Sent by The Food and Agriculture Organization of The United Nations (FAO)

MONTHLY NEWS REPORT ON **GRAINS**

FAO Trade and Markets Division

MNR ISSUE 132 – APRIL 2017

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Market News

South Africa considers strategic grain reserve as possible El nino looms

27 April - Reuters

South Africa, the continent's biggest maize producer and hard hit by an El Nino-triggered drought last year, is considering a strategic grain reserve as a buffer against future shortages, its agriculture minister told Reuters.

Neighbouring countries such as Zimbabwe and Zambia have such reserves, but it would entail a significant policy shift in South Africa, where commercial agriculture is market driven and the state does not act as a buyer and holder of crops.

A strategic grain reserve usually involves the government buying crops and taking responsibility for their storage until they are needed to make up for shortfalls.

"Yes, we are thinking about it," Agriculture Minister Senzeni Zokwana told Reuters late on Tuesday when asked if a grain reserve was being considered.

"It is one of the things that the inter-ministerial committee on drought should look at," he said, referring to a cabinet committee set up in 2015 to look at ways of mitigating the drought.

Zokwana did not go into specifics, such as budget allocations for such a project, which would be difficult in South Africa's strained fiscal environment after damaging ratings downgrades.

In major global grain producer Russia, which has a strategic grain stockpile, budget cuts caused by the financial crisis in recent years have made it difficult for the agriculture ministry to build up the reserve and to service the storage of the current stock.

South Africa will likely reap 14.54 million tonnes of maize in 2017, almost double last year's harvest and its second largest ever after good rains returned, the government's Crop Estimates Committee (CEC) said on Tuesday.

This is more than 40 percent more than the roughly 10.5 million tonnes South Africa typically consumes of the crop, the staple of lower-income households which are a key political base for the ruling ANC and were hard hit last year by rising food prices and inflation linked to the drought.

But the El Nino weather pattern, which faded in May of 2016, may reform again around September, just ahead of South Africa's maize planting season, according to a number of national and global forecasts.

"If we have a bumper crop this year how do we make sure that we have some grain that is reserved for darker days? El Nino is going to be with us, we have to adapt," Zokwana said, adding that commercial farmers should also hold some stocks.

"The challenge we are faced with as a country is that we need to engage with the private sector and say don't sell all you have because the El Nino may be on the door," Zokwana said.

Grain SA, South Africa's largest grain producer group, said in response to questions from Reuters that it was "not in favour of government carrying a strategic stock. The market is already working on such signals of a potential El Nino."

Some farmers and other market players may be tempted to hang onto stocks because prices have plummeted with the abrupt change in weather. But some may also need to sell as much as they can to service debts and other costs.

The July white maize contract was 1.25 percent higher on Wednesday at 1,862 rand ($142) a tonne, around 65 percent lower than record peaks of more than 5,000 rand a tonne scaled early last year during the drought.

El Nino is a warming of ocean surface temperatures in the eastern and central Pacific that occurs every few years, with global consequences. In Africa it often brings excessive rains to the east while the southern cone gets parched.

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Egypt wheat reserves at 2.6 months, to buy 3.8 million tonnes from local harvest
26 April – Egypt Daily News

Egypt has about 2.6 months worth of wheat in its strategic reserves and expects to buy about 3.8 million tonnes from local farmers, Minister of Supply Ali Moselhy told Reuters on Monday at an event to mark the beginning of the local harvest.
Egypt, the world's largest importer of the grain, has said it aims to buy about 4-4.5 million tonnes of wheat from farmers this season while cracking down on smuggling that has cost the country hundreds of millions of dollars in recent years.
Moselhy put that procurement figure a bit lower on Monday. "Maybe about 3.8 (million). I'm always underestimating -- 3.7 to 3.8," he said, standing in a wheat field in Beni Suef, an agricultural province about 100 km south of Cairo. Egypt's local wheat harvest begins around mid-April and runs through July.
The North African country has been tightening its policing local wheat procurement to prevent fraud. More than 2 million of the 5 million tonnes of wheat bought by the government last year may have existed only on paper, according to grain industry experts and lawmakers who investigated the matter. Moselhy said state grain buyer GASC would continue to import during the harvest aiming to increase strategic reserves to six months.
"Up until now we have about 2.6 months (of wheat) as reserves. We always aim to have four months of reserves, but as you know we are starting the season, and we're getting about 4 million (tonnes), which will give us a six-month reserve," said Moselhy. Moselhy said the 2.6 month figure did not include quantities of wheat contracted for by GASC but which have not yet arrived and it is unclear how much remains outstanding.
Government figures for reserves have in the past often included wheat not yet in the country, a tactic traders say inflates the country's level of strategic reserves. Moselhy added that GASC's monthly consumption of wheat, which it uses to supply the country's sprawling bread subsidy program, stood at about 800,000 tonnes per month. In the months leading up to the wheat harvest Egypt's GASC has been buying wheat from abroad at a breakneck clip, which traders have attributed to higher-than-usual bread consumption by Egyptians hit by soaring inflation.
GASC purchased about 5.6 million tonnes of wheat during the 2016-17 season which ends with the start of the local harvest, a nearly 25 percent leap from the roughly 4.5 million purchased last year, according to Reuters data.

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India – Maize prices to stay put on plentiful supply
24 April – Business Line

Current prices may continue in coming months given the market fundamentals. The Indian maize market is passing through an unexciting phase. Record harvests in 2016-17 covering kharif and rabi seasons have augmented the availability of the cereal this year for the user industries, such as starch and animal feed.
Adequate domestic supplies will likely continue to keep prices on a leash, while export and import activity is rather muted because of price disparities.

To be sure, maize is one of the success stories of Indian agriculture in recent years. Production has been expanding steadily since 2006-07 (15.1 million tonnes) and touched 24.2 million tonnes (mt) in 2014-15. El Nino-induced poor precipitation saw the harvest size shrink to 22.6 mt the following year. But thanks to reasonably well-distributed, near-normal, south-west monsoon, production has reached a new high of 26.15 mt this year, exceeding the annual target of 24.5 mt.

The Indian situation largely mirrors the global situation. World maize (maize) production reached a new high of 1,054 mt in 2016-17, thanks to a rebound in harvest in Argentina and Brazil. Brazilian maize harvest this year is 40 per cent higher than in the previous year and has set a new record of 93.5 mt.

World maize trade will remain largely unchanged from last year's record of 145 mt. Trade is dominated by the US as the world's largest producer and exporter. US maize exports account for 35-40 per cent of world trade. Global stocks this year are set to reach a new high of 223 mt.

As a result, export prices have turned weak. While offers from the US are at about $160 a tonne, those from the Black Sea region, especially Ukraine, are around $170 a tonne. Importers are keen to take advantage of the prevailing consumer-friendly rates.

The livestock sector is a principal consumer of maize while in producing countries such as the US, the cereal is also used for ethanol production.

Currently, local prices are at around Rs. 16,000 a tonne, far higher than international rates. So, there is no possibility of maize export out of India. Logically, world prices should encourage maize import into India; but that too is not feasible because of import duty of 51 per cent.

To be sure, only non-GM (non-genetically modified) maize is allowed for import into the country. Such produce is available from origins like Ukraine. Non-GM maize offers are seen at $200 a tonne landed at Indian port. Add to that the specified import duty and the business becomes unviable. However, some consignments do enter the country under the advance licensing scheme, which is duty-free but comes with an export obligation.

The starch industry, for instance, imports low-priced maize and re-exports derivative products.

Domestic maize prices are most unlikely to be disturbed from their current levels in the coming months, given the market fundamentals. Demand from the poultry industry is adequately met. Feed substitutes such as oilseed extractions are also cheap. That also caps the upside price possibility for maize.

The outlook for 2017-18 depends on how the south-west monsoon eventually pans out in terms of spatial and temporal distribution. Unlike pulse growers, maize growers have received prices generally above the minimum support price of Rs. 1,365 a quintal. It stands to reason to believe that the planted area under maize in the upcoming kharif season will be retained at about 8 million hectares or may expand marginally.

The key to higher production is, of course, yield increase. There is scope to raise the current average yield of 2.5 tonnes to well over 3.0 tonnes, especially in the kharif season, with improved input management and agronomic practices.

The writer is a global agri business and commodities market specialist

Maize production reached a new high of 26.15 million tonnes in 2016-17, higher than the set target of 24.5 million tonnes.

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‘Considerable transport problems’ cut Australian wheat export hopes

24 April– Hellenic shipping

"Considerable transport problems", prompted by a scramble to exploit strong demand for pulses and canola, will deny Australia a record in wheat exports this season, and prompt a far bigger drop in 2017-18 than has been forecast.

The US Department of Agriculture's Canberra bureau cut its forecast for Australian wheat exports for 2016-17, on a July-to-June basis, to 22.0m tonnes, below expectations from other commentators – including the USDA itself.

And the bureau pegged wheat shipments next year from Australia, the southern hemisphere's largest exporter, at 18.0m tonnes – 2.9m tonnes below the estimate from Abares, Australia's official commodities bureau.

The bureau said its forecasts reflected in part expectations of a "continued strong Australian dollar", which undermines the competitiveness of the country's exports, besides the prospect of a retreat in production from this year's record high.

The 2017-18 harvest was seen tumbling by more than 30%, to 24m tonnes, from the current season's record high, undermined by "projections for lower average rainfall", besides the dent to sowings prospects from weak prices.

"Farmers have been influenced by the continuing fall in wheat prices on world markets, and alternative crops such as canola are expected to become more popular," the USDA said.

The comments echoed those earlier in the week from Rabobank, which said that "total area planted to wheat is expected down on average, on the back of price relatives with alternative crops.

"Increased planting of canola and pulses is expected."

However, the bureau also flagged "ongoing port and logistical problems" stemming from a shortfall in shipping containers, which merchants rely on to a large part for carrying wheat exports.

The problems, "which have continually hampered wheat exports and could continue for the rest of the year", began in the second half of 2016, when shippers reportedly diverted containers for carrying pulses and oilseeds.

"These… exports have higher unit values and were given priority by shipping companies," the bureau said, adding that the shippers "also introduced higher fees during peak periods".

"As a result, there were considerable logistical and transport problems in exporting the wheat crop from the second half of 2016, particularly for traditional exports of milling wheat into South East Asia."

The comments follow a warning from the Australian office of grain trader Nidera that the "reputation of the Australian exporter is being jeopardised by the lack of accountability of global container freight providers".

It backed the idea that shipping lines had "prioritised the higher paying pulse cargos to the detriment of traditional milling wheat shipments into South East Asia.

"To add insult to injury the shipping lines have substantially increased their second quarter freight rates and imposed 'peak season' surcharges" even on delayed container cargos.

"So product that was originally intended to be shipped in February, but now not going out until April in many cases, is incurring an additional freight cost."

Combined with charges from importers for late delivery of wheat, "all of these penalties far outweigh the original margin the exporter hoped to achieve when they originally negotiated the business", said Peter McMeekin, Nidera Australia origination manager.

The container shortfall has been exacerbated by other factors, including last year's collapse of South Korea-based Hanjin Shipping, one of the world's top container shippers, carrying more than 100m tonnes a year.
Furthermore, subsided pre-Christmas imports left Australia with fewer containers to re-export than has been typical.
And what containers there were are of the larger 40-foot length difficult for the Australian logistics chain to handle.
"Not many domestic packers can handle 40-foot containers, road weight restrictions means that they can only be half filled and a lot of destinations throughout Asia don't have the infrastructure to manage the larger boxes," Mr McMeekin said.

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Brazil's safrinha harvest could leave 'huge piles' of maize without storage
19 April – Agrimoney

Millions of tonnes of Brazilian maize could be left outside, if farmers do not clear out soybeans before the safrinha harvest starts in June, analyst Dr Michael Cordonnier warns.
"Brazil always has a chronic shortage of storage space for its increasing grain production, but this year it could be even worse," Mr Cordonnier said.
"Brazilian farmers produced a record large soybean crop and they may also produce a record large safrinha maize crop as well, so just the large production estimates alone have people worried about having enough storage space."
The size of the expected maize harvest alone would make storage tight, Dr Cordonnier said.
But the situation could be exacerbated by very slow farmer sales of the soybean harvest.
Estimates from the Brazilian consultancy AgRural showed that as of the end of March, farmers had sold just 49% of their soybean crops.
This is the slowest pace of selling in seven years, as farmers hold onto beans in hopes that prices rise.
A stronger Brazilian real, combined with ample supply and sluggish international grain markets, have weighed heavily on maize and soybean prices in Brazil.
"The prices for both soybeans and maize are below the cost of production, so there is very little incentive for farmers to sell their grain any time soon," Dr Cordonnier said.
"Many farmers are only selling what is needed to pay their immediate bills," he noted.
"The slow selling is keeping the grain silos full of soybeans," said Dr Cordonnier.
"In Mato Grosso for example, the soybean harvest is all complete and the safrinha maize harvest will start in June," he said.
"If the soybeans are not moved out by then, the grain elevators will be forced to store the maize outside in huge piles."

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Europe's wheat reserves shrinking to lowest in more than decade
13 April – AgWeb

Europe is likely to end the wheat season with the smallest stockpiles in 13 years.
Inventories of wheat held in the European Union will probably plunge 37 percent to 10.1 million metric tons at the end of June, according to Tallage SAS, publisher of the Strategie Grains report. The combination of a poor harvest, strong consumption and higher-than-expected exports is draining stockpiles, which will probably stay low next season, the researcher said.

“We see a cocktail of factors that will be bullish for wheat this season and in 2017-18,” Andree Defois, president of Moret sur Loing, France-based Tallage, said by phone. “The fact that the EU situation will be in tight balance and stocks around the world are expected to decrease, especially by main exporting countries, could impact prices.”
Europe’s output is set to rebound after poor harvests in France and Germany, the bloc’s top producers. Wheat futures traded in Paris are down 1.9 percent this year at 164.75 euros a ton following four annual declines.
“Next season, the stocks will continue to remain tight because of the increase in internal demand and exports will offset a rise in production," Defois said.
Tallage also boosted estimates for EU wheat exports for this season by 300,000 tons to 23.5 million tons. Demand for European grain is increasing after Turkey put restrictions on Russian wheat. Still, exports are down 8.4 million tons from the previous year.
The EU’s total grains production is poised to rise 3 percent to 305.2 million tons in the season that starts July, rebounding from a drop this season, according to Tallage estimates. Soft-wheat production will rise 6 percent to 143.8 million tons next season. Durum-wheat output is expected to fall 10 percent to 8.9 million tons.
Tallage kept most estimates for EU crop production unchanged from a month ago.
A relatively dry winter in most of Europe has raised concerns about water stress affecting crops in certain areas, Tallage said. If dry conditions in parts the continent are prolonged, early maize growth could be hampered.
“The situation is normal as of now for all crops and there is good yield potential,” Benoit Fayaud, an analyst at Tallage, said by phone. “But if we don’t get enough rains by the end of April, it could become a problem, especially for wheat and barley,”
Countries including France, Belgium, Hungary and Bulgaria have registered below-average rainfall and Spain, the fourth-biggest producer in the region, is suffering from a rain shortage.
“The biggest problem could be a change in Spain’s production where there is already a problem of water stress,” Fayaud said. “Spain is an important importer and the lower its production, the more it will import.”
Other 2017-18 highlights: EU maize-output estimate cut by 150,000 tons to 60.4 million tons, citing smaller acreage in Bulgaria, France and Spain. EU barley estimate little changed at 61.3 million tons.

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China National Cereals, Oils and Foodstuffs Corporation (COFCO) imports Russian wheat
13 April – World grain

A recent agreement between Russia and China on export and import protocols allowed the COFCO Corp to import wheat from Russia.
In early April, 500 tonnes of Russian spring wheat arrived at the Manzhouli land port. This is the first bulk shipment of Russian wheat to enter China in a market-oriented manner via the land port.
Peng Anqiao, assistant president of COFCO and chairman of COFCO Trading, regarded this as an effective attempt by COFCO Corporation to refine and implement the “Belt and Road” initiative, speed up its pace to spread its footprints along the “Belt and Road,” and accelerate the expansion of its agro-products trade cooperation with Russia and construction of overseas grain source system to continuously boost its international competitiveness.

The shipment of spring wheat grown in the Krasnoyarsk region of Russia has been subject to rigorous quality control inspection in accordance to COFCO's quality system. According to COFCO, the wheat is suitable to be processed into special flour of medium and high grade since its major quality indexes, including unit weight, gluten content and stability are proved to be excellent.

The Russia-based subsidiary company of COFCO Agri under COFCO Corporation has procured the wheat by tapping into its own overseas grain source system. COFCO Trading is responsible for import and distribution to the Chinese market. In the future the volume of wheat trade between China and Russia is expected to reach new scale if Russia can ensure stable quality and continuous supply of wheat, COFCO said.

This new shipment of wheat from Russia is the latest of imports that COFCO has initiated. In March, the company imported 2,200 tonnes of wheat from Kazakhstan. During his state visit to Kazakhstan in September 2013, Chinese President Xi Jinping made a proposal in his speech to build the "Silk Road Economic Belt," thus unveiling the grand strategy of the "Belt and Road." At present, China has become the largest trading partner of Kazakhstan, COFCO said. The wheat trade between the two countries plays a dominant role in their agro-products trade. Recent years have witnessed a rapid increase of wheat trade scale between two countries due to joint efforts made by COFCO Corporation and relevant enterprises in Kazakhstan.

Ma Lijun, general manager of Wheat Department of COFCO Trading, said this shipment of Kazakhstan wheat has been one of the latest achievement made by COFCO Corporation since it started to set up grain procurement and storage facilities in countries along the "Belt and Road." It is the first time for bulk containers to be used for transporting Kazakhstan wheat, which was directly supplied by Nidera (Kazakhstan) under COFCO Corporation from its self-owned warehouse, to an inland port, which has improved the transportation efficiency of imported Kazakhstan wheat.

As the pioneer, leader and major channel of wheat trade between China and Kazakhstan, COFCO said it continues to improve the efficiency of importing Kazakhstan wheat, strives to exercise rigorous control of quality on imported wheat, and constantly expands the sales regions so as to lay a solid foundation for the sustained rapid growth of Kazakhstan wheat import business.

In recent years, COFCO has conducted agro-products trade with 54 countries along the "Belt and Road" and maintained a relatively fast growth momentum. After acquiring strategic resources such as warehousing, port and logistics facilities in regions along the "Belt and Road," COFCO said it has become the largest grain exporter in Romania and one of the top grain exporters in Ukraine, and owns the most advanced agro-products entrepot facilities in Ukraine's DSSC grain port. Meanwhile, COFCO also provides engineering design, financial and insurance services to many countries along the "Belt and Road."

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Against the grain, traders go gluten free

12 April – Bloomberg

There's so little money in buying and selling wheat, maize and soybeans these days that some traders are turning to obscure markets in desert-grown tomatoes and chickpeas to turn a profit.

Margins for handling the big grain crops have sunk as farmers grew morethan the world needs for four years. That's led firms like Germany's BayWa AG to seek out niches such as

tomatoes and organic grains where returns are higher. Others turned to costlier processed food ingredients or gluten-free products.
"The general trading environment for agricultural commodities is rather difficult," said Jean-Francois Lambert, the founder and managing partner of consultant Lambert Commodities. "It has been the case for two years and it looks like this year may be as challenging."
That bodes ill for traders who grew fat in the boom years last decade, when prices rose on demand from a world population growing in size and wealth.
While the biggest firms trading huge grain market volumes may see limited effect on their bottom lines from niche markets, small and mid-sized traders can benefit more. They've jumped into lesser-known products like quinoa or organic crops with better margins and demand from health-conscious shoppers.
Grain Services Srl, a brokerage based in Reggio Emilia, Italy, gets about 30 percent of its revenue from gluten-free, organic or niche products including quinoa, rice, amaranth and lentils, even though these make up just 7 percent of the 1.5 million metric tons of crops that the firm handles, Managing Director Andrea Cagnolati said.
Demand from consumers is making gluten-free and organic foods one of the world's fastest growing areas of the industry, according to a presentation by Cagnolati at the Black Sea Grain conference in Kiev last week. The gluten-free products industry is seen expanding by about 10 percent a year, with annual sales reaching $7 billion worldwide by 2020.
"The quantity is low, but we get very good margins," Cagnolati said in an interview at the conference. "The margins in traditional grain markets are very low, or in the case of the U.S. even negative."
BayWa, the German agribusiness that bolstered grain operations only to post a loss at its trading unit last year, is turning to organic and greenhouse produce. The firm has entered a venture to grow and trade premium tomatoes in the United Arab Emirates.
France's Groupe Soufflet, the biggest private buyer of grain in Europe, is expanding in pulses and investing in production of ready-to-eat lentils.
Even industry giants such as Glencore Plc and Bunge Ltd. have entered or expanded less-traded areas in the past two years. Bunge, which has been trading for 200 years, bought a Turkish olive-oil company and Glencore is handling the product from its Madrid office.
These are small operations for such large firms -- not a side dish so much as a condiment to their main grain operations. Volumes of global imports of pulses including beans, lentils and chickpeas came to less than 6 percent of total wheat imports in 2013, according to the latest available data from the United Nations' Food & Agriculture Organization.
"Niche markets are still too small to be interesting" for such players, Erik Rietkerk, chief executive officer of Amsterdam Commodities NV, a trader of products such as nuts and spices, said in an interview in Lausanne, Switzerland. "Those are not liquid markets."
A better strategy for the top firms may be expanding into costlier processed commodities to sell to customers further down the supply chain. Bunge is finalizing plans to build a soy-processing plant in the U.S. to allow it to offer more soymeal or soybean oil. Cargill Inc. has expanded its animal nutrition business and bought Archer-Daniels-Midland Co.'s chocolate business.
France's top grains cooperative, Axereal, is also betting on growing demand for beer to turn its barley malting plant in Antwerp into the world's largest.
Others are sticking with grain in locations where they see growth, as prices of maize and wheat bottom out in 2017 after slumping for four straight years. ED&F Man Holdings Ltd. is expanding grain trading in the Black Sea region and China, Glencore has its sights on the

U.S. and Bunge is pushing into Canada. Some such as Chinese food giant Cofco Corp. have simply reined in their ambitions.
Even BayWa's tomato project, with plans for 15 hectares (37 acres) of greenhouses in the desert, seeks to tap into strong demand in the Middle East.
"Large corporations will increase their engagement in emerging markets where there is still room to generate margins or exploit competitive advantage," said Miroslaw Marciniak, a consultant at Warsaw-based InfoGrain and former grain trader. "The scale is important so they will continue to trade in bulk."

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Turkish wheat stocks plummet, amid economic uncertainty
12 April – Kazakhstan Newline

Turkish wheat stocks are growing extremely tight, thanks to economic uncertainty and a ban on Russian imports, US officials warned, with supplies implied to fall to less than two weeks of demand by the end of next season.
Turkey is the world's largest flour exporter, and its milling industry is dependent on tariff-free imports of high protein wheat.
But the plummeting currency, and political uncertainty, is discouraging private-sector stockholding, while the government grain body aggressively draws down its stocks, the US Department of Agriculture's bureau in Ankara said.
The bureau cut its ideas of 2016-17 imports by 800,000 tonnes, to 4.0m tonnes, citing "unstable currency, the Turkish grain board's strong sales, and a reduced tendency by the private sector to want to grow their stocks in an uncertain economic environment".
Imports are seen rising to 4.5m tonnes in 2017-18, thanks to "ongoing demand for high quality wheat from flour and pasta exporters," but this will not be enough to stop the steady drawdown in stocks.
By the end of 2017-18, stocks are seen falling to just 648,000 tonnes, the lowest estimate on records going back to 1960, "assuming the uncertain economic environment continues to discourage stocking".
The bureau's forecast implies a stocks to use ratio at an eye-wateringly tight 3.7%, enough for less than two weeks of consumption.
"The year 2016 has been very difficult for Turkey's grain market sector due to political, security, and economic instability," said the bureau.
One issue for importers has been the weakening of the Turkish lira, which fell by about a third against the dollar between the start of 2015 and the start of 2017.
As well as making dollar-denominated wheat imports more expensive, the volatility has affected investment and market sentiment.
"Apparently the private sector is reluctant to grow their stocks in an uncertain economic environment, which is reflected by low ending stocks of all commodities."
At the same time, the Turkish grain board has been actively drawing down its reserves, supressing import demand and reducing the country's total grain stocks.
And imports have also been hit by a ban on Russian wheat imports, in addition to maize and other products.
"It is unclear how long this "ban" will last or how much it will impact the grain and feed sector at this stage, but it is causing a lot of concern in the industry," said the bureau.

"According to market sources, flour exporters, who are currently importing more than 3m tonnes of wheat per year, are worried about finding a price equivalent substitute for high protein Russian wheat," the bureau said.
This shortage of Russian supplies will cause Turkey's wheat flour exports to slow, if the ban remains in place, the bureau warned.
Almost all of Turkey's wheat imports go to the country's flour industry, which is spared the very high tariffs applied to other wheat imports.
This policy is designed to give the country's mills access to high quality wheat, and has helped Turkey become the world's top flour exporter in recent years.

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Saudi Arabia to become major player in world maize market
6 April – Black Sea Grain

Saudi Arabia is to become a "major player in the maize market", thanks to a switch away from barley in animal feed which will spur a rise too in wheat imports, which also face a boost from drive to boost religious tourism.
The US Department of Agriculture's Riyadh bureau, in its first forecasts for Saudi Arabian grains supply and demand in 2017-18, pegged maize imports at a record 4.30m tonnes, a rise of 400,000 tonnes.
And imports appear set to continue growing thanks to a curb by the water-short country on domestic production of green forage, output of which reached some 4m tonnes in 2015, while the country is cutting too its traditional reliance on barley for feed.
"The main reason for the decline in projected feed barley consumption," seen falling to a six-year low of 8.0m tonnes next season, "is increased demand for processed feed due to its price competiveness and perceived nutritional value", the bureau said.
Barley's declining popularity, at a time when green forage is being phased out, "will benefit" consumption of substitutes, including maize and feed wheat.
Indeed, "as the domestic feed processing is expected to drastically increase in the next few years, Saudi Arabia will become a major player in the global maize market," the bureau said.
Maize is particularly popular with the country's growing broiler industry, comprising some 60% of poultry feed in domestic formulations.
"It is also a key feed grain used by commercial feed processors and domestic dairy farms."
The spillover demand for feed wheat, meanwhile, will come at a time when imports of milling wheat are already being spurred by population growth, with Saudi Arabia's own production sidelined by measures aimed at water conservation.
The bureau estimated the country's overall wheat imports – of which the vast majority are for milling, from hard wheat origins such as Germany and Lithuania – rising by 200,000 tonnes to a record 3.70m tonnes.
And needs could take a further jump if the government succeeds in measures to boost Islamic tourism which attracted 8m pilgrims to the Mecca Al-Mukarama region last year for the umrah ritual.
"The government is working to increase the number of religious tourists coming to perform umrah… to 15m by 2020, and 30m by 2030," the bureau said.
"The forecasted surge in pilgrims is expected to increase the demand for wheat flour and other food products in the next few years."
Currently, average per capita consumption of wheat in Saudi Arabia is 239 grammes per day, or 87 kilogrammes per year.

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Reports

Negotiating global rules on agricultural domestic support: options for the WTO's Buenos Aires Ministerial Conference – International centre for trade and sustainable development

This paper analyses various options for negotiating agricultural domestic support, drawing on ideas that have been put forward at the WTO. It examines the implications of various approaches for countries' actual support levels as well as for their maximum permitted ceilings under WTO rules, and looks in particular at those products that are especially important to low-income countries.

Agricultural policies, trade and sustainable development in Egypt - International centre for trade and sustainable development

This study analyses Egypt's agricultural sector and its performance over time, identifies constraints to increasing production and exports, and examines the key role of trade in inclusive agriculture development. It also recommends trade policy changes that could improve food security, raise incomes and promote sustainability in agriculture.

Atlas of sustainable development goals 2017: from world development indicators – World Bank

Goals. The Atlas primarily draws on World Development Indicators (WDI) - the World Bank's compilation of internationally comparable statistics about global development and the quality of people's lives Given the breadth and scope of the SDGs, the editors have been selective, emphasizing issues considered important by experts in the World Bank's Global Practices and Cross Cutting Solution Areas. Nevertheless, The Atlas aims to reflect the breadth of the Goals themselves and presents national and regional trends and snapshots of progress towards the UN's seventeen Sustainable Development Goals: poverty, hunger, health, education, gender, water, energy, jobs, infrastructure, inequalities, cities, consumption, climate, oceans, the environment, peace, institutions, and partnerships. Between 1990 and 2013, nearly one billion people were raised out of extreme poverty.

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Monthly Information Sources

Grain Market Report – IGC

Oilcrops Monthly Price and Policy Update – FAO

Crop Monitoring in Europe - European Commission

Rice Price Update – FAO

World Agricultural Supply and Demand Estimates – USDA

Early Warning Crop Monitor – GEOGLAM

Commodity Price Data - World Bank

Food Price Monitoring and Analysis (FPMA) - FAO

GIEWS Country Briefs - FAO

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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