Monthly News Report on Grains

MNR Issue 109 - January 2015

About the MNR:

For a printer friendly version of the MNR, you may wish to use the attached PDF file.

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.

To find previous issues of the MNR click here.

To subscribe, send an email to: FAO-IGG-GRAINS@fao.org

Links to our web sites:

FAO World Food Situation

FAO Grains Website

Market News:

- Ukrainian grain traders agree to limit milling wheat shipments
- Russians, Argentines, cows are squeezing U.S. Wheat
- Restoring balance in wheat market
- Barley sowings in North America to rise by some 10%
- Record wheat harvest overshadows Russian curbs as prices slump
- Modi-picked panel wants India to get nimble on grains exports
- China to raise local grain reserves to improve food security
- U.S. Farmers' latest hot crop: Sorghum
- Farmers throughout world aim to steady grain prices
- EU changes rules on GM crop cultivation

Monthly Information Sources

- Grain Market Report (IGC)
- Crop Monitoring in Europe (MARS)
- Commodity Price Data (World Bank)

Market News:

Ukrainian grain traders agree to limit milling wheat shipments

29 January 2015 Hellenic Shipping News

Grain traders in Ukraine signed an agreement controlling exports of wheat used to make flour as the country grapples with preserving food supplies in a worsening conflict with Russia.

Exports of 900,000 metric tons of milling wheat will be allowed in the first quarter, along with an additional 300,000 tons in the second quarter, Volodymyr Klymenko, the head of the Ukrainian Grain Association, said at a Jan. 27 press conference in Kiev. The figures are subject to change and may be increased if conditions are good for winter crops to be harvested next season, he said.

Ukraine, which is contending with violence from separatist rebels in its eastern regions, wants to stabilize the flow of exports and maintain sufficient stockpiles to offset rising food prices. The moves echo similiar actions in Russia, which will start taxing shipments next month as it copes with its own food inflation and a currency crisis. Both countries are major global wheat exporters.

Ukraine's total exports of milling wheat for the season that started July 1 will be 7.1 million tons, while shipments of lower-grade grain for use in livestock feed will be 5.7 million tons, Klymenko said. Feed wheat exports from January through June may be about 3 million tons, he said.

Winter grain conditions so far are normal, Ukraine's Agriculture Minister Oleksiy Pavlenko said at the same event. Winter wheat in Ukraine is normally planted in August and September. Plants are dormant during cold-weather months and are harvested starting in July.

back to top

Russians, Argentines, cows are squeezing U.S. Wheat

29 January 2015 AgWeb

Wheat farmers in the U.S. can't catch a break. Even after they harvested the smallest crop in three years, prices are plunging because output has surged almost everywhere else in the world.

With ample inventories, buyers including China, Brazil and Nigeria are getting less from the U.S., the largest exporter. Demand, including overseas sales, is the weakest in almost two decades, while a surging dollar makes U.S. grain less appealing than supplies from other countries. Compounding the slump are domestic cattle producers who have gone back to using more corn in feed rations.

Chicago wheat futures are down 17 percent in the past month. Bigger harvests last year from Argentina to Russia and the rest of Europe sent global output to a record, eroding the U.S. share of global trade to the lowest since before 1960. Cheaper grain is reducing costs for flour buyers including Grupo Bimbo SAB and Panera Bread Co., and helping to send food prices tracked by the United Nations to a four-year low last month.

"U.S. wheat is not competitive, and there are plenty of supplies around the world," said Joe Lardy, research director at Inver Grove Heights, Minnesota-based CHS Hedging Inc., a unit of the nation's biggest agricultural cooperative. "As long as other suppliers continue to offer cheaper wheat with lower shipping costs, the U.S. won't be a major exporter."

Wheat has fallen to $5.0175 a bushel on the Chicago Board of Trade since Dec. 26, capping the steepest decline of all but crude oil among 22 raw materials tracked by the Bloomberg Commodity Index, which dropped 6.5 percent and touched a 12-year low on Jan. 26. The MSCI All-Country Index of world equities slid 2.1 percent, while the Bloomberg Dollar Spot Index rose 3 percent.

After record world harvests and shipments last year, global export sales will drop 4 percent in the year through May to 159.19 million metric tons, the U.S. Department of Agriculture said Jan. 12. U.S. exports will fall 21 percent to 25.2 million tons, reducing the nation's share of global trade to 16 percent, the lowest since the data begins in 1960, the government said.

Inventories in the U.S. on Dec. 1 expanded 3.4 percent from a year earlier to 1.525 billion bushels, as demand from domestic users and exporters over the previous three months fell to 415 million bushels, the least since 1997, the USDA estimated on Jan. 12.

Consumption of wheat as animal feed in the 12 months ending May 30 will fall 34 percent to 150 million bushels, the lowest in four years, the USDA said. Livestock producers are switching to corn, the biggest source of feed, after two record harvests sent the grain tumbling to the lowest price since 2009.

Slumping prices may encourage farmers to plant other crops. Global wheat production will drop 0.5 percent from last year's record, while U.S. farmers may sow the fewest acres in four years, Memphis, Tennessee-based researcher Informa Economics Inc. said Jan. 15.

Planting from September to November of winter wheat, which accounts for more than two-thirds of domestic supply, fell 4.6 percent because of late corn and soybean harvests and unusually wet weather, Jeff Koscelny, wheat commercial lead for St. Louis- based Monsanto Co., the world's largest seed company, said in an interview Jan. 13.

"Supply risks for the 2015-2016 season will return to the market and support prices going into 2016," Colin Hamilton, global head of commodity research at Macquarie Group Ltd., said in a Jan. 19 report. "Stronger feed demand and a recovery in corn prices will also contribute to the upside."

For now, exporters are aggressively discounting to unload inventories before the Northern Hemisphere harvests begin in May, said Christopher Narayanan, head of agriculture research for Societe Generale SA in New York. Increased supplies from the European Union, Ukraine and Canada will more than make up for any trade hurdles in Russia, the USDA said.

"Prices will move lower," said Narayanan, who predicts futures will fall below $5 before the end of March. "The Russian export duty is just not an issue because there is no global shortage and plenty of willing sellers."

Money managers have cut their holdings in Chicago wheat futures and options for four straight weeks and are now bearish for the first time since early December, government data show.

Even as prices drop, wheat has no appeal for Mutt Schuman at Cactus Feeders Inc., which raises hundreds of thousands of cattle in Texas and Kansas that consume 48 million bushels of grain annually. After boosting wheat use in May 2012 and dropping corn altogether in August and September 2013, the company has switched back. Wheat went from a discount of 63 cents a bushel in June 2013 to a premium of $3.33 four months later.

"Rarely do we feed wheat when it is more expensive than corn," said Schuman, the vice president for commodity procurement at Amarillo, Texas-based Catcus Feeders.

back to top

Restoring balance in wheat market

26 January 2015 Dawn.com

Pakistan is re-entering the wheat export market after being an importer for a long period with a view to clearing the piled-up stock before the arrival of the new crop in the market, sometime in March. But its Achilles' heel remains the declining price of the commodity in the international market.

At Chicago Board of Trade, wheat price remains subdued mostly because of slowing demand for the US wheat. Egypt´s purchase of 180,000 tonnes of wheat from France early this month showed how uncompetitive the US supplies have become on the world market. The wheat futures for March were being booked at an 11pc less price in recent weeks.

The current global rates of wheat are $275-300 per tonne. However, after adding freight and other charges the cost of exporting wheat comes to $345 (FOB) per tonne. That is why Pakistani traders are insisting to sell their stock at $300-345 a tonne to make the sale profitable. But they are finding it difficult to get a buyer at this price, the only exception being Sri Lanka where Pakistan's wheat receives low import duties as a special favour. But Russia's declining presence in the export market offers an opportunity to Pakistani exporters.

The clearing of the glut is not an easy task. The glut emerged when the federal government allowed cheaper imports from Russia and Ukraine to overcome shortages caused by a disappointing harvest that pushed up local prices. But there did exist substantial domestic produce in the storages.

According to Pakistan Bureau of Statistics data, Pakistan imported 727,687 tonnes of wheat worth $182.4m in July-Nov 2014 compared to 366,015 tonnes ($104m) in the same period of 2013. The Sindh chief minister has been critical of the federal government's decision to allow import of wheat without taking the Sindh government into confidence, particularly when the province along with Punjab already had a sizable stock of locally produced wheat.

The importers made large wheat purchases at a rate of Rs2,600-Rs2,800 per 40kg bag, while the food department was providing locally produced commodity at Rs3,450 per 40kg bag to millers. This difference contributed to a glut of the commodity in the market. The rationale for allowing more imports than necessary remains a mystery. After realising what has happened, a regulatory duty of 20pc was imposed on imports in November by the government to stall the flood of cheap wheat and protect the local farmer. However, some deals were later cancelled.

Now the federal government will have to pay a price for its flawed policies to restore balance in the local wheat market.The provinces have asked the federal government to provide a subsidy of $50 per tonne to the exporters to enable them cover the loss they will incur owing to low prices in the global market. Overall, the subsidy comes up to Rs15bn as the surplus stock to be exported is more than 3m tonnes. A similar suggestion has also been made by the food security ministry.

At present, Punjab has a surplus of 2m tonnes, Sindh has 0.6m tonnes and the remaining stock is with the Pakistan Agricultural Storage and Services Corporation (Passco). The ministry of food security has informed Islamabad that if the glut was not cleared before the arrival of fresh crop, the market is likely to crash leading to country-wide protests by the farmers who will find few buyers of their produce. It is obvious that if the old stock is available in stores, at a lower price, few will be interested in lifting the new crop at a higher price. It will amount to denying the farmers a fair price for their crop.

Since unsold stocks of 200,000-250,000 tonnes of cheaper imported wheat are still available in the market, flour mills owners prefer to buy this wheat so as to blend it with locally produced wheat. The millers have lifted only 25,000 tonnes so far from the Sindh food department which still has a stock of more than one million tons. Sindh has procured 1.3 million tonnes of wheat from the growers. According to State Bank of Pakistan Annual Report 2013-2014, wheat production of 25.3m tonnes in FY14 was marginally higher than the 25.0m tonnes target and the previous peak of 25.2m tonnes realised in FY11.

back to top

Barley sowings in North America to rise by some 10%

24 January 2015 Agrimoney

Barley sowings in North America are poised to rise by some 10% this year, helped by relatively firm prices for malting supplies – although this will not save Canadian stocks from falling to a record low.

Canadian barley sowings for the 2015 harvest will rise by some 9% to 2.60m hectares, with those in the US - which fell to 3.09m acres (1.25m hectares) last year, their third-lowest on record - will grow by "about" 10%, according to Canada's farm ministry, AAFC.

The forecast reflects in part, for Canada, an assumption of a "return to more normal seeding conditions", after an unusually wet spring last year, besides a reduction in land in the Prairies left for summer fallow.

However, the ministry also highlighted prices which - while for feed barley are about 10% below 2013-14 levels, depressed by strong supplies of rival feed grains - for malting barley are "essentially unchanged from last crop year.

"The supply of malting barley is tight."

Indeed, Canada and the US reaped poor quality barley crops last year, thanks to harvest-time rains, leaving the countries with "extremely limited supplies of good quality malting barley going into the 2015-16 crop year", AAFC said.

The US will import an unusually large 490,000 tonnes of malting barley in 2014-15 – and from unusual origins, according to the International Grains Council.

"Purchases of malt are typically sourced from Canada, but poor quality there is expected to shift business to other origins, particularly the European Union," the council said in a report on Thursday.

The squeeze is encouraging buyers to make relatively attractive offers to producers to secure supplies.

In the northern US, where most of the country's barley is grown – Montana, North Dakota and Idaho states typically account for more than two-thirds of the country's plantings – malting barley contracts for this year are offering prices "very close" to those for 2014, at about $235 a tonne, AAFC said.

"This is attractive given the price declines across the entire US grain complex," the ministry said, quoting comments from US malt companies "that their 2015 barley production contracts have had a very rapid uptake".

On Canada's Prairies, new crop malting barley contracts are typically priced at Can$215-230 a tonne.

The comments come as first estimates are beginning to emerge for northern hemisphere crop sowings this year, ahead of the spring planting season.

In the US, soybeans are seen as a major beneficiary of a switch away from corn which, as a more expensive crop to grow, thanks to its high fertilizer needs, is less appealing for many farmers in an environment of lower crop prices.

However, some other crops are viewed as likely to see an uptick in popularity too, including sorghum, which the US Department of Agriculture believes may, unusually, achieve a higher average price in 2014-15 than corn, thanks to strong export demand.

"Kansas, Oklahoma, Texas farmers will plant sorghum this year - sure as hell not as much corn, but maybe a little more soybeans," one US broker told Agrimoney.com.

back to top

Record wheat harvest overshadows Russian curbs as prices slump

23 January 2015 Bloomberg

Ample supplies from Europe to the U.S. suggest any further restrictions on Russian wheat this season will probably have little effect on prices.

Record global harvests will offset supply lost from Russia as the nation clamps down on exports, said Benjamin Bodart, founder of market consultant CRM Agri-Commodities. Most Russian wheat destined for overseas this season has already been shipped, he said. Wheat on the Chicago Board of Trade, the global benchmark, is down 19 percent since Dec. 18, paring gains from a rally sparked by concerns over falling Russian supplies.

Russia, the world's fourth-biggest wheat exporter, has curbed shipments to cope with a currency crisis that has raised food prices for consumers. Regulators slowed down grain inspections and rail deliveries and announced a tax on shipments that will go into effect Feb. 1. While proposals for an embargo have been made, introducing a cap wouldn't make sense, Russia's Deputy Prime Minister Arkady Dvorkovich said on Jan. 19.

"We've got still plenty of wheat around from Europe," Bodart said in an interview from Newmarket, England. "The market has already factored in that probably from the end of January until the end of June we're not going to see any sort of exports from Russia."

Wheat slipped 0.4 percent to $5.3175 a bushel as of 9:27 a.m. in London. Prices jumped 23 percent in the fourth quarter, the most since 2010.

Expectations for Russian grain shipments have fallen, with the U.S. Department of Agriculture cutting its forecast to 20 million metric tons this season, from an earlier estimate of 22 million tons. About 17 million tons has already been exported, Russia's Agriculture Ministry said on Jan. 19.

Global wheat production will be a record 723.4 million tons, according to a Jan. 12 report from the USDA. The agency raised its outlook for shipments from the European Union, Ukraine and Canada.

Russia banned wheat exports for 10 months starting in 2010 after drought and wildfires slashed the harvest, helping push prices to the highest in more than two years. Speculation restrictions would return in 2012 spurred another rally, with CBOT wheat trading as high as $9.4725 a bushel, 78 percent above the current level.

Now the country is contending with a plunging currency and possible recession after the U.S. and EU added economic sanctions in response to the conflict in Ukraine. Consumer food prices surged by 15 percent in December, compared with a year earlier, according to government reports.

Russia's tax on wheat will reduce exports by making it less competitive in international markets, said Stefan Vogel, head of agriculture research at Rabobank International in London. The tax, which ends in June, doesn't apply to grain from the next harvest.

"I don't think the export duty will allow for a large amount of exports," Vogel said. "Most likely they won't put a ban on."

Russia is taking further steps to guard domestic supplies, saying it needs to preserve higher stockpiles in case next season's harvest is a disaster. The country needs inventories of about 10 million tons by July 1, compared with less than 7 million tons the previous two years, the Agriculture Ministry said in an e-mail to Bloomberg News.

Dry weather has swept over Russia in recent months, raising concerns about conditions of crops in winter dormancy. In the worst-case scenario, the 2015 grain harvest may fall to 70 million tons, the government said.

While wheat prices may rise if restrictions are extended past June, the market already accounts for a decline in Russian supplies this season, according to Paris-based farm adviser Agritel.

“The Russian situation doesn’t have a lot of impact anymore,” said Sebastien Poncelet, a consultant at Agritel. “It’s mostly priced in.”

back to top

Modi-picked panel wants India to get nimble on grains exports

23 January 2015 Daily Mail

India needs to become more nimble in allowing wheat and rice exports from overstocked government silos if it wants to cut waste and get the best price for its grains, a panel appointed by Prime Minister Narendra Modi recommended.

Despite stocks that are often more than double the government’s target, India exports only about 10 percent of its wheat and rice output of 195 million tonnes.

The Food Corporation of India (FCI), a government behemoth set up 60 years ago after acute food shortages forced India to import, sits on mounds of rice and wheat thanks to bumper harvests since 2007.

“Because of bureaucracy, we take a long time to agree on exports and market dynamics change by then, thwarting our efforts to make the best out of attractive prices abroad,” Shanta Kumar, chief of the panel, said after unveiling the report on Thursday.

Currently the government takes a call on exports and local sales after a lengthy consultation process.

The panel would like the FCI to abolish regional offices, focus on key states for procurement, invest in computerisation and bring in technical and managerial expertise from the private sector.

“A nimble-footed FCI will help us earn precious foreign exchange and save a lot of money that is blocked in terms of extra grains stocks that is prone to pest attack and wastage,” said Ashok Gulati, a noted economist and a member of the panel.

Modi, who formed the panel in August to suggest an overhaul of India’s theft-prone food distribution network, has asked the food ministry to examine the recommendations before acting on the report.

India, the world’s biggest rice and wheat producer after China, runs a mammoth $18.64 billion food welfare programme. But nearly half of the ultra-cheap rice and wheat meant for the poor is either wasted or stolen, according to various experts.

The panel also suggested the government scale down its food distribution programme by covering only 40 percent of the population, instead of 67 percent. However, it favoured a higher monthly allocation of 7 kg per person against 5 kg now.

Lowering the number of beneficiaries could save India 330 billion rupees ($5.35 billion) a year in subsidies, said Kumar, a former food minister. But the move could potentially anger millions of voters enjoying cheap grains and would require the approval of India’s partisan parliament.

“It’s not an easy task to reduce the level of beneficiaries as a host of procedural hurdles will have to be crossed before accepting the latest recommendations,” said B.C. Barah, a New Delhi-based agriculture economist.

back to top

China to raise local grain reserves to improve food security

22 January 2015 The Economic Times

China will ask local governments to increase their grain reserves and give more responsibility to local governments in maintaining supplies as it bids to head off "long-term" food security problems, the country's cabinet said on Thursday.

The State Council said in a notice that the governor of each province will be held responsible for increasing local grain production and reserves and maintaining stable regional prices.

According to the notice, grain supplies in the world's most populous nation are expected to remain "tight in the long term" due to water and land constraints, and it faces growing food security challenges.

"Local governments and departments should fully realise the extreme importance and complexity of ensuring grain security," said the notice, which was posted on China's official government website.

Big cities should hold enough grains and edible oil reserves to cover half a month of consumption, it said.

Besides production and management of reserves, local authorities should also take responsibility for food safety and introduce measures to reduce the use of fertiliser and pesticides and treat heavy-metal polluted farmland, it said.

Local governments have long prioritised the expansion of industries in order to boost tax income, and have lacked incentives to develop agriculture. Farming accounts only a small part of local GDP.

The State Council reaffirmed the country's policies to protect farmland and promised to audit local officials for any irregularities related to the sale of farmland to non-agricultural sectors.

Industry analysts said the move is unlikely to have any impact on the country's grain imports, with the central government still in control over the issue of import quotas.

back to top

U.S. Farmers' latest hot crop: Sorghum

21 January 2015 Wall Street Journal

While many U.S. farmers grappled with lower grain prices last year, Mike Baker had an ace up his sleeve: sorghum.

The grain, long overshadowed by more-plentiful crops, suddenly is in high demand thanks to China's soaring appetite for animal feed and a shift in its buying preferences away from foreign corn. A 15-fold increase in imports of U.S. sorghum by China over the past year has pushed its price above corn's in parts of the U.S., a rarity that highlights how policy shifts by Beijing can have a far-reaching impact on the global grain trade.

Mr. Baker quickly sold most of his 800-acre sorghum crop after the fall harvest for the export market, capitalizing on the Chinese demand. "This was about the first year ever when I really felt like I was in control and was not afraid to name my price," the 35-year-old Nebraskan said.

China's buying pace has surprised many traders and grain merchants who deal in sorghum, a drought-hardy crop that also is known as milo in the Great Plains, its traditional growing region. Some Kansas grain elevators are offering farmers about 10% more for sorghum than for corn, inverting the roughly 10% premium corn usually fetches. There is no futures market for sorghum, so traders use corn futures to benchmark prices and manage risk.

The increased exports are benefiting large sorghum traders such as Archer Daniels Midland Co., as well as smaller grain handlers and transportation firms.

“It’s unlike anything I’ve seen in my career, and I’ve been doing this for about 30 years,” said Charlie Sauerwein, grain-merchandising manager with WindRiver Grain LLC, a Kansas company that ships grain by rail to U.S. ports. Increased sorghum shipments have helped WindRiver offset a recent decline in wheat deliveries due to soft export demand, he said.

In the first 11 months of 2014, shipments of U.S. sorghum to China jumped to 5.7 million metric tons valued at $1.3 billion from about 362,000 tons a year earlier, according to the U.S. Department of Agriculture. Before 2013, China had bought only tiny amounts from the U.S., the world’s largest sorghum producer and shipper.

Many traders expect the pace of Chinese orders to slow because the U.S. doesn’t have enough sorghum to sustain it. The USDA estimated the U.S. produced 433 million bushels of sorghum last year, up from 392 million a year earlier. In contrast, the U.S.’s corn output was a record 14.2 billion bushels in 2014.

China also may begin to shift some sorghum orders to Australia as supplies from that country’s farmers become available in the spring, said Mike O’Dea, risk-management consultant for commodity brokerage INTL FCStone. That likely will push sorghum prices down somewhat from the current “extremely high” levels, said Mr. O’Dea, who represents grain elevators that buy sorghum.

Chinese companies are snapping up the grain to feed pigs, chickens and ducks because it is cheaper to import sorghum than to buy corn produced in China, analysts said. Domestic corn prices are high because China’s government has been buying farmers’ grain at a hefty premium to support their incomes, analysts said.

In addition to feed, some U.S. sorghum exported to China is used by its liquor industry for beverages including baijiu, the popular Chinese spirit, according to U.S. industry officials.

China’s imports of U.S. corn fell sharply last year after Beijing rejected shipments containing a genetic modification that it hadn’t approved. The country recently approved the biotech corn, prompting analysts to speculate that China may resume significant imports from the U.S. That, in turn, could dent China’s purchases of sorghum and other feed alternatives.

China’s Ministry of Agriculture declined to comment on grain-importing policies. Ma Wenfeng, a senior analyst at Beijing Orient Agribusiness Consultant Ltd., a state-linked consultancy, said corn likely will start to supplant sorghum because many Chinese livestock producers consider corn a higher-quality feed.

Analysts said U.S. sorghum has gained traction with China in part because no genetically engineered varieties are sold in the U.S., meaning less risk of a regulatory disruption like that which hit corn. It also isn’t subject to quotas that cap how much Chinese companies can import annually, as corn is.

In the U.S., sorghum recently has gained some traction in the food industry as a gluten-free grain, fueling demand beyond traditional buyers in the livestock and ethanol sectors. Still, the USDA is forecasting that exports in the 2014-15 season that ends in August will account for 62% of U.S. production, up from 31% two years ago.

back to top

Farmers throughout world aim to steady grain prices

19 January 2015 Feed & Grain

Much has been written about the need to increase global food production to keep pace with the increase in the world population, growing at just over 1 percent per year.

But in addition to a larger population base, per capita grain consumption is on the rise.

Since the early 2000s, economic growth in developing and emerging economies has resulted in an expanding middle class around the world. More and more people can afford to improve their standards of living and diets.

Since 2003, the amount of feed grain (barley, corn, millet, mixed grain, oats, rye, and sorghum), food grain (wheat and rice), and soybeans consumed per person per year has increased from about 747 pounds to about 846 pounds, a 13 percent increase. That is roughly the same growth rate of the general population meaning that, if this trend continues, grain production has to grow at twice the population rate to keep up with demand.

Supply concerns over the last several years have driven grain prices to record levels providing incentives for farmers all around the world to increase production.

But record production in 2013 (wheat, corn, rice, and soybeans) and 2014 (wheat, corn, and soybeans) has resulted in much lower prices, offering less incentive to expand acreage or apply expensive crop inputs.

In 2014, harvested acres of rice and corn (and coarse grain in general) were lower than 2013. Only a record corn yield in the U.S. (173.4 bushels per acre from a previous record of 164.7 bushels in 2009) caused a record world crop. Rice and total coarse grain production were down in 2014 compared to 2013.

What might 2015 hold? Farmers in South America are responding to 2014's lower prices by increasing plantings of soybeans and reducing corn acres. USDA's preliminary long-term agricultural projections for 2015 (model forecasts based on normal weather and no external shocks to global agricultural markets) indicate U.S. farmers will plant less corn (-2.9 million acres), less wheat (-800,000 acres), and fewer soybeans (-200,000 acres) than 2014.

If we harvest fewer acres, keeping up with increasing grain demand will be increasingly a function of favorable weather. But also important is stability in the global marketplace for grain.

As we have seen in wheat, prices can be volatile, even in the face of record wheat production, when uncertainty arises over the availability of exportable supplies from a major exporter such as Russia.

World trade in rice is 9 percent of total production, 12 percent for coarse grain, 22 percent for wheat, and 37 percent for soybeans.

Government intervention in grain exports over concerns of domestic food prices or domestic food security can be just as disruptive to grain supplies and create the same price volatility as weather, but much harder to predict.

back to top

EU changes rules on GM crop cultivation

13 January 2015 BBC

The EU has given governments more power to decide whether to plant genetically modified (GM) crops, which are highly restricted in Europe.

The European Parliament has passed a new law giving states more flexibility by a big majority.

A type of maize - MON 810 - is the only GM crop grown commercially in the EU.

Although Euro MPs and ministers have agreed to give states more flexibility, EU scientists will still play a key role in authorisations.

GM crops are used widely in the US and Asia, but many Europeans are wary of their impact on health and wildlife.

It is one of the toughest issues at the EU-US talks on a free trade deal, as farming patterns in Europe - including GM use - differ greatly from North America.

The new law only applies to crops and does not cover GM used in animal feed, which can still enter the human food chain indirectly.

Last July the new EU Commission President, Jean-Claude Juncker, said the legal changes were necessary because under current rules "the Commission is legally obliged to authorise the import and processing of new GMOs [genetically modified organisms], even in cases where a clear majority of member states are opposed to their use".

Spain is by far the biggest grower of MON 810 in Europe, with 137,000 hectares (338,000 acres), the European Commission says.

Yet the EU total for MON 810 is just 1.56% of the EU's total maize-growing area.

MON 810 is marketed by US biotech giant Monsanto and is modified to be resistant to the European corn borer, a damaging insect pest.

The maize variety is banned in Austria, Bulgaria, France, Germany, Greece, Hungary and Luxembourg.

Under the new law, the grounds for a ban on any GM variety will be expanded. National governments will in future be able to cite factors such as protection of a particular ecosystem or the high cost of GM contamination for conventional farmers.

But the Greenpeace environmental group says the legislation has shortcomings, as it "grants biotech companies the power to negotiate with elected governments" on GM crops, rather than with the European Food Safety Authority (Efsa), and forces national environmental risk assessments to comply with Efsa's assessments.

The new law says states can only use environmental grounds that are "complementary" to Efsa's assessments of GM crops.

The UK government is among several countries, including Spain and Sweden, which have called for the EU's GM rules to be eased.

But the UK Conservative group in Strasbourg has criticised the new law, saying it "allows member states to proceed directly to national bans, rather than first seeking a more legally sound 'opt-out'.

back to top

Monthly Information Sources

Grain Market Report

January 2015 IGC

Link to report

back to top

Crop Monitoring in Europe

January 2015 MARS

Link to report

back to top

Commodity Price Data

January 2015 The World Bank

Link to report

back to top