

Monthly News Report on Grains

MNR Issue 107 - October 2014

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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US Farm Bill: New initiative aims to provide farmer relief from severe weather risks

30 October 2014

International Centre for Trade and Sustainable Development

The US Department of Agriculture announced a new initiative last week that will provide relief to farmers affected by severe weather hazards, including droughts, as part of the broader US Farm Bill. The move, which takes effect in spring 2015, has sparked questions among some trade watchers on what this might mean for overall US subsidy levels.

The new Actual Production History (APH) Yield Exclusion will be available for farmers of select crops such as corn, soybean, wheat, cotton, grain sorghum, and rice, among others.

Those producers who have suffered the effects of severe weather "in exceptionally bad years" will essentially be able to exclude those years from their calculations of their yields. This would, in turn, ensure that their risk coverage under the US federal crop insurance programmes will not go down as the result of a natural disaster.

US officials claimed that the initiative has been made possible given the speed at which staff in the Department of Agriculture has been able to implement new or extended programmes under the 2014 Farm Bill, which became law early this year after prolonged congressional negotiations. (See Bridges Weekly, 30 January 2014)

"Key programmes launched or extended as part of the 2014 Farm Bill are essential to USDA's commitment to help rural communities grow," said US Agriculture Secretary Tom Vilsack in announcing the move.

"By getting other 2014 Farm Bill programmes implemented efficiently, we are now able to offer yield exclusion for spring 2015 crops, providing relief to farmers impacted by severe weather," he added.

This type of device, agriculture trade expert Vincent Smith of Montana State University told Bridges, has been a goal of farm groups "for over fifteen years."

"The implication is larger subsidies through the federal crop insurance programme that are tied to current production decisions and increased incentives for the production of crops that are typically insured such as corn, wheat, soybeans, cotton, etc.," Smith said.

Another agriculture trade analyst commented to Bridges that the new initiative appears to allow farmers to choose which were the good years, which payouts would then be based on – suggesting that the move, depending on its implementation, may have the potential to bring the US closer to breaching its WTO subsidy limits.

Compared with the previous legislation, the new Farm Bill - which was enacted for a five-year period – has eliminated or phased out direct payments to farmers and has expanded crop insurance subsidy programmes.

US farmers are now allowed to choose from a suite of subsidised farm safety-net programmes that help protect them financially from the vagaries of the weather and market volatility, thus reducing some of the financial risk related to farming.

The new legislation ties financial support to recent and current production and market conditions – meaning that Washington is likely to notify most of the new policy instruments as the most heavily trade-distorting form of farm subsidy in the WTO's "amber box."

China to step up control on grain imports

27 October 2014

Shenzhen Daily

China will strengthen control over grain imports and crack down on illegal activities like smuggling in a bid to cut oversupply, with record stockpiles creating storage problems for the new harvest, Vice Premier Wang Yang said Friday.

China's stockpiling policy, under which it buys from farmers at inflated prices, has made cheaper overseas supplies more attractive for end-users like feed mills, forcing the government to take action to try to curb surging imports.

"We will strengthen import and export controls for grains while severely cracking down on irregularities like smuggling in order to stabilize the domestic market," the vice premier said at a national conference.

China's rejection of cheap U.S. corn cargoes on the grounds that it contained a genetically modified strain not permitted for import was also seen as part of the government's efforts to curb cheap imports and support domestic corn prices.

But buyers in the world's No.2 corn consumer have turned to non-traditional exporters, including Bulgaria and Ukraine, to fill the gap following the restrictions on U.S. supplies. There has also been an increase in smuggling.

"The wide price gap between domestic and overseas markets has spurred an increase in grain imports. Stockpile of autumn grains faces many difficulties and problems," said Wang, according to a transcript of his speech published on China's official government website.

The gap between U.S. and domestic corn prices is at a record high as a huge American crop has pushed down prices while China's support for corn growers has remained unchanged. China pays farmers 2,220-2,260 yuan (US\$362.9-US\$369.5) per ton for corn. U.S. corn is now at US\$143 per ton.

Commercial storage facilities should be used and more companies will be encouraged to stockpile grains in order to ensure that farmers are able to sell their crop, Wang said.

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Wheat crop seen falling short in Australia on frost, hail damage

24 October 2014

Business Week

Australia's wheat harvest may drop short of a government forecast after frost and hail damaged crops in the world's fifth-biggest shipper. Futures climbed to a six-week high.

Production may total 23.2 million metric tons in 2014-2015, according to the median of five analysts and trader estimates compiled by Bloomberg News. That compares with a government forecast of 24.2 million tons and 27 million tons a year earlier. Farmers started harvesting the crop this month.

Wheat futures in Chicago tumbled 12 percent this year on speculation farmers worldwide will reap record crops. Increased supplies of grains are helping to pressure global food prices, with a United Nations' index dropping for a sixth month in September, the longest slide since 2009. Disappointing rain in winter and early spring across many Australian grain-growing regions as well as reports of frost damage are weighing on expected yields, according to National Australia Bank Ltd.

In Western Australia, "there's hail damage and reports of several crops that have big losses in them and are basically lying down on the ground," Graydon Chong, an analyst at Rabobank International, said by phone from Sydney. "We've had some isolated frost issues on the east coast. That will take a bit of the shine off the

crop."

Wheat futures advanced as much as 1.3 percent to \$5.335 a bushel on the Chicago Board of Trade today, the highest level since Sept. 9. Prices dropped to \$4.6625 on Sept. 25, the lowest since June 2010.

Southern grain regions in Western Australia, the country's biggest wheat grower, received between 25 millimeters (1 inch) and 100 millimeters of rain in the week ended Oct. 21, according to the Bureau of Meteorology. Storms last weekend prompted the state's fire and emergency services department to issue warnings for dangerous winds, large hail and flash flooding.

Cold weather in some eastern and southern areas may also curb yields. Severe frosts in early August caused considerable stem frost damage in South Australia and southern New South Wales and many paddocks were cut for hay, the Australian Export Grains Innovation Centre said Oct. 13, estimating national wheat output at 22 million tons to 22.3 million tons.

Western Australia's wheat harvest may total 8.4 million tons, the Australian Bureau of Agricultural and Resource Economics and Sciences said Sept. 9, maintaining a June forecast. Production in New South Wales, the country's second-largest grower, is set to total 7.02 million tons from 7.25 million tons predicted in June, it said.

Below-average winter rainfall in parts of the Western Australian wheatbelt, as well as much of South Australia, northern Victoria and Southern New South Wales, combined with mixed spring conditions, contributed to a reduction in forecast yields, Phin Ziebell, an NAB agribusiness economist, said.

Global wheat production is set to reach a record 721.12 million tons, the U.S. Department of Agriculture said Oct. 10, forecasting Australia's harvest at 25 million tons in 2014-2015.

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Russia's 2015 wheat harvest 'may fall 15-20%'

24 October 2014

[Agrimony](#)

Concerns over Russia's grain prospects deepened as SovEcon warned that the depreciating rouble threatened hopes of strong spring sowings offsetting losses in the dryness-tested winter crop.

The influential analysis group warned that total grains output may fall below 90m tonnes, from the level of 103m-105m tonnes achieved this year.

The wheat harvest, which this year hit 58m-59m tonnes, may drop below 50m tonnes, SovEcon said.

The caution reflected the "extremely weak condition" of autumn-sown grains, which the Moscow-based group rated at 62 points on an index drawn from NDVI (normalized difference vegetation index) data, and where 100 points is the long-term average.

That is by far the lowest figure on ratings going back five years – which had never before dropped below 80 – and well below that in 2009, preceding a 33% slump in wheat production at harvest the following year.

The poor condition rating reflects a dearth of moisture, which has left crops in a poor state heading into winter, raising the prospect of large rates of freeze damage.

"A lack of moisture resulted in a very weak development of winter grains," SovEcon said.

"Weak plants are less resistant to low temperatures thus the risk of increased winterkill losses is quite significant."

Winterkill rates for Russia have ranged in recent seasons from some 2.5% in a "good" crop year to 12.6% in the winter of 2009-10, preceding the poor 2010 crop.

And SovEcon cautioned too of the threat posed by the weak rouble to spring sowings which, besides representing a large and routine part of Russian grains area, would typically offer an option for farmers to reseed crops lost to winterkill.

Although growers had managed extensive autumn sowings, this was largely using "inputs purchased earlier", before the latest lurch lower in the rouble to fresh record lows of nearly 42 roubles to \$1.

The rouble has fallen some 17% over the past three months alone, weakened by the drop in oil prices, besides concerns over Western sanctions against Russia over its alleged role in stoking Ukrainian unrest.

Western companies supplying farmers with inputs such as seeds and inputs for spring crops "will be definitely raising their rouble prices by 20-25%", Andrey Sizov Jr, SovEcon managing director, told Agrimoney.com.

"That may have a negative effect on spring plantings."

"Some farmers may prefer not to plant, or some may prefer less expensive crops," said Mr Sizov, a factor likely mitigating against corn.

While corn, a relatively fertilizer-intensive crop, has represented an increasing proportion of Russia's grains harvest, the growth has been fuelled by use of expensive hybrid seeds

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Zambia maize surplus export encouraged

23 October 2014

ZambiaInvest

The Government of Zambia has revoked the country's ban on maize exports and is encouraging farmers to take advantage of the high demand for maize in neighboring countries to export some of the recorded 3.3 million ton bumper harvest from last season.

According to the Zambia Minister of Agriculture and Co-Operatives, Wylbur Simuusa, the Government has received numerous requests from neighboring countries for supplies of maize and Zambia farmers should take full advantage of this growing demand.

"Right now, there is demand for maize grain in the Democratic Republic of Congo, South Sudan, Zimbabwe and other countries," he said. "I have been receiving requests from these countries on the possibilities of supplying them with maize."

Hon. Simuusa has indicated that nearly 93% of the maize in Zambia is produced by the country's small-scale farmers, who he has encouraged to increase their output from 900,000 tons to one million tons by the next agriculture season.

Maize, which is the staple food of Zambia, currently accounts for 75% of the crops grown in the country and has historically been exported to neighboring countries including Zimbabwe, Namibia and the Democratic Republic of Congo (DRC)

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How Canadian snowstorm will make spaghetti more expensive

23 October 2014

Bloomberg

Too wet in spring. Too dry in summer. The weather was never just right southeast of Calgary for Kevin Auch's 600 acres of durum wheat used to make pasta. Then, at harvest time, a snowstorm left crops flat and frozen.

"We won't get top prices," Auch said in a telephone interview on Oct. 15. He said the grain quality on his farm has deteriorated to the lowest in more than 20 years.

Global output of durum wheat will fall to a 13-year low as the harvest in Canada, the world's top producer, shrinks 27 percent, the nation's agriculture agency said Oct. 17. That's a problem for pasta lovers. The smaller harvest of the high-protein grain, which makes up the bulk of pasta ingredient expenses, is triggering cost increases that threaten to add to the near-record prices U.S. consumers are already paying.

"Durum has very high gluten content, which is the glue that holds pasta together and gives you a nice firm al dente bite," Patrick Regan, chairman of the National Pasta Association, said in a telephone interview on Oct 14. "At this point, it's really the only option."

At elevators near Alberta, durum prices doubled to C\$8 (\$7.13) a bushel from a year earlier, according to the Western Canadian Wheat Growers. Through Oct. 20, U.S. prices jumped 71 percent in 2014 to a three-year high, a daily index published by the Minneapolis Grain Exchange showed.

The shortage of durum, which has the hardest texture of all classes of wheat, contrasts with gains in other grain supplies. Global production of all wheat grades will climb 0.8 percent to a record 721.1 million metric tons, U.S. Department of Agriculture data showed on Oct. 10. On the Chicago Board of Trade, benchmark futures, which reflect prices on soft red winter wheat used in cookies and cakes, have dropped 13 percent this year to \$5.2675 a bushel.

In addition to the weak Canadian harvest, durum output is slumping in Europe and the U.S. The European Union crop will fall 10 percent to 7.4 million tons, according to agriculture trade group Cocal, while the USDA said that domestic production will drop 1.5 percent to 1.55 million tons.

Canada, though, is the big problem.

Little has gone right in 2014 after a record harvest of 6.5 million tons last season. First, wet weather delayed seeding across parts of the prairies and then some farmers reported fields "being subject to damaging weather events, such as hail and snow," the government said on Oct. 3. Two weeks later, the agriculture agency cut its forecast for the 12 months ending in July to 4.76 million tons.

"Everywhere got hit," Stephen Vandervalk, a vice president at Alberta's Western Canadian Wheat Growers, said in a telephone interview on Oct. 15 from the province's Fort Macleod. "They are struggling to find quality durum. If you've got a good crop, it's a jackpot."

Over the border, grain elevators in North Dakota have been posting bids as high as \$14 a bushel for milling-quality durum, said Jim Peterson, a marketing director for the North Dakota Wheat Commission in Mandan. That's almost double the average price of \$7.62 paid to U.S. farmers in September, preliminary USDA data show. Peterson said that most of the North Dakota crop is lower-quality durum that will be sold for less.

A No. 1 grade of durum sold for C\$449.64 a ton on Canada's West Coast as of Oct. 10, up 32 percent from a year earlier, and export prices along the St. Lawrence Seaway jumped 59 percent to C\$513.96, government figures show.

Auch, the farmer near Calgary, said his durum this year is No. 4, the second-lowest grade for the grain. Russell Doe, a farmer in Reeder, North Dakota, doesn't like how his wheat looks either after heavy rains hit. The grain on his 3,000-acre (1,214 hectares) farm has taken on a "pale, bleached" hue that's lighter than the golden color that pasta makers like, he explained. Doe called it the worst-looking crop he's had since he began planting durum three decades ago.

"There's no doubt that the average overall quality of this year's crop is a little bit lower," said Mark Vermynen, a vice president at A. Zerega's Sons Inc. in Fair Lawn, New Jersey, which produces about 250 million pounds (113.4 million kilograms) of pasta annually. Prices for durum and the semolina flour the wheat is milled into "are dramatically higher," about doubling from a year earlier, he said.

Shipping delays added to the run-up in costs, Vermynen said. "There always seems to be someone desperate for durum wheat because their train didn't arrive," he said.

Spaghetti and macaroni prices paid by U.S. consumers have climbed 6.9 percent this year, reaching a record

\$1.375 a pound in August, government data show.

Most of Canada's limited supply of quality durum is being shipped to the U.S. as flour millers pay a premium of as much as \$13 a bushel, Jerry Klassen, a manager of Canadian operations and trading at Gap SA Grains & Produits in Winnipeg, said in a telephone interview. Canadian grain companies are bidding at least C\$4 less because customers in Europe and North Africa won't pay more, he said.

Prices will probably remain high until early 2015 when durum is harvested in Europe and Africa, he said.

"The crop is such poor quality out there, companies are having a difficult time," Klassen said. "You just have no high-quality durum available."

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Egypt begins transformation into global logistics centre for grain handling: Prime minister

20 October 2014

Daily News Egypt

The government has begun taking steps to convert Egypt into a global logistics centre for the handling and storage of grain and food commodities according to Prime Minister Ibrahim Mehleb. Damietta has been identified as the first site in which logistics operations will begin.

Ministers of Planning and Supply will be responsible for working on integrated studies for the project, announced Mehleb, adding: "This is a large national project that is no less important than the Suez Canal project."

According to a cabinet statement, Mehleb pointed out that the total area for the proposed project is 3.35m square metres, of which 0.56m fall within the boundaries of the Damietta Port. The remaining 2.79m square metres comprise a portion of the untapped industrial area northeast of the port and is owned by the New Urban Communities Authority.

Mehleb added that the project includes re-planning for the grain area within the port and its division into a separate, integrated station. The storage area will be expanded and connected with a road bridge for vehicles, and conveyor belt lines in the industrial area, medium-term storage for the proposed East port, and a wall, gates, infrastructure, and facilities for the industrial and storage zone will all be constructed. The area will fall under the jurisdiction of the customs area at Damietta Port in order for logistic, manufacturing, and storage activities to be practiced within the Customs Office.

The Ministry of Supply said that the project includes the addition of two sea piers 650-700 metres in length and 17 metres deep to receive large ships carrying up to 150,000 tonnes of grain. A river pier 1,200 metres long and 5-6 metres deep will also be added with all relevant equipment. The project provides for the construction of modern silos and domes for storage in three storage areas with a capacity of 7.5m tonnes. This project will serve to quadruple the capacity of Egypt's ports from 2.5m tonnes to 10m tonnes.

The ministry also confirmed that the project is built using advanced technology systems to connect all its marine, storage, and industrial parts with belts to transfer grains and modern equipment that will not require frequent transfer, lower costs, and carry out internal trading at a rate of at least 16,000 tonnes/hour. These rates will lead to great savings compared to the traditional method of moving, storing, and manufacturing grains. The project also includes a complete electronic system for surveying, monitoring, and managing marine operations, freight, allocation, inspection, and customs clearance.

He also clarified that the project covers the construction of five investment and industrial zones for grains and food commodities with a total land use of 1.7m metres. The first area will be an industrial zone for mills and for producing fine flour for local consumption and export. The second industrial zone will be for manufacturing soy, and provides for food commodity manufacturing, oil extraction and pasture production.

The third zone will be allocated to corn production and covers oil, starch, and fructose extraction, while the

fourth zone will be dedicated to distilling and packaging sugar. The fifth zone will be designated to complementary industries based on the abovementioned industries, including macaroni, pastries, burgers, and various food industries as well as pastures.

The Minister of Supply also noted that the total amount of trade expected for the multimedia transportation systems for the project is around 65m tonnes/year. The project will increase the capacity of annual marine trading of grains and food commodities in Damietta port from the current 7-8m tonnes to 40m tonnes, 12m tonnes of which will be re-exported locally.

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Millions of tons of grain wasted yearly

17 October 2014

China Daily

China wastes at least 35 million metric tons of grain every year due to poor storage and transportation methods and excessive processing, an official said.

"The losses can feed 200 million people for a year, which is shameful and needs urgent measures to prevent such waste and loss," said Chen Yuzhong, an official with the State Administration of Grain, adding that the amount wasted during consumption is more shocking.

He said lack of proper storage and transportation methods leads to grain losses of more than 27.5 million tons, and excessive processing causes losses of 7.5 million tons.

According to the State Administration of Grain, in major grain production regions including Liaoning, Jilin, Heilongjiang, Henan, Hebei and Shandong provinces, there are no storage buildings for about 35 million tons of grain.

Of the 210 million farming households across the country, only 3 percent can store grain in a scientific way, according to the Ministry of Agriculture.

"If all of the farmers could store grain properly, 20 million tons of grain would not be wasted," Chen said, adding that, by the end of this year, nearly 8.2 million items of grain-storage tools and equipment will be distributed to farmers in 26 provinces and regions, leading to a saving of nearly 1 million tons of grain.

"In the coming 13th Five Year Plan (2016-2020), building more barns to store grain will continue," Chen said.

Zhao Lijun, deputy director of the Department of International Cooperation of the Ministry of Agriculture, said saving food is China's theme for World Food Day on Thursday, which calls on all sectors of society to take action against food waste.

Wang Lirong, chief engineer of the standards and quality center under the State Administration of Grain, said that besides saving food, grain-processing companies should avoid excessive processing to prevent waste.

"Nowadays, consumers have a higher demand for the appearance of rice in color and shape, but whiter rice doesn't mean more nutrition," Wang said, adding that polishing rice twice or three times results in wastage of rice and energy.

Li Jinyou, head of the Panjin Dingxiang Cereal Co Ltd in Liaoning province, said proper processing helped the company save up to 815 tons of rice and 1.8 million kilowatt-hours of power last year.

"It is a win-win situation for companies and customers," Li said.

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U.S. farmers seen cutting fertilizer use as crop prices slide

16 October 2014

CNBC

U.S. farmers are cutting back on spreading fertilizer this autumn in response to a drop in crop prices to multi-year lows and a delayed harvest, dealers say, warning of a pullback that will be felt from grain markets to Canadian potash mines.

Ten of 12 U.S. farm retail companies surveyed by Reuters say fertilizer sales this autumn are lower than they were last year. The dealers, which span the country's main growing areas, sell fertilizer, seed and chemicals.

Reductions in fertilizer use of an estimated 10 to 50 percent by volume could hit profits of producers such as Potash Corp of Saskatchewan and Mosaic Co since U.S. buyers typically pay a premium for some fertilizers such as potash.

Lower fertilizer use in the world's biggest corn-growing country could also point to smaller yields and reduced U.S. corn production in 2015, depending on weather and the size of the planted area.

Some U.S. dealers say there is still time for fertilizer sales to recover to last year's levels once farmers complete the harvest. But others fear a slump that could stretch into 2015 as low crop prices push purchases out of reach.

"We're having customer after customer telling us they're having trouble with their banks," said Randy Stephens, president of Texas-based SureGrow Ag Products. He sees farmers cutting back by as much as 50 percent on autumn fertilizer usage.

Farmers also face dwindling credit availability based on projections that prices for next year's crops will remain weak, he said.

Chicago nearby corn futures earlier this month touched their lowest price since 2009 on expectations for the biggest harvest ever.

Dealers said farmers are likely to cut back on all three major nutrients - potash, phosphate and nitrogen - but especially potash and phosphate, which are not typically applied every year.

Joe Dillier, director of plant food at Growmark, a cooperative organization that spans 30 states, said fertilizer orders have been "non-existent". But he expects a sales drop of only 10 percent as big yielding crops strip the soil of nutrients.

Farmers apply fertilizer from late October into early December, depending on the region, once the harvest is complete. The U.S. Department of Agriculture said on Oct. 14 that only 24 percent of corn was harvested, compared with the normal pace of 43 percent.

While corn, wheat and soybean prices fall, wholesale prices for granular potash and granular urea in the U.S. corn belt were up 7 and 13 percent year over year as of Oct. 10, according to data posted by Mosaic.

"There's going to be some cutbacks because (crop) prices are poor and inputs are too high," said Ralph Price, agronomy manager at Meadowland Farmers Co-op in Lamberton, Minnesota, who expects orders to fall 20 percent this fall.

Not all dealers are so bearish. The reduction in sales is likely to be modest because farmers will have good cash flow after the harvest, said Bill Wolf, president of the plant nutrient group at Andersons Inc.

Fertilizer producers have acknowledged the possibility of a demand drop-off, but emphasize that farmers risk smaller crops and profits by cutting back.

"This was a gigantic crop produced in the U.S. With that, there was a lot of phosphate and potash taken out of the soil," Mosaic Chief Executive Jim Prokopanko said in a Sept. 30 interview. "That has to be replenished."

Agrium Inc, which produces fertilizer and operates North America's biggest farm retail network, expects a normal fall application season, depending on when harvest wraps up, spokesman Richard Downey said.

Mosaic recently cut phosphate production due to rising costs, and Agrium warned its final two quarters of 2014 would miss profit expectations.

Potash Corp will be the first North American fertilizer company to report third-quarter results, on Oct. 23. Analysts expect earnings similar to those of a year earlier, when the potash market was reeling from diving prices.

"We see the pressure of lower grain prices building (and) that should slowly erode nutrient prices and share value," Cowen Securities analyst Charles Neivert said in a note on Oct. 10.

A possible shift in planted acres next year from corn to soybeans, a crop that uses less fertilizer, may also crimp demand.

When sales to farmers dry up, retail dealers usually stock less inventory from wholesalers, a group that includes CF Industries Holdings Inc and Koch Industries Inc . But with huge crops backing up the transportation of many commodities, some dealers are buying supplies when they can.

"I've never seen a year where you can't get product into our places and then once you get it here, you don't know if you can sell it to anybody," said Meadowland's Price.

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Record U.S. corn harvest a pile of troubles for grain handlers

6 October 2014

Western Producer

The giant corn harvest about to hit full stride in America's Midwest looks set to overwhelm storage and pile up outdoors, grain industry sources said, raising quality issues and making it hard to keep supplies moving.

This year's record corn crop of 14.4 billion bushels alone would fill up 60 percent of the country's grain storage of 24 billion bushels.

In total, with a record soybean crop too and hefty harvests of other grains including spring wheat, there will be about 20 billion bushels of new crops looking for storage. That would be on top of the 3.5 billion bushels reported in storage as of Sept. 1 by the U.S. Department of Agriculture.

Hal Reed, chief executive officer of the Andersons Inc., a major grain handler in Toledo, Ohio, said his company is already piling grain at its elevators in Tennessee and other mid-South states even before harvest moves north into the main Corn Belt.

"We still believe the actual yields will continue to grow from where USDA has them at now. The corn crop is as good as any I've ever seen," Reed said.

Surplus corn is often held in temporary piles of 200,000 bushels or more covered with tarpaulin waiting for trains or barges to ship the grain out, but this year transportation has been hard to find as shale oil competes for space on rails.

"There are going to be piles and piles. The stampede will start about Oct. 20," when on-farm storage in Iowa should be about full, said Charles Hurburgh, a grain quality specialist at Iowa State University.

The challenge will be to preserve the quality of the crop left on the ground and keep it safe for later use by food processors, ethanol and starch makers, livestock feeders and exporters.

Grain merchandisers need to make sure corn is dried to about 13 percent moisture before storing. It also needs to be properly aerated during the months it is on the ground to prevent spoilage and stop toxins from growing.

Soybeans, valued for their oil content and harvested before corn, are more likely to be sold straight off the field than corn, which is hardier and can be "air dried" to save farmers money from having to pay to dry the

grain.

"As much as people say you can put corn away at 17-18 moisture, put the aerators on and keep it — experience tells that doesn't always work out well," said Joe Christopher, a Nebraska merchandiser.

Grain merchants are expected to force many farmers to accept "deferred pricing," or DP, contracts, which allow merchants to take ownership of the grain, allowing them to move it to manage their space.

But there are still problems moving the piles with rail freight rates soaring because of competition not just among grain shippers but also from shale oil in many grain regions, especially the Dakotas.

"It gets clogged up at the farmer, it gets clogged up at the elevator, it gets clogged up at a whole bunch of places. It's going to be a real problem," said Stephen Nicholson, an analyst at Rabobank, a major farm lender.

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Reports

Food Outlook

October 2014

FAO

Food Outlook is a biannual publication focusing on developments affecting global food and feed markets. The sub-title "Global Market Analysis" reflects this focus on developments in international markets, with comprehensive assessments and forecasts on a commodity by commodity basis.

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Global Food Price Monitor

October 2014

FAO

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

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