

MONTHLY NEWS REPORT ON GRAINS

FAO Trade and Markets Division

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Market News

IGC raises forecast for 2020/21 world wheat production

26 June – Millermagazine.com

The International Grains Council (IGC) raised its forecast for global wheat production in the 2020/21 season, with improved outlooks for Australia and China more than offsetting a downward revision for the European Union. At 2,237m t, total grains production in 2020/21 is projected to be up by 62m y/y, led by a jump in maize output (+55m) to a new peak, but with wheat (+6m) also at a record.

With outlooks for production and consumption of total grains (wheat and coarse grains) trimmed, the International Grains Council (IGC) raised its forecast for world stocks at the end of 2019/20 slightly m/m (month-on-month). In IGC's monthly update, at an all-time high of 386m t, the forecast for trade (Jul/Jun) is lifted by 6m m/m, including higher numbers for wheat, maize, barley and sorghum. Increases for maize, barley, oats and wheat boost the projection for production in 2020/21 by 7m t m/m, to a record 2,237m, an increase of 62m y/y (year-on-year).

The figure for consumption is the same m/m, as a cut for demand in the industrial sector is offset by upward adjustments for food and feed. Higher opening inventories and larger output add 8m t to the projection for world 2020/21 ending stocks, seen building by 20m t y/y, to a three-season high of 635m. Mostly on an upgrade for wheat shipments, grains trade in 2020/21 (Jul/Jun) is placed 3m t higher m/m, at 390m.

The Council's 2019/20 world soyabean output estimate is pegged marginally higher m/m and, with uptake trimmed slightly, global stocks are raised by 3m t, to 44m, representing a marked tightening y/y. Linked to heavier than expected shipments to China, the trade outlook is upgraded to a peak of 155m t, a 2% y/y gain. A nominal increase for Brazil lifts the projection for 2020/21 global production to 364m t, up by 8% y/y and a record. Mainly reflecting higher opening stocks, carryovers are boosted to 45m t, a modest y/y expansion. Given assumed firm import demand from China, world trade is placed at a peak of 160m t, up 1m m/m.

With few changes to the 2019/20 global rice supply and demand balance sheet from previously, end-season carryovers are maintained at 176m t, a record level on gains in China and leading exporters. The 2020/21 production outlook is trimmed m/m, with the net reduction in total supplies leading to a modestly lower figure for inventories, placed at 180m t, albeit still a new high. The projection for trade in 2021 is unchanged m/m, at 44m t (+4% y/y).

The IGC Grains and Oilseeds Index (GOI) strengthened by 1% m/m, with gains for maize, soyabean and rice export quotations outweighing falls for wheat and barley.

World total grains (wheat and coarse grains) production in 2019/20 is expected to climb by 37m t y/y, to 2,175m, including record harvests of wheat and barley. Expected increases for food and feed are seen outweighing an anticipated drop in industrial demand, to lift total consumption by 15m t y/y, to 2,181m, leading to a 5m y/y drawdown of stocks. Global trade (Jul/Jun) is predicted at a new high of 386m t (+22m y/y), including record shipments of wheat and maize.

At 2,237m t, total grains production in 2020/21 is projected to be up by 62m y/y, led by a jump in maize output (+55m) to a new peak, but with wheat (+6m) also at a record. IGC increased its global wheat production forecast by 2 million tonnes to 768 million, up from the prior season's 762 million. Australia's wheat crop was seen at 26.2 million tonnes, up from a previous projection of 24.0 million and sharply above the prior season's 15.2 million.

While consumption prospects are somewhat uncertain, all components of demand are assumed to rise, taking total use to a fresh high of 2,218m t (+37m y/y). As projected supplies are more than ample to meet anticipated demand, the first build-up of global stocks in four years is expected, placed 20m t higher y/y, at 635m; this includes increases for wheat and barley, but a fourth successive depletion of maize inventories, to a seven-year low. Led by the twelfth annual expansion of maize shipments, total grains trade is seen growing by 5m t y/y, to a record 390m.

Although Brazilian output reached a new high, world soyabean production fell by 7% y/y in 2019/20 on a significantly reduced US harvest, with declines, too, in Argentina, Canada, India and Ukraine. And with total use edging up, carryovers are seen contracting sharply on a sizeable reduction in the US. Trade is predicted at a high of 155m t on bigger deliveries to Asia. On the basis of a rebound in US production, world output in 2020/21 could reach a peak of 364m t, an 8% y/y gain. With consumption growth likely to quicken, inventories are predicted to increase only marginally, with exporters' stocks set to tighten. Traded volumes are projected to expand by 3% y/y.

Despite record production in India, smaller crops elsewhere in Asia and in other regions resulted in a marginal y/y fall in global rice production in 2019/20. Total use is seen at a new high on population growth and efforts to ensure food security in key consumers. Inventories are likely to increase on gains in China and key exporters; linked to accumulation in India, aggregate stocks in the five major exporters are predicted to climb by 10%, to 42.9m t. With elevated international prices and state support seen underpinning expanded acreage, world production in 2020/21 is projected to rise by 2% y/y, to a record of 505m t, while uptake and carryovers may scale fresh peaks. Trade is forecast to recover to 44m t in 2021 on stronger demand from buyers in Africa in particular.

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EU sharply cuts soft wheat harvested forecast again

25 June – Agriculture.com

The European Commission on Thursday made another big reduction to its forecast for this year's common wheat harvest in the European Union, lowering expected output to 117.2 million tonnes from 121.5 million estimated a month ago.

Projected usable production of common wheat, or soft wheat, in the 2020/21 season would now be more than 10% below last year's crop of 130.9 million, the Commission's supply and demand projections showed.

At the end of May, the Commission had already reduced its soft wheat crop forecast by over 4 million tonnes.

Its data showed that it had revised downwards this month both its area and yield estimates for EU soft wheat.

The Commission did not give reasons for the forecast cut but it followed a further reduction by the EU's crop monitoring service to its yield outlook last week due to very dry conditions this spring.

Country estimates shown by the Commission included a projected crop of 30.3 million tonnes for top EU wheat grower France, down 12% from last year.

Other forecasters have reduced sharply forecasts for EU wheat production due to parched spring conditions, although some analysts say prospects have improved following rain and moderate temperatures during June.

For exports, the Commission reduced its projection of EU-27 shipments of common wheat for the 2020/21 season that starts in July to 25.0 million tonnes from 26.5 million previously.

That compared with an increased estimate of 34 million tonnes for 2019/20.

For maize, the EU's executive raised its harvest forecast for a second straight month, projecting the crop at 71.9 million tonnes against 71.4 million seen last month. Expected barley output was little changed at 56.1 million tonnes compared with 56.2 million a month ago. The forecast EU-27 rapeseed crop was reduced to 15.4 million tonnes from 15.6 million last month, and is now in line with last year's poor crop.

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Canada – Grain movement “off the map”

25 June – Western producer

Say what you will about COVID- 19, but one thing is clear: The pandemic hasn't had a negative impact on grain movement in Western Canada, or on export sales programs of some Canadian crops.

Export shipments of major Canadian grains including milling wheat, durum, canola and pulses have been steady since the COVID-19 pandemic knocked the wind out of other sectors of the Canadian economy.

Domestically, a slowdown in other sectors has freed up available rail capacity for grain shippers, said Mark Hemmes, a grain handling and transportation systems analyst with Quorum Corp.

Global demand for many crops that are grown in Canada has also surged.

Concerns over food security have prompted foreign governments to stockpile domestic grain reserves.

Other countries have put export restrictions in place, limiting how much domestic grain can be sold into overseas markets.

In Canada, major grain-exporting companies have taken advantage of the evolving situation and have been selling grains and oilseeds briskly, with the help of a responsive western Canadian rail system.

"We've had an almost unlimited supply of rail cars and power," said John Heimbecker, chief executive of Winnipeg-based grain exporter Parrish & Heimbecker.

"We've been shipping grain like there's no tomorrow," added Sean Finn, executive vice-president of corporate services with Canadian National Railway.

Statistics from the Canadian Grain Commission suggest that Canadian grain exports through the first 45 weeks of the 2019-20 crop year are still slightly behind last year's pace.

As of mid-June, exports of all Canadian grains were listed at nearly 37.5 million tonnes, compared with almost 39 million tonnes a year earlier.

But the pace of export grain shipments has been outstanding since rail blockades came down earlier this year, said Hemmes.

"The only bright spot in this whole COVID thing is for the grain industry because it (the pandemic) has freed up all sorts of rail capacity and the railways are just pounding grain out to the coast," he said.

"We had a little blip there at the beginning, when everyone started getting their sales in order, but right now, there's so much vessel capacity and so much rail capacity ...they're selling like crazy.

"We're going to move a lot of stuff and if things continue as through the months of June and July, this will be another record year... from a volume perspective."

Steady shipments of Canadian canola into European biofuel markets have exceeded earlier expectations.

Movements of milling wheat from Prairie locations have been strong in both directions and demand for Canadian durum from European and North African buyers has been buoyed by supply concerns.

That's a stark contrast to conditions a few month ago, when rail blockades had slowed export shipments of all grains.

The about-face was a welcome development for the Canadian industry, which entered the crop year with all-time record supplies of 82.8 million tonnes.

"In Week 28, the way things were tracking... it was shaping up to be the worst year we've had in the past six years, and we were looking at a phenomenal carry forward stock," Hemmes said.

For all crop types, year-to-date grain shipments through Vancouver for the 2019-20 crop year are now tracking six percent above average.

Canola exports through the first 45 weeks of the 2019-20 crop year are listed at nearly 8.6 million tonnes, up eight percent from the same period a year earlier.

Crop-year-to-date durum exports are up 16 percent, pea exports are up 28 percent and lentil exports are up 70 percent over last year - or 253 percent over 2017-18.

Canadian exports of corn (-87 percent), soy (-28 percent) and barley (-10 percent) are all down from year-ago levels.

Hemmes is now anticipating year-ending stocks of all Canadian grains to be in the range of 9.4 million tonnes, in line with 2018-19 ending stocks "Things are going pretty well right now," said Wade Sobkowich, executive director of the Western Grain Elevators Association.

Both of Canada's biggest railway carriers - CN and Canadian Pacific Railway - have been supplying 90 to 100 percent of the grain cars requested each week and have been operating at that level since rail blockades were lifted nearly four months ago.

"We've moved an incredible amount of grain in that period of time and the demand has been relatively strong for grain in the spring period," Sobkowich said.

Rail capacity available to grain shippers is typically higher in the spring and summer months than it is at other times of year, Sobkowich said.

Grain shippers will be watching Canada's post-COVID economic recovery closely.

As the larger economy recovers and demand for rail freight services increases, it will be critically important from a grain shipping perspective, to ensure that adequate resources - including train crews and locomotive power - are deployed in a timely manner, Sobkowich said.

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India clears 500 000 tonnes of imports at much-reduced duty in boost for poultry sector

24 June – Todayonline.com

India has authorised imports of 500,000 tonnes of corn this year at a concessional 15% import tax, the government said late on Tuesday, as New Delhi tries to augment supplies of the animal feed for the poultry industry.

India, the world's seventh-biggest corn producer, normally imposes a 60% import tax on the grain.

The corn imports under the tariff-rate quota (TRQ) were allowed for end-consumers in the poultry and starch supply sectors, the government said in a notification.

A major exporter of corn to southeast Asia until a few years ago, India has turned importer as output has fallen and demand has grow from domestic poultry producers and corn starch manufacturers.

India's corn imports in 2019 jumped to 312,389 tonnes in 2019 from just 30,962 tonnes a year ago, the government data showed.

India, which does not allow cultivation of any genetically modified food crops, has rules in place to ensure that imports contain no trace of genetically modified organisms. New Delhi also cleared imports of 10,000 tonnes of milk and cream powder for this year at a concessional 15% import tax, the government notification said. The country also authorised import quotas of 150,000 tonnes each of rapeseed oil and sunflower oil carrying import taxes of 45% and 50% respectively. India is the world's biggest importer of edible oils. It mainly imports rapeseed/canola oil from Canada and sunflower oil from Ukraine and Russia.

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South Africa's 2020 maize crop expected to increase by 38 percent

23 June – Sharenet.co.za

South African maize farmers are expected to harvest 38% more maize in the 2019/2020 season compared with the previous season after favourable weather conditions boosted yields, a Reuters survey showed on Tuesday.

South Africa's Crop Estimates Committee (CEC) is expected to forecast this year's maize production at 15.574 million tonnes, up from 11.275 million harvested in the 2018/2019 season, which was impacted by dry weather conditions, an average estimate by five traders and analysts showed.

The estimate is slightly lower than the CEC's May forecast of 15.589 million tonnes.

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Estimates ranged from 15.3 million to 15.72 million tonnes.

The crop is expected to consist of 9.182 million tonnes of white maize used mainly for human consumption, and 6.394 million tonnes of yellow maize used mainly in animal feed.

The CEC will give its fifth production forecast for the 2019/2020 summer crops on Thursday.

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China boosts its record share of world wheat stocks as excess output persists

19 June – Nasdaq.com

With or without China, world wheat stocks are set to reach a new high by mid-2021, though record demand should prevent supplies from becoming too burdensome.

However, China is going on its eighth consecutive year of producing more wheat than it uses, further expanding already-massive stockpiles and nudging its share of global wheat supplies to a new record.

When China's wheat carryout began rapidly escalating a few years ago, market analysts had to adopt the habit of subtracting China's wheat supply from global estimates since China is relatively inactive in trade. The U.S. Department of Agriculture added that calculation into its global balance sheet last year.

Last week, USDA boosted its prediction of the 2020-21 global wheat crop, lifting world ending stocks excluding China to a record 154.2 million tonnes, about 1% above the prior high set in 2017-18.

The associated stocks-to-use ratio of 19.1% would be up 1 point from the previous year and matching that of three years ago. But the 2020-21 ratio is only a half-point above the recent five-year average, evidence that demand is projected to keep the record stockpile in check. USDA predicts record wheat use in China for 2020-21. But inventory will keep building, and the agency pegs Chinese stocks to reach a new high of nearly 162 million tonnes next year. That would be 41% larger than 2016-17's carryout, which had broken a 17-year record at the time.

Wheat feeding has decreased because of the outbreak of African swine fever in China's hog herd, but most of China's wheat is used for food, seed and industrial purposes. Wheat-based snack food consumption is expected to continue rising this year.

Chinese wheat supplies have surged in recent years as the crop has increased while demand was stagnant or rising more slowly. USDA pegs China's stocks-to-use at 124% in 2020-21, meaning the country will have nearly 15 months of supply on hand at the end of the marketing year.

The United States is also notorious for maintaining large stores of wheat, but consumption usually outpaces production. On average over the last decade, U.S. wheat use has been about 7% larger than output, whereas in China it has been 5% smaller.

The 2020-21 U.S. stocks-to-use projection of 45% is substantially higher than in other major exporters, although it would be a six-year low. That suggests the carryout would cover a little over five months of use.

China is expected to have 51% of the world's wheat supply in storage at the end of 2020-21, fractionally edging last year's high. India and the United States are seen holding the next-largest stockpiles, accounting for a respective 10% and 8% of the world total.

China introduced a support price for wheat in 2006 in an attempt to protect farmers from losses and promote self-sufficiency in agricultural products. As of late last year, Beijing continued to stress the importance of self-reliance, stating plans to complete development on 66 million hectares (163 million acres) of high-quality farmland over the next two years in order to keep grain production elevated.

Since the implementation of price supports, Chinese farmers have been incentivized to produce wheat regardless of market fundamentals. Including the current harvest, the country has grown an excess of nearly 73 million tonnes (2.7 billion bushels) of wheat over the last eight years.

The 2020 wheat support price is 2,240 yuan per tonne (\$316), unchanged from 2019 but down 5% from the 2015-2017 levels. However, that is substantially above current export prices in major suppliers, which are in the vicinity of \$200 per tonne.

China's wheat support price is also substantially above benchmark Chicago futures Wv1, which settled at \$4.83-1/2 per bushel (\$177.66 per tonne) on Thursday. China's Zhengzhou futures for strong gluten wheat CWHc1 are nearly double that price but at the lowest levels for the time of year in at least eight years.

Because of China's huge wheat stocks and the use of import-regulating tariff rate quotas, it is unlikely that U.S. wheat would become instrumental in helping Beijing fulfill the Phase 1 trade commitment.

The United States shipped about 550,000 tonnes of wheat to China in the 2019-20 marketing year that concluded May 31. That is relatively average for recent years, and China currently has about the same volume booked for 2020-21.

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Russia plans no grains export quotas July-Dec

16 June – Brecorder.com

Russia's grain exports will not be subjected to any quotas from July to December, the agriculture ministry said on Tuesday, citing its initial plan.

The ministry, however, said it plans to impose grain export quotas in the second half of the season, which runs from January to June 2021, in order to ensure that the domestic market is adequately supplied.

The ministry's comments, which came in response to questions from Reuters, did not contain estimated figures for these quotas.

The ministry said it would meet grain exporters this week where it will disclose its preliminary forecast for 2020/21 grain exports.

It said it would determine its forecast after the end of the harvest.

Russia, the world's biggest wheat exporter, had set a quota for grain exports of 7 million tonnes for April through June following an outbreak of the novel coronavirus which has so far infected more than half a million people in the country.

But the country's online grain export quota ran out rapidly at the end of April as traders rushed to secure customs documents for shipments in May and June, data from the ministry showed.

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Brazil forecasted to harvest 245.9 million tonnes of cereals and oil seeds

11 June – Mercopress.com

According to the Systematic Survey of Agricultural Production (LSPA), released on Tuesday, June 9th, by the IBGE, the country will harvest 245.9 million tons of cereals, legumes and oilseeds by the end of the year, up 1.8% (4.4 million tons more) compared to 2019.

Rice, corn, and soy account for 92.2% of this amount. But the high dollar encourages other crops, such as wheat. The May estimate for the 2020 agricultural crop suffered a reduction of 0.5% compared to the previous month, influenced by the drought in the south of the country, but remains at a record level.

Soybeans should surpass the record set in 2018, with a harvest of around 119.4 million tons, which represents an increase of 5.2% in relation to the 2019 harvest, but a retraction of 1.4% in the volume that was expected in the previous estimate (April). This reduction is due to the drought in the South. But the exchange rate is favorable for soybeans and wheat, a crop increasingly chosen by farmers. The cereal production estimate is 10.1% above the previous month and 31.4% higher than the previous year.

Among the regions, the Midwest leads as the largest Brazil grain producer with a 47.2% share and is expected to harvest 116 million tons in 2020, followed by the South (29.8% share and 73.4 million tons). The Southeast, with a 9.9% share (24.4 million tons); the Northeast, with 8.8% (21.5 million tons) and the North, with 4.3% (10.5 million tons) together, produce less than the second-placed region.

Among the states, the largest holdings are in Mato Grosso (28.6%), Paraná (16.4%), Rio Grande do Sul (10.8%), Goiás (10.3%), Mato Grosso do Sul (8.0%) and Minas Gerais (6.1%), which, together, represented 80.2% of Brazil's total.

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Australia winter crop production expected to increase

10 June – World-grain.com

Australia's 2020-21 winter crop production is forecast to increase 53% due to a 23% jump in the area planted, according to an Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) June report.

Peter Gooday, acting executive director of ABARES, said the opening to the winter cropping season in 2020–21 was favorable, especially in the eastern states and South Australia.

“Winter crop production is forecast to be 44.5 million tonnes in 2020–21, which is 11% above the 10-year average to 2019–20,” Gooday said. “Yield prospects in New South Wales, Victoria and South Australia are forecast to be above average given favorable levels of soil moisture at the beginning of June and the likelihood of above-average rainfall in July.”

The ABARES report is based on assumed average seasonal conditions in spring as the Bureau of Meteorology outlook for spring is not yet available.

ABARES' forecast lifts the area planted to winter crops in 2020–21 to 22.5 million hectares, which is 5% above the 10-year average to 2019–20 of 21.4 million hectares.

“The majority of this increase is expected to be in New South Wales, where seasonal conditions so far are much more favorable than during the last two winter crop seasons,” Gooday said.

Wheat's area planted is forecast to total 13 million hectares, a 27% increase, ABARES said. Production of the commodity is expected to jump 76% to 26.7 million tonnes.

Barley's area planted is forecast to rise 8% to approximately 4.4 million hectares. Its production is anticipated to increase 17% to 10.6 million tonnes.

“Falls in barley prices in early May occurred in the midst of planting but did not significantly change planting intentions in the eastern states with many producers maintaining planned crop rotations,” Gooday said.

ABARES noted increased production amongst winter other crops, canola production is forecast to increase by 40% to 3.2 million tonnes, chickpeas production is forecast to increase by 135% to 661,000 tonnes and oats production is forecast to increase by 81% to 1.6 million tonnes.

Gooday said the three-month seasonal outlook (June-August) issued by the Bureau of Meteorology on June 4 indicated winter rainfall is likely to be above average in most cropping regions in Queensland and New South Wales and around average in most other cropping regions.

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Withering crops to make North Africa world's top wheat buyer

10 June - Bloomberg

One of the worst droughts in four decades is expected to make North Africa the world's top buyer of foreign wheat.

Scant rain through mid-April dimmed Morocco's crop prospects this year, with harvests in neighboring nations also suffering. Lackluster local supply may boost the region's wheat purchases by 7.4% to a record 29.7 million tons in the year from July, the U.S. Department of Agriculture forecasts.

That would put demand ahead of the Middle East and Southeast Asia for the first time in three seasons. While grain tenders have so far been slow, purchases often pick up after local harvests end and suppliers across the Black Sea and Europe collect crops.

“Grain farmers in our area are facing many difficulties,” said Fathi Hamdi, 56, who farms in northwest Tunisia's Beja governate. He expects the local harvest to be 30% down on the previous year.

Egypt, the world's top buyer, held its first tender of the 2020-21 season last week and announced another that closes Wednesday. Demand there is more stable than the rest of the region, which has less irrigation and more volatile harvests.

Morocco may buy a record 5.8 million tons of foreign wheat and has already taken the unusual step of exempting import taxes through the end of 2020. That coincided with a push, led by private importers, to double wheat inventories to six months of milling needs by October. Five months' worth of soft wheat and four months' worth of durum wheat was stockpiled by the end of last month, the agriculture ministry said on Wednesday.

The nation's shortage of rain was as severe as 2016, spurring “critical” harvest prospects, according to the Mediterranean Agricultural Market Information Network.

Tunisia's grain purchases may grow by a third to 2.5 million tons after harvests shrank, said Taoufik Saidi, general director of the nation's cereals office. USDA also expects buying in Algeria, a key French customer, to pick up. The North Africa region also includes Libya.

Morocco may import a record amount of wheat in the 2020-21 year

The economic impact of the coronavirus pandemic is adding to uncertainties around demand. Algeria has vowed to cut food imports as plummeting oil prices crimp export revenues. A lack of tourism is also curbing bread consumption, according to Morocco's farm-lobby group Comader.

Still, consumer purchases of long-lasting staples such as pasta, flour and couscous had climbed as lockdowns began, and nations may be keen to restock, said Monika Tothova, an economist with the United Nations' Food & Agriculture Organization. USDA will update its demand outlook on June 11.

"It all depends on how the world market is going to be developing," Tothova said. "If prices remain not too high, North African countries are likely to be going at it and building the stocks that were depleted by this shopping spree."

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Reports

Food Outlook – FAO

Food Outlook is a biannual publication (May/June and November/December) focusing on developments affecting global food and feed markets. The sub-title "Global Market Analysis" reflects this focus on developments in international markets, with comprehensive assessments and forecasts on a commodity by commodity basis.

Global Economic Prospects – Pandemic, recession: the global economy in crisis – World Bank

COVID-19 has triggered the deepest global recession in decades. While the ultimate outcome is still uncertain, the pandemic will result in contractions across the vast majority of emerging market and developing economies. It will also do lasting damage to labor productivity and potential output. The immediate policy priorities are to alleviate the human costs and attenuate the near-term economic losses. Once the crisis abates, it will be necessary to reaffirm a credible commitment to sustainable policies and undertake the reforms necessary to buttress long-term prospects. Global coordination and cooperation will be critical.

Safeguarding Africa's food systems through and beyond the crisis – McKinsey & Co.

In this article, we present new McKinsey analysis on the impact of the COVID-19 crisis on the continent's agricultural and food systems, along with insights from on-the-ground discussions with agriculture value-chain players, governments, and civil-society institutions. We show how the crisis has disrupted regional and global trade and slowed demand for Africa's agricultural export products, putting jobs and livelihoods at risk. But we also show that, to date, the impact on the food and agricultural system as a whole has largely been localized and muted. In addition, tailwinds—including good harvests in some African regions at the end of 2019—are helping to minimize the effects of the crisis.

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