

Monthly News Report on Grains

MNR Issue 124 - June 2016

About the MNR:

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

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

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

To find previous issues of the MNR click [here](#).

To subscribe, send an email to:

FAO-IGG-
GRAINS@fao.org

Market News:

- It's still cheaper for Indonesian millers to buy wheat from Russia, than from Australia
- West Europe set for big wheat crop but French worries persist
- Brexit will cause UK food prices to rise, farmers warn
- Kenya - Maize shortage forces millers to cut output, raising flour prices
- China canceled the purchase policy of corn for temporary storage and the purchase was ended on 31 April
- Egypt set to adopt world standard for ergot in Wheat imports
- CME to kick off long-awaited EU wheat futures in September
- Tanzania '€' Currency fall blamed for price hikes
- Nigeria: Flour millers, wheat farmers peg wheat price
- Brazil meat industry resorts to wheat as stopgap for scarce corn

Reports

- **Food Outlook, FAO**
- **World Fertilizer Trends And Outlook, FAO**

Monthly Information Sources

- Grain Market Report (IGC)
- Oilcrops Monthly Price and Policy Update (FAO)
- Rice Price Update (FAO)
- Crop Monitoring in Europe (MARS)
- FPMA Bulletin (FAO)

Links to our web sites:

FAO World Food Situation

FAO Grains Website

- World Agricultural Supply and Demand Estimates (USDA)
- Early Warning Crop Monitor (GEOGLAM)
- Market Monitor (AMIS)

Market News:

It's still cheaper for Indonesian millers to buy wheat from Russia, than from Australia

28 June 2016

ABC Rural

The market conditions making it cheaper for South East Asian buyers to purchase grain from the Black Sea, instead of Australia, are not likely to change anytime soon, according to market-watchers.

Indonesia is Australia's largest market for wheat exports, and for the last 12 months, it has been cheaper for flour millers to purchase grain from the Black Sea.

Australian grain into major SE Asian ports is trading at a \$20 to \$30 premium over Black Sea wheat.

Globally, record stocks of wheat and predictions of another bumper harvest across the world's major growing regions mean global prices for wheat are likely to remain depressed.

Bulk freight rates are at rock-bottom prices, thanks to an oversupply of vessels, and a downturn in trade.

The poor market conditions have seen Australian farmers look to store their wheat on-farm, but many Russian producers don't have that luxury, according to AWB pool manager Charlie Brown.

"It has become easier for Asian consumers to start to look at other origins of wheat, and our competitive advantage from being closer has been eroded," he said.

"If we're pricing \$20 to \$30 above Black Sea wheat into a port in Asia, then you'd say if we're going to compete for that business, then we need to drop prices by \$20 to \$30."

Western Victorian farmer Geoff Rethus, from Horsham, said he was concerned about losing the market.

"The Russians seem to be able to sell cheaper than what we can so effectively it's going to lower the price.

"If we're going to compete in that market in Indonesia, Malaysia those sorts of areas are significant for us in our exports."

Mr Brown said the depressed wheat market prompted growers look to higher value crops like canola and lentils, although wheat production will still be high this season.

And while over the past five years growers have been able to take advantage of high spot prices on the market, he said there's a growing interest in wheat pools at AWB.

"You've seen a farmer who has shifted from using risk management tools like grain pools around five years ago to being able to take advantage of good cash prices," Mr Brown said.

"But in the last 12 months, that's been more difficult, so we've seen a big shift back to grain pools."

[back to top](#)

West Europe set for big wheat crop but French worries persist

27 June 2016

Ag Professional

Western Europe remains on track for a big wheat crop this year but a rain-drenched spring in France has raised doubts about the overall size and quality of this summer's harvest.

The risk of damage from torrential rain has led analysts to cut expectations for France and Germany, the European Union's top two wheat growers, although this has been broadly offset by improving prospects in other countries, like Spain.

Consultancy Strategie Grains last week left unchanged its monthly EU soft wheat production estimate at 146.7 million tonnes, while the EU's crop monitoring service on Monday lowered slightly its yield forecast for the EU harvest.

Last year, the EU reaped a record 151 million tonnes.

France is the biggest question mark after storms and heavy rain lashed its main northern wheat belts.

The downpours have intensified already high disease pressure on French wheat. The main threat is now fusarium, also known as head blight or scab, that can hit both yield and quality, although it was seen as too early to gauge any losses before harvesting starts next month.

"We have customers reporting fusarium across much of the country," Paul Gaffet of agricultural consultancy ODA Groupe said. "But we really don't know how to quantify it. Everything looks more uncertain this year."

ODA thinks the soft wheat crop could be anywhere between 36.5 million and 38.5 million tonnes. Fellow analysts Strategie Grains last week cut their French forecast by 800,000 tonnes to 38.5 million, while traders put the crop between 37.5 million and 38.5 million.

France harvested a record 41 million tonnes last year.

In Germany, rain in the south had raised quality worries but may have benefitted dry areas in key northern production zones.

"Overall the picture is still positive but there is worry about possible loss of protein content in some regions, especially south Germany where rain was heaviest," one German grains analyst said.

Germany's 2016 wheat crop will fall 2.9 percent on the year to 25.77 million tonnes, the country's association of farm cooperatives estimates, still above Germany's 2010-2015 average of around 25 million tonnes.

In Britain, sunny weather was needed to boost yields after rain and allow the harvest to reach last year's output of 16.4 million tonnes.

"Wheat crops should be well into their yield forming phase now and everyone wants to see some more sunshine to drive some energy into the crop, so that is a concern," said Jack Watts of Britain's Agriculture and Horticulture Development Board.

Poland was still heading for a smaller harvest due to winter frost and springtime dryness.

The dryness could hit yields of spring wheat, which has a bigger share of area this year after frost damage to winter wheat, said Wojtek Sabaranski of Sparks Polska.

Sparks Polska sees wheat output falling 10 percent from last year to around 10.7 million tonnes.

[back to top](#)

Brexit will cause UK food prices to rise, farmers warn

27 June 2016

Black Sea Grain

Weaker pound and dependence on imports likely to put prices up, NFU president warns

Food prices are set to rise as a result of the UK voting for Brexit, the National Farmers Union has warned.

NFU president Meurig Raymond said the referendum result was a "political car crash", and warned that the UK's dependence on imports combined with a weakened pound would mean the country could expect to see the price of food go up.

Following the referendum result, the pound slumped to its lowest value since 1986, falling by up to 13% as news of the Brexit vote sent shockwaves across the world.

Mr Raymond told the Guardian: "Sadly, we only produce 60% of the food we consume. We've seen our self-sufficiency fall dramatically, so we are very dependent on imported food.

"A weaker pound will mean higher imported food value. I would say to government it could easily be held to ransom by other parts of the world if there is a climatic disaster or if currency is weak."

He also pointed out that European Union subsidies for British farmers amount to £2.4bn - £3bn a year, depending on exchange rates, and help keep the sector afloat.

"The average income of a farmer was just over £20,000 in 2014, and 55% of that was EU money, so that's how important that money is," said Mr Meurig said.

He said another concern was whether tariffs would begin to be applied on major British exports to Europe.

Mr Meurig said: "We export 38% of the lamb we produce in the UK into the EU, that's a huge quantity.

"We are very dependent and there is huge demand in Europe for it. We exported in excess of 3m tonnes of wheat and barley into Europe [a year]. We do export a fair bit of beef and a fair bit of added-value cheese and dairy product."

The NFU has called an emergency meeting of its governing body for July 1 to discuss how leaving the European Union will affect farming.

Difficulties facing farmers could also be compounded by a shortfall in labour as EU workers who have come to Britain due to freedom of movement laws may no longer be able to pick fruit and vegetables.

Minette Batters, deputy president of the NFU, told MailOnline: "Prices will have to go up to ensure farms stay in profit.

"Many are already being paid below the cost of production prices and that is not sustainable.

"We also have to pay the highest rates of pay in Europe for workers.

"For fruit and vegetables in particular we are going to have to secure higher prices or we risk losing farms and will have to rely on imports."

[back to top](#)

Kenya - Maize shortage forces millers to cut output, raising flour prices

22 June 2016

Business Daily Africa

A millers' lobby has said its members have cut back production to 39 per cent of capacity as maize shortage bites, pushing up the unit cost of production.

Cereal Millers Association (CMA) chairman Nick Hutchinson said maize supply has remained unstable in the market, causing flour prices to go up by about Sh15 in the last three months.

Mr Hutchinson said members who currently hold just 500,000 bags 'enough to last just for seven days' are banking on the new harvest from Tanzania.

"The limited stock coming in from Tanzania has helped to keep the prices of flour where they are, but in the event something happens and we don't get that maize, then the cost will definitely go up," he said.

The prices of a two-kilogramme packet of maize have been rising in the last two months with all the major brands retailing at above Sh100, piling pressure on a majority of households that rely on the commodity as their staple food.

A two-kilogramme packet of Jogoo is selling at Sh110, Pembe Sh101, Soko 101 and Hostess Sh147 in supermarkets. Millers said the cost will continue going up until they get enough stocks.

Last week, however, the government accused millers of manipulating flour prices citing a recent food security report that indicates the country has enough stocks to last for the next three months.

The food security report for the month of April shows that there were 10 million bags of maize in the country as at the end of last month.

According to the report, traders are holding 2,472,830 bags, Millers 442,710 bags, and National Cereals and Produce Board is having 2,778,760 bags.

Food Balance Sheet estimates for the main staple food maize, beans, wheat and rice projected up to August 31, show surpluses, and sufficient stocks to meet national requirements, according to the report.

Kenya mainly depends on imports from Uganda and Tanzania to bridge the deficit of 20 million bags annually.

The cost of food and oil is a major driver of inflation as they play a significant role in determining the cost of living.

The Kenya National Bureau of Statistics data shows that inflation eased to 5.27 per cent in April from 6.45 per cent a month earlier on low food and oil prices.

CMA has denied the claims saying the price of flour is informed by the market forces of demand and supply and that millers have never had a hand in fixing the cost.

[back to top](#)

China canceled the purchase policy of corn for temporary storage and the purchase was ended on 31 April

22 June 2016

Business Wire

China canceled the purchase policy of corn for temporary storage and the purchase was ended on 31 April. Without any new policies issued, China's corn market enters the period with policy vacuum. The purchase volume of corn for temporary storage hit a record high - 1.25 million tonnes. Most of homegrown corn is absorbed by the state and that in the market is basically consumed at the end of May. When waiting for the state to release the inventories, the price drop of corn slows down in May, USD0.09/t lower than that in last month.

As the corn price remains stable, the prices of some downstream products increase. For example, the market price of DDGS increases by 15.84% MoM in May. However, those of some like corn oil keep falling. Fortunately, as the palm oil price continues to rise, corn oil (competing product for palm oil) still enjoy price advantage. Regarding the deep-processing enterprises for corn, some suffer from negative impacts. Meihua Bio fails to reach an agreement with CJ Group in the reorganization; Brazil imposed anti-dumping duties on Chinese citric acid enterprises, which hindered the citric acid export in China.

The import volume of corn met an irrational increase in March - YoY rise of 1,037.82% and MoM rise of 823.78%. In earlier stage, China issued many policies to reduce the domestic inventories. Therefore, importers imported a large quantity of corn in advance as they were worried about the import will be limited in later period.

In May, most of corn in the domestic market is policy-oriented corn. On 6 May, Jilin promoted the auctions for the old corn. Meantime, the State Administration of Grain also has initiated the directional auction for the corn stored for more than one year each week since 27 May. Coupled with that the corn inventories will be released in later period, the policy-oriented corn will take a lead in the market. What's worse, as the auction price is always lower than the market price, it is predicted that the domestic market price of corn would keep falling, which affects the prices of some downstream products.

[back to top](#)

Egypt set to adopt world standard for ergot in wheat imports

21 June 2016

Bloomberg

Egypt, which rejected several wheat cargoes this year for fungus contamination, is set to instruct officials to follow international standards that permit a small amount of the fungus known as ergot in imports.

The Cabinet on Tuesday backed allowing shipments containing 0.05 percent ergot and Agriculture Ministry spokesman Eid Hawash said an official decree ordering the quarantine office to accept that level may be issued Wednesday. A United Nations Food & Agriculture Organization report for Egypt showed that much ergot doesn't affect health or crops, according to the Supply Ministry.

The clarification is important because Egypt, the world's top wheat buyer, has been hamstrung this year by a debate over whether to allow cargoes containing a tiny amount of the naturally occurring fungus. Earlier this year, the country turned away vessels of Canadian and Polish wheat because of traces of ergot, which can be toxic to humans in high amounts.

"We're awaiting a written decree from the Cabinet that stipulates changing the standards to 0.05 percent," Hawash said by phone today. "We're expecting it to arrive anytime. Once it's issued, then it's over, the issue is over."

The confusion started earlier this year when different parts of the government gave opposing statements on

their standards for wheat quality. Quarantine officials, who are part of the Agriculture Ministry, said they had a zero-tolerance policy for ergot. The Supply Ministry, which runs Egypt's international wheat tenders, has allowed 0.05 percent of the fungus since 2010.

The rejection of cargoes and confusion over what's allowed led many traders to withdraw their offers or charge higher prices for wheat. The country buys massive amounts of grain every year to provide subsidized bread for citizens.

"Bread in general is a very important aspect of daily life in North Africa, so it's not unusual for the political pressure to come from the highest levels," Amy Reynolds, a senior economist at the International Grains Council in London, said Tuesday. She said uncertainty would persist until Egypt clarifies what it will accept.

Ministers of supply, agriculture, trade and health yesterday met with Prime Minister Sherif Ismail to discuss the wheat policy. He has asked the agriculture and health ministries to work on a joint study detailing scientific evidence that backs up allowing grain with 0.05 percent ergot, according to a statement.

While purchases slowed earlier this year during the standoff with traders, they picked up before the start of Egypt's domestic harvest in April. Purchases from local farmers this season reached 5 million metric tons, more than the government's original target of 4 million tons. Buying may accelerate again after the new international marketing year starts July 1.

[back to top](#)

CME to kick off long-awaited EU wheat futures in September

23 June 2016

PR Newswire

CME Group, the world's leading and most diverse derivatives marketplace, today announced the launch of physically delivered European Union (EU) Wheat futures and options on futures contracts to begin trading on 12 September 2016, pending all relevant regulatory review periods. These contracts will be listed subject to the rules and regulations of the Chicago Board of Trade (CBOT).

The new EU Wheat futures and options contracts are the result of in-depth consultation with customers and industry participants who want risk management tools that better reflect physical storage practices in the EU. EU Wheat futures and options will be denominated in euros, priced relative to the Rouen market, and will enable users to take delivery of wheat at exchange-approved warehouses in key locations across France or hold onto wheat certificates for delivery at a future date.

"Our Soft Red Winter and Hard Red Winter Wheat futures are the global benchmarks of the physical grain industry, facilitating price discovery and a robust spread market for our customers' hedging needs around the globe," said Tim Andriesen, Managing Director, Agricultural Products, CME Group. "The addition of these new EU Wheat contracts to our existing suite of Wheat futures and options further positions CME Group and our CME Globex trading platform as the global destination for wheat trading and risk management."

EU Wheat futures will combine CBOT's warehouse delivery mechanisms with European trading practices to offer an efficient hedging tool to market participants. At the same time, wheat traders will benefit from arbitrage opportunities and margin offsets between EU Wheat futures and options and the existing suite of Wheat futures and options. Global wheat participants already have access to futures and options on all three North American wheat benchmarks through the CME Globex electronic trading platform.

"We were requested to be actively involved in the development of these contract specifications, and believe they will be well aligned with our hedging strategies," said Steve Campbell, Head of Grains for the North America region at Louis Dreyfus Company. "As a leading global merchant and processor of agricultural goods, we closely monitor international agricultural markets to effectively manage price volatility throughout

the supply chain. CME Group's new EU Wheat contracts, together with the Chicago Soft Red Winter and KC Hard Red Winter Wheat products, will be additional valuable tools to enable liquidity, helping us to manage global wheat price volatility better across our operations."

Delivery of wheat against the contract will take place via the issuance of a warehouse certificate linked to approved warehouses located in the major wheat producing areas of France. Firms receiving certificates will have the flexibility to either re-deliver the certificates against futures; give notice of load-out of the physical wheat or hold the certificate for future load-out from the issuing warehouse in return for paying administrative fees. This will encourage the creation of a forward curve for EU wheat.

Each contract will represent 50 metric tonnes of physical EU wheat with quality specifications set at a minimum of 10.5 percent protein and 170 Hagberg. The first listed month will be the December 2016 delivery month with a further seven delivery months also being made available for trading.

EU Wheat futures and options contracts will be available for trading electronically via CME Globex Monday through Friday between 10:30 a.m. and 6:35 p.m. Paris time. EU Wheat options will also be available for trading on the company's Chicago trading floor from 8:30 a.m. to 11:35 a.m. Chicago time.

At present, 12 warehouses have applied for approval for the delivery of physical EU wheat against the contract.

[back to top](#)

Tanzania – Currency fall blamed for price hikes

16 June 2016

Tanzania Daily News

The Minister of Trade, Industries, and Marketing Ambassador, Ms Amina Salum Ali, said that the government has been taking multiple measures to control price hikes. "But sometimes it becomes difficult when our currency strength against foreign currency falls."

"Traders' greed, and delays in handling cargo at the Malindi sea port, particularly offloading of goods, have been other challenges behind price hikes," Ms Ali said during the question and answer session.

She said despite the challenges, her ministry conducts frequent meetings with members of the business community (Zanzibar National Chamber of Commerce, Industries and Agriculture (ZNCCIA), and 'Zanzibar Ports Corporation (ZPC),' to find solutions to some problems. Commodities that frequently record price increases include wheat flour, dates and sugar.

The minister also blamed some traders who hike prices without justification. Ms Ali also condemned some traders in Pemba who have been delivering services discriminately or along party lines with members of Chama Cha Mapinduzi (CCM) falling victim to organised bias.

[back to top](#)

Nigeria: Flour millers, wheat farmers peg wheat price

9 June 2016

All Africa

The flour millers association of Nigeria (FMAN) and the wheat farmers Association of Nigeria have signed a memorandum of understanding to peg the price of wheat at N140,000 per ton for the first year.

Minister of State for agriculture and rural development, senator Heineken Lokpobiri, said at the ceremony in Abuja Tuesday, that the ministry was working tirelessly to ensure that the wheat value chain receives the desired attention in order to meet the nation's domestic need.

Mr Lanre Jaiyeola, the Managing Director, Honeywell flour Mills and Vice chairman Flour Millers Association told journalists after the signing ceremony that the country consumes about 4.5 million metric tonnes of flour while the farmers are expected to produce only 120,000 metric tons, which is a long way to go.

"I can tell you authoritatively that imported wheat today will reach our silos at just about half that amount. So this is our own way of not just making assurances to wheat farmers in Nigeria, but also a commitment, a sacrifice on our part to ensure that this initiative succeed that is why we are ready to pick up everything that is produced locally double the price of imported ones," FMAN Vice president said.

To close the huge gap, FMAN said they are supporting the Lake Chad Research Institute, Maiduguri and the wheat farmers with necessary inputs for farming and research.

[back to top](#)

Brazil meat industry resorts to wheat as stopgap for scarce corn

9 June 2016

Reuters

Brazil's troubled poultry and pork producers are resorting to feeding their animals wheat as an emergency substitute, a rare step for the industry as it struggles with the worst-ever shortage and record prices of corn, experts say.

The practice, not seen in a decade by one of the world's largest animal protein industries, underscores how soaring local corn prices and an unexpected supply crisis are spilling over into other commodities markets and forced the industry to seek alternatives.

In another twist in the months-long crisis, meat processors are having to feed their hogs and chickens higher-quality grain, normally used in flour for cookies or breads.

Supplies of lower animal-grade wheat sometimes mixed into feedstock have run out.

Traders at three cooperatives in the southern grain states reported isolated sales of wheat suitable for human consumption to animal feed producers in recent weeks.

"It's not that wheat is cheaper. It's just that there isn't any unsold corn around," one trader said at a cooperative in Parana state.

Traders in Parana quoted prices of soft wheat at 800 reais to 850 reais a tonne, which is equivalent to 48-to-51 reais a 60-kg bag. Corn has been quoted, but not easily found, at 50-to-60 reais a bag in the south until recently.

Luiz Carlos Pacheco at wheat consultants Trigo & Farinhas said the meats industry has bought 220,000 tonnes of wheat since May, as the extent of the shortage of corn became clear.

"Wheat sales for feed have occurred in volumes and prices well above normal for this time of year," Pacheco said, adding that 120,000 tonnes sold to the industry came from Rio Grande do Sul, Brazil's second wheat growing state.

Another 100,000 tonnes came from Parana, Brazil's No. 1 producer.

Another trader said JBS SA, the world's largest beef exporter and Brazil's No. 2 poultry producer, recently bought 6,000 tonnes of wheat for feed. The company did not respond to a request for comment.

The volumes are tiny compared with the 11 million tonnes consumed in Brazil each year and the 5-6 million

tonnes it grows. But if the buying continues, it could boost wheat prices.

In the past, the South American nation has been one of the world's leading importers of wheat, with the bulk coming from neighboring Argentina and Paraguay. High-quality North American wheat regularly flows to Brazil, as well.

While it costs slightly less than corn, wheat's nutritional value is inferior for fattening livestock, limiting how much processors can rely on it.

Still for some, it may be a way of keeping operating as they wait fresh supplies of corn when the winter corn crop gets harvested in the coming weeks.

Some pork and chicken producers including the world's biggest poultry exporter BRF SA have been forced to close plants and slaughter sows that they cannot afford the feed.

[back to top](#)

Reports

Food Outlook

June 2016

FAO

Food Outlook is a biannual publication (May/June and November/December) focusing on developments affecting global food and feed markets.

[Link to report](#)

[back to top](#)

World fertilizer trends and outlook

June 2016

FAO

This report presents the world nitrogen phosphate and potassium fertilizer medium-term supply and demand projections for the period 2015â€‘19. The FAO/Fertilizer Organizations Working Group met in June 2015 to review the prospects for fertilizer demand and supply and prepared the forecasts.

[Link to report](#)

[back to top](#)

Monthly Information Sources

Grain Market Report

June 2016

IGC

[Link to report](#)

[back to top](#)

Oilcrops Monthly Price and Policy Update

June 2016

FAO

[Link to report](#)

[back to top](#)

Rice Price Update

June 2016

FAO

[Link to report](#)

[back to top](#)

Crop Monitoring in Europe

June 2016

MARS

[Link to report](#)

[back to top](#)

FPMA Bulletin

June 2016

FAO

[Link to report](#)

[back to top](#)

World Agricultural Supply and Demand Estimates

June 2016

USDA

[Link to report](#)

[back to top](#)

Early Warning Crop Monitor

June 2016

GEOGLAM

[Link to report](#)

[back to top](#)

Market Monitor

June 2016

AMIS

[Link to report](#)

[back to top](#)