

Monthly News Report on Grains

MNR Issue 121 - March 2016

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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:

Brazil imports record corn, sells stocks to contain prices

30 March 2016

Agriculture.com

To ease near record prices for corn, Brazil's government on Wednesday announced it would sell public stocks and proposed dropping import taxes for the grain, while the livestock industry said it booked imports of 500,000 tonnes through May.

The Agriculture Ministry's coordinator of grains, Silvio Farnese, said a total of 160,000 tonnes of corn from government stockpiles would be sold at local market price to small livestock producers, with a focus on the northeast and south of the country.

The ministry regularly sells public stocks at times of scarcity to ease supply and price pressures in regions with limited access to production because of high freight costs.

The ministry has not yet released a schedule for sale of the stocks.

Brazilian corn prices that hit 50 reais a 60-kg bag in the past days in Sao Paulo, the highest since early 2008, prompted the release of public stocks, but only after groups of pork and poultry producers booked 500,000 tonnes of corn imports from Argentina and Paraguay.

Brazilian buyers booked the corn imports for delivery in April and May, the president of poultry and pork industry group ABPA Francisco Turra told Reuters on Wednesday.

Local corn prices started to back off from near-record levels due to the imports and the progress of the summer corn harvest in Brazil, according to Turra.

Agriculture Minister Katia Abreu earlier in the day proposed ending import taxes known as the PIS/Cofins on corn shipments to reduce current shortages of the grain in parts of the country.

Grain traders estimated the elimination of the tax could reduce import prices by close to 10 percent.

According to a statement from the Agriculture Ministry, Abreu sent a proposal to the Finance Ministry to suspend import taxes for corn so poultry and pork producers could have less costly access to feeds.

Brazil made its largest purchase of corn from neighboring Argentina in 15 years, booking around 340,000 tonnes, according to brokers and industry sources. The buying is not expected to persist beyond the second half of 2016, when a record winter corn harvest in Brazil is due to come onstream.

Abreu said in the statement that poultry and pork processors are facing tight corn supplies in some areas, after farmers sold most of their corn crop for export over the past several months. A weak real currency has stimulated export sales of farm commodities from Brazil.

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Facing losses and grain glut, U.S. farmers to plant more corn

30 March 2016

Hellenic Shipping News

Three years into a grain market slump, U.S. farmers are set to plant more corn, taking a calculated gamble that higher sales will help them make up for falling prices without triggering even more declines.

Forecasts suggest that at current prices growers will be able to cover their variable expenses such as seed and fertilizer. By planting more and scrimping on everything from labor to crop chemicals, farmers hope to cover a portion of hefty fixed costs, including land rents.

Their strategy marks a reversal from the last time that prices for corn, soybeans and wheat fell for three years running in mid-1980s. At that time, farmers cut production and prices began rising.

Illinois farmer Dave Kestel said he would be lucky to break even on the corn he planned to start planting in April on his farm in Manhattan, an hour's drive southwest from Chicago. He aims to plant roughly the same area as last year, about 500 acres (202.34 hectares), despite lower prices.

"It's a vicious circle, but you still do it," Kestel said, about planting corn.

Barring a weather disaster, more corn planted means a bigger harvest that will add to massive global crop inventories that have kept prices below break-even levels. The swollen stockpiles also make any price recovery unlikely even if U.S. output were to decline.

With no rebound in sight, cranking up production might be the best shot U.S. farmers have at balancing their books in a falling market, economists say.

Still, many will fall short of covering the outlays they cannot change, and paying for land and the cost of depreciating machinery will drag operations into the red, they warn.

Variable expenses often make up roughly half of a corn farmer's costs, economists say, although those vary from farm to farm and state to state.

"There still is a fixed cost out there no matter what you do, so the incentive is to go out there and get the variable cost covered and eat into the fixed cost," said Gary Schnitkey, a University of Illinois economist.

In major grain-producing states of the Midwest, losses from growing corn this year could top \$100 per acre, according to forecasts from economists and academics.

In central Illinois, for example, planting corn will bring in gross revenues of \$777 per acre, according to University of Illinois estimates. After variable and fixed costs of \$858 per acre, farmers are expected to lose \$81 an acre.

This year is shaping up to be the first time since records began in 1973 when U.S. farmers have increased corn plantings in the face of a three-year slide in prices.

The U.S. Department of Agriculture (USDA) forecasts farm incomes will fall 3 percent this year after a 38 percent slump in 2015 and a 27 percent drop in 2014. Big harvests threaten to prolong the pain well into 2017.

For corn, cash receipts are expected to drop 1.7 percent from last year to \$46.4 billion, according to the USDA.

In the 1980s, farmers cut production after prices dropped and put land into the government's new Conservation Reserve Program (CRP), which pays farmers to let fields sit fallow to benefit the environment, said Dwight Aakre, a farm management specialist for North Dakota State University's Extension Service, which offers advice to the public.

The deadline for enrolling in the program for 2016 has long passed.

Instead, farmers are betting on corn because it offers greater potential than soybeans for blockbuster yields if the weather is favorable, and for higher prices if the weather is not, economists say.

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China corn futures lowest since 2010 as state support pulled

29 March 2016

Agrimoney

Chinese corn prices hit a new six-year low, as the government announced it will pull its price support system for the grain.

The government will end its corn stockpiling programme at the end of the current season, and allow prices to be set by market rates, the country's State Administration of Grain said.

"We hope the new reform will let the market play more of a role in the formation of prices," said Liu Xiaonan, a deputy director with the National Development and Reform Commission (NDRC), said.

The nine-year-old government stockpiling system, designed to support farmers, has led to Chinese corn prices as much as 50% above global prices, and resulted in the accumulation of huge inventories.

The move has been widely anticipated, with a number of government statements suggesting such measures were imminent.

But Chinese corn prices still fell on the news that the measures will be implemented by the start of next season, in October.

May corn futures on the Dalian exchange closed down 0.8% pm the news, at 1,700 yuan a tonne, a new six-year low for a spot contract.

New crop corn January 2016 futures finished down 1.2%, at 1,437 a tonne, the lowest close for the contract.

Commerzbank noted that "China is only a corn importer to a limited extent".

Tight customs restrictions mean China has been importing relatively small amounts of corn, despite the disparity between domestic and international prices.

Chinese corn imports have been no higher than 5.5m tonnes in the past five years.

"In an amply supplied market with record-high global stocks, however, a few million tons could nonetheless be sufficient to put further pressure on the world market price."

More important will be the likely effect on demand for corn substitutes.

With corn prices high, feed mills have been increasingly turning to substitutes, particularly sorghum, barley, and dried distiller's grains.

Chinese sorghum demand has soared from just 631,000 tonnes in 2012-13, to a peak of 10.16m tones in 2014-15.

Instead of the stockpiling system, the government will instead subsidise corn growers, which have a cost of production well above that in the world's key corn exporters.

Any fall in domestic corn prices will reduce the value of the huge government-held stockpiles, which make up more than half of the world's total corn inventories.

Last month the US Department of Agriculture's Beijing bureau warned that reform of corn policy might have unintended consequences.

"There are substantial challenges to liberalising prices for only a few crops at a time while keeping high price supports for others," the bureau said.

Indeed, a contributing factor to the current corn glut was the abandonment of subsidies for cotton and soybeans in 2014, which caused farmers to favour to corn production.

"If China liberalises corn prices but not wheat or rice, it could face similar challenges," the bureau warned.

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India extends wheat import tax to protect farmers during harvest

29 March 2016

AgWeb

India extended a tax on wheat imports by three months to protect farmers in the world's second-largest grower from cheap overseas supplies.

The 25 percent duty will stay until June 30, the Finance Ministry said in a notification dated March 28 on its website. India first imposed a 10 percent duty on imports in August and increased it to 25 percent in October through March, citing a decline in global prices and its adverse impact on domestic growers.

The tariff extension comes amid forecasts for a rebound in the Indian crop from a five-year low and should prevent distressed sales by farmers during the harvest. Output will total 92 million metric tons to 93 million tons in 2015-16 after untimely rain and hail recently caused some damage to the crop, Agriculture Minister Radha Mohan Singh said March 19. The ministry earlier estimated the crop at 93.8 million tons compared with 86.5 million tons a year earlier.

"It will not make any sense to import wheat at this duty," said P. Gunasekaran, president of the Tamil Nadu Roller Flour Mills Association. "We will have to manage with local wheat for the next three months before planning our imports. As such the quality of Indian wheat is good this year."

The landed cost of Australian wheat in southern state of Tamil Nadu will be 21.50 rupees a kilogram (\$323 a ton) compared with about 19.50 rupees for good quality wheat from north India, said Gunasekaran. Overseas purchases are seen at 500,000 tons in the year ending March, compared with 52,000 tons a year earlier, according to the U.S. Department of Agriculture.

"Lower import duty on wheat would lead to a fall in wheat prices in the domestic market and farmers will incur heavy loss while traders will purchase from farmers at lowered price," Agriculture Minister Singh said on March 19.

The import duty will help growers get better prices during the harvest and is in line with Prime Minister Narendra Modi's target to double farmers' income in five years, Gunasekaran said.

Wheat futures in Mumbai have fallen 6.6 percent this year, compared with 0.3 percent gain in prices on the Chicago Board of Trade.

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Russia surpasses US, Canada in wheat exports

24 March 2016

QT Ag Online

Russia's historic pace of its wheat exports during the 2015/2016 marketing year is quickly putting it on pace to become the world's second largest exporter. This season, which runs until June 30, has seen continued weakening in the rouble and thanks to a large crop of 61 million tonnes in 2015, it has catapulted Russia up to second place.

Global prices have depressed leading exporters such as the US to compete for a smaller market share. Today's USDA export sales showed 368,00 million tonnes of wheat exported compared to last March's number of 498,136. High stocks are expected in the 2016/17 season.

Russia's grain exports in February jumped to a record level at 3.2 million tonnes from 1.8 million tonnes in

January and were higher than expected.

The February data was probably inflated by the customs service after it added wheat supplies previously classified under temporary declaration measures, SovEcon said to Reuters.

According to port data, Russia exported 2.8 million tonnes of grain, including 1.85 million tonnes of wheat, in February.

"Towards the end of the 2015/16 season, Russia will apparently renew the record level of the previous season," SovEcon, a leading Moscow-based agriculture consultancy, said in a report prepared for Reuters.

"Total grain exports will reach 33.0-33.5 million tonnes, including 23.0-23.5 million tonnes of wheat, which make Russia the second largest wheat exporter after the European Union for the first time," it added.

The U.S. Department of Agriculture (USDA) also expects Russia to be in No. 2 spot after the European Union in the 2015/16 marketing year with exports of 23 million tonnes.

The previous season, Russia was fourth after the EU, United States and Canada with exports of 22.8 million tonnes. Supplies from the three rivals are expected to decline this season.

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Argentina expects record smashing corn crop of 37 mln tonnes

23 March 2016

The Western Producer

Argentina will likely harvest a record 37 million tonnes of corn this season, the government said on Wednesday, after a surge in late planting spurred by the lowering of export barriers by President Mauricio Macri.

The forecast dwarfs the U.S. Department of Agriculture's 27 million-tonne estimate for 2015-16 Argentine corn.

Macri, elected in November, has eliminated export taxes on corn and wheat while tossing out the quota system that the previous government used to ensure ample domestic food supplies.

The new harvest, which has already begun in early-planted areas, is expected to easily exceed the previous record of 33.8 million tonnes of corn in 2014-15. The USDA pegged the 2014-15 crop at 27 million tonnes.

"We have confirmed an increase in corn sowing area thanks to late-season planting motivated by good trade conditions," the agriculture ministry said in its monthly crop report, in which it also forecast a 60.9 million-tonne 2015-16 soy harvest. USDA's forecast is 58.5 million.

Argentine farmers are selling their corn stockpiles at a record pace after Macri ditched the previous administration's export curbs soon after his December inauguration, unleashing fresh supplies onto a saturated global market and potentially hurting prices.

Southern Brazil is looking to import some corn from Argentina after strong demand for corn exports left Brazil with regional shortages.

One Parana-based trader said around 250,000 tonnes of Argentine corn had been purchased for delivery to southern ports between April and May 15, when Brazil's second of two annual corn harvests begins.

Poultry producers in Brazil have complained about the rising price of corn for animal feed due to the shortages.

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Europe's mild winter puts wheat on track for another big harvest

21 March 2016

Bloomberg

European wheat crops may be heading for another big harvest after a mild winter sped up plant growth and left fields in good condition.

Crops are about two weeks ahead of normal pace in France and are in mostly good condition in Germany and the U.K. after escaping damage from cold this winter. As long as weather doesn't damage plants in the coming months, the speedy progress may signal an early start to harvests. Prospects are "promising" for developing crops this year, the European Union said on Monday.

Another bumper European wheat harvest would add to grain oversupplies following a surge in production across much of the Northern Hemisphere in the last two seasons. Wheat prices are near five-year lows in the U.S., France and Russia, cutting profits for farmers and eroding revenue for companies including equipment manufacturer Deere & Co. and fertilizer supplier Dow Chemical Co.

"The signs right now for European crops are quite good," Stefan Vogel, head of agricultural commodities research at Rabobank International, said by phone last week from London. "The forecasts don't call for any severe frosts. There could still be something happening in April, but in general, it looks right now like a lot of the crops are in pretty good condition."

The European Commission forecasts wheat stockpiles will reach an eight-year high in mid-2017 amid sluggish export demand. It expects the bloc's next soft-wheat harvest to fall 5.5 percent to 142.4 million metric tons, after previous crops benefited from large yields and an expanded area.

Crops are generally in "good shape" after fewer frosts than normal in February and March, while moisture remained ample, the EU's Monitoring Agricultural Resources unit said in a report on Monday.

In France, the EU's top wheat grower, 92 percent of crops were in good or very good condition as of March 14, according to FranceAgriMer. Almost half of soft wheat had developed 1 centimeter (0.4 inch) of grain ears, the stage that indicates the start of spring growth, compared with 17 percent by the same time last year.

German grain and rapeseed crops survived winter without significant damage after snow helped protect dormant plants from cold in January, according to Berlin-based farmers group DRV. Virtually all U.K. wheat is expected to survive winter, crop consultant ADAS U.K. estimates.

Romania's harvest may also start early, said Viktor Korobko, director general of Veles-Agro Brokers, a Ukrainian brokerage company that recently expanded into Romania. While photos suggest plants are in good condition, farmers say yields may be slightly lower than last year, he said.

Polish crops haven't fared so well, with about 10 percent of wheat in the EU's fourth-biggest grower damaged from a January freeze, Jakub Olipra, an economist at Credit Agricole Bank Polska in Warsaw, said in an e-mailed note. Farmers are replanting damaged fields with spring varieties, which tend to yield less, Olipra said.

European farmers normally start collecting winter wheat in June and July. A harvest a week or 10 days ahead of normal may create a storage crunch for farmers who still have grain to sell from the previous season, said Antoine Liagre, an analyst at French farm adviser Offre & Demande Agricole. While colder temperatures in recent weeks slowed growth a bit, most fields remain ahead of the normal development pace, he said.

"Conditions in April, May and June will be the determinant for final yields," Liagre said. "Generally the crops are in good condition and advanced. Last year we had something similar, and we had exceptional yields."

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Saudi Arabia ends domestic wheat production program

21 March 2016

Black Sea Grain

In market year 2015-16, Saudi Arabia ended its domestic wheat production program that lasted for more than three decades, the U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) said in a March 14 report. A very small number of Saudi farmers, however, are expected to continue their wheat production to supply local artisanal mills. Saudi wheat imports for market year 2015-16 are projected to be around 3 million tonnes, a decline of about 14% from a year earlier due to large carryover stocks.

The Saudi Arabian government ended its domestic wheat production and purchase programs, as was specified in the decree # 335 of 2007. The decree stipulated that the Saudi Grain Silos and Flour Mills Organization (GSFMO) would reduce wheat production quotas for registered farmers by 12.5% annually starting from market year 2007-08 in order to end wheat cultivation by the beginning market year 2015-16. The main reason for the policy change was a strong concern over the depletion of the country's scarce water reserves, as the wheat crop is 100% irrigated. This policy was a drastic departure from the country's longstanding strategy of achieving wheat self-sufficiency that has been pursued since the early 1980s. The GSFMO was restructured and renamed as the Saudi Arabia Grains Organization (SAGO) in November 2015.

SAGO is the exclusive importer of food grade wheat in Saudi Arabia. The organization imports both hard and soft wheat directly through public tenders open to registered international exporters and it does not buy through grain brokers. SAGO has been buying wheat from various origins including the E.U., North America, South America and Australia. The organization imports wheat through two main ports, the Jeddah Islamic Seaport on the Red Sea and the Dammam King Abdul Aziz Seaport on the Arabian Gulf. SAGO has been making plans to increase the number of Saudi seaports that can receive imported wheat to five by adding three smaller seaports in Diba, Jazan and Yanbu (all located on the Red Sea) by 2018. This year, SAGO will import some wheat through the Port of Jazan.

Wheat is an important item in the Saudi diet, the report said. It is mostly consumed in the form of flat (pita) bread or local hamburger buns known as "Samoli" and other western-style bread such as French baguettes and pizza. The average per capita consumption of wheat in Saudi Arabia is currently estimated at about 298 grams per day, or about 109 kg annually. Total Saudi wheat consumption in market year 2014-15 was estimated at about 3.35 million tonnes and is projected to increase by 3% in market year 2015-16. It should be noted that Saudi Arabia has not imported feed wheat since market year 2011-12. The report projects wheat residue to remain at about 55,000 tonnes in marker year 2015-16.

The SAGO owns and operates silo complexes in major cities around Saudi Arabia with a total combined storage capacity of 3.1 million tonnes at the end of 2014, an increase of about 70% over 2011. SAGO has signed contracts to build five additional silos in Makkah, Qassim, Jazan, Aseer, and Al-Hasa, which will increase the total storage capacity to 3.7 million tonnes by the end of 2016. Currently, SAGO maintains more than 1.8 million tonnes in strategic wheat stocks but it has plans to increase it to close to the annual wheat consumption level in market year 2016-17.

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South Africa importing Argentine, Ukrainian yellow maize, orders Mexican white

9 March 2016

Sunday Times

South Africa, which needs to import millions of tonnes of maize this year because of drought, will source hundreds of thousands of tonnes of white maize in the coming months from Mexico, likely beginning in May, local and foreign traders said. White maize is the staple source of calories for most South African households but shortages are looming, driving up domestic food prices and inflation.

South Africa is also set to receive 228,400 tonnes of the yellow variety of the grain in the coming days, according to Thomson Reuters' interactive shipping map.

Domestic maize prices in South Africa are near recently-scaled record highs because of the drought. The government's Crop Estimates Committee has forecast the crop will be 27 percent lower in 2016 at 7.255 million tonnes.

South Africa consumes around 10 million tonnes of maize annually and so far this marketing season, which ends on April 30, has imported 1.4 million tonnes, around 95 percent of which has been yellow maize, mostly used for animal feed.

South Africa's corn conundrum stems from the fact that while yellow maize is grown widely elsewhere and easily sourced, the white version outside of the region can only be sourced from Mexico and the United States.

The July white maize contract is trading at R4,881 a tonne, near its record of 5,179 rand hit in January. It is currently at a 50 percent premium to yellow maize, which ended Wednesday at 3,260 rand.

Thomson Reuters' Eikon interactive map, which tracks ships including their cargoes and destinations, shows that six vessels will deliver yellow maize from Argentina to South African ports between now and March 17. One ship with 25,000 tonnes from Ukraine will also be offloading.

The total is 228,400 tonnes as the pace of maize imports into South Africa picks up. According to the South African Grain Information Service, 147,600 tonnes was imported in the week ending March 4, and 150,500 tonnes the week before - the two largest weekly volumes in the 2015/16 marketing season so far.

In white maize, traders said deals had been agreed to import from Mexico for May to August but precise volumes are not known.

South Africa is seen needing imports of at least a further 3.8 million tonnes of maize heading into the next marketing year from May.

"Maize will be coming from Mexico and it will be mostly non-GMO. But there has been complaints about the quality of a previous shipment from there," said one trader who asked not to be named.

South Africa may need to mix white with yellow maize but that will not go well with local consumers, who regard the yellow variety as "animal feed".

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Egypt to allow trace ergot in wheat

7 March 2016

AgCanada

Egypt will allow wheat imports with trace levels of the ergot fungus of up to 0.05 per cent, the agriculture ministry said Monday, a day after the head of its agriculture quarantine authority was changed.

Former quarantine head Saad Moussa's zero tolerance policy on ergot had led to shipments to the world's biggest importer of wheat being rejected. Moussa was replaced Sunday by Ibrahim Ahmed Imbabi.

Egypt's agriculture ministry also said it would work with the United Nations' Food and Agriculture Organization (FAO) on its wheat import policy.

The zero tolerance policy under Moussa was at odds with the ministries of agriculture and supplies, both of which back a more common international standard that allows trace levels.

The disrupted wheat tenders have raised the possibility of a shortage of grain which could pose a political problem for President Abdel Fattah al-Sisi as the impoverished population relies on highly subsidized bread.

Many international trading houses, who say guaranteeing zero ergot is impossible, have declined to make offers in state wheat tenders, saying it was too costly to risk having their shipments later turned away by the quarantine authority.

The FAO sent a delegation to Egypt led by Pasquale Steduto, an FAO expert on water and irrigation issues, to discuss the country's 1.5 million feddans (630,000 hectares) desert reclamation project, a FAO statement said.

The reclamation project aims to expand Egypt's farmland by 20 per cent.

The FAO will also be meeting with various parties in Egypt to study the danger of ergot and to develop policy recommendations, which will be used to write legislation on the issue, the agriculture ministry statement said.

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Crop Prospects and Food Situation

March 2016

FAO

This report 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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Overview of the recent agricultural trade policies in the post-Soviet countries in 2014-2015

March 2016

FAO

The first in a planned series of comprehensive studies of the agricultural trade policies of 12 post-Soviet countries (in Russian language)

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