

MONTHLY NEWS REPORT ON GRAINS

FAO Trade and Markets Division

MNR ISSUE 125 - AUGUST 2016

Market News

- U.S. Farmers hit by diving wheat, corn prices
- In about turn, Egypt bans ergot fungus in wheat again
- Falling rand drives South African corn prices higher
- China's HFT criminal case a taste of official post-crash policy
- Bangladesh turns to Black Sea Region for wheat as India supply fades
- Russian Grain Union predicts record-breaking grain harvest this year
- Australian cash wheat prices at multi-year low on healthy crop outlook
- Grain growers embrace International Year of Pulses as national survey points to unprecedented plantings
- Nigeria spends N1 trillion on four food imports annually
- Indonesian wheat imports up on demand from feed mills

Reports

- Agricultural policy models in different parts of the world – AHDB
- OECD-FAO Agricultural Outlook 2016-2025

Monthly Information Sources

- Grain Market Report – IGC
- Oilcrops Monthly Price and Policy Update – FAO
- Crop Monitoring in Europe - European Commission
- Rice Price Update – FAO
- Food Price Monitoring and Analysis Bulletin – FAO
- World Agricultural Supply and Demand Estimates – USDA
- Early Warning Crop Monitor – GEOGLAM
- Commodity Price Data - World Bank

Market News

U.S. Farmers hit by diving wheat, corn prices

30 August – Ag Web

A massive global grain supply boosted by record yields is pushing wheat prices to 10-year lows and driving down corn futures along with U.S. exports, according to analysts. And American farmers taking the brunt of lower prices that are below production costs, according to analysts.

Why? Because with a strong dollar, weaker currencies of competing global producers have an advantage, explained grain analyst Ben Buckner, of the consultancy AgResource, in Chicago.

“We just have too much world wheat. It’s just really amazing,” said Buckner.

“Four-dollar wheat is terrible for the American farmer, but good for the Russian or Argentine farmer,” he explained. But while U.S. farmers are making less, farmers in Russia, the Ukraine and Argentina are making more, he noted.

The U.S. has dropped to fourth place in wheat exports, while the European Union and Russia are the two largest wheat exporters, according to AgResource.

“While the burden falls on us, we export less, producing less, farm income,” said Buckner. U.S. farmers are being pushed out of the world market unless cheap prices get even cheaper, he explained.

“We have all this supply, but we are for first time in two years, we are competing for exports,” said Buckner. “As of today we have the cheapest corn and wheat, but that only happen if futures are below \$4,” he observed. “If markets go up we lose demand.”

The overabundance of wheat is turning it into a feed grain that, in turn, is driving down corn prices, according to Rich Nelson, chief strategist of Allendale in McHenry, Ill.

“Since the summer, there has been a very strong correlation between wheat and corn--it is now priced as a feed grain,” observed Nelson. “With the new Egypt announcement (of zero tolerance for the fungus ergot in wheat shipments), we may need to lower our downside target to \$3.70 December Chicago futures.”

December future for corn were put at \$2.80 by AgResource in its 2016 price forecast, and July wheat at \$4, according to a Reuters report.

So what should farmers do, or not do?

Farmers shouldn’t just sell at harvest, when prices are weakest, according to Buckner.

Instead, they should manage risk. “It’s all about management,” Buckner said. “If you make forward contracts ... there will be opportunities every four of five months ...”

[back to top](#)

In about turn, Egypt bans ergot fungus in wheat again

28 August - Reuters

Wheat prices hovering near 10-year lows have generated a dramatic increase in use of the U.S. Department of Agriculture’s (USDA) principal remaining commodity price support mechanisms: the marketing assistance loan program and loan deficiency payments, particularly in the hard red winter wheat states. This activity has driven many in the grain-based foods industry to brush up on farm bill lexicon after years when such knowledge

wasn't a priority because relatively high crop prices limited producer use of commodity price support programs for grain. At the same time, the effect of this increased activity on wheat and especially flour prices likely will remain limited. The days of federal commodity price support programs resulting in huge government stocks held off and overhanging the market are in the past, according to veteran wheat market analysts.

The increased activity in loan deficiency payments has been the most pronounced and most important development in government wheat price support this year, but this activity is based on the relationship between market prices and the marketing loan rates set by statute to determine eligibility of commodities to be enrolled in the marketing assistance loan program, so it's important to begin there.

Nine-month nonrecourse marketing assistance loans extended by the USDA's Commodity Credit Corp. (CCC) provide interim financing at harvest time for producers to meet cash flow needs without growers having to sell their commodities when market prices are typically at their lowest. In the case of wheat, growers may enroll all or a portion of their crop in the program in exchange for a marketing assistance loan. The wheat enrolled may be stored on farm or in country elevators and serves as collateral. By enrolling their grain and storing it, producers may delay the sale of their wheat until more favorable market conditions emerge.

Producers may enroll wheat in the marketing assistance loan program in any year regardless of whether the local market price is higher or lower than the marketing assistance loan rate in their county or region, and they have done so. But activity tends to be greater in years of low prices.

The national average marketing assistance loan rate is set by statute. The national average loan rate for wheat most recently was set at \$2.94 a bushel under the Agricultural Act of 2014, the current law authorizing and implementing federal farm and agriculture programs. But the marketing loan rate in any particular county varies from the national average in consideration of wheat class as well as local production, storage and marketing conditions. For instance, Kansas county marketing loan rates for hard red winter wheat in 2016 range from a low of \$2.98 a bushel in Riley and Wichita counties in Kansas, U.S., to a high of \$3.46 a bushel in Leavenworth and Wyandotte counties in Kansas, U.S. (the latter are eastern and mostly urban counties).

As of Aug. 23, growers have taken out marketing assistance loans on 51.178 million bushels of new crop wheat. Wheat growers enrolled more wheat under the loan in 2015 at 80.963 million bushels, but the 2015 total includes enrollments for the entire crop year. Wheat growers may enroll additional bushels any time during the current marketing year.

Additionally, in years of very low prices, such as this one, growers are more likely to claim loan deficiency payments (LDPs) on their wheat. Wheat against which LDPs have been collected is no longer eligible for enrollment under the loan program.

Kansas wheat growers have been the most active participants in the marketing assistance loan program thus far this year having enrolled 18.489 million bushels by Aug. 23.

In years when wheat prices are higher, enrollments in the marketing assistance loan program usually are lower. For instance, in the 2014-15 crop year, when the average farm price of wheat was \$5.99 a bushel compared with \$4.89 in 2015-16 and a forecast \$3.35-4.05 in the current year, 43 million bushels of wheat were enrolled in the marketing assistance loan program, and in 2013, when the average farm price was higher still, enrollments were 25 million bushels.

Generally, marketing assistance loans may be redeemed at any time during the nine-month term by repayment of principal plus interest, or producers may opt to deliver the wheat pledged as collateral to the CCC as full payment for the loan at maturity.

The latter course is rare as there are marketing assistance loan repayment provisions that specify, under certain circumstances, producers may repay their loan at less than the loan rate (principal) plus accrued interest and other charges. For instance, a producer may opt to repay the loan and redeem his wheat at a rate based on the average market price of wheat in his county during the preceding 30 days. In doing so, should that average market price be below what it would cost him to redeem his wheat at the county marketing assistance loan rate plus interest, the producer may realize what is called a marketing loan gain at the expense of the CCC.

Loan deficiency payments may be made to producers who, although eligible to obtain a marketing assistance loan, agree to forgo obtaining the loan for the commodity in return for an LDP. The LDP would be the amount in cents per bushel the county posted price falls below the county marketing loan rate. This effectively establishes the marketing loan rate as a floor under wheat prices.

The USDA explained marketing assistance loan repayment and LDP provisions are intended to minimize potential delivery of loan collateral to the CCC and the accumulation of CCC-owned stocks and related storage costs.

The provisions certainly have been effective in preventing loan forfeitures. In most years, under the current marketing assistance loan provisions, there have been no wheat forfeitures. In 2009, 40,342 bushels of wheat enrolled under the loan were forfeited to the CCC; otherwise, there have been no forfeitures in the past 10 years.

In the most recent 10 years, loan deficiency payments have been made to certain wheat producers in three years: 2010-11, 2009-10 and 2006-07. LDP activity in 2016 stood out from activity in the prior years because of its expanding geography and the number of bushels involved.

As of Aug. 23, producers in 11 states have collected \$15.275 million in LDPs on 159.093 million bushels of wheat, which equated to an average LDP payment of about 9¼¢ a bushel. Of this total, \$15.123 million was collected by Southwestern U.S. states — Texas, Oklahoma, Kansas, Nebraska and Colorado — hard red winter wheat producers on 157.132 million bushels of wheat. Kansas producers alone collected \$10.697 million on 110.035 million bushels, or on 24% of the state's estimated wheat production.

In comparison, LDPs were made on 83.228 million bushels of wheat in eight states in 2010-11, on 88.645 million bushels in 10 states in 2009-10 and on 1.575 million bushels in two states in 2006-07. In 2010-11 and 2009-10, heavy LDP payments resulted largely from the USDA having set the county marketing loan rates on durum at very high levels, a circumstance that since has been avoided.

Unlike 2010, 2009 and 2007, to date this year, the vast majority of LDPs have been collected by hard red winter wheat producers. In contrast, no LDPs were collected by Southwestern hard red winter wheat growers in 2010-11, 2009-10 or 2006-07 with the exception of payments on 38,619 bushels of Colorado wheat in 2009-10, and this may have been on spring wheat.

[back to top](#)

Falling rand drives South African corn prices higher

24 August – Agrimoney

Yellow maize futures in South Africa hit a three-week high, as currency becomes the main driver of a market that will be dependent on imports to meet domestic demand.

"The currency has been dominating the market," said Wandile Sihlobo, at AgBiz, South Africa's agricultural business group.

South Africa is usually a net corn exporter, but corn production was sharply down in the harvest just finished after three successive years of drought.

The shortfall in production will force South Africa to import significant volumes of corn, with the USDA forecast imports to rise to 3.5m tonnes over the year to April 2017.

Mr Sihlobo pointed out that that corn imports for South Africa, as of August 16, were at 17% of the total which will be needed to meet demand until the next harvest.

The harvest just finished will meet demand until the rest of the year, but imports will be needed to bridge the gap until the harvest starts in April.

"All of that makes us trade on the import parity price," Mr Sihlobo.

And that import parity price rose sharply up, as the rand falls sharply against the dollar.

The rapid drop in the rand over the past two days has been driven by a police investigation into Pravin Gordhan, South Africa's finance minister.

Mr Gordhan has been contacted by the Hawks, an elite police unit, and is expected to report for questioning on Thursday.

The rand was down 1.3% on the dollar on Wednesday, after falling by over 3% on Tuesday.

"All of this has been massively hurting the rand," said Mr Sihlobo, which is "playing the part in the yellow maize price".

Mr Sihlobo said that some certainty over the next crop would emerge before the end of the year, with rainfall and acres being closely watched.

AgBiz currently sees the coming corn crop at 12.5m tonnes, which allow South Africa to return to a net exporter, while the USDA sees the coming crop at 13.0m tonnes.

Yellow maize futures finished up 2.7%, at 3,211 rand a tonne.

[back to top](#)

China's HFT criminal case a taste of official post-crash policy

22 August – Bloomberg

A Chinese criminal court case against a high-frequency trading firm will for the first time highlight how authorities in the world's second-largest economy view the controversial practice.

The trial, which will be held in Shanghai No. 1 Intermediate People's Court, will offer the chance to hear China's official stance on HFT, the super-fast computer traders that have aroused the suspicion of regulators around the globe. A date for the hearings hasn't been set, but they will probably start in the next three months if no extensions are filed. Shanghai prosecutors said on Aug. 4 they have charged Yishidun International Trading with manipulating the country's futures market.

HFT played a part in China's stock-index futures market during the boom that ended with last year's \$5 trillion equity market crash. In the wake of the sell-off there were investigations of several brokerage officials suspected of making money illicitly during the

crisis. In the months since, a draft rule on automated trading was published only to be reportedly put on hold, though the regulator has yet to comment.

“While the charge is market manipulation instead of using HFT, it’s interesting to see what the court’s narrative would be on HFT in its judgment,” said Ken Chen, a Shanghai-based analyst with KGI Securities. “China currently doesn’t have an official definition or regulation on HFT, so the court ruling could offer some insights on what the government thinks of it.”

High-frequency trading rose to prominence as financial markets switched from human to computer trading. HFT firms use cutting-edge systems to trade in fractions of a second, trying to profit from even the smallest price moves by being the first to the market. Critics say the strategies exacerbate volatility as their approach accentuates swings.

As well as Yishidun, registered as being in the city of Zhangjiagang in Jiangsu province, two of its executives along with an executive from China Fortune Futures were charged.

Gao Yan, one of the Yishidun executives charged and general manager at the firm, borrowed 31 accounts from friends, relatives and special corporations for the firm to use, Xinhua News Agency, the government’s official news service, reported in November, citing the Shanghai police department. Yishidun self-traded, and also placed large batches of orders far away from the market price, the news agency said. It made illicit profits of more than 2 billion yuan (\$301 million), and Gao Yan transferred almost 200 million yuan of that out of the country, Xinhua reported.

“Eastern Dragon is aware that the Chinese authorities have charged the company and two of its employees with market manipulation. After several months of speculation, this development comes as no surprise,” a London-based spokesman for the firm said by e-mail, using the company’s English name.

“We have undertaken a full audit trail of our trading activities during the summer of 2015 and we have engaged independent experts to review this information,” the spokesman said. “Eastern Dragon is ready to defend its position in court when required to do so.”

Lin Jian, the lawyer for Gao Yan, declined to comment. A spokeswoman at China Fortune Futures declined to comment, citing the fact that the case is ongoing.

China’s \$6.6 trillion equity market is free from HFT because buying and selling a stock in the same day is banned. But some derivatives contracts are available to super-fast traders, whose interest helped China’s index futures market briefly become the world’s biggest last year. Regulators blamed the heightened activity for helping fuel the stock boom and subsequent bust, and in response imposed curbs that cut volume by 99 percent.

At least two people from Yishidun, including Gao Yan, were arrested last year in the wake of the market crash. The China Securities Regulatory Commission handed the case to the Ministry of Public Security on July 9, 2015, according to court documents, and the Shanghai police department started its investigation that day.

The regulator in October released draft rules proposing that traders who use automated orders must report certain information and wait for a review before they’re allowed to execute their strategies. Industry feedback was that the plans were too stringent, said Natasha Xie, a Shanghai-based partner with Jun He Law Offices, and they were put on hold in May, according to local media. The CSRC didn’t respond to faxes seeking comment on the status of the draft proposals or the Yishidun case.

Gao Yan earlier this year filed a lawsuit against the CSRC, claiming the regulator exceeded its authority when it told the police Yishidun’s trading activities had affected the prices and volume of stock-index futures and constituted manipulation of the futures market.

The suit claimed the CSRC doesn't have the right to determine the crime of manipulating securities, and that the "high-frequency automated trading" referred to in the allegations is not a behavior clearly defined in Chinese law. A Beijing court rejected Gao's suit on April 28, court documents show.

Sun Shiqi, a Shanghai-based partner with law firm Jingtian & Gongcheng, said it's hard to win a market manipulation case in China, especially a criminal one. Prosecutors must prove malicious intent, but there's no definition of what would constitute such behavior, he said. "The Yishidun case will test the government's stance on HFT and automated trading," said Sun. "Because there is a lack of quantitative standards, courts have great discretion in this type of cases."

"The ruling will set the bar for future cases and sends a message to market participants on what they can and cannot do," he said.

[back to top](#)

Bangladesh turns to Black Sea Region for wheat as India supply fades

19 August – Business world

Grain millers in Bangladesh are boosting their wheat purchases from Russia and Ukraine as cargoes from key exporter India fade due to a supply squeeze in that country.

Bangladesh has booked about 800,000 tonnes of wheat from the Black Sea region for shipment between mid-July and October, up from around 550,000-600,000 tonnes in the same period last year, two trade sources said.

Strong demand from South Asia's top wheat importer and other key buyers could help buoy benchmark futures, which have been recovering from a 10-year low of \$3.99-1/4 a bushel hit earlier this month due to pressure from plentiful global production.

"India is out of the market, Bangladesh buyers are taking larger volumes of feed wheat as well as milling grade wheat from Russia and Ukraine," said one Singapore-based trader.

"It is all about prices, most Bangladeshi millers take the cheapest origin."

Buyers paid \$155-\$168 a tonne, free on board, for Black Sea feed wheat with about 10.5-percent protein content, the sources said. They declined to be identified as they were not authorised to speak with media.

For milling wheat with 11.5- to 12.5-per cent protein, importers have paid \$165-\$180 a tonne FOB, they said.

India has been exporting wheat to Bangladesh for the last few years, but its recent crops have been hit by a severe drought linked to the El Nino weather pattern and by unseasonable rains.

Russia and Ukraine, two of the Black Sea region's leading wheat producers, have seen bin-busting grain production.

Ukraine's 2016 grain harvest is likely to be around 3 million tonnes bigger than the year before at around 63 million tonnes, agriculture ministry official Leonid Sukhomlin said earlier this week.

And Russia is facing a lack of grain storage as it remains on track to produce the largest cereal crop in post-Soviet history, said the head of Russia's Grain Union.

But analysts warned against relying too heavily on shipments from the Black Sea.

"Worldwide, many countries are depending on Russia to supply much of their wheat and that is risky," said one agricultural commodities analyst. "There could be delays."

Much of the Middle East and North Africa has heavily booked wheat shipments from the Black Sea region, taking advantage of lower prices.

Traders said there is already a delay of 10-12 days for ships waiting to load wheat at Russian ports.

Bangladesh has also booked about 200,000 tonnes of higher quality Canadian milling wheat, the sources said.

[back to top](#)

Russian Grain Union predicts record-breaking grain harvest this year

16 August – Tass Russian New Agency

Russia may harvest 114-116 mln tonnes of grain this year, which will be challenging in terms of grain depots shortage, head of the Russian Grain Union (RGU) Arkady Zlochevsky said on Tuesday.

"The [harvest] range is from 114 to 116 mln tonnes," the expert said.

This will be a record-breaking figure in post-Soviet Russia.

Wheat harvest is also expected to set a record in 2016. "The Agriculture Ministry gave merely fantastic [forecast] figures - 72 mln tonnes. Our outlook is lower - 69.5 mln tonnes of grain. This is also a record for post-Soviet Russia," Zlochevsky said.

Grain storage capacities in Russia are estimated at 120 mln tonnes, including 38 mln tonnes of elevator capacities, he said.

Grain quality will be lower than last year, Zlochevsky said. However, premium quality grain volume will remain at the last-year level because of higher harvest, he added.

The Russian Ministry of Agriculture keeps its grain harvest outlook at 110 mln tonnes this year.

"The Russian Ministry of Agriculture does not forecast shortage of 2016 year harvested grain storage capacity: local deficit of storage capacities is possible in certain Siberian regions if the gross grain production is 115 mln tonnes. At the same time, the Russian Agriculture Ministry maintains its grain harvest outlook up to 110 mln tonnes," Tkachev said.

According to Arkady Zlochevsky, grain producers might suffer losses if prices continue declining.

"Prices are already rapidly declining. If the situation remains, we will suffer losses," Zlochevsky said.

According to Zlochevsky, price of the class 3 wheat decreased by 2,400 rubles (\$37.6), class 4 wheat - by 2,600 rubles (\$40.7). Now the selling price of the class 3 wheat totals 9,000 rubles (\$141.2), 8,300 rubles (\$130.2) in some regions of the country.

According to Zlochevsky, at these prices, there is a risk that farmers will not be able to fulfill their loan obligations. He added that a record harvest of this year, and export duty on wheat affected reduction of prices.

Zlochevsky said earlier that Russian farmers lost about 50 bln rubles (\$781 mln) due to introduction of a duty on wheat exports during the last season.

"As a result, during the last season farmers lost 1,000 rubles per tonne. For the last season sales of grain amounted to 52-63 mln tonnes. Respectively farmers lost 50 bln rubles," he said.

Earlier, the Russian Grain Union sent a letter to Prime Minister Dmitry Medvedev with a request to cancel export tax on wheat.

Previously, grain producers said that lost revenues from duties were up to 30-40 bln rubles (\$471-628 mln).

Agriculture Minister Alexander Tkachev said that the ministry will "sooner or later" cancel export duties on wheat. But he added that he plans to return to the discussion of this issue not earlier than in autumn.

In June, Deputy Prime Minister Arkady Dvorkovich told TASS that no radical changes should be expected with regard to export duties for wheat. It is more important to preserve the market stability and the rules of the game, he said.

He also noted that the mechanism of export duty for wheat should be maintained, but the government will think about how to remove the uncertainty for exporters.

The duty on wheat exports from Russia was imposed on July 1, 2015.

The Russian government introduced the export duty following the growing activity of exporters who increased sales of grain on foreign markets and sought a way to benefit from a sharp drop in the ruble.

Currently, the export duty on wheat is 50% of the customs value minus 6,500 rubles, but not less than 10 rubles per tonne.

[back to top](#)

Australian cash wheat prices at multi-year low on healthy crop outlook

16 August – Platts

Cash prices for Australian wheat Tuesday hit a fresh multi-year low as traders and flour millers anticipate a bumper crop for 2016-17 (October-September), pushing Australian Premium White wheat down to \$206.50/mt FOB Western Australia, according to S&P Global Platts' price assessment.

The market is at a six and a half year low, at levels last seen in late 2009, according to traders. It is also the lowest price since Platts started assessing APW in November 2015.

At the end of July, National Bank of Australia raised its forecast for the 2016-17 wheat crop to 27.2 million mt, one of the largest crops on record.

Besides expectations of a healthy crop, the downtrend may also have been driven by the need to clear stocks, traders said.

Over the last year, Australia wheat exporters have lost some of their market share in the Middle East and Southeast Asia due to uncompetitive prices, mainly to Russia or Ukraine. This led to poor sales volumes in the first half of the year, and fears of higher carryover stocks.

Offers for "new crop" Australian wheat exports were heard in the \$208-\$211/mt FOB WA range Tuesday for APW loading in December 2016 or January 2017, with buyers seen in the low \$200s, traders reported.

Chicago wheat futures have been rangebound in the last month after falling substantially in June, while Black Sea prices have risen 7.5% in the last four weeks, mainly due to low harvest expectations in Western Europe. Russian 12.5% protein wheat was Monday assessed by Platts at \$174/mt FOB.

[back to top](#)

Grain growers embrace International Year of Pulses as national survey points to unprecedented plantings

12 August – ABC Rural

In perhaps the strongest show of support for the International Year of Pulses campaign, a survey of Australian grain growers suggests a dramatic increase in pulse plantings, including 50 per cent more chickpeas than 2015.

The private Profarmer Australia survey obtained by ABC Rural collates information from 1,726 farmers in five states.

Chief analyst Hannah Janson stressed that results could be "a bit skew-whiff" but gave a solid snapshot of about 2.5 million hectares of Australian plantings.

The survey showed national pulse plantings among respondents have increased by 27 per cent, including 33 per cent more lentils and 31 per cent more lupins.

The overwhelming driver has been a global glut of cereal grain, with poor prices offered throughout 2015/16 and little hope of change in 2017.

"Pulses have really been a bit of a shining star over the last little while," Ms Jansen said.

"Growers have certainly been appreciative of the price environment that has developed... there's nothing like strong price to drive higher plantings.

"It's quite fitting that it's the International Year of Pulses."

Australian grain growers are not alone in their appetite for pulse price tags.

"It's definitely something that's been witnessed at an international level," Ms Jansen said.

"In parts of India and Canada, the two largest producers of pulse crops, they have also increased their plantings this year."

Strong demand and the associated high prices could be threatened by expectations of a huge international pulse crop.

Ms Janson said Australian growers would need to have their finger on the pulse.

"The main Indian crop will hit the market in around about March/April of next year, so it will just about be on the front foot, looking out for opportunities," she said.

"If India does end up having quite a large crop, that need for imports could drop off very quickly and that could have an impact on the Australian export story quite early in the new year."

The biggest change in grain production can be seen in Queensland, where the area of chickpeas sown increased by 75 per cent, balanced by a 41 per cent reduction in barley plantings.

But where cereal crops were abandoned in one state, others picked up the slack.

Wheat plantings only decreased 1 per cent, while barley crops grew 4 per cent.

Ms Janson said the equations could be explained by a boost in cropping across all five states surveyed: Queensland, New South Wales, South Australia and Victoria.

"Pulses have definitely picked up some area that last year didn't get planted," Ms Janson said.

"A lot of the comments we saw in the results refer to successive droughts as being a reason many growers hadn't put crops in, in previous years.

"[However] the barley number in Western Australia was a little bit unexpected, to see such a strong 6 per cent increase."

Survey participants also painted a strong picture of oat production in 2016, with large planting increases in NSW (64 per cent), Western Australia (59 per cent), South Australia (39 per cent) and Victoria (15 per cent).

"A strong price for oats last year reflected in strong plantings this year," Ms Janson said. "It'll be interesting to see how the market copes with the influx of supply; we've definitely in recent times seen the WA price come back a bit as the market sort of gets a handle on just how much crop is out there. "There's a really good demand story around oats –a growth in the health story and strong demand from China – but whether or not they'll be able to soak up the amount that growers are trying to produce this year will remain to be seen."

[back to top](#)

Nigeria spends N1 trillion on four food imports annually

12 August – All Africa

Massive importation of food, especially, rice, wheat, sugar and fish, has continued to bleed the nation's economy, with the four items accounting for a whopping N1 trillion loss to the nation annually.

Executive Secretary, Agricultural Research Council of Nigeria, ARCN, Prof. Baba Abubakar, disclosed this at a sensitization seminar on Genetically Modified Organisms, GMOs, and Agricultural Biotechnology, organised for staff of Federal Ministry of Agriculture and Rural Development by Biotechnology Development Agency, in collaboration with other OFAB and National Bio-safety Management Agency, in Abuja, yesterday.

Abubakar, who was represented by the Acting Director, Partnership and Linkages Programme, Yarama Ndirpaya, noted with dismay that Nigeria had remained a large food importer, in spite of massive uncultivated agricultural land across the country.

He said: "Nigeria spends over N1 trillion on the top four food imports annually. And farmers have limited capacity and use techniques that adversely affect soil fertility, water and biodiversity. Human-induced climate change compounds the issue."

According to him, Nigeria is the largest importer of US hard red and white wheat worth N635 billion annually; world's number 2 importer of rice at N356 billion; N217 billion on sugar and N97 billion on fish.

Abubakar, who described the development as unacceptable, further noted that Nigerian farmers had limited capacity and used techniques that adversely affected soil fertility, water and biodiversity and warned that unless farmers were empowered with biotechnology, the problem might linger into the future.

Applying the principle of total productivity factor, TPF, he revealed that of Nigeria's 98 Mha land, 74 Mha, representing 75 per cent was good for farming, but lamented that less than half was put to use.

[back to top](#)

Indonesian wheat imports up on demand from feed mills

5 August – World Grain

Indonesian feed mills continue to face difficulties meeting feed corn demand.

Indonesia's market year 2015-16 wheat import is forecast at 8.9 million tonnes, up from the previous estimate of 7.6 million tonnes, the U.S. Department of Agriculture's (USDA) Foreign

Agricultural Service (FAS) said in a July 28 report. The increase is mainly driven by higher demand from feed mills. It is therefore expected that U.S. wheat exports to Indonesia will increase slightly to 700,000 tonnes in market year 2015-16.

Indonesian feed mills continue to face difficulties meeting feed corn demand due to 2015-16 weather related production declines and the Indonesian government's restriction on corn imports. In response to low local supplies and import barriers, feed mills are substituting corn with imported feed wheat. The Indonesian Flour Mills Association (APTINDO) said there are 22 feed mills importing feed wheat, resulting in a feed wheat import surge since September 2015. Global Trade Atlas and APTINDO data indicate that wheat imports from July 2015 to May 2016 have reached a total of 8.2 million tonnes, up from 6.7 million tonnes between July 2014 and May 2015, the report said.

The Indonesian government recognizes that the uptick in feed wheat imports poses a threat to the country's corn self-sufficiency policies. In response, its Ministry of Agriculture stopped issuing import recommendations for feed wheat starting in June 2016. Indonesia's Ministry of Agriculture shutdown of feed wheat imports, combined with weak exchange rates is expected to slow Indonesian wheat import growth from an average annual rate of 6% to 7% to approximately 5%, the report said. At these levels, Indonesian wheat imports are expected to contract to 8.5 million tonnes in market year 2016-17.

In line with increasing feed wheat imports, the report revises the market year 2015-16 feed and residual wheat consumption estimate to approximately 1.3 million tonnes, compared to the previous estimate of 450,000 tonnes. But market year 2016-17 feed wheat consumption is expected to decline to 550,000 tonnes based on the discontinuation of feed wheat import recommendations. Market year 2015-16 food wheat consumption is estimated to increase by 4.2% to 7.5 million tonnes, compared to the previous estimate of 7.2 million tonnes. This increase reflects population growth, several new-to-market instant noodle brands, and the growth of the high-end retail bakery segment, the report said. Market year 2016-17 food wheat consumption is forecast to grow to 7.7 million tonnes.

Indonesia's corn production for market year 2015-16 is estimated at 9.3 million tonnes, down from 9.4 million tonnes. The decrease is due to favorable weather that prompted farmers to grow paddy in the place of corn in rain-fed areas and feed mills' preference for imported wheat.

The decline of corn and favorable weather increased Indonesia's rice harvest area to 12 million hectares from 11.8 million hectares. As a result, the FAS said market year 2015-16 rice production will increase to 36.2 million tonnes from 35.6 million tonnes. Considering higher production estimates, the report expects market year 2015-16 Indonesian rice imports will decline to 1.8 million tonnes compared to the initial 2 million tonnes.

[back to top](#)

Reports

Agricultural policy models in different parts of the world – AHDB

This edition of Horizon looks at different agricultural support models from specific countries around the world and evaluates their impact on the agricultural industry.

OECD-FAO Agricultural Outlook 2016-2025

The 2016 edition of the OECD-FAO Agricultural Outlook provides an assessment of the medium-term prospects of global agriculture. The report highlights that for the sector to meet the expanding demand for food, feed and raw products for industrial uses, significant production growth is needed

[back to top](#)

Monthly Information Sources

Grain Market Report – IGC

Oilcrops Monthly Price and Policy Update – FAO

Crop Monitoring in Europe - European Commission

Rice Price Update – FAO

Food Price Monitoring and Analysis Bulletin – FAO

World Agricultural Supply and Demand Estimates – USDA

Early Warning Crop Monitor – GEOGLAM

Commodity Price Data - World Bank

[back to top](#)

The main purpose of the MNR is to provide links between the FAO Secretariat and the Members of the Intergovernmental Group (IGG) on Grains, as well as the general public.

To unsubscribe, send an email to:
<mailto:MNR-L-signoff-request@LISTSERV.FAO.ORG>

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

Useful links

[Previous issues of the MNR](#)
[FAO World Food Situation](#)
[FAO Grains website](#)

Food and Agriculture Organization of the United Nations
www.fao.org/economic/est