Monthly News Report on Grains

MNR Issue 111 - March 2015

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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:

Syria taps world wheat market as stocks run down

30 March 2015 Reuters

Weeks after Syria said it had no need for wheat imports, the government plans to import 150,000 tonnes and has introduced ways to conserve grain stocks in signs of the growing strain on food supplies from conflict in the country.

Despite millions of Syrians fleeing the fighting to neighbouring countries with 220,000 people estimated to have been killed, Syrian President Bashar al-Assad's government is grappling with ensuring there is enough grain for all.

Trade sources say Damascus faced challenges importing sufficient stocks as payment problems and fighting have deterred many international firms from trading.

Before the war, Syria kept annual strategic stocks of around 3 million tonnes of wheat. The state-run General Establishment for Cereal Processing and Trade (Hoboob) has declined to give a figure for how much is left.

Hoboob confirmed to Reuters it was seeking 150,000 tonnes of wheat in an import tender that will close on April 13.

The announcement came three weeks after the minister of internal trade and consumer protection Hassan Safiya said an improved wheat harvest in 2015 would translate into self-sufficiency.

"We need to import to bolster our strategic stocks and have started with this tender to test the market," a Hoboob source told Reuters.

Hoboob said the government was currently relying on its 2014 local harvest and drawing on its strategic reserves to keep its bread subsidy programme going.

"We will evaluate how much we need to import when we start procuring the 2015 crop," the Hoboob source said.

In an attempt to save money on bread subsidies, the government also changed the amount flour it uses in bread earlier this month, which some ordinary Syrians say has meant lower quality loafs.

This follows a move in January by the state to raise the price of bread by 40 percent. A bundle of bread weighing more than 1 kg now sells for 35 Syrian lira (16 cents).

"Bread subsidies have frequently been described by officials as a 'red line' by Syrian regime officials and the decision to redraw the line highlights that the regime is struggling," Torbjorn Soltvedt of risk consultancy Verisk Maplecroft said.

"The price hike has the potential to reduce support for the regime which has actively used the supply of bread to shore up support in areas under its control."

The government, which has survived four years of crisis, says the impact of the bread prices rise has been absorbed by a new monthly allowance of 4,000 Syrian liras for all recipients of state salaries, including civil servants and retirees.

The change in the flour extraction rate means more bran from the wheat is used, giving the bread a darker

colour. The government says this is healthier, but some Syrians complain that bread quality has been compromised.

"This is bread first of all is healthy and secondly it alleviates part of the burden of supplies on the government," a Syrian official said.

Hoboob said in October Syria had enough wheat to satisfy consumption until mid-2015 from previous imports and its local harvest, but that imports of 1 million tonnes were necessary to boost its strategic reserve.

Syria's wheat harvest stood at around 1.8 million tonnes in 2014, the worst in 25 years due to security and drought.

Of that total, Hoboob only managed to procure over half a million tonnes of wheat from Syrian farmers. Over 300,000 tonnes of that is in wheat silos in Hasaka, on the border with Islamic State held areas in Iraq.

Initial estimates from agronomists and other experts put the 2015 crop on course for 2.5 million to 2.8 million tonnes.

Industry sources say Syrian importers are only managing to bring in small cargoes of wheat and other cereals, which are shipped from Egyptian ports to Tartous and Latakia. Food cargoes have also been routed through Lebanon, which also remain small.

A ship industry source active in Syria's food trade said shipments remained small with a maximum cargo size of 15,000 to 20,000 tonnes compared with cargo loads of over 60,000 tonnes imported in previous years when conditions were more stable. Freight orders seen by Reuters confirmed the smaller loads.

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Chinese food giant shops in U.S.

30 March 2015 Nasdaq

Chinese food company Cofco Corp. is on a determined shopping spree.

In a few short years, Cofco has spent a couple billion dollars quietly buying up Australian cane fields, French vineyards and Brazilian soybean pastures, helping it become one of the world's largest food companies. Now, Cofco is exploring deals in the world's biggest exporter of agricultural commodities: the U.S.

Little known globally but pervasive in China, Cofco is bulking up to become the Chinese answer to U.S. grain and meat giant Cargill Inc.

Once the government arm for importing food staples when China was poor and isolated, the state-run company rode the country's rise to a nation with middle-class consumers. Cofco -- the officially adopted abbreviation of China National Cereals, Oils and Foodstuffs Corp. -- now owns food-producing assets on five continents. Last year, it spent $2.7 billion to acquire Dutch grain trader Nidera BV and 51% of Noble Group's agriculture unit, gaining footholds in the breadbasket regions of South America and central Europe.

"We want to get more involved in other parts of the world, especially in the Americas, where a lot of the grain is grown, shipped and exported to other markets like China," said Paul Liu, Cofco's head of North America.

The deals with Nidera and Noble Agri Ltd. gave Cofco a handful of grain elevators in Chicago and Milwaukee, and Mr. Liu said the company has begun sounding out U.S. companies on potential deals. Such transactions could include acquisitions or partnerships with rivals to secure U.S. ports and grain terminals, giving Cofco better access to the world's largest source of corn and a top soybean grower, Mr. Liu said.

Cofco's recent deals have pushed it into competition against U.S. leaders like Cargill, Archer Daniels Midland Co. and France'sLouis Dreyfus Group. Its charismatic, deal-making chairman, Ning Gaoning, a fluent English speaker, has transformed Cofco into a Chinese state company in contention to be globally competitive.

With a lock on China's grain trade, Cofco has access to deep state coffers, providing $10 billion for acquisitions, according to company officials. Its flour, dairy and other products permeate China's food supply, from the farm to the dinner table. Cofco's organic cooking oil, additive-free bacon and Great Wall wine jostle for space in supermarkets throughout China.

"It's very important to the Chinese market that they have resources," said Matthe Vermeulen, chairman of the Royal Dutch Grain and Feed Trade Association, where Nidera is a member.

Mr. Ning has extolled Starbucks Corp. as a model for global reach. "Starbucks took one of the oldest beverages of the West and transformed it with care," Mr. Ning wrote in his 2012 book "Why." "Starbucks definitely is relevant to us."

Cofco's revenue, estimated at $63.3 billion last year after the Noble and Nidera deals, still lags behind the world's three larger agribusiness giants. Competitive pressures loom at home, too. As a bottler of household edible oil, it is second to Singapore's Wilmar International Ltd., which supplies 55% of the Chinese market compared with Cofco's 15%, according to the consultancy Shanghai JC Intelligence Co.

In its expansion, Cofco has avoided the expensive trophy acquisitions some state companies have made and instead has used its purchases to bring in expertise. Nidera, for example, also owns laboratories for yield-boosting seed technology.

"These acquisitions represent a departure from previous food-security policies," said Nelson Low, director of commodities for Asia at global options and futures exchange CME Group Inc., referring to prior Chinese efforts to domestically produce most of the grain it consumes.

For much of its life, Cofco embodied China's preference for heavy state control over the economy. Founded in 1952, Cofco became the main importer and exporter of grains, edible oils and other staple agricultural products at a time China was chronically short of food. After economic changes began in the late 1970s, Cofco ventured into new territory, bringing Coca-Cola Co. to China and striking a deal with Seagram Co. to import alcohol.

Cofco remained largely focused on grain trading until the arrival of Mr. Ning as the company's chairman in 2004. This became a time of explosive prosperity in China, and the diets of a new, suddenly enriched middle class were changing. The grain market that Cofco dominated now fed ever-growing animal herds to meet rising domestic consumption of meat.

Mr. Ning had a track record of remaking companies, having transformed state-owned China Resources Enterprises Ltd. into a regional investment powerhouse during his 18 years at the food exporter based in Hong Kong. A joint venture with South African brewery SABMiller PLC in 1993 gave him control of Snow beer, China's best-selling lager.

Cofco at the time had relatively little experience in areas like food processing or value-added products like wine. But it had been operating under the direct supervision of the central government since late 1999, giving the company access to China Inc.'s checkbook.

Mr. Ning swiftly set out an ambitious plan to reinvent Cofco, according to company documents. He revamped the annual performance review and instituted a system that ranks the most senior 100 managers and replaces the bottom five -- a technique straight out of former General Electric Co. Chairman Jack Welch's rank-and-yank methods.

"We call it 'last-position elimination,' " said a Cofco executive. "It's created a lot of pressure, and yes, it's been a little stressful." Mr. Ning has described its effect as akin to "100 people running from a tiger."

Cofco, he said, needed to move beyond grain trading, with its competitive margins, and had to acquire scale in food production to secure global clout. Cofco declined to make Mr. Ning available for interviews.

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Russia sells half as much wheat overseas after government curbs

27 March 2015 Hellenic Shipping News

Russia is exporting half as much wheat as last year after the government started taxing overseas shipments as a way to reduce local food prices.

The country will sell 65 percent less wheat in March than the previous year, according to estimates from ZAO Rusagrotrans, which carries grain by rail. In February, when the tax took effect, exports plunged 45 percent, government figures show.

The declines represent a turnaround for Russia's international wheat business that last year sold more grain to overseas buyers than any country except the U.S., Canada and France. Many grain buyers have switched to European sellers as the weakening euro makes purchases cheaper, according to Igor Pavensky, a deputy director at Rusagrotrans.

"Our place on the market has largely been taken," he said by phone from Moscow. "Supplies from Europe are record- breaking."

Russia will export 450,000 metric tons of wheat this month, compared with 1.3 million tons a year earlier, Pavensky said. ProZerno, a Moscow-based market research firm, estimates shipments of at least 600,000 tons, according to Director General Vladimir Petrichenko.

The tax has been successful in lowering the cost of domestic wheat. Shrinking demand from exporters cut farm-gate prices in Russia's south almost 20 percent from the season's high in mid-December to about 9,600 rubles ($168) a ton this week, according to data compiled by Rusagrotrans. Price declines steepened last week as farmers began to sell inventories to raise cash to fund spring planting, according to Moscow-based market researcher SovEcon.

The tax, due to run through June, is 15 percent of a shipment's total value, plus 7.50 euros ($8.19) a ton. In addition, the ruble's rebound this year has also increased the cost of Russian supplies, according to Pavensky.

With less supply coming from Russia, buyers have turned to countries such as Germany, France and Romania. European Union regulators have issued export licenses for 23.7 million tons for wheat since July 1, putting shipments on track for a record, according to data from the bloc.

Russia's exports didn't dry up completely over the last two months because it's been profitable for traders to purchase grain at current low prices and sell it overseas, according to Swithun Still, director of Solaris Commodities SA in Lausanne, Switzerland.

Still, the tax's impact on shipments is ongoing, according to Dmitry Rylko, director of the Moscow-based Institute for Agricultural Market Studies.

"These exports look like they continue only because of earlier momentum," Rylko said by phone Thursday. "All export channels work, but not as intensively as they might have worked without the restrictions."

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U.S. Wheat sales at 25-year low add to dollar's victim list

27 March 2015 AgWeb

U.S. wheat exports fell to the lowest in 25 years, underscoring the blow to farmers who are struggling to compete with foreign growers as the strengthening dollar makes American goods more expensive.

Their troubles are compounded by a world awash in wheat after two consecutive record global harvests, leaving exporters to undercut each other's prices in a bid to unload supplies at a time when domestic production costs are already relatively high. American exports in the week ended March 19 fell to the lowest

for this time of year since 1990, government data showed Thursday.

"The strong dollar will continue to squeeze U.S. exports, and most farmers are looking already looking at losses," Sterling Liddel, a vice president of Rabobank International's food and agribusiness research advisory in St. Louis, said in a telephone interview.

The European Union overtook the U.S. as the biggest wheat shipper in 2014. The gap is set to widen because Europe's record crop and sliding currency make it the world's most competitive supplier, according the U.S. Department of Agriculture. Farmers aren't the only commodity producers suffering from the dollar's rally, with American steelmakers getting undermined in their own backyards by cheaper imports.

The euro reached a 12-year low against the dollar this month amid a diverging outlook for global interest rates. The Bloomberg Commodity Index dropped 25 percent in the past 12 months. Most raw materials are priced in the U.S. currency.

U.S. wheat exports dropped 74 percent from a year earlier to 102,341 metric tons in the week ended March 19, Department of Agriculture data show. That was the third straight decline and lowest since the season started in June. Cumulative sales for delivery before May 31 are trailing last year by 24 percent.

"Without serious weather problems, wheat revenue will be below breakeven for the median U.S. farmer," Liddel said. "The drop in exports will be very challenging."

Global production jumped to a record in the past season after prices more than doubled in the decade through 2012. Swelling supplies are now driving futures lower, eroding farmers' income. The grain is the fourth-biggest U.S. crop, valued at $11.92 billion in 2014, USDA data show.

Wheat slumped 3.8 percent to $4.9925 a bushel in Chicago on Thursday, after the export data was released. Futures traded at $5.005 by 2:22 p.m. Singapore time on Friday, tumbling 30 percent in the past 12 months.

"Export sales were dismal," Shawn McCambridge, the senior grain analyst for Jefferies LLC in Chicago, said in a telephone interview. Wheat prices have "struggled with disappointing export demand the entire crop year, with few prospects for improvement unless quality or supply issues develop overseas," he said.

The U.S. shipped 31.497 million tons of wheat, flour and wheat products in the 12 months ended May 31, 2014, according to the USDA. The EU exported 31.925 million tons. For 2015, the USDA pegs U.S. sales at 25 million tons and the EU's at 31.5 million.

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India turns to 'satellite god' for crop mapping

27 March 2015 Business Fortnight

Sher Singh, a farmer from India's desert state of Rajasthan, prays to Varuna, the Hindu god of water, for a bountiful harvest. Now, he is also looking to the heavens for satellite imaging to boost his crop.Prime Minister Narendra Modi wants to promote a "per drop, more crop" approach to farming to make better use of scarce water, and aims to have a new satellite crop monitoring system working in time for the peak of this year's monsoon in July.

Using remote analysis to assess soil moisture and crop development has the potential to cut input costs and raise yields, say experts, in a country of 1.25 billion where half of workers make a living from agriculture.

Under the scheme, farmers would be able to access advisories on their mobile phones to help them to choose seed varieties, apply the right fertilisers or time irrigation 'shots', though some are sceptical about how effective the plan will be given natural or other obstacles."I hope to cut at least a tenth of input cost with the help of the 'satellite god'," said Singh, 55, who farms less than a hectare of rapeseed and hopes to use savings to educate his two grandchildren.By his own admission, Singh doesn't know how much to water his crops, the right fertiliser mix – or even the right crop to plant given the land's soil type.

After last year's landslide poll victory, Modi's government rolled out a national Soil Health Card scheme modeled on an initiative he launched as chief minister of Gujarat to help farmers plant crops suited to their farmland.In addition, satellite analysis can assess vegetation cover down to field level, helping to determine how a crop is developing and whether it has been harmed by pests or needs more water."The idea is to integrate information under the Soil Health Card with satellite images to raise productivity," said N. Chattopadhyay, a weather department official who is involved in the project.

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World corn harvest to drop 'sharply' in 2015-16

26 March 2015 Agrimoney

World corn production will see a "sharp" fall in 2015-16, thanks to a retreat in yields from bumper levels, with the reduced output driving a drop in inventories to a three-year low, the International Grains Council said.

The intergovernmental group, in its first estimate for next season's world corn harvest, forecast output tumbling by 49m tonnes to 941m tonnes, "as yields retreat from the high levels of the preceding year".

The lower output will spur some drop in consumption, "mainly reflecting reduced feeding of corn in areas where huge crops stimulated use in 2014-15," the council said.

However, the drop in demand will, at 13m tonnes, come short of the fall in production, prompting a drop in inventories by 20m tonnes to 171m tonnes, more than offsetting the build in world stocks this season.

The decline in corn inventories will be particularly marked in major exporting countries, "dropping by almost one-quarter" to 50m tonnes, the IGC said.

Inventories held in big exporting countries, such as the US, Brazil and Ukraine for corn, are seen as particularly important in setting world prices, in being readily available to the market.

Nonetheless, the council said that stocks of grains overall would remain "comfortable" at the close of next season, "albeit" down 5% at 406m tonnes.

"The ratio of stocks-to-use is expected to match the five-year average," the council said.

Overall grains production in 2015-16 was pegged at 1.94bn tonnes, a decline of 63m tonnes year on year, reflecting the drop in corn output and a forecast decline in the world wheat harvest.

Wheat output was pegged at 709m tonnes, down 10m tonnes year on year, although 4m tonnes above the IGC's initial estimate, released last month.

Global wheat stocks were seen falling by 2m tonnes to 196m tonnes, again a figure larger than last month's estimate, of 192m tonnes.

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Seed, fertilizer scrimping to curb Ukraine grains harvest

24 March 2015 Black Sea Grain

Ukraine's production of its three main grains – barley, corn and wheat - will fall by more than 10%, as financing constraints limit farmers appetite for spending on inputs such as seed and fertilizer, UkrAgroConsult said.

Production of corn, the biggest of the three grains by output, will drop for a second successive year, by 2.9m tonnes to 23m tonnes, the influential analysis group said, citing a drop of some 10% in sowing and reduced spending on higher quality seed.

A drop of 41% in Ukrainian corn seed imports underlines "the assumption that producers will begin using cheaper seeds produced domestically", UkrAgroConsult said, forecasting a drop of some 5% in yields because of the reduced use of "production technologies".

The reduced production would appear to curtail Ukraine's growth as a corn exporter, with the country overtaking Argentina to become the world's third-biggest shipper, after the US and Brazil.

Ukraine's exports to China, under a loan-to-grain deal, have taken on a particularly high profile. Official data on Thursday pegged Chinese imports from Ukraine near-tripling to 574,000 tonnes in January.

For wheat, Ukraine's output will drop by 1.9m tonnes to a three-year low of 20.6m tonnes, the group said, despite a rise in sowings, with the boost from the extra area more than offset by worse condition and reduced use of nutrients.

About 85% of winter wheat, which accounts for the great majority of Ukrainian production, is in good" or "satisfactory" condition, down from 93% a year ago, after a dry autumn got seedlings off to a bad start.

And yields are "expected to decrease due to reduction of mineral fertilizers application, as well as higher share of weak and sparse crops than during the previous two seasons".

The UkrAgroConsult estimate for harvested area of wheat this year, at 6.55m hectares, is larger than the 6.2m hectares forecast by the International Grains Council.

Ukraine's barley crop will drop by some 1.1m tonnes this year to 7.0m tonnes, the Kiev-based group said, reflecting a drop of some 3% in plantings of winter barley, which is in worse condition than last year too.

The group also flagged some loss to late applications of nutrients.

"This year the deficit and high cost of fertilizers has provoked some delay of their application," UkrAgroConsult said.

The group pegged barley area this year at 3.0m hectares, on a harvested basis, above the 2.7m hectares expected by the IGC.

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South Africa's worst drought since 1992 prompts corn imports

20 March 2015 Bloomberg

South Africa is importing corn for the first time in 11 months as the worst drought since 1992 destroyed crops in the continent's biggest producer, the largest local grain farmers' organization said.

The nation will need to import 934,000 metric tons of yellow corn, worth about $137 million at current international prices, from countries such as Argentina and Ukraine in the year through to the end of March 2016, Grain SA Chief Executive Officer Jannie de Villiers said in an interview in Bloomberg's Johannesburg office on Wednesday. Three shipments of 30,000 tons each from the Latin American nation are en route to Cape Town to provide feedstock for dairy cows in the Western Cape province, he said.

The drought has damaged crops in the Free State and North West provinces, which comprised 64 percent of output in 2014. The local price of white variety, a staple food, has risen 27 percent in Johannesburg this year and that of the yellow type, used mainly as animal feed, by 13 percent as the Crop Estimates Committee predicts the smallest harvest since 2007. Late rains at the end of February weren't enough to salvage crops as most had already pollinated, De Villiers said.

"We're not talking a big recovery," he said. "The worrying factor is that not all the cobs have been filled. This drought could hit us next year" as farmers won't start working their land unless there is sufficient moisture in the ground, he said.

The committee expects growers to harvest 9.67 million tons of both white and yellow corn in 2015, 32 percent less than a year earlier. It will release the second prediction for the season on March 25 and may leave the forecast unchanged, according to the median of five analysts' estimates in a Bloomberg survey. Recent rains may lift the harvest to 10 million tons, De Villiers said.

"It's not a super-crisis except if they start estimating the white crop down," he said. "There are parts of the North West where they are not going to harvest anything, zilch, but that was situation at the first crop estimate so from zero you can't go lower."

The limited availability of white corn globally makes importing this variety unlikely, which may raise prices in the event of shortages, he said. Grain SA expects a surplus of at least 100,000 tons of this type, which will be enough to meet needs of the country and neighboring Botswana, Lesotho, Namibia and Swaziland, which it traditionally supplies, he said.

Mexico is the world's biggest producer of white corn and South Africa is the largest grower on the continent. Almost all corn traded on the international market is yellow.

Harvests of crops including sunflower and sorghum have also been damaged. White corn for July delivery was little changed at 2,736 rand a ton while the yellow variety declined 0.3 percent to 2,439 rand a ton by 9:34 a.m. in Johannesburg.

The increase in prices is likely to push up inflation, De Villiers said. In addition to price of the corn-meal staple rising, poultry and meat costs may also jump as corn is used to feed the birds and livestock.

The nation's inflation rate fell to a four-year low of 3.9 percent in February, Statistics South Africa said on Wednesday. While price growth has stayed inside the bank's 3 percent to 6 percent target range for six months, the drought may add to pressure on the cost of food, which climbed 6.4 percent from a year ago.

With the effect of dry weather on the grain, "we could easily go to double digits" in food inflation from about May as more-expensive corn gets absorbed into the supply chain, De Villiers said.

Food comprises 14 percent of South Africa's inflation basket, according to the national statistics agency. Corn and products related to the grain, such as chicken and beef, contribute 74 percent of that, De Villiers said.

The country has exported 1.4 million tons of yellow corn since the start of the marketing season in May, with China, South Korea and Japan as the biggest buyers, according to the nation's Grain Information Service. It has sold 475,201 tons of the white variety, with Botswana buying 30 percent of the total.

The marketing year has been changed to end-March, said Wandile Sihlobo, an economist at the Pretoria-based Grain SA.

The organization projects 517,000 tons of yellow-corn demand from Botswana, Lesotho, Namibia and Swaziland in the year to March 2016, Sihlobo said. This excludes possible demand from other neighbors such as Zimbabwe, which usually gets some supply from Malawi, a nation that has also been affected by drought, Sihlobo said.

Most of the corn imported by these countries comes through South African ports and forms part of the 934,000-ton import estimate.

"There's going to be more pressure on the demand side because Malawi serves a number of countries," Sihlobo said.

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India's Food Minister backs subsidy reform plans

12 March 2015 International Centre for Trade and Sustainable Development

India is taking steps to improve the purchasing, stocking, and release of grains, food minister Ram Vilas Paswan has said, in response to proposals to reform the country's complex food subsidy system.

Paswan told reporters last Thursday that the ministry had reviewed the recommendations of a high-level committee on the role and structure of the Food Corporation of India (FCI) and submitted its opinions to Prime Minister Narendra Modi.

Proposals to replace in-kind grain distribution with direct cash transfers to poor citizens could soon be rolled out under a pilot programme in large cities, Paswan indicated.

"We are initiating the cash transfer programme in Chandigarh and Pondicherry soon," the minister said, in comments reported by Indian news publication LiveMint.

However, Paswan rejected a committee proposal to reduce the share of the population that would benefit from food aid under the National Food Security Act. (See Bridges Weekly, 6 November 2014)

The high-level committee had called for aid to be delivered directly to poor consumers as part of a suite of reforms aimed at improving efficiency and cutting waste, in a report submitted to Modi in January.

Sources told Bridges that other relevant ministries such as finance and agriculture would also have to submit their responses to the prime minister before any decisions on further action could be taken.

The committee estimates that less than six percent of farmers actually benefit from subsidised food procurement schemes – a share the report describes as "miniscule."

The vast majority of India's 90 million farm households did not report sales of either wheat or paddy, also known as unmilled rice, the committee found, with those that did often unaware of the existence of the government's procurement agency.

In addition, those farmers that did know about the agency often did not sell their produce at the minimum support price established by the government, the report says.

"What they're saying is basically true," confirmed Ajay Jakhar, a farmer working with the farmers' organisation Bharat Krishak Samaj, in comments to Bridges.

However, he warned that the existing system should not be reformed until effective alternatives had been introduced.

At the international level, India has spearheaded a push to ensure that developing countries are shielded from challenge under WTO farm subsidy rules when purchasing food at subsidised prices as part of their public stockholding schemes. (See Bridges Weekly, 27 November 2014)

Paswan, the food minister, said that some of the high-level committee's proposals are already being implemented, according to comments reported in the Economic Times. The FCI is planning to cease procurement in some major grain-producing states such as Haryana and Punjab.

"FCI should focus more on the eastern belt, where prices often fall below the minimum support price," said Ashok Gulati, a member of the high-level committee, in remarks to Bridges.

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Uganda could lose market as Kenya's maize project takes off

4 March 2015 Daily Monitor

Uganda's long-held dominance of the Kenyan market with maize as one of the main non-traditional exports lies in balance come 2017, when Galana-Kulalu irrigation scheme starts production.

The KShs400b (Shs12.6t) scheme under the Galana-Kulalu Food Security Project (GKFSP), a public-private

partnership between Kenya and Israeli companies. It targets one million acres under irrigation and expects to produce 40 million bags of maize, which will meet Kenya's national demand.

Every year, the country has a deficit and relies on importing maize from mainly within the East Africa Community—Uganda being of one her biggest suppliers.

However, the success of the Galana-Kulalu scheme, experts warn, means Ugandan farmers will have to adjust their strategies. That is, to either diversify to crops like fruits and vegetables or invest in value-addition of maize, and rely on sale of mere maize grain.

Okasai-Opolot, director, crop resources in the ministry of Agriculture, says given the 2017 scenario, Uganda should prepare adequately to continue producing maize not for export but for high-value local usage.

"The new approach is for our industrialists should go into production of higher-value products like confectioneries (corn-flakes, biscuits, bread), edible oil, beer and starch. We should also see large-scale livestock and poultry feeds production, using maize as a major raw material," he explained.

Okasai added that maize should be viewed as a rich source of protein for children and as an ingredient in industrial products.

"For instance, children in schools don't like eating posho, but prefer cornflakes, bread and biscuits. Why shouldn't our industrialists buy the maize from our farmers at even better prices than traders who export to Kenya," he said. "They should make maize-based products – a process that will promote production through improved price incentives to farmers."

He cited breweries who should replace barley and other expensive cereal ingredients in beer production with maize, which serves a similar purpose. In addition, starch, food and bio-fuel industries should target maize or its products as a major raw material.

Internally in Kenya, major maize-producing regions, such as Trans Nzoia County, have been encouraged to diversify to to reduce reliance on maize.

Daily Nation quoted Patrick Khaemba, Governor, Trans Nzoia County, thus: "Maize will soon cease being our economic backbone since the government has initiated a maize irrigation project at Galana expected to produce 40 million bags, which will meet the country's demand. This means we will lack a market for our (Trans Nzoia) maize."

Maize prices in Kenya are among the highest in sub-Saharan Africa, and the poorest quarter of the population spends 28 per cent of its income on the crop, according to the USAID-funded Agricultural Cooperative Development International and the Volunteers in Overseas Cooperative Assistance (ACDI/VOCA).

Okasai-Opolot also says while Kenya may reduce maize imports as a result of the mega Galana-Kulalu project, Ugandan farmers still have an opportunity in livestock and poultry feeds. "We should see a rise in processing maize, whose secondary products should go into animal and poultry feedstock. Maize bran helps to improve eggs' production for poultry farmers. The demand for eggs and animals/poultry feeds is always up," he noted.

He also assured farmers that rice is yet another commodity of which Kenya is a net-importer.

"Uganda's rice production is on an increasing trend. We have a comparative advantage over Kenya. It should be the other crop to replace maize as a key export commodity."

In the short-run, Daily Monitor recently reported that opportunities are good in Kenya for Ugandan maize traders due to the ongoing civil unrest in South Sudan.

"Uganda has been selling nearly all its maize stocks to Juba since the inception of Africa's newest state in 2011. More than 2,000 tonnes of Uganda maize had crossed into Kenya through official customs points. One tonne of maize is currently retailing at $500 (about Shs1.2m) in Juba compared to $400 (about Shs980,800) in

Nairobi," Daily Monitor quoted the Regional Agricultural Trade Intelligence Network (Ratin).

Gerald Masila, chief executive, East African Grain Council, added: "The current political standoff in South Sudan has interfered with the cross-border trade and most of the stock that heads to that nation is finding its way to Kenya."

A shortage of about 10 million bags is forecast just before the next harvest despite Kenyan government officials insisting there is enough supply of the staple crop.

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Crop Prospects and Food Situation

March 2015 FAO

Crop Prospects and Food Situation is published by the Trade and Markets Division of FAO under the Global Information and Early Warning System (GIEWS). It is published four times a year and focuses on developments affecting the food situation of developing countries and the Low-Income Food-Deficit Countries (LIFDCs) in particular..

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Short-term outlook for EU arable crops, dairy and meat markets in 2015 and 2016

March 2015 European Commission

The Short-term outlook is based on reflections of market experts within the Directorate General for Agriculture and Rural Development of the European Commission, using the latest data available.

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Monthly Information Sources

Grain Market Report

March 2015 IGC

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Oilcrops Monthly Price and Policy Update

March 2015 FAO

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Crop Monitoring in Europe

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March 2015 FAO

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Commodity Price Data

March 2015 The World Bank

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