

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

MONTHLY NEWS REPORT ON GRAINS

FAO Trade and Markets Division

MNR ISSUE 139 – January 2018

Market News

- Wheat futures near six-month high, spurred by US crop worries
- Russian wheat export prices on the rise
- Canada's wheat production down, quality up
- US farmers say TTP gives Australia advantage
- French wheat export target at risk as competition bites
- South Africa maize output forecast lower
- Russian wheat sales expand global reach with surge in Sudan
- China's farming costs to rise in 2018 as fertilizer prices jump
- Argentine drought seen cutting maize crop by up to 3.7 million tonnes
- India – wheat farmers fear price crash in election year

Reports

- Global economic prospects. Broad-based upturn, but for how long? – World Bank

Monthly Information Sources

- Grain Market Report – IGC
- Oilcrops Monthly Price and Policy Update – FAO
- Crop Monitoring in Europe - European Commission
- FAO 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

Market News

Wheat futures near six-month high, spurred by US crop worries

30 January – Agrimoney.com

Futures in hard red winter wheat soared to their highest in nearly six months, leading a strong session for agricultural commodities, and further punishing hedge funds caught out with record bearish bets on the complex.

Kansas City hard red winter wheat futures for March stood up 3.2% at \$4.67 ½ a bushel in late deals, 0.75 cents from an intraday peak which was the highest for a spot contract since August 1 last year.

It also represented outperformance over Chicago-traded soft red winter wheat, the world benchmark, which for March gained 1.2% to \$4.54 ½ a bushel.

Minneapolis spring wheat lagged the winter wheat classes, up 0.9% at \$6.19 a bushel, with higher prices seen boosting prospects for North American sowings ahead.

The gains followed the release overnight of official data showing a marked deterioration in the condition of wheat crops in the central southern Plains, a major hard red winter wheat-growing area, which has seen spreading drought, with little rain relief in sight.

“The five-day precipitation outlook offers little chance of moisture for the majority of wheat growing areas in Kansas, Oklahoma, Colorado, or Texas,” said Dr Mark Welch at Texas A&M University.

The extent of the gains was seen being supercharged by the position of funds, which have sold heavy on agricultural commodities, building up a record net short position as of a week ago (the latest data available), including sizeable net short bets on wheat.

Drops in open interest (ie the number of live contracts) in the last session of 4,369 lots in Chicago and 5,262 contracts for Kansas City wheat were seen down to closing by funds of short bets many of which were showing mounting losses.

An indication of this is that both contracts are now well above their 100-day moving average lines, and not far from 200-day lines.

“Despite the poor weather conditions, the driver behind these markets is the funds being the wrong way,” said Benson Quinn Commodities.

Tregg Cronin at broker Halo Commodity Company, saw the rally thus: “The dog with fleas is having its day in the sun.”

But while applied to hard wheat, the comment could in fact have applied to ags in general, with the short-covering wave proving a little infectious, helped by dry concerns in Argentina, for instance, threatening maize and soybean crops, while excessive rains are seen hampering the Brazilian soy harvest.

Extra buying pressure came from an easier dollar, falling 0.2% against a basket of currencies to boost the affordability of US exports.

Meanwhile, there was some talk of switches in money flow, as equities tumbled, with the Dow Jones industrial average down 1.4% in afternoon deals, amid fears that improved economic hopes may spill over into interest rate rises.

Indeed, there are mounting ideas that inflation might finally make a comeback – a factor likely to boost the appeal of commodities to investors.

The Bcom ag subindex stood up 0.6%, building on its first close, in the last session, above its 100-day moving average in nigh on six months.

Still, there are worries for grain bulls, for instance that rising wheat prices may be destroying demand – ie pricing US supplies out of export markets – when it is very early in the season to be writing down production potential.

“Many fundamental traders have been quick to point out crop conditions at the end of January are hardly a good indicator of final yield potential, but when added to the weak-dollar environment and the heavy fund short position, the combination is enough to spur short-covering,” Mr Cronin said.

“The question now becomes how far can wheat run given it is only January 30, and given US wheat prices have already been pushed out of export grids by most major importers?”

Russian export prices remain competitive, reportedly still below \$200 a tonne, although rising thanks to rouble strength, with French offers seen a touch above that.

On Tuesday, with dollar weakness/euro strength not such a big factor, Paris wheat joined in the rally, gaining 1.3% to E160.75 a tonne for March delivery, back above its 50-day moving average for the first time in two months.

Chicago maize for March was pulled higher too by its rival grain in many purposes, adding 0.6% to \$3.60 ¾ a bushel, earlier touching \$3.62 ¼ a bushel, the highest for a spot contract in five months.

The Argentina worries helped too, with Radiant Solutions cautioning that, in southern Brazil too, “below-normal rainfall and above-normal temperatures are expected over the next 10 days, which will increase stress on the maize and soybean crops.

In parts of Argentina, “highs are expected to reach the mid-90s Fahrenheit, but there are hotter risks, with temperatures up to 100 Fahrenheit (38 Celsius) possible next week”.

Hot weather is a big negative for pollinating maize, of which some earlier-seeded crop reportedly is.

Certainly, Dr Michael Cordonnier lowered his Argentina soybean crop estimate by 1m tonnes to 39m tonnes, citing drier weather conditions.

And for soybeans, Benson Quinn Commodities said that “analysts are taking Argentina’s bean production down to 50m-52m tonnes, versus the US Department of Agriculture at 56m tonnes”.

In fact, Dr Cordonnier cut its Argentine soy crop estimate by 1m tonnes to 51m tonnes, although also raised his forecast for the Brazilian soybean crop by 1m tonnes to 112m tonnes.

Soybean futures for March stood up 0.8% at \$9.99 ½ a bushel in late deals.

[back to top](#)

Russian wheat export prices on the rise

29 January – Maritime professional.com

Russian wheat export prices rose last week due to higher global benchmarks and the strengthening of the rouble against the dollar, analysts said on Monday.

Black Sea prices for Russian wheat with 12.5 percent protein content were at \$194.5 a tonne on a free-on-board (FOB) basis at the end of last week, up \$1.5 from a week earlier, Russian agricultural consultancy IKAR said in a note.

SovEcon, another Moscow-based consultancy, quoted FOB wheat prices in the Black Sea area up \$2 to \$195 per tonne and maize prices up \$3 to \$171 per tonne. Prices for barley added \$3 to \$194.5 per tonne.

"The market strengthening was supported by positive dynamic in the global markets and the resumed strengthening of the rouble," SovEcon said.

Chicago wheat rose for a fourth consecutive session on Monday to its highest since early October with prices buoyed by concerns over dry weather curbing U.S. winter crop output. The rouble rose last week due to higher oil prices and on the back of a decision by Moody's to change its outlook on Russia's ratings to positive from stable.

Russia is expected to export 4.1 million tonnes of wheat, barley and maize in January, down from 4.9 million tonnes in December, SovEcon said on Friday.

"Loadings are running at a record pace for January despite the recent stormy weather in ports," it added.

By Jan. 24, Russia had exported 29.8 million tonnes of grain since the start of the 2017/18 season on July 1, including 23.3 million tonnes of wheat, the ministry said. The pace of grain exports was up 35 percent compared to the same period in the previous season.

Meanwhile, risks for 2018 grain crop continue to decrease as the weather still favours Russia's winter grain sowings, SovEcon added. It currently expected Russia's 2018 grain crop at 128 million tonnes, including 77 million tonnes of wheat.

Domestic prices for third-class wheat fell 25 roubles to 8,550 roubles (\$152) a tonne in the European part of Russia on an ex-works basis, according to SovEcon. Ex-works supply does not include delivery costs.

New crop sunflower seed prices rose 50 roubles to 19,625 roubles per tonne, SovEcon said. Domestic sunflower oil prices and export prices were flat at 43,825 roubles and \$735 per tonne, respectively.

IKAR's white sugar price index for southern Russia rose \$33.5 to \$482.75 a tonne as of Jan. 26.

[back to top](#)

Canada's wheat production down, quality up

29 January – Worldgrain.com

While Canadian wheat production dropped 5% in the 2017-18 marketing year, the quality improved and about 90% of the crop will grade in the top two milling categories.

This has led to short supplies of wheat for feeding as wheat growers hold onto their crop in expectation of better prices, according to a report from the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA).

Total wheat production is estimated at 29.98 million tonnes.

"Despite dry prairie conditions for much of the growing season, the prairies experienced good quality crops and solid spring wheat yields, due to sufficient soil moisture remaining from the winter months and improved genetics," the FAS said.

Average protein levels for Canadian Western Red Spring wheat were 13.1%, below the 10-year average of 13.4%.

The average durum protein level was 13.6%, well above the 10-year average of 12.9%, and the Canada Prairie Red Spring (CPRS) crop exactly matched the 10-year average of 12.1%.

Feed wheat supplies have dropped from national record highs in June 2017 to tight levels in December, the FAS said.

"Strong selling prices for feed wheat, which is on par with barley in parts of Alberta, and increased demand for U.S. maize in October and November 2017 point to broader tightness in Canadian feed grain supplies," the FAS said.

Low supply of Canadian feed grain can be explained both by supply-side fundamentals and growth in demand, the FAS said. Producers have been reluctant to sell wheat at feed grade

prices, expecting a higher price that matches the high quality of this year's crop. In addition, the quality wheat doesn't have the higher protein levels preferred by feeders.

Less feeder cattle have been exported due to strong demand so greater numbers are being fed in Canada this winter than a year ago.

Cattle-on-feed numbers in Alberta and Saskatchewan reached the five-year average high levels in December, rising sharply above 2016 levels, the FAS said.

[back to top](#)

US farmers say TPP gives Australia advantage

29 January – The Australian.com

American beef producers and wheat farmers are furious US President Donald Trump's abandonment of the Trans-Pacific Partnership has given Australia and other nations major advantages in key markets including Japan.

The US National Cattlemen's Beef Association branded the move by Australia, New Zealand, Japan and eight other Pacific Rim nations to move ahead to form the TPP without America as "a missed opportunity" for US farmers.

US Wheat Associates and the National Association of Wheat Growers warned Mr Trump's TPP withdrawal "puts overseas demand for US wheat at serious risk".

The pressure appears to be working with Mr Trump last week at the World Economic Forum in Davos, Switzerland, making the shock announcement he might consider re-joining TPP.

"Withdrawing from TPP was a missed opportunity for the United States to gain greater access to some of the world's most vibrant and growing markets," Kent Bacus, the National Cattlemen's Beef Association's director of international trade and market access, said.

"As we now enter a pivotal round of NAFTA negotiations, the last thing we need is to take a step backwards in our relationships with Canada and Mexico."

US beef producers have repeatedly warned America's lack of a free trade agreement with Japan put it at a disadvantage with Australia.

US beef is hit with a 38.5 per cent tariff in Japan.

Wheat growers want the heat turned up on the Trump administration.

"As expected, the remaining members of TPP are moving forward without the United States," NAWG president Gordon Stoner said.

"If nothing else, this announcement should serve as a rallying cry for farmers, ranchers and dairy producers calling for the new trade deals we were promised when the president walked away from TPP.

"The heat needs to be turned up on the administration and on trade negotiations with Japan.

"An already stressed agriculture sector needs the benefit of free and fair trade now."

US wheat growers estimate after full implementation of the new TPP Japan's import tariffs on Canadian and Australian wheat would drop by about \$US65 per tonne.

Mr Trump rode into the White House on a campaign that slammed the TPP as a

"catastrophe" and on his third day in office withdrew the US from the proposed pact.

Australian Foreign Affairs Minister Julie Bishop said in Los Angeles on Friday a way to make the TPP look "like a win-win" for Mr Trump would be to rename it.

"How far the 11 will be prepared to go to admit the United States in a way that would enable President Trump to claim triumph?" Ms Bishop asked the audience.

"I don't know.

"But the point we are making to the United States is others are seeing the TPP as an enormous economic and strategic advantage."

[back to top](#)

French wheat export target at risk as competition bites

28 January – Gulf Times.com

French overseas wheat sales will probably be smaller than expected because of fierce competition from nations such as Russia and Argentina, an exporters' lobby group said.

Shipments to countries outside the European Union are unlikely to meet the 9.3mn metric tonnes forecast by crops office FranceAgriMer, according to Jean-Pierre Langlois-Berthelot, president of France Export Cereales. FranceAgriMer has lowered its outlook three times this season and warned of a further cut.

"It's too much," Langlois-Berthelot said in an interview in Paris on Tuesday. "We aren't loading a lot at the ports. We really need to have a huge trend and we are not helped by the weather. With a lot of rain, it's really complicated to load."

The Black Sea region is a major threat to the EU's top producer. Russia has been increasing market share in top importer Egypt as well as in sub-Saharan Africa, traditionally a key buyer of French grain. The euro's rally to a three-year high has also hurt French shipments because it makes purchases of European wheat more costly.

Exports to non-EU countries totalled 3.55mn tonnes in the first half of this season, just 38% of FranceAgriMer's estimate. In October, the crops office had projected shipments of as much as 10.2mn tonnes.

France managed to sell only one cargo to Egypt's state-run buyer so far this season, where tenders are being dominated by No 1 shipper Russia. There's also a flood of vessels heading from Argentina to Algeria, France's biggest market.

"We have been nearly totally taken out of the public market in Egypt," Langlois-Berthelot said. "In Algeria, we have competition from Argentina because they have wheat to sell."

Morocco, which needs to import due to a small crop, is also tapping other suppliers, he said. Another blow has come from nations in sub-Saharan Africa, which have transitioned to using different quality grain from the Black Sea after deluges ruined the French crop in 2016.

While switching to other origins was a huge job for millers in countries such as Cameroon and Senegal, bakers weren't bothered, Langlois-Berthelot said. Those countries have traditionally used French wheat partly to make bread similar to baguettes. Overcapacity in the flour market in those regions also means that if millers buy cheap Russian wheat, others need to follow in order to remain competitive, France Export Cereals analyst Margaux Verdier said.

It's not all bad news for France. Production has rebounded this season and sales to other EU countries have risen after poor harvests in Spain and Germany. France has also managed to ship to unexpected markets and the recent drop in futures will help sales. Paris wheat is trading near the lowest level since March on the Euronext exchange, previously known as Matif. Prices have fallen about 8% in the past year.

"We lost €5 or €6 on the Matif so we are more competitive," Francois Farges, deputy director at Cerevia, a union of French grain co-operatives, said in an interview in Paris on Thursday. "We found some new destinations. Of course we won't touch the target that's on our balance sheet, but we will be very near."

Shipments including those to EU countries will likely be close to 17mn tonnes this season, Farge said. While a better quality crop has led to exports to Saudi Arabia for the first time ever, that won't be enough, Langlois-Berthelot said.

French hard-wheat sales to Saudi Arabia "is good news because it shows we are able to do that," he said. "But in the end it's less than 500,000 tonnes and we need to export 9 to 10mn tonnes."

France needs billions of euros of investment to overhaul its grain industry if it's to compete with powerhouses in the Black Sea region, according to farmers in Europe's top wheat producer.

It will probably cost about €14bn (\$17bn) over 15 years to reduce production costs and make the nation's wheat attractive again, Philippe Pinta, president of the French Wheat Growers Association known as AGPB, told reporters in Paris last week.

Growers in France must improve the protein content if they are to gain a bigger slice of global pie, according to AGPB. A higher-than-average quality crop this season meant France exported wheat to Saudi Arabia for the first time and that's helped offset a disappointing pace of shipments.

[back to top](#)

South Africa maize output forecast lower

26 January – Blackseagrain.com

On the heels of a record maize crop in 2016-17, South Africa expects output to ease a bit in 2017-18, according to a Jan. 18 Global Agricultural Information Network (GAIN) report from the Foreign Agricultural Service of the U.S. Department of Agriculture.

Maize production in South Africa was estimated at 12 million tonnes in 2017-18, down 32% from 17.5 million tonnes in 2016-17, according to the USDA. South Africa suffered through a drought-reduced maize crop of 8.2 million tonnes in 2015-16.

"South Africa's maize crop in the eastern side of the country is in a fairly good condition after good rainfall has been recorded between October and December of last year," the USDA noted. "However, the western side of South Africa's maize producing area is struggling under a mid-summer drought, resulting in low soil moisture. The drought had an impact on maize planting activities in the west with estimates that producers only planted about 70% of the intended maize area."

The USDA said South Africa is expected to export about 2 million tonnes of maize in 2017-18, drawing on its relatively large carryover stock from the 2016-17 marketing year. Through the first 36 weeks of the 2016-17 marketing year South Africa has exported 1.8 million tonnes of maize, the USDA said, including 1.2 million tonnes of yellow maize and 546,000 tonnes of white maize. The top export destination has been Japan, followed by Kenya, Taiwan and South Korea.

Total consumption of maize in South Africa for the 2017-18 market year was estimated at 10.65 million tonnes, unchanged from 2016-17 and compared with 10.1 million tonnes in 2015-16. Human consumption of maize was slightly higher in 2016-17 compared with 2015-16 and 2017-18, driven by relatively low prices after the record maize crop, the USDA said.

[back to top](#)

Russian wheat sales expand global reach with surge in Sudan

22 January – Bloomberg.com

Russian wheat exports are expanding further across the globe as the world's biggest shipper edges out competitors.

In the latest example, its shipments to Sudan have jumped 87 percent so far this season, turning the African country into the seventh-largest customer for Russian wheat, Institute for Agricultural Market Studies figures show.

Sudan imported no Russian wheat until 2014, when millers decided the grain met their quality requirements, according to the country's embassy in Moscow.

Such shifts among consumers, along with a third straight bumper crop and a weakened ruble, have allowed Russia to send wheat grown in the Black Sea region to markets as far away as Indonesia. That's cut into the market shares of traditional suppliers including the U.S., the European Union and Australia.

Battered European Wheat Still Looks Expensive on World Markets

"Competitiveness of Black Sea origin is the main reason why Russian wheat has displaced Aussie origin into Sudan," said Tom Basnett, general manager at commodity consultant Market Check in Sydney. "Australia has exported nothing over the last few years into Sudan, and will no doubt do nothing this year."

Russia was Sudan's biggest supplier in 2016-17, followed by the EU, according to Market Check. Australia held the top spot as recently as 2012-13, shipping more than 800,000 metric tons, it said. Since this season began in July through December, Sudan already bought 821,000 tons from Russia, IKAR data show.

The African country is set to be the continent's fifth-largest importer of wheat this season, data compiled by the U.S. Department Agriculture show. Some of the flour made from Sudan's imported wheat is smuggled across the border to landlocked African nations, according to its Moscow embassy.

Russia may benefit further in Sudan from changes in government policy.

The African nation ended a cap on bread prices this year and will pay subsidies to 800,000 families instead, encouraging millers to boost imports, according to Nadir Yousif, Sudan's ambassador in Russia.

Russian Wheat Exports Increased 35% y/y This Season to Jan. 17

"Now that prices are liberated, we expect Russian businesses are aggressive enough to give good offers to the Sudanese market so we can get more than 1 million tons," Yousif said.

"We can speak to the tune of 1.5 million tons."

The unit of Agricultural Bank of Sudan responsible for much of the nation's wheat purchases and retaining strategic inventories currently buys a total of about 1 million tons of wheat a year, mainly from Russia, he said.

A ban on flour imports is also seen spurring purchases of wheat, Yousif said.

[back to top](#)

China's farming costs to rise in 2018 as fertilizer prices jump

17 January – Reuters.com

China's agriculture production costs are set to rise fairly quickly in 2018, pushed up by higher fertiliser and pesticide prices, an agriculture ministry official said on Wednesday.

Domestic urea prices rose 34.0 percent in December on a year earlier and compound fertiliser rose 17.1 percent due to higher raw materials prices and falling operating rates at

fertiliser producers, said Tang Ke, director of the agriculture ministry's market and economic information department.

Combined with higher agricultural machinery prices and emerging environmental protection costs "agriculture production costs in China are expected to go back to a relatively fast rising channel in 2018, after staying at stable levels in the past two years," Tang said.

His comments follow a government push to ensure adequate fertiliser supplies and stable prices ahead of spring planting, after a gas supply crunch tightened supplies of urea and other gas-based fertilisers.

Tang said production costs for wheat, maize and rice were expected to rise 2 percent, 2.8 percent and 2.4 percent respectively on 2017, based on an estimated 20 percent jump in fertiliser prices.

The price of maize, one of China's three major grains, was expected to rise early in the year but then remain stable due to China's huge stockpiles.

Chinese maize prices have rallied since October's harvest on concerns about tight supplies because of cuts in planting, and on signs that maize farmers are holding back grain in expectation of higher prices.

"The reduction of maize stocks in 2017 was faster than expected. The trend of maize prices becoming stronger was also beyond market expectations ... It is expected that farmers in the northeast are likely to grow more maize in 2018," Tang said.

The fall in China's maize stocks was likely to accelerate in 2018, he added.

China may also import more sugar, cotton and oilseeds in 2018, putting pressure on domestic prices of some products, while prices of beef, mutton and other livestock products are expected to rise, but should be relatively stable, he said.

Wholesale pork prices in China fell 14.6 percent in 2017 from the previous year, to 21.24 yuan (\$3.31) per kilogram, Tang said.

Prices of fresh agricultural products including vegetables are unlikely to rise significantly during the Spring Festival holiday, in the absence of extreme weather, he said.

Fruit and vegetable prices in major cities in central and northern China surged earlier this month after severe winter weather cut off highways and damaged crops.

[back to top](#)

Argentine drought seen cutting maize crop by up to 3.7 million tonnes

17 January – Agriculture.com

The drought in the heart of Argentina's Pampas grains belt is expected to reduce maize yields and cut up to 3.7 million tonnes from the projected 2017/18 harvest, local analysts said on Wednesday.

Argentina, the world's No. 3 maize exporter, has been hit by extremely dry weather that has slowed late season soy planting, raising fears that some fields will go unsown, while the Southern Hemisphere summer sun dries up maize yields in important farm areas.

Farmers only have another week to plant soy in order to harvest before frosts might hit in May and June. Argentina is also the world's third biggest soybean supplier.

"The problem with maize is not so much that of reduced planting area as it is the effect that the drought will have on yields," said Gustavo Lopez, head of local consultancy Agritrend, which expects a 2017/18 crop of 38.3 million tonnes, down from a previous estimate of 42 million tonnes.

Lopez said he forecasts Argentina's exportable surplus will be 23.5 million tonnes, down from his pre-drought estimate of 27 million tonnes.

Argentina started 2017 with the opposite problem. Many areas had been flooded by excessive rains but long hot stretches of sunshine later in the year parched prime maize and soy areas in the northern part of bread-basket province Buenos Aires.

Last week the Rosario grains exchange cut its maize crop estimate by 4 percent to 39.9 million tonnes.

The Pampas got rain over the weekend but the distribution of the showers was uneven, leaving many areas parched. Rosario exchange analyst Cristian Russo said this season's maize yields will be under the average of the last three years.

"In the areas that were less fortunate in receiving the recent showers, the drought will continue," he said. The most optimistic analysts say harvest losses in drought-stricken areas could be offset by higher than expected yields in other regions.

"This could provide a cushion in terms of average yields," said Esteban Copati, chief analyst at the Buenos Aires Grain Exchange, which has so far stuck by a 2017/18 maize crop estimate of 41 million tonnes that it announced in September. If hot and dry conditions remain in Buenos Aires, however,

the exchange could cut its harvest estimate next month. Pablo Adreani, head of local consultancy Agripac, has trimmed 2 million tonnes from his maize harvest estimate, to 38 million tonnes.

"There are areas that have been very much damaged by drought in December, with yield reductions of up to 50 percent," he said, adding that his current estimate could rise or fall depending on January and February rains.

"Mid-February is when the overall picture is going to be defined with greater certainty, once the planting is finished," said Alberto Morelli, president of Argentine maize industry chamber Maizar.

Last season, Argentine farmers harvested 39 million tonnes of maize, according to the Buenos Aires exchange.

[back to top](#)

India – wheat farmers fear price crash in election year

08 January – Dawn.com

As the current sugarcane crisis in Punjab and Sindh rages, farmers are now worried about wheat as well.

The emerging crop context is threatening for all — provincial and federal governments, traders, millers and, above all, farmers.

Stocks are running high, the domestic support price is unrealistically higher compared to the world and efforts to increase exports have failed in the last two years. Stocks are mounting every year and a support price policy is missing.

All these factors would haunt the wheat market once crop hits the market 70 days down the line, and farmers fear they would suffer the worst in shape of a price crash, as has happened in the case of sugarcane.

A look at the stocks' position and the cost of maintenance explains farmers' fears. Punjab alone now holds 5.8 million tonnes, which are sufficient to see it through for the next two years. Its releases are down to less than 10,000 tonnes a day, which are up to 70 per cent below the traditional releases at this point of time.

With around 70 days to go before Sindh's wheat hits the market, the fear is that the Punjab Food Department may start the next season with a monstrous stock of around 5m tonnes and avoid or slow down the next procurement.

The cost of current stocks is over Rs164 billion and the Punjab has been servicing the loan with an unsustainable Rs2bn per month. These stocks are in addition to 2m tonnes with the Pakistan Agricultural Storage and Services Corporation (Passco) and another 1.7m tonnes with the Sindh Food Department. Both of them are bearing their costs, which should be as high as half of what Punjab is bearing.

After Sindh's wheat would start trickling in the market, the Punjab crop would take another 30 days, only to overburden the domestic market with another 19m tonnes.

Fresh crop could only double these stocks within a matter of month, leaving these procuring agencies with an unbearable burden: administratively managing stocks of 10m to 12m tonnes and servicing these loans with Rs5bn to Rs6bn a month.

The elections year has added its own complications to the market. Its first result was keeping a high domestic support price despite opposition from Punjab.

The federal and provincial governments maintained a price of Rs1,300 per 40kg against the advice of saner elements because they wanted to pander to the rural voters.

The next compulsion would be procuring till the last grain because elections would be closely following the procurement drive. This would further escalate domestic stocks and their administrative and fiscal cost of maintenance.

Pakistan's attempts to export even part of the stocks have failed miserably in the last two years owing to high domestic cost and failure to adjust to international wheat realities.

In June 2016, it offered 800,000 tonnes for export, with a subsidy of \$120 a tonne. Of this, only 280,000 tonnes could be sent abroad. How much of it actually went abroad and how much was only on papers is now a matter of investigation with the National Accountability Bureau.

In the second attempt, the government is offering another 1.5m tonnes for export, with a subsidy of \$159 a tonne by sea and \$120 by road. The Economic Coordination Committee has already approved the summary and the provinces are in the process of notifying the same.

The exporters are, however, not so sanguine about prospects. Khurram Shahzad, an exporter from Lahore, said, "It would really be hard to export right now. Due to ad hocism in export policies in the past, Pakistan has lost almost all market."

"Even in Afghanistan, which is always taken as natural extension of Pakistan's market, the entire export is restricted up to Kabul," he said. "North of Afghanistan is out of reach now. Dubai and some African markets may have some potential. But export markets need consistent policy, not ad hoc or desperate measure. The current attempt is a desperate measure, which has limited scope of success."

With official stocks already overflowing, the new crop would throw another 8m to 9m tonnes of tradable surplus in the market. There are always two major players in the wheat market, ie official agencies and the private sector led by the millers. This year, the fear is that official agencies will already be overwhelmed and reluctant. Even if forced to purchase high quantity, they could always go slow.

Private purchases always depend on official stocks. If millers know that the government has sufficient stocks and they would have liberal releases, they hardly go for purchases, which cost them both in finances and infrastructure.

That is precisely where farmers fear lie. If one of the players goes slow and other is missing, even partially, the price crash would be the natural corollary, which could double their miseries after the cane crash.

This situation puts governments, both federal and provincial, between a rock and a hard place. If they go for high-speed liberal purchases, the financial cost would be unbearable. If they don't, the political cost could be unaffordable.

[back to top](#)

Reports

Global economic prospects. Broad-based upturn, but for how long? – World Bank

The World Bank forecasts global economic growth to edge up to 3.1 percent in 2018 after a much stronger-than-expected 2017, as the recovery in investment, manufacturing, and trade continues. Growth in advanced economies is expected to moderate slightly to 2.2 percent in 2018, as central banks gradually remove their post-crisis accommodation and the upturn in investment growth stabilizes. Growth in emerging market and developing economies as a whole is projected to strengthen to 4.5 percent in 2018, as activity in commodity exporters continues to recover amid firming prices.

[back to top](#)

Monthly Information Sources

Grain Market Report – IGC

Oilcrops Monthly Price and Policy Update – FAO

Crop Monitoring in Europe - European Commission

FAO 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

[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