

# Monthly News Report on Grains

*MNR Issue 112 - April 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:

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### **Indonesian corn import curbs to push up poultry prices, threaten inflation**

29 April 2015

Reuters

Indonesian poultry prices are set to climb as the government curbs corn imports in a drive for greater self-sufficiency in food production, a policy that has already stoked concern about inflation in the price of rice, beef and other staples.

The cost of home-grown chicken has already risen around 6 percent from a year ago to nearly 60,000 rupiah (\$5) per kg, according to Trade Ministry data. Overall food prices were also 6 percent higher in March than a year before, according to official data.

Indonesian President Joko Widodo, in power since October, is aggressively pursuing self-sufficiency targets in various foodstuffs and curbs on imports have been blamed for sugar refinery closures as well as higher prices for food.

Southeast Asia's biggest economy will import 3 million tonnes of corn this year compared with 3.1 million last year, Desianto Budi Utomo, secretary general of the Indonesian Feedmills Association (GPMT), told Reuters.

"We should be importing 3.5 million but, considering the policy of the government, we are not supposed to import more than last year," Utomo said. "There is a big push from the government not to import like last year. Local corn (prices) will increase. The price for feed mills will increase."

Indonesian corn demand has grown in recent years due to rising wealth and higher demand for poultry.

In addition to domestic corn, Indonesia imports mostly from Brazil and Argentina. It imposes a 5 percent import tariff and requires importers to apply to the government for a permit.

The poultry sector has enjoyed rapid investment and is now worth more than \$4 billion a year, a figure likely to grow as the economy expands and the world's biggest Muslim population eats more meat.

Most of Indonesia's 82 feed mills are running at about 75-80 percent of capacity, Utomo said. They can handle 21.5 million tonnes a year, which will rise by 2.5 million tonnes this year.

The government hopes higher domestic corn output can fill the gap left by lower imports. The Agriculture Ministry estimates production will rise 6 percent this year to 20.33 million tonnes.

But government commodity production figures have little credibility with industry.

The U.S. Department of Agriculture sees record Indonesian corn production in 2014/15 but its forecast is just 9.4 million tonnes, up from 9.1 million a year before according to its data. The GPMT broadly agrees with those figures.

To encourage production, the new government has committed to building more dams, modernising irrigation systems, increasing planting areas for staple foods and providing easier access to credit for smallholder farmers.

Poultry feed firms with an Indonesian footprint include PT Japfa Comfeed Indonesia, PT Malindo Feedmill

Top commodities trader Cargill is considering building a corn milling facility in Indonesia, Jean-Louis Guillou, CEO for Cargill Indonesia, said in an email. But for that investment to be viable, it would want the option to import corn if domestic supplies were lacking in quality or quantity.

Food demand is likely to rise ahead of Ramadan in June and any rise in prices could deal another blow to Widodo's popularity.

But government policy will not change, said Djatmiko Bris Witjaksono, head of the centre for trade policy harmonisation at the Trade Ministry.

"This government has put food security top, as a national issue," Witjaksono said. "We want to increase self-sufficiency. The public has the same line of thinking, and industry also." (\$1 = 12,970.0000 rupiah)

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## How traders can profit from the global grain price slump

28 April 2015

City A.M.

Declines in soft commodities may not last long.

A glut of grains on the world market has meant plummeting wheat, corn, and soybean prices. Last year, great weather coincided with high levels of planting in key growing regions around the world, leading to record harvests.

Some analysts had worried that sanctions on exports from Russia and Ukraine, imposed by the West last year, would limit grain supplies on the world market – but this ended up having little effect.

"The impediment to exporting [commodities] out of Ukraine never really materialised, so the world was flush with supplies of all three grains. We had almost perfect conditions [for grain supplies]," explains Nitesh Shah, of ETF Securities.

Now, good weather has continued in grain-growing hotspots and analysts are expecting another strong harvest season. These forecasts are further pushing down prices.

Wheat fell 6 per cent last week as rainfall in the US's great plains – a key growing area – increased the likelihood of another record harvest. The price of wheat has fallen 25 per cent over the last year, according to the S&P GSCI All Wheat GTR index.

Prices of both corn and soybeans have also fallen, and the crops are now 14 per cent cheaper than 12 months ago.

The signs suggest prices will continue to fall through 2015. "There have just been ample supplies and this year there is expected to be another record harvest for both wheat and corn," explains Hamish Smith of Capital Economics. "I am quite bearish on prices this year... I don't think there is likely to be any shortage of crops."

This negative outlook could be positive for traders who short the price. "The downward trend is going to continue across the markets and I would suggest that, if you want to be aggressive, you could get your short positions on now," says David Madden of IG. He is expecting prices to fall over the next two to six months.

Recently, grain prices have tended to rise briefly before falling again, and Madden expects this to continue while the overall trend remains downwards. He suggests using these peaks as an opportunity to short, so when the price does fall, it has further to slide.

"If you want to be cautious, or a bit more sensible, any rallies you see should be used as opportunities to sell.

These grains are all in a downward trend for the next couple of months," Madden says.

The strong dollar has also made Chicago-traded soft commodities less attractive to overseas buyers. With their massive populations, China and Brazil are big importers of grains, but both countries are having a tougher time economically and are choosing to source grain supplies from cheaper South American growers.

"China is not splashing the cash around, it is becoming more financially savvy," Madden says. "Brazil is having to behave more competitively now, whereas like China it was more relaxed because of its economic success during the era of the Bric economies."

However, the weather in some growing areas – particularly South America – is highly changeable. This can have a rapid impact on crop forecasts and prices on the world market.

Meteorologists were expecting the warm weather front, known as El Nino, to arrive this spring. El Nino is an unpredictable phenomenon which appears every three to five years, but it has failed to materialise so far this year.

This means expectations of better weather during 2015, which equals higher harvests next year, may be misplaced, ETF Securities' Shah explains.

Moreover, lower prices of wheat and corn mean farmers have been planting lower levels of the crops. Both these factors mean some experts believe grain prices will rise again in the longer term.

"We doubt there will be perfect weather conditions two years in a row. For wheat and corn we do think there are opportunities," says Shah.

He is expecting price increases of 5-10 per cent in both crops over the next 12 months, although soybean prices are not likely to be higher any time soon.

Unlike wheat and corn, soybeans benefit from an extra source of demand as they are used as biofuels. Farmer surveys show an intention to plant more soybeans, and many analysts expect demand to remain buoyant too.

To long or short the grains, spreadbetters have markets for trading these soft commodities. Passive fund providers including ETF Securities offer both exchange-traded funds and leveraged products which can go short and long corn, wheat and soybeans.

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## Morocco expects record cereal harvest of 11 mln tonnes

27 April 2015

Reuters Africa

Morocco expects its cereal harvest to hit a record 11 million tonnes after good rains this year, up from 6.7 million in 2014, the agriculture minister said on Monday.

Agriculture accounts for more than 15 percent of the north African country's gross domestic product (GDP).

In 2013, the harvest hit 9.7 million tonnes, including 5.2 million tonnes of soft wheat.

"This campaign is exceptional on all levels," agriculture minister Aziz Akhannouch said at the opening of an annual agriculture fair in Meknes.

The minister did not specify how much of the crop is made up by soft wheat which remains the main imported grain in the country.

Morocco will raise the custom duty on soft wheat imports to 75 percent from 17.5 percent, from May 1 to Oct. 31, to protect the local harvest, the government announced this month.

Morocco's GDP is expected to grow by 5 percent this year, up from a previous forecast of 4.4 percent and

against 2.5 percent in 2014, as the government expects farm output to expand.

Agricultural output rose by 12.5 percent in the first quarter of 2015, including growth of 8.8 percent in the cereal production, according to Morocco's Planning Agency.

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## India's wheat crop drop biggest since '03

24 April 2015

AgWeb

Wheat production in India, the world's biggest grower after China, may tumble by the most in 12 years after heavy rains and hailstorms ravaged farms.

The harvest will probably drop 8.3 percent to 87.9 million tons from a record 95.9 million tons a year earlier, said Rajnikant Rai, chief operating officer of the agriculture business at ITC Ltd., a cookie and flour maker and one of the biggest wheat buyers. That'd be the smallest crop since 2011 and the largest decline since 2002-2003, government data show.

Widespread rain and hail across most of the country since late February have ruined crops from wheat to rapeseed and vegetables, hurting farmers and threatening to fan food inflation in Asia's third-largest economy. Lower supplies and poor quality may spur flour mills to increase wheat imports, according to Kotak Commodity Services Pvt.

"We never expected rains to wreak this kind of havoc," Amit Kumar, a 26-year-old farmer, said while cutting the rain-flattened crop with his wife in Kurana village in Uttar Pradesh state. "If we employ laborers, we won't be able to pay their wages. Even old people in our village are saying they've never had such an experience when entire crops have vanished."

Crops on about 9.38 million hectares (23.2 million acres) were damaged after rainfall since March 1 was more than double the 50-year average, according to government data. The main wheat-producing regions had almost five times the average, they show. The government estimates the crop will be 5 percent below its February forecast of 95.8 million tons.

Wheat crop damage in some regions was as high as 80 percent, ITC's Rai said in a phone interview from Lucknow on April 16. Yields in Punjab, Haryana and western parts of Uttar Pradesh, called the grain bowl of India, may drop as much as 20 percent and the quality is poor, he said.

For Ramesh Chand, a 52-year-old farmer, who slept on the roadside overnight to join a queue of growers attempting to sell wheat at a government-run purchase center, the crop loss was about 40 percent. He planted the grain on 6.2 acres with 3.2 acres taken on lease and he says he's now in no position to repay loans taken to grow the crop.

Prime Minister Narendra Modi has promised to ease rules to allow farmers to claim compensation for crop damage. Farmers will be paid 50 percent more than usual and growers with 33 percent damage can claim state aid compared with 50 percent earlier, Modi said on April 8. The government has also ordered banks to restructure farmer loans.

The damage poses risks to food inflation in the next three months, Sonal Varma and Aman Mohunta, Mumbai-based analysts at Nomura Holdings Inc., wrote in a report on April 6.

A below-normal monsoon for a second straight year may lower India's farm output and incomes, CRISIL Ltd., the Indian arm of Standard & Poor's, said in a report on Wednesday. Rainfall in the June-September monsoon period will be 93 percent of a 50-year average of 89 centimeters (35 inches) as an El Nino develops, the India Meteorological Department said on Wednesday.

Wheat futures in Mumbai climbed 0.6 percent to 1,450 rupees per 100 kilograms, the first gain in four days, while prices in Chicago traded 0.6 percent higher at \$5.02 a bushel by 5:54 p.m. in Mumbai.

Mills in southern India may boost wheat imports to as much as 150,000 tons in 2015-2016 from 45,000 tons a year earlier, according to Tamil Nadu Roller Flour Mills Association last month. About 80,000 tons have already been imported, Rai said.

State reserves of wheat and higher imports may help contain grain prices, Nomura said. Inventories totaled 17.2 million tons on April 1, more than double the emergency requirement, government data show.

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## Putin's Feed-Russia-First push has global grain markets on edge

23 April 2015

Bloomberg

Vladimir Putin is determined to make sure that Russians don't run out of affordable bread, even if it means a few bankrupt farmers and a disrupted grain market.

The country that last year was the fourth-largest wheat exporter is now taxing all overseas sales of the grain. Shipments dropped by more than half, and the loss of income is squeezing already thin profits for growers. While Putin's move kept more wheat at home, farmers have cut back spending to stay solvent, including using less fertilizer and pesticide.

Russia's energy-driven economy slipped into its first recession in six years after a slump in oil prices and the pinch of international sanctions sparked a plunge in the ruble. That made imports, including many food items, more costly. For now, reduced shipments of Russian grain haven't affected global wheat prices much because of bumper harvests almost everywhere else, though that could change if exports keep falling.

"You have some farmers that are selling crops today below the cost of production, but they need cash to plant the next crop," said Mike Lee, founder of Agronomy Ukraine, a farm adviser based in Kursk, Russia.

"Everybody is cutting back to save cash," he said by phone Monday, after completing a 12-day tour of fields around the Black Sea region, where winter-wheat harvesting starts in July.

Agrobiznes Group of Cos., which manages 14,000 hectares (34,600 acres) in western Russia, may dedicate about 20 percent less land to winter wheat if the tax isn't lifted, according to Director General Alexander Chil-Akopov. Winter wheat, the variety that accounts for two-thirds of Russia's output, is sown beginning in August and harvested the following year. Spring wheat is usually planted starting in March and collected in September.

Lower prices may drive farmers out of business and cause Russian grain production to decline, according to a March letter from the National Association of Exporters of Agricultural Products, a Moscow-based industry group that includes traders Cargill Inc. and Louis Dreyfus Commodities LLC.

"Farmers in the south have huge stockpiles that the market will not have demand for," Alexander Korbut, vice president of the Russian Grain Union, said by telephone from Moscow. "This issue is a hard reality."

Russia's wheat exports since the tax began totaled 1.1 million metric tons as of April 8, down 59 percent from the same period in 2014, Agriculture Ministry data show. For the entire season that began in July, shipments still are up from a year earlier.

Inflation has accelerated in Russia after a global oil glut left prices at half what they were a year ago, the economy has slipped into recession and the ruble plummeted. Trade was disrupted by U.S. and European Union sanctions imposed following Russia's incursions in Ukraine last year.

To slow the double-digit advance in consumer prices, the government sought to limit wheat sales overseas. As of Feb. 1, every shipment incurred a tax of 15 percent, plus 7.50 euros (\$8.05) a ton. Even though the levy is set to expire in June, Deputy Prime Minister Arkady Dvorkovich said earlier this month that he favors extending it.

If the tax is lifted, world prices may fall as farmers dump crops on the market, Korbut of the Russian Grain Union said. Wheat on the Chicago Board of Trade, the global benchmark, has dropped 14 percent this year to

\$5.0525 a bushel on Thursday.

With ample world stockpiles, any rally in wheat would be unsustainable, said Dan Basse, the president of market researcher AgResource Co. in Chicago. Government-subsidized loans will mitigate rising costs for Russian farmers and limit the drop in production, he said.

The tax will cost farmers 20 billion rubles (\$373 million) this season and 50 billion rubles next year if it's extended, data from Moscow-based research firm SovEcon show.

Costs are already rising, with farmers paying at least 14 percent more than last year because of more expensive fertilizer and seeds, a U.S. Department of Agriculture attache report showed last month. Domestic wheat prices in rubles have fallen about 13 percent since the tax was introduced, data from Macquarie Group Ltd. show.

It isn't the first time the government has stepped in to limit wheat shipments that have doubled in the past decade. In 2010, Russia banned exports for 10 months after the worst drought in a half century, which led to a doubling of prices in Chicago.

"I don't see a reason why farmers should be encouraged to plant more," Daryna Kovalska, an analyst at Macquarie in London, said by telephone on April 17. "Prices are quite low, and on top of that, they just don't have money to invest in this crop."

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## Beijing must consider overhauling grain management system

23 April 2015

Global Milling

China's State Administration of Grain (SAG) announced on April 18 that it will step up monitoring of the purchase, storage and sale of the nation's grain reserves in the northeastern provinces of Liaoning, Jilin and Heilongjiang to close loopholes after irregularities at two warehouses in Kaiyuan in Liaoning and Songyuan in Jilin were reported on state broadcaster CCTV.

The warehouse in Liaoning is private property rented by Sinograin, while the one in Jilin is a unit commissioned by the city government. Neither of them belongs to the state-run China Grain Reserves Corporation (Sinograin), which is responsible for ensuring the nation's grain storage and food security. The televised report revealed flaws in the system that allows a third party, commissioned by the government, to handle food reserves.

According to Guangzhou's 21st Century Business Herald, Sinograin in 2014 purchased and stored 125 million tons of grain that was provided by 986 Sinograin businesses and stored at its 346 warehouses.

Citing a source, the paper reported that it is an extremely hard task for Sinograin to manage all of the country's food reserves and that is why loopholes were found during the inspection of the third party commissioned by Sinograin.

On April 18, the SAG launched an investigation into the two questionable warehouses, in cooperation with Liaoning and Jilin authorities. Some 16,000 tons of grain was seized at the Jilin warehouse, while 25,000 tons of rice was confiscated at the Liaoning warehouse.

Currently, China's food storage and finances are jointly supervised by Sinograin, SAG and the Agriculture Development Bank of China throughout the process.

Ma Wenfeng, an analyst of food staples, said that the private enterprises commissioned by Sinograin to store food are to be blamed for the irregularities.

According to Sinograin data issued on Feb. 9, the company purchased 125 million tons of grain and 5.78 million tons of oil in 2014.

Compared with the country's output of 607.1 million tons of grain for the whole year, 125 million tons was a huge amount for Sinograin to handle on its own.

According to Sinograin sources, the purchase of grain is especially problematic in China's northeastern provinces, which provide a large percentage of rice and corn for the nation's food reserves that require thousands of warehouses for storage.

There are not enough central enterprises to deal with the problem and the task must be shared by private businesses, the sources said.

Therefore, the management of warehouses, rented or commissioned, by Sinograin is difficult, they added.

The problem is not Sinograin itself but rather the country's food purchase and storage system that has not been coping well with the recent economic developments, Ma said. He suggested that the government review its current practices and adopt a price target system.

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## Australian wheat areas seen wetter even as El Nino risk looms

23 April 2015

Commodity India

Wheat-growing regions in Australia, the world's fifth-biggest exporter, are set for wetter-than-normal weather in the next three months even as the risk of an El Nino increases, according to the Bureau of Meteorology.

Grain regions in southwest Western Australia, the country's top wheat producer, are set to receive above-median rainfall between May and July, the weather bureau said on Thursday. Most of New South Wales, South Australia, northern Victoria and southern parts of Queensland are also set for a wetter-than-normal period, the bureau said on its website.

Wheat output may rise 3.3 percent this year to 24.4 million metric tons, the Australian Bureau of Agricultural and Resource Economics and Sciences estimates. Farmers began planting this month. The outlook for winter grains including wheat will be dependent on receiving decent rainfall through autumn, National Australia Bank Ltd. said this week. Optimism may be pared on forecasts for an El Nino, which brings below-average winter and spring rainfall to eastern Australia.

"It's a balanced risk scenario right now," Wayne Gordon, an analyst at UBS Group AG in Singapore, said by phone. "You have them forecasting good rain at the start of the season, which is great for crop planting and crops developing. But they're still raising the alert risk on the El Nino side, which means you could end up with a short finish which then means lower yields."

The weather bureau raised its El Nino outlook to alert from watch on April 14, citing warmer ocean temperatures in the tropical Pacific Ocean and weaker trade winds. There's a 70 percent chance of the event occurring this year, it said.

The Australian crop will add to global production, set to climb to a record in 2014-2015, according to the U.S. Department of Agriculture. Wheat on the Chicago Board of Trade, the global benchmark, has dropped 15 percent this year to \$5.0125 a bushel on Thursday.

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## China's COFCO to enter global grain super-league with listing

21 April 2015

The Economic Times

China's COFCO, the commodity consuming giant's state-run grain trading company, is planning to list within three to five years, a move that would catapult it into the select stable of companies dominating global agricultural trade.

In just over a year, COFCO has invested \$2.8 billion to transform itself from a procurement operation into a

global agricultural trader, via joint ventures with Noble Group Ltd's agribusiness and Dutch grain trader Nidera, after taking substantial stakes in the companies.

"This should be not a Chinese, but a global company...the IPO will help us to achieve this standard," COFCO Chairman Ning Gaoning said at the FT Commodities Global Summit.

Ning told Reuters COFCO's plan would be to list all of COFCO's, Noble's, and Nidera's agricultural assets together.

Its overall objective would likely be to rival the "ABCD" quartet of companies -- Archer Daniels Midland, Bunge, Cargill and Louis Dreyfus -- that dominate agricultural commodity trading.

"After the integration with Noble Agri I think COFCO will invest again in other companies," Ning said.

"That is a place you cannot ignore," he said when asked if COFCO could expand in North American markets.

The investments marked the biggest overseas acquisitions in China's grain sector, giving COFCO assets in some of the world's top grain and vegetable oil producing regions, including Brazil, Argentina, Indonesia and the Black Sea area and enabling it to bring food supply to China independently of the dominant ABCD operators.

"People ask me: are you going to be a buyer or a competitor in the future?...I think we will cooperate, sometimes we will compete," Ning said.

COFCO's Nidera and Noble deals were considered a wake up call for the grain industry as one of the world's biggest customers turned into a competitor.

"When they acquired Noble and Nidera they were already talking about an IPO, they said from the beginning that in due course they were considering an IPO," said Karel Valken, global head of trade and commodity finance at Dutch bank Rabobank.

"Clearly the priorities are to create synergies between the three (COFCO, Noble and Nidera), by that time of course we would hope the stock market is more favourable than it is now."

He said the move would strengthen COFCO's capital base and change the profile to a Chinese-international company.

China agricultural stocks statistics are closely guarded, as changing inventory levels can move food markets sharply. It was unclear whether an IPO would mean more transparency given there are several state-owned entities involved in managing China's food needs.

On China's food supply policy, Ning noted that after 11 years of production growth in China, costs were higher due to land prices, water and other services becoming more expensive.

"Put it all together and policymakers have to rethink their self-sufficiency policy. They have to (adopt) an adequate import policy. It is a good thing to replace a higher cost (product) and leverage power on world market," he said.

"This year is the first year that the government plan for its agricultural budget is lower than last year, in 2014, which means we are not going to produce as much as we can. We are going to have an adequate import policy."

China's soybean imports are expected to grow faster than other products at around 5 percent a year or more, Ning said. China currently consumes around a quarter of global soybean output.

Over the longer term, he said China's overall agricultural imports were set to rise to 200 million tonnes a year within 10 years from 120 million tonnes currently.

## China's big grain reserves come with equally big problems

20 April 2015

Market Watch

China is building up the world's largest stockpiles of grain in a bid to address food security, but this comes at the expense of higher costs, a distorted market and exhausted land.

Although the country has reported grain-production increases for 11 straight years, the government has never reduced the importance it attaches to food reserves. From Nov. 25 to March 31, the authorities purchased 76.1 million tons of corn from domestic farmers to put into national granaries, up nearly 13 million tons from the same period last year. Reserves of rice and wheat have also increased significantly.

Han Jun, deputy director of the general office of the Communist Party's Leading Group on Financial and Economic Affairs, recently said the country "has built up the world's largest stock" of grain.

No official data about grain reserves have ever been released, but Ma Wenfeng, an analyst at the consultancy Orient Agribusiness Consultant Ltd., predicted that by the end of 2015, the total reserves of grain will reach 300 million tons.

The Ministry of Agriculture said the country consumed about 650 million tons of grain in 2014, meaning the ratio between inventory and consumption is about 45%, compared to a 17% safety line set by the U.N. Food and Agriculture Organization.

In March, Ren Xiaozheng, director of the State Administration of Grain, called the huge reserves "a cheerful burden."

"Grain-production increases are what we expect most, and increasing (government) purchases also boosts farmers' incomes," he said. "With full storage, the country's food security will be guaranteed."

However, some experts say China is paying great costs in capital and the environment to build up the stockpile.

Wu Zhenjun, a researcher at the State Council's Development Research Center, said that in 2013 and 2014, the national store of corn reached a record 106 million tons, about 59.7% of a year's consumption. It is 75.8 million tons more than the 17% safety reserve set by the U.N.

The country's stockpiles of sugar and cotton are also high. In 2014, the cotton reserve hit 11.3 million tons, about 60% of total global reserves. China had 7.96 million tons of sugar in store, 3 million tons more than in 2011.

Beijing set a price range that is paid to domestic farmers for grain-reserve purchases in order to protect farmers' incomes and encourage production, but prices have gradually exceeded international prices in recent years.

Sources with knowledge of the matter said that the domestic price of corn is nearly 1,000 yuan (\$161) higher per ton than the international price, which encourages imports. Since the country bans some genetically modified crops from the United States, a lot of corn is smuggled into the country.

The agriculture ministry estimated that last year China imported 50 million tons of grain that were not necessary and only added to its stockpiles.

## **Strategie Grains lifts hopes for EU wheat exports**

16 April 2015

Agrimoney

Strategie Grains boosted the prospects of the European Union retaining its title of the world's top wheat exporter next season, saying shipments will prove second only to those expected this season.

The influential analysis group lifted by 2.2m tonnes to 31.2m tonnes its forecast for EU soft wheat exports in 2015-16, which starts in July.

Shipments at that level would be behind only the record 32.0m tonnes expected for this season, a figure Strategie Grains also upgraded, after cautioning last month over the appetite for imports by the likes of the Middle East, given lower oil prices.

In fact, oil prices have recovered some lost ground, with Brent crude up nearly \$10 a barrel over the past month.

For 2014-15, "based on transactions completed, we have revised up EU feed wheat exports to Asia, but also milling wheat exports to Saudi Arabia and Morocco," the Paris-based group said.

Exports to distant destinations such as Asia have been encouraged by low shipping rates, and have seen, for instance, the UK make rare sales to the Philippines and Thailand, and in February achieve its best month in 15 years for wheat shipments outside the EU.

The strong performance of EU wheat shipments in 2014-15 should see it overhaul the current 30.0m-tonne record set last season, besides secure from the US the title of the world's top exporter.

For 2015-16, Strategie Grains highlighted a boost to export prospects from a strong soft wheat harvest this year, which it upgraded by 1.0m tonnes to 141.4m tonnes.

The upgrade is the latest in a series of positive comment on EU production prospects, with the German Deutscher Raiffeisenverband co-operatives group on Wednesday nudging higher its estimate for domestic output, while the French crop continues to attract strong condition ratings.

As of last week, 91% of soft wheat in France, the EU's top producer, was in "good" or "excellent" condition, up from 76% a year ago, according to official crop bureau FranceAgriMer.

Strategie Grains also highlighted the potential of constrained production prospects in the former Soviet Union for supporting EU wheat export hopes in 2015-16.

"Lower Black Sea availabilities, because the 2015 harvest is forecast lower than in 2014, are expected to bolster EU exports," the group said.

Russia's 2015 grains harvest – which comprises mainly wheat - is generally expected to fall some 10m tonnes short of last year's record 103m-tonne crop, with Ukrainian production seen dropping too.

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## **Report**

### **The Impact of Ethanol and Ethanol Subsidies on Corn Prices: Revisiting History**

The rapid rise in corn prices that began in the fall of 2006 coincided with exponential growth in U.S. corn ethanol production. At about the same time, new ethanol consumption mandates were added to existing ethanol import tariffs and price subsidies. This troika of subsidies leads critics to view the ethanol industry as being beholden to subsidies, which then leads to the conclusion that ethanol subsidies lead to high corn prices. But droughts, floods, a severe U.S. recession, and two general commodity price surges have also occurred since 2006. It simply is wrong to assume that none of these factors has influenced corn prices.

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## New web-based resource

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### Agricultural Stress Index System

April 2015

FAO

The Agricultural Stress Index (ASI) is an index based on the integration of the Vegetation Health Index (VHI) in two dimensions that are critical in the assessment of a drought event in agriculture: temporal and spatial.

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April 2015

The World Bank

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