

# Monthly News Report on Grains

*MNR Issue 114 - June 2015*

## About the MNR:

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The main purpose of the MNR is to establish a communication vehicle for closer dialogue between the FAO Secretariat and the Members of the Intergovernmental Group (IGG) on Grains as well as the general public.

The MNRs are dispatched electronically on the last working day of the month except in July and December.

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## Market News:

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### **Downpours and drought send wheat to biggest gain in three years**

29 June 2015

Hellenic Shipping News

Too much rain in the U.S. and not enough in Europe and Canada sparked the biggest weekly rally in wheat and corn prices in three years.

Wheat futures jumped 15 percent in Chicago this week, entering a bull market. Corn climbed 9.4 percent and milling wheat rose 8.7 percent in Paris. The advances are the largest since 2012. Soybeans capped the biggest gain since October.

Downpours across the U.S. Midwest and Plains are eroding grain quality, while fields in France and Canada have been parched by heat and dry weather. The El Nino developing across the Pacific Ocean risks cutting Australia's wheat crop to the smallest in eight years, according to National Australia Bank Ltd.

"Market participants just don't know how much damage the adverse weather will cause, and that has created some panic buying," Gordon Linn, the president of Linn & Associates in Chicago, said in a telephone interview. "Emotional markets tied to weather will be very volatile. June weather rallies rarely continue through July."

Parts of the U.S. Midwest received three times more rain than usual this month, and Illinois is headed for the wettest June since before 1895, according to Chicago-based T-Storm Weather LLC. U.S. winter wheat, corn and soybeans classified as good or excellent all fell 2 percentage points on June 21 from a week earlier, and conditions should show further losses in Monday's update from the government, Linn said.

Wheat futures for September delivery rose 5.6 percent to close at \$5.68 a bushel at 1:15 p.m on the Chicago Board of Trade. The price surged 22 percent from a closing low on May 5, meeting the common definition of a bull market.

Corn futures for September delivery climbed 2.5 percent to \$3.925 a bushel in Chicago. The price reached \$3.97, the highest for a most-active contract since March 31. The grain headed for the biggest monthly gain since October.

Crops in parts of Europe and Canada aren't getting enough rain, and the hot weather next week will threaten to reduce yields, Commodity Weather Group LLC said Friday in a report. Topsoils were dry in Saskatchewan and Alberta, Canada's biggest wheat-growing region, with crop development delayed, according to the provinces' agriculture ministries this week.

In France, Europe's biggest grain grower, maximum temperatures in the south and center regions may exceed 35 degrees Celsius (95 Fahrenheit) from Wednesday, Meteo-France predicts. Soft wheat in good or very good condition made up 81 percent of the crop in the week through June 22, down from 85 percent a week earlier, data from FranceAgriMer show.

A strengthening El Nino will create the potential for "considerable price volatility" for commodities, even those with sufficient stockpiles, Rabobank International said Friday in a report. The bank expects the biggest

impact on wheat, coffee and sugar.

Soybean futures for November delivery rose 0.8 percent to \$9.86 a bushel in Chicago. The price reached \$10.02, the highest since March 4. This week, the oilseed jumped 4.9 percent, the most since Oct. 31.

Milling-wheat futures for December delivery climbed 4.4 percent to 196 euros (\$218.83) a metric ton on Euronext in Paris.

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## **Latest EU Sentinel satellite to track global food crops**

23 June 2015

BBC

The lead spacecraft in Europe's new multi-billion-euro Earth observation programme has gone into orbit.

Known as Sentinel-2a, the satellite was sent up on a Vega rocket from Kourou in French Guiana.

The mission will return pictures of the planet's surface in visible and infrared light.

Its data will map everything from the growth of megacities to the destructive aftermath of natural disasters such as earthquakes.

But Sentinel-2a will also have a particular role in monitoring the performance of the world's food crops.

Its camera sensor has been designed to detect very specific wavelengths of light that detail the health of plants.

This should give international agriculture and food agencies advance notice of poor harvests and the potential for famine.

"We have 13 spectral bands including four in the so-called 'red edge' where plants, and chlorophyll for example, reflect light - and this shows us what plants are doing," explained Prof Volker Liebig, the director of Earth observation at the European Space Agency (Esa).

"This is especially important for food monitoring and, for me, food security applications will be among Sentinel-2's most important uses.

"It will help the World Food Programme forecast bad harvests, and reduce, let's say, speculation on world food markets, which always costs lives because it sends prices skyrocketing even when there are enough cereals to go around," he told BBC News.

The new 1.1-tonne satellite's Vega rocket lifted away from Europe's spaceport in Kourou, French Guiana, at 22:51 local time, Monday (01:51 GMT; 02:51 BST Tuesday). Sentinel-2a was reported to have separated from the Vega just under an hour later, with ground controllers in Germany then able to confirm the successful deployment of the spacecraft's solar array.

The Sentinel is expected to begin operations in three or four months' time, after it has been thoroughly checked out and its instrument properly calibrated.

Sentinel-2a is part of a series of space sensors to be launched by the start of the next decade

This simulation depicts how differences in vegetation will be seen, including chlorophyll content

Sentinel-2a is one of six sensor types being launched over the next few years by the European Union as part of its Copernicus project.

But given the emphasis on visible/optical imagery in Earth observation, it is possible to think of Sentinel-2 as

the primary platform in the series.

The first to go up was actually a radar satellite. Sentinel-1a launched in April 2014 and specialises in detecting land movements.

It has already played a prominent role in helping scientists better understand the causes of the catastrophic quake earlier this year in Nepal.

The remaining sensors yet to fly will focus on the oceans and the atmosphere.

The game plan is to have two of every satellite or sensor in orbit at any one time.

Hence, Sentinel-2b will launch in the October to December timeframe of next year.

By pairing spacecraft, controllers can reduce the time it takes to re-visit a particular location. And for the colour camera on Sentinel-2, this is important because it cannot see through cloud.

A rapid return to a location raises the chances of getting a clear shot of the ground.

"With two satellites, we have a re-visit over the equator every five days, and at mid latitudes - like over France and the UK - it is every three days," said Esa's Sentinel-2 project manager, Francois Spoto.

"This is an extremely frequent re-visit time compared with any sensor currently in orbit. And in our spectral bands, we also have one that allows us to remove light clouds like cirrus."

Both Sentinel-2 satellites have been manufactured by a more than 40-strong consortium of European companies led by Airbus Defence and Space.

"Sentinel-2 includes a number of technology breakthroughs," said Airbus executive Dr Mike Menking.

"Its instrument incorporates the largest monolithic silicon-carbide structure engineered to date, and along with a very precise low-disturbance attitude and orbit control system ensures extremely high-quality imagery," he told BBC News.

Sentinel-2a is equipped with a laser to downlink its pictures at a rapid rate.

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## **India signs biggest wheat import deals in over a decade - trade sources**

23 June 2015

Reuters

Indian flour millers and global trading companies have sewn up deals to import 500,000 tonnes of premium Australian wheat since March, trade sources said, the biggest such purchases in more than a decade despite surplus stocks at home.

Concerns that untimely rains in February and March would cut wheat output, especially of high-protein varieties used to make pizzas and pasta, first drove millers in India's southern ports to place the orders.

Attractive prices then prompted traders such as Cargill, Louis Dreyfus and Glencore to follow, said three sources directly involved in the deals.

The traders and millers could import a further 500,000 tonnes from France and Russia, where harvests are around the corner. The deals could push up benchmark prices that have already jumped on recent concerns about crop quality in the United States.

"There are strong chances French and Russian wheat will find their way to India because of attractive prices ... and if the euro goes down, I expect more French wheat coming to India," one source said.

Almost half of the quantity contracted so far -- bought at \$255 to \$275 a tonne -- has reached India and the rest is scheduled for July delivery, said the sources, who declined to be identified because they are not allowed to discuss trade-sensitive issues publicly.

Although rains and hailstorms wilted the Indian wheat crop, the world's second-biggest producer and consumer of the grain has large stockpiles accumulated after eight straight years of bumper harvests.

But the government is likely to draw heavily from its warehouses this year if monsoon rains, critical for farm irrigation, turn out to be deficient, thereby fueling food inflation. India's weather office has cut this year's monsoon forecast to 88 percent of a long-term average, raising fears of the first drought in six years.

Industry and government officials estimate this year's wheat output at about 90 million tonnes, nearly 5 percent lower than the 2014 harvest but still exceeding domestic demand of about 72 million tonnes.

Since wheat is largely grown in India's central and northern plains, flour millers from southern states, hemmed in by the Indian Ocean, sometimes find it attractive to import high-protein grades from Australia.

But this year's unusually large volumes have surprised some.

"Other than large amounts of wheat that we're importing, we see two other significant changes," said one of the sources. "Perhaps for the first time, some imports are taking place in vessels and perhaps for the first time millers will end up buying French and Russian wheat as well."

At about \$185 to \$190 a tonne on a free-on-board basis, French and Russian wheat is attractive for India, another source said.

High-protein wheat in India costs more than \$300 a tonne and imports could ebb if prices fall to about \$283, the sources said.

Russian wheat, however, could fall short of India's quality requirements despite a higher protein content than French wheat, said Tajinder Narang, a New Delhi-based trade analyst.

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## **French wheat seen regaining exports after quality hit**

22 June 2015

Black Sea Grain

France's higher quality wheat harvest this year should allow it to win back exports of quality bread-making grain, but the European Union's top producer faces familiar tough competition in a well-supplied global market. France was forced to hunt in Asia for livestock feed buyers in the 2014/15 wheat marketing season that ends this month, as heavy rain rendered much of last year's crop unsuitable for making flour.

"The French will have to win back a little bit of their market share as much as places like South Korea will have to find their feed wheat somewhere else," said James Dunsterville, analyst with Geneva-based AgFlow. "It's swings and roundabouts and in the end it all goes back to quality and prices."

While quality is hard to call before the crop comes in, grain producers and agronomists polled during the Thomson Reuters Crop Tour said central and northern wheat belts were on course to see an improvement, while western France should maintain the reasonable results achieved last year. Improved quality should notably help France regain sales in its top market Algeria – where its exports have halved this season – as well as other markets in North Africa, where higher quality wheat from Russia and Germany has gained market share.

France, whose soft wheat exports are pegged at 11 million tonnes this season, down 9 percent on 2013/14, could also pick up sales if other countries hit quality snags, as feared in the United States after torrential rain in the southern wheat belts. Barring a repeat of last July's soaking, French crops should avoid germination and see Hagberg falling numbers, a measure of the grain's milling quality, return to normal, experts said.

Protein content, another key criteria for buyers, could benefit from favourable weather and changes adopted by farmers in response to a decade-long decline. In the western region of Poitou-Charentes, where crops are more advanced, cooperative Terre Atlantique said it would have the quality to supply its milling clients, of which three-quarters are in West Africa. But on many markets French wheat will be tussling with cheaper Black Sea milling wheat that has already pushed it out of contention in recent tenders held by top importer Egypt.

As previously, France will aim to step up shipments from the middle of the season when Black Sea offers slow, with the hope Russian shipments could tail off quickly if a planned new export tax starts to bite. The euro, whose drop against the dollar helped turn around France's 2014/15 exports, could also tip the balance in a world market that is set to see ample production again. "Today, we're in a market that's about exchange rates. Not much has changed in supply and demand fundamentals," Michel Portier, head of consultancy Agritel, said.

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## **Iran to buy up to 2m tons of wheat**

20 June 2015

Iran Daily

Iran will buy 1.5-2 million tons of wheat in the fiscal year to March 2016, said Deputy Agriculture Minister Ali Qanbari on Saturday.

Better harvest is helping Iran cut its wheat imports which exceeded six million tons last year, he said.

Imports are expected to decline by two-thirds this year, Qanbari said, adding domestic wheat production is estimated to reach 11 million tons, Press TV reported.

Iran expects to buy 7.7 million tons of wheat from local producers — 1 million tons more than the amount bought a year before.

Qanbari said the country will need 9 million tons of wheat for bread and another 2 million tons for pasta in the fiscal year to March 2016.

"For the 9 million-ton bread making flour, about 7.7 million tons will be bought from local farmers for distribution among bakers while the remaining 2 million tons will be purchased from abroad," he said.

Iranian wheat growers also keep some of the crop for their own consumption and seed.

Qanbari named Russia, Kazakhstan, Ukraine, Germany, Australia and Canada as the countries from which Iran will buy wheat.

The government has so far bought 3 million metric tons of wheat from local farmers since the start of the current crop year in September 2014.

Iran is among the world's biggest importers of milling wheat. The country experienced a short period of self-sufficiency a couple of years ago, but reverted to its old trend in the face of a protracted drought.

Agriculture Jihad Minister Mahmoud Hojjati says the government plans to reduce areas under wheat cultivation by 900,000 hectares over a period of 10 years and dedicate them to canola which is less water intensive.

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## **China and Australia formally sign free trade agreement**

17 June 2015

The Guardian

China and Australia have signed a trade agreement that is set to increase market access for Australian beef and wine exporters while boosting Chinese carmakers and electronics producers who wish to sell their goods to Australians.

But as ministers from both countries promoted the benefits for industries and consumers, the Australian Labor party and the Greens vowed to scrutinise the yet-to-be-released details to ensure it was a good deal.

One flashpoint is the inclusion of an investor-state dispute settlement (ISDS) clause, which grants foreign companies the right to sue governments for breaching commitments in such agreements. The Australian union movement has also raised concerns about the access to be granted to Chinese citizens under labour market provisions.

Both governments concluded negotiations on the free trade agreement (FTA) in 2014, but it was formally signed in Canberra on Wednesday by Australia's trade minister, Andrew Robb, and China's commerce minister, Gao Hucheng.

Gao said it was a "comprehensive, high-quality and balanced agreement" that was a milestone in relations between Australia and China. "It is the highest degree of liberalisation of all the FTAs China has so far signed with any economy," he said.

The Australian prime minister, Tony Abbott, said the agreement would give each nation "unprecedented access to each other's markets" and pointed to the reduction in tariffs imposed on trade.

"It removes barriers to Australian agricultural exports across a range of products, including beef, dairy, lamb, wine, horticulture and seafood," he said.

"It means duty-free entry for 99.9% of our resources, energy and manufacturing exports within four years. But it's about so much more than just exporting more and reducing tariffs. Australian services providers, financial, education, health and aged care will have new access to China's services sector, a sector that is already the largest contributor to China's GDP and is set to drive economic growth in coming years.

"For China, this agreement liberalises the screening threshold for Chinese private sector investment in Australia and it puts Chinese businesses in the same position as those of our other major trading partners. And of course it means that Australian consumers will pay less for cars, for clothes, for electronics and other goods imported from China."

The full text of the agreement will be subject to an inquiry by parliament's joint standing committee on treaties, paving the way for parliament to consider amendments to relevant legislation.

Labor's Senate leader and trade spokeswoman, Penny Wong, said the party would assess the deal against the test of whether it would increase jobs and economic growth. Labor would look closely at the effect on the Australian labour market.

"Labor supports temporary skilled migration to fix skill shortages. That scheme should never be used as a mechanism to bypass local workers and we will certainly be looking at the detail of that," Wong said.

"And, as I've said previously, Labor does not support investor-state dispute settlement clauses in agreements."

The Greens senator Peter Whish-Wilson said: "Regardless of the supposed marginal economic benefits, the Greens will never support an agreement that makes future governments liable to be sued by foreign corporations simply for making laws that protect the public interest."

The Australian Council of Trade Unions (ACTU) raised concerns that the deal would "make it much easier for employers to bring in Chinese workers without having to advertise jobs to local workers".

The ACTU's president, Ged Kearney, said the government appeared "intent on selling out even more local jobs".

"There must be strong rules around labour market testing and labour mobility clauses in the China free trade deal to ensure local jobs are protected," she said.

The Electrical Trades Union went further, describing the FTA as "an irreversibly reckless move".

But the Business Council of Australia's president, Catherine Livingstone, said the agreement would unlock significant opportunities for two-way trade and "deliver lasting benefits for the whole community".

The Australian Industry Group's chief executive, Innes Willox, said industry had long viewed the agreement with Australia's largest trading partner "with a mixture of optimism and trepidation".

"As with all trade agreements, the process would have benefited from deeper consultation and a better understanding of the opportunities and the threats before signing," he said.

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## **Egypt reduces dependence on foreign wheat**

16 June 2015

Wall Street Journal

Egypt's efforts to reduce its reliance on overseas purchases of wheat are starting to pay off, and will accelerate in the next fiscal year starting in July, according to a senior government official.

Egypt's government faces a cash crunch as years of political unrest have led to a burgeoning government deficit, which has crept into double digits. Successive governments have targeted food and energy subsidies, which account for about one quarter of public spending.

In terms of food, around three-quarters of the 89 million Egyptians qualify for a subsidized bread program that has been in place for more than 50 years.

To try to reduce costs, the government has sought to tackle both supply and demand. It has bought more wheat from local farmers to try to curb its foreign exchange requirements, and has modified the subsidy program to trim waste and lower demand.

The results are already evident, Khaled Hanafi, Minister of Supply and Internal Trade, said in an interview.

About 50% of the wheat was bought domestically, up from about 36% in the previous fiscal year, according to the ministry's figures. Within the next couple of years up to 70% of wheat used for the subsidized bread program could be supplied by local farmers.

"I believe this percentage could happen, possibly in the coming year. If we move a step forward, I believe this could happen in the coming year," Mr. Hanafi said, although he quickly added that it might take "two to three years" to achieve the goal.

The bread subsidy program used 8.3 million tons of wheat in the fiscal year ending June 30, down from the usual 10 million tons, according to Mr. Hanafi.

Wheat production has remained stable at around 8 million to 9 million tons a year. But the government has persuaded farmers to hand over more of the wheat, rather than hold on to it for their own consumption.

The Arab world's most populous nation is also the world's largest importer of wheat, so its moves have a strong influence on global prices. In February, U.S. traders lowered their prices after Egypt said they were too expensive.

Mr. Hanafi said the government's new electronic system has trimmed wheat smuggling and waste worth 500 million Egyptian pounds (\$65.52 million) a month, as well as encouraging citizens to ration their bread supply. The poorest farmers now get access to subsidized bread, which encourages them to sell their crops to the government rather than store it for their own use, he said. "So they benefited not only once, but twice,"

Mr. Hanafi said.

Egyptians who qualify for the program could trade part of their monthly bread share for other subsidized commodities, such as oil, sugar, tea or soap, creating a "learning curve" of economizing bread consumption, the supply minister said.

The government also paid a fixed rate of 420 Egyptian pounds per ardeb, announced early on in the season, which also encouraged farmers to sell.

"Reduction in wheat consumption next year will definitely be more," he predicted, explaining that this year's drop was only partial as the system's gradual implementation was completed in May.

Through building 105 new granaries in recent months, the government has also eliminated waste in local wheat, estimated by Mr. Hanafi to have been between 20% to 30%.

"We should look at the whole supply chain, and we are changing every single step" of it, he said. "Self-sufficiency is not a target by itself, efficiency is."

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## **El Nino seen by Citigroup posing risks for global economy**

16 June 2015

Bloomberg

El Nino poses a risk for the global economy in the second half because the event may hurt crops and boost world food inflation, according to Citigroup Inc.

The weather pattern, which can cause droughts in Asia and wetter summers in North America, may increase returns from grains by as much as 25 percent and lead to higher retail food prices, the bank said in a report dated June 16 and based on El Nino cycles and commodity returns going back to 1970.

Australia last month declared the El Nino, the first since 2010, and says it shows signs reminiscent of the most severe event in 1997-1998. The U.S. predicts the pattern may last through January and beyond, while India expects it to crimp this year's monsoon, hurting food output. HSBC Holdings Plc says Indonesia could boost rice imports to build inventories.

"The El Nino effect is a major tail risk for the global economy," analysts including Aakash Doshi and Ed Morse wrote. "Momentum is building about the potential disruption to commodity supplies ahead, especially staple food crops."

While every event is different, El Nino has been known to push storms across the southern U.S. during winter months, favoring rain for California, and cut the number of hurricanes that form in the Atlantic. The broad extent of warmth across the tropical Pacific is unusual and has not been seen since 1997-1998, according to Australia's Bureau of Meteorology.

The pattern is developing as food prices measured by the United Nations are the lowest in more than five years because of increasing global supplies. The cost of rice, the staple for half the world, is near the lowest in more than eight years and soybeans are trading near their cheapest since 2010.

Grains returns rise as much as 10 percent to 25 percent during El Nino cycles, the analysts said. For energy, while the event typically brings milder weather to the U.S. and Japan, cutting demand for liquefied natural gas in power generation, it can reduce hydropower, boosting demand for diesel and LNG.

The bank doesn't expect any dramatic El Nino effect on industrial metals and no price impact on precious metals. There is no discernible bias from the event for coffee or cocoa prices, the analysts wrote.

In India, forecasts for a weak monsoon after a heatwave in parts of country should serve as warning to policy makers, HSBC wrote in a report on Tuesday. While the country has robust grain stockpiles, weak rains will have a tangible impact on food inflation, according to analyst Joseph Incalcaterra.

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## Brazil 'little crop' poses big problem for slumping corn market

12 June 2015

AgWeb

Don't be fooled by the name. Brazil's so-called little crop is going to be bigger than ever, flooding an already oversupplied global corn market and further pressuring prices.

Forecasters increased output estimates this week to 81 million tons for the summer and winter growing seasons, as heavy rains prompted a cornfield growth spurt. The Porto Alegre-based research company Safras & Mercado is even more optimistic, expecting a record 83 million tons.

Global corn prices have slumped 24 percent in the past year as bountiful harvests in two straight seasons boosted supplies to all-time highs. The prospect of another bumper crop in the U.S. is already weighing on the market, and researchers say the industry is underestimating Brazil's farmers.

"The market seems to be looking only at the U.S. and ignoring South America's supply picture," Paulo Molinari, an analyst with Safras & Mercado, said by telephone.

Farmers in Brazil typically plant corn after the soybean harvest, taking advantage of late Southern Hemisphere summer rain. This second planting is known as "safrinha," or "little crop," which Safras & Mercado expects to reach 53 million tons this year, more than the total from this year's summer season.

"As the harvest advances and this corn hits the market, prices will be further pressured down," Ana Luiza Lodi, an analyst at INTL FCStone Inc. said by phone from Campinas.

Brazil's corn output doubled over the past decade after surging prices encouraged soybean farmers to diversify into corn as a second crop. Its share of global exports has almost doubled to about 20 percent since the 2009-2010 season, making in the second-biggest supplier, according to data from the U.S. Department of Agriculture.

"Brazil's output will start to reflect on prices when U.S. exports from the 2015-16 crop start to struggle with fiercer competition," Pedro Dejneka, managing partner for AGR Brasil, a unit of Chicago-based AgResource Co., said by phone while traveling through corn fields in Mato Grosso state.

The analysts couldn't estimate how much corn prices may slide.

Most of Brazil's corn output is consumed by local chicken and pork producers including BRF SA and JBS SA. Increased exports should absorb most of the rest, Anderson Galvao, head of crop forecaster Celeres, said by phone.

International shipments will rise to as much as 24 million tons this year from 20 million tons last year, he said. The U.S., the world's biggest corn exporter, will export more than 46 million tons.

Brazil's limited port capacity may hinder farmers' ability to export corn, said Steve Cachia, an analyst at brokerage firm Cerealpar.

"Brazil can't manage to export all the soybeans and all the corn it could because of logistics constraints," he said by phone from Paranagua.

Brazil's corn productivity rose by 60 percent over the past decade to about 5,200 kilograms per hectare as farmers adopted better seeds. In top producing Parana state, yields reached 8,654 kilograms per hectare in the summer harvest, according to data from the government researcher Conab.

Above-average rainfall in February and March is boosting the prospect for the June-to-August winter harvest.

"Conditions are really very good," Galvao said. Celeres, which last month predicted a 48.4 million-ton winter

harvest, may raise its forecast to as much as 52 million tons. "Corn fields from Parana to Mato Grosso are divided into good, very good and exceptional."

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## **Russian export tax to hit durum, hard wheat shipments most**

10 June 2015

Agrimoney

Shipments of high quality wheat will be most hit by Russia's export tax, leading commentator Andrey Sizov Sr said, flagging the importance of exchange rate stability in maintaining volumes of lower grade grain.

The structure of Russia's wheat export tax - which in effect gives the government a 50% take on shipments priced above 11,000 roubles a tonne, \$202 a tonne at Wednesday's exchange rate - will mean that shipments of higher-value wheat will be particularly affected, said Mr Sizov, president at SovEcon.

That will hamper "in particular durum and hard wheat" exports, as higher value grains, he told Agrimoney.com.

Durum has traded at level of 15,000-20,000 roubles per tonne, he said implying, on Agrimoney.com calculations, an export tax of 2,000-4,500 roubles per tonne, equivalent to \$37-83.

That looked a particular setback to importers such as Turkey, besides Italy which also imports from Russia besides being the European Union's top producer of durum, the type of wheat used to make pasta, Mr Sizov said.

However, he raised hopes that Russia can maintain a strong pace of lower value, lower quality wheat, which has been selling for export for less than \$200 a tonne.

"We hope that the export tax will not really effect exports of fourth grade wheat," he said, speaking on the sidelines of the International Grains Council conference in London.

"The level that is exported may depend on the rouble exchange rate," he said, in that the strength of the rouble against the dollar, the currency in which grain trades are struck, will affect the level of the tax.

Central bank efforts to keep the rouble at 50-55 per \$1 would be key to Russia's export fortunes.

However, assuming a stable and competitive rouble, SovEcon forecast Russian exports remaining relatively high in 2015-16, to some 20m tonnes, only "slightly below" the 22.5m tonnes shipped in the season which ends this month.

That figure is also above an estimate of 17m-18m tonnes on Tuesday by the Russian Grain Union.

SovEcon on Monday raised its forecast for Russia's grains harvest this year by 5m tonnes to 99m tonnes, including an upgrade of 3m tonnes to 57m tonnes in the wheat number, although Mr Sizov told the conference that with good conditions "maybe we could reach 100m tonnes".

Rival consultancy Ikar on Tuesday raised its estimate by 1m tonnes to 98m-105m tonnes, while the Grain Union stuck by an estimate of 95m-96m tonnes.

Separately, Sergei Feofilov, director at Kiev-based UkrAgroConsult, told the IGC conference that Ukraine's wheat exports for 2015-16 would rise by 1.2m tonnes to 10.8m tonnes.

The estimate was based on a forecast of a "near-record-high" harvest of 22.0m tonnes, up 500,000 tonnes year on year.

The forecasts reflect ideas that while farmers have kept planted area "stable", they have switched away from

some crops, such as corn, which are more expensive to grow.

Ukraine corn exports for 2015-16 were seen falling 1.5m tonnes to 17.0m tonnes, reflecting a 1.9m-tonne drop to 7.0m tonnes in production.

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## Reports

### **Climate Change and Food Systems: Global assessments and implications for food security and trade - FAO**

June 2015

FAO

This book collects the findings of a group of scientists and economists who have taken stock of climate change impacts on food and agriculture at global and regional levels over the past two decades.

[Link to report](#)

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### **El Niño Southern Oscillation (ENSO): Possible impact on agricultural production during the second half of 2015 - FAO**

June 2015

FAO

The long-anticipated El Niño Southern Oscillation (ENSO)<sup>1</sup> has finally arrived, according to forecasters at the National Oceanic and Atmospheric Administration's (NOAA) Climate Prediction Centre.

[Link to report](#)

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## Upcoming launch

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### **OECD-FAO Agricultural Outlook 2015-2024**

July 2015

OECD-FAO

The Agricultural Outlook, 2015-2024, is a collaborative effort of the Organisation for Economic Co-operation and Development (OECD) and the Food and Agriculture Organization (FAO) of the United Nations and will be launched on 1 July at 12.15PM at OECD, Paris. Follow on social media with #AgOutlook

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### Grain Market Report

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### Oilcrops Monthly Price and Policy Update

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### Crop Monitoring in Europe

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### Commodity Price Data

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