reduced grain production will drive up China's food prices, increase the inflation rate in the second half of the year, and cause food prices to surge in the global market, analysts said.

Provinces in Northeast China have been hit with excessive rain since last autumn. In Heilongjiang province alone, the rainfall volume from Sept 1 to Nov 1 reached 151 millimeters, 70 percent higher than the average amount in previous years.

By March 28, the average winter precipitation in Heilongjiang province stood at 53.2 millimeters, 109 percent higher than the historical average, a record in 50 years, according to the province's meteorological bureau.

Local government and media in Heilongjiang said that more than 5.3 million hectares of farmland was waterlogged, and conditions in 3.2 million hectares of land were "serious" in the province.

"We are two to three weeks behind the usual time to plow the land and plant the seeds," said Yu Zhiwen, a 59-year-old farmer in Suihua, Heilongjiang.

Yu runs a plot of farmland with less than 3 hectares. Water in his plot reaches his ankles, making it inaccessible to either machines or farmers.

"The pump does not work. All we can do is wait for the weather to warm up and for the water to evaporate," Yu said.

Yu has a family of five, and all of his household's income comes from the land. In previous years, the land could produce at least 7,500 kilograms of corn per hectare, but he only expects about half of that amount this year.

In 2012, China's northeastern provinces accounted for 23 percent of the country's grain production, 15 percent of its rice and 43 percent of its corn, official data showed.

"Corn in Northeast China is only harvested once a year, so a late ploughing means a shorter growing period, and this will affect yields," said Feng Lichen, president of Yumi.com.cn, a corn industry website.

"If the bad weather continues, the impact on this year's corn output will be huge," Feng said.

The local government and the Ministry of Agriculture said they are still assessing the losses caused by the rain, and they declined to reveal further details.

Meanwhile, analysts said that they feel "pessimistic" about the prospects of China achieving yet another bumper harvest.

And given the country's huge demand for corn, a reduced output would trigger price increases in the global food market.

"We expected to see a bumper corn harvest in the world this year, but if China suffers any losses in yields, corn prices in the global market will surge," said Ma Wenfeng, a senior analyst at Beijing Orient Agribusiness Consultant.

Ma also said the government could face growing inflation pressure in the second half of the year, as a reduced grain harvest would drive up food prices in the domestic and global markets.

"This will likely make the government tighten up monetary policies in the last few months of this year," Ma added.

China's grain output reached 589 million metric tons in 2012, the ninth consecutive year of increased grain harvests, according to the National Bureau of Statistics.

The country is the world's second-largest corn consumer after the United States. In 2012, corn imports to China jumped nearly two-fold to 5.2 million metric tons. Most of the imported corn came from the US.

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## **WTO Members choose Brazil's Azevêdo as next Director-General**

8 May 2013

International Centre for Trade and Sustainable Development

Roberto Carvalho de Azevêdo has won the position of WTO Director-General, officials announced earlier today, beating out Mexico's Herminio Blanco for the high-profile role. Azevêdo will be the organisation's first chief from Latin America and only the second in its short history from a developing country.

The news was presented to WTO members by General Council Chair Shahid Bashir - Pakistan's ambassador to the organisation - following the last of three "rounds of consultations" with the membership, though the results broke informally on the news wires last night.

Once all 159 WTO members had submitted their preferences, the outcome, Bashir told delegations on Wednesday, was "clear and unambiguous."

"Azevêdo carried the largest support by members in the final round and has consistently done so in each round; and, he enjoyed support from members from all levels of development and from all geographic regions and has done so throughout the process," Bashir said in his report. The global trade body will meet to formally sign off on the result at a special meeting of the General Council on 14 May.

The choice of Azevêdo - who has spent the past five years as his country's ambassador to the global trade body - was welcomed by Brazilian President Dilma Rousseff, who called the news a win for the WTO.

"In presenting the name of Ambassador Azevêdo for this high position, Brazil was clear that, with his experience and commitment, he could lead the organisation in a direction of a more dynamic and fair world economic order," she said.

Mexico also extended its own congratulations to the Brazilian ambassador. "Mexico is pleased to see that, for the first time, the World Trade Organization will be directed by a Latin American," the Mexican Economy Secretary said in a statement, while praising Blanco's efforts during the selection process. Blanco has already pledged his full support to Azevêdo, the statement noted.

While the process was conducted confidentially, reports had surfaced in the past few days that the US was planning to back Blanco, while the EU resolved an internal split that ultimately led to their backing the Mexican candidate as well.

Both the US and EU, however, made clear that they would accept either nominee. Meanwhile, Azevêdo had reportedly proved to be more popular among the emerging and developing economies.

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## Reports

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### **Production prospects for 2013 cereal crops**

May 2013

FAO

World cereal production is tentatively forecast to increase by about 6 percent in 2013 to about 2 708 million tonnes, recovering from the previous year's reduced level to just above the trend of the past ten years.

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### **Global Food Price Monitor**

May 2013

FAO

This short report describes current food prices at world, regional and country level with focusing on developing countries.

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