

MONTHLY NEWS REPORT ON GRAINS

FAO Trade and Markets Division

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Market News

USDA – Acreage Report

28 June – USDA

Corn planted area for all purposes in 2019 is estimated at 91.7 million acres, up 3 percent from last year. Compared with last year, planted acres are up or unchanged in 40 of the 48 estimating States. Area harvested for grain, at 83.6 million acres, is up 2 percent from last year.

All wheat planted area for 2019 is estimated at 45.6 million acres, down 5 percent from 2018. This represents the lowest all wheat planted area on record since records began in 1919. The 2019 winter wheat planted area, at 31.8 million acres, is down 2 percent from last year but up 1 percent from the previous estimate. Of this total, about 22.7 million acres are Hard Red Winter, 5.54 million acres are Soft Red Winter, and 3.55 million acres are White Winter. Area planted to other spring wheat for 2019 is estimated at 12.4 million acres, down 6 percent from 2018. Of this total, about 12.0 million acres are Hard Red Spring wheat. Durum planted area for 2019 is estimated at 1.40 million acres, down 32 percent from the previous year.

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Russian heatwave not affecting spring wheat areas too much: state weather forecaster

26 June - UkrAgroConsult

Conditions for Russia's spring wheat harvest are generally good or satisfactory with only a few areas affected by a heatwave that has hit some parts of the country, state weather forecaster Hydrometcentre said on Tuesday.

Russia is starting active harvesting of its 2019 grain crop amid concerns that hot and dry weather could hurt plantings in several regions of the country.

Some analysts have downgraded their 2019 crop estimates due to the heatwave, but Hydrometcentre said overall the situation with plantings was good, with only a few regions facing potential problems.

There is a lack of moisture in soil in some regions of central Russia and in the southern part of the Volga region, especially in the Saratov and Ulyanovsk regions, Anna Strashnaya, a senior researcher at the Hydrometcentre weather forecasting service, told Reuters.

In the southern part of Russia, hot weather may affect the development of wheat in a few parts of Stavropol, Rostov and Volgograd regions, Strashnaya said, adding that the Crimea peninsula could also face the same issues.

Krasnodar, one of the main regions for wheat production and export in Russia, has already harvested its first million tonnes of wheat with an average yield 0.21 tonnes per hectare higher than a year ago, the local department of the agriculture ministry said in a statement. It did not disclose the actual level of the yield.

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Extreme weather is shaking up Africa's maize trade

25 June - Bloomberg

At least three African nations will need to import more corn this year after extreme weather from cyclones to drought devastated crops, sparking some unusual trade flows.

Corn is a staple grain across much of sub-Saharan Africa, where it's milled and cooked with water to form a porridge or stiff dough. Zimbabwe, Mozambique and Kenya are all expected to see imports surge this season to offset dwindling harvests. That may spur neighboring Tanzania to export a record amount, and some grain may also be sourced outside the continent.

Consumers in sub-Saharan Africa generally eat white corn, while the yellow variety that's more commonly traded globally is used for animal feed. That, combined with bans on genetically modified crops in many African countries, can make international purchases difficult, and the imports come amid a rally in global corn prices as floods ravage U.S. plantings.

Zimbabwe may buy 1 million tons of corn, an increase of 10-fold from the previous marketing year, according to the U.S. Department of Agriculture. The country has already said it's preparing to invite bidders to supply 750,000 tons. Purchases by Mozambique, which was hit by both cyclones and dry weather, are seen at a 14-year high. In East Africa, Kenya may require imports of as much as 1.3 million tons after a drought.

Tanzania, geographically in the middle of the three, may help to ease the shortage. The nation said it's received a formal request from Kenya to supply 1 million tons and also aims to sell 700,000 tons to Zimbabwe. If realized, that would be more than triple the amount of grain the nation has ever exported in a season, according to USDA records.

"Most of this shortfall could be covered by a shift in regional and continental trade flows," said Alessandro Costantino, an East Africa economist for the United Nations' Food & Agriculture Organization in Rome. Kenya should have finances to import from abroad if supply from the region isn't enough, he said.

Imports of coarse grain in sub-Saharan Africa may reach 4.8 million tons in the year that begins in October, according to the USDA. Though that's a small fraction of global trade, it marks the region's highest demand in three years.

Outside of Africa, Mexico is one of the sole nations with large supplies of white corn, said Wandile Sihlobo, chief economist at South Africa's Agricultural Business Chamber. The country's exports are forecast to nearly double in the 2019-20 season.

South Africa, traditionally Africa's top corn producer, is forecast to have a corn surplus of about 1.1 million tons, Sihlobo said by email. Not all of that is white maize and the figure is much lower than the prior season. The country is likely to sell its extra corn to neighbors Botswana, eSwatini, Namibia and Lesotho, Sihlobo said. South Africa will publish updated crop estimates on Wednesday.

Tanzania may not have enough grain to fully supply 700,000 tons to Zimbabwe, and the nation may buy some from Mexico, according to USDA's Foreign Agricultural Service. Still, Tanzania's government has said it has a large surplus of corn that it can sell to regional markets.

"If what Tanzania promises materializes, it will be of great help to the southern and eastern Africa region," Sihlobo said. "It's really a wait-and-see situation."

Aside from corn, the region's consumption of wheat and rice has also been climbing. Consumer preferences are shifting, and imports may gain further amid the drought, Gerald Masila, executive director of the Nairobi-based Eastern Africa Grain Council, said in an interview at the International Grains Council conference in London.

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EU wheat rises as hot spell takes hold in Europe

25 June – Independent.ie

European wheat prices rose on Monday as a heatwave set to last all week in western Europe raised the risk of yield losses although good crop development in many regions was likely to limit damage, traders said.

Front month September milling wheat on Paris-based Euronext unofficially closed 1.5% higher at 183.50 euros (\$209) a tonne.

"In France and Europe, everyone has in mind the scenario of hefty 2019 wheat production. But the heatwave that starts could cause significant damage," consultancy Agritel said in a note.

It stressed that the heatwave was set to be longer and with higher temperatures than one in early July 2015 that sent prices €20 higher on Euronext, before falling immediately with record wheat yields.

"A risk premium could therefore be reintegrated into the European market."

Refinitiv Agriculture Research analysts said the heat would be detrimental for crops in reproductive development looking to rebound from last season's crippling drought, noting temperatures would be over 10 degrees above normal.

Activity was low on the cash market where operators were closely watching temperature forecasts.

"It seems inevitable that yields will be hit, notably in regions in the north where wheat is less developed but in other parts of the country the hot spell comes at a time when grain filling is well advanced which should curb potential damage," a broker said.

In Germany, traders said they were taking a relaxed view of a heatwave expected in the country this week.

Much of Germany is forecast to receive strong sunshine and temperatures of over 35 degrees Celsius throughout this week, peaking at over 40 degrees on Wednesday.

"Temperatures this high could clip yields a little but overall the market does not seem to be worried about the situation in Germany," one German trader said.

"There could be a moderate cut in yields but wheat received a lot of rain in the past few weeks, some of it very heavy, and ground moisture is sufficient to help plants resist a short burst of heat."

"Compared to the drought last year the heatwave is not much of a problem in my view. Overall Germany and west Europe is still on course for a much larger harvest than last year." Standard bread wheat with 12% protein for September onwards delivery in Hamburg was offered for sale unchanged at €4 under Paris December. Buyers were seeking at least €5 under.

Premiums remain under Paris because of large harvests expected in the Baltic Sea and Black Sea regions, with Germany's rival exporters offering cheaper export prices.

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US. Maize planting nearly complete, 56 percent of crop good/excellent

24 June – Ethanolproducer.com

The USDA released an update of its weekly Crop Progress report June 24, reporting that farmers in the nation's top 18 corn-producing states have planted 96 percent of planned corn acreage as of June 23, down from 100 percent at the same period of last year, but up from 87 percent as reported for the week ending June 16.

The report also indicates 89 percent of the corn had emerged by June 23 in those 18 states, down from 100 percent reported for the same period of last year, but up from only 79 percent reported for the week ending June 16.

Only 8 percent of corn was listed as in excellent condition for the week ending June 23, down from 19 percent for the same period of last year. Approximately 48 percent was listed as in good condition, down from 56 percent for the same period of 2018. The report shows 32 percent of the corn crop was considered to be in fair condition for the week ending June 23, up from 18 percent in 2018. Approximately 9 percent was listed in poor condition, with 3 percent in very poor condition, compared to 4 percent and 1 percent in 2018, respectively.

The 18 states addressed in the USDA's report for corn condition include Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Carolina, North Dakota, Ohio, Pennsylvania, South Dakota, Tennessee, Texas and Wisconsin.

According to USDA data for 2018, Iowa, Illinois and Nebraska are the top U.S. corn producers.

Iowa's Crop Progress and Condition report, also released June 23, noted showers and thunderstorms last week offered farmers in the state the opportunity for only 3.1 days of field work. The report indicates 96 percent of the expected corn crop has emerged, two weeks behind last year and 15 days behind the 5-year average. Corn condition in the state improved to 62 percent good to excellent.

"The cool, wet weather pattern persisted across much of the state last week," said Iowa Agriculture Secretary Mike Naig. "Now that most farmers are done planting, we need some warmer temperatures to help the crops catch up."

The Illinois Crop Progress and Condition report also showed limited opportunities for field work last week with only 2.2 days. Statewide, the temperature was 3.7 degrees below normal, with precipitation 1.24 inches above normal. Corn planted in the state reached 92 percent, with corn emerged at 84 percent. Approximately 41 percent of corn in the state was listed as in good condition, with only 6 percent in excellent condition.

The Nebraska Crop Progress and Condition report shows 3.3 days were suitable for field work last week. Corn emerged was 95 percent, behind 100 percent reported for both last year and the five-year average. Approximately 66 percent of corn was listed as in good condition, with 11 percent in excellent condition.

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Argentina raises this season's wheat sowing estimate thanks to rain

24 June – Hellenic shipping

Argentine farmers are expected to plant 6.5 million hectares of wheat in the 2019/20 season, the government said in a report on Friday, citing good rainfall as the reason for the increase from its previous forecast of 6.46 million hectares.

“Good soil moisture conditions have favored planting,” the agriculture secretariat said in its monthly grains report.

Wheat in Argentina is planted in June and July and harvested in December and January.

Some 39% of this season’s wheat crop has been planted so far, the report said.

Heavy rain in eastern Argentina this month has caused some delays in wheat sowing. But crop weather experts say the storms should end up helping farmers grow more of the grain this season as water reserves become replenished.

The Rosario grains exchange has said that Argentina could harvest a record 22 million tonnes of the cereal this season, up from 19.5 million tonnes in the 2018/19 crop year.

Argentina’s 2018/19 corn crop was seen at 57 million tonnes versus a previous forecast of 56 million tonnes, the report said. Government estimates include corn used by growers to feed their own livestock. Many private estimates in Argentina count only commercial corn crops. Some 60% of Argentina’s 2018/19 corn crop had been harvested as of Friday, the report said.

The report slightly downgraded the government’s 2018/19 soy crop estimate to 55.6 million tonnes from the previous forecast of 55.9 million tonnes.

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Fall armyworm invades crops across Asia, smallholders worst hit

20 June - Reuters

Looking out at his empty, red-earth field, Thai farmer Puang Timdon said his two-week-old maize crop didn’t stand a chance against the fall armyworm pest.

“All the 8 rai (1.28 hectare) I planted were all heavily infested,” said the 42-year-old from his farm in Ban Nong Tor town in Pak Chong district, 180 km (120 miles) northeast of the capital Bangkok.

“The worm ate the whole field in three days, leaving so much damage that it wasn’t worth saving.”

Fall armyworm, a caterpillar that got the name because it invades croplands in droves, much like an army, has rapidly spread across Asia since it was detected in southern India late last year. Fields in Bangladesh, Myanmar, Vietnam, Indonesia and Taiwan have fallen victim. In Thailand, it has badly affected the country’s corn crop, much of which is sold to the animal feed industry.

In recent months, the pest has also been found in 18 of China’s 33 provinces and regions and is now threatening to spread across the key corn region in the northeast. China is the world’s second biggest corn consumer and producer.

“It is a major issue for crops. It could pose a food security threat,” said Phin Ziebell, an agribusiness economist at National Australia Bank. “Management cost is an issue for small farmers.”

Marjon Fredrix, an agricultural officer at the U.N. Food and Agriculture Organisation (FAO), said some countries have reported damage to crops hit by the pest at 1.2% to about 10%, while others had put the figure at 20% to 40%.

“Once the fall armyworm has arrived, it can’t be eradicated, and farmers will have to manage it,” Fredrix said.

A dip in the production of corn, largely used in Asia to feed animals, could force hog, poultry and cattle growers to rely on expensive imports and dent incomes of millions of small farmers.

The fall armyworm invasion comes against the backdrop of planting delays in the United States which lifted benchmark Chicago corn futures Cv1 by nearly a fifth last month.

Advertisement

Asia's millions of smallholder farmers - many with less than an acre of land - are likely to take a bigger hit from the pest than larger growers given their reluctance to adopt new technologies to combat production threats.

"There is an inertia about new technologies," said Paul Voutier, Singapore-based director at Grow Asia, a World Bank funded organization that works with small farmers and other stakeholders to improve productivity.

"And the treatment for fall armyworm has the awful combination of being both costly and difficult," he said, noting the pest's tendency to burrow low into the stem of the crop made it hard to combat with traditional pesticide sprays.

Asia is the world's biggest consumer and importer of corn. The region accounts for 34% of global corn imports and nearly 36% of world corn consumption, according to the U.S.

Department of Agriculture data.

The pest, which has been known for almost 200 years in the Americas, was first reported in Africa in 2016 and has since spread across the entire continent, according to FAO.

In July 2018, fall armyworm - which can fly up to 100 km in one night - was spotted in the southern Indian state of Karnataka, and by the end of February 2019 it was reported in 10 of India's 29 states.

The armyworm has been detected in more than 50 of Thailand's 76 provinces, and is concentrated in six western provinces with large maize areas. It has a preference for corn, but can attack 80 crops, including rice and sugarcane.

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Australia. Wheat export forecast lowered by 18 percent

18 June- News.com.au

Australia has lowered its forecast for wheat exports over the 2019/20 season by nearly 18 per cent as the drought wilts crops in the world's No.4 exporter of the grain.

That comes after the country's chief commodity forecaster last week cut its production forecast for the 2019/20 harvest by more than 11 per cent the drought leaves crops struggling to survive.

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) on Tuesday said wheat exports would total 11.7 million tonnes in the crop year beginning in July, down from its previous estimate in March of 14.2 million tonnes.

Lower Australian exports will support global benchmark prices, which have rallied nearly 30 per cent over the last six weeks amid concerns over tighter global supplies.

Dwindling wheat exports are also likely to hit Australia's stuttering economy.

Wheat is the country's most lucrative rural export from an agricultural sector worth about \$50 billion.

Australian end-users of wheat have been forced into rare imports.

The Department of Agriculture said last week that the first shipment of the commodity into the country in more than a decade had arrived, with ABARES saying more imports were likely.

"More permits are expected to be issued for (imports of) wheat and other grains," ABARES said.

Much of Australia's east coast has recorded less than 40 per cent of typical rainfall levels over the last six months, data from the country's bureau of meteorology shows.

ABARES also cut its estimate for 2019/20 wool production by nearly nine per cent to 352,000 tonnes, down from its March outlook of 385,000 tonnes.

Australia provides 90 per cent of the world's exported fine-wool used in clothing manufacturing, but the drought has left farmers without enough food or water to keep livestock alive.

ABARES cut its forecast for milk production in the 2019/20 season by 2.5 per cent to 8.6 billion litres, down from its March forecast of 8.82 billion litres.

The expected fall puts more pressure on the country's largest milk processors, Saputo Inc, Fonterra and Bega Cheese Ltd, which have seen profits squeezed by intense local competition for milk supplies.

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Soaring maize prices pinch Brazil meatpackers amid Chinese meat bonanza

18 June – BusinessTimes.com

Brazilian pork and poultry processors, who have benefited from strong exports to China amid the African swine fever outbreak, are starting to feel the pinch now at home as prices soar for corn, the main ingredient in animal feed.

Brazilian corn prices rose sharply in recent weeks despite projections for a record harvest above 100 million tonnes. The rally tracked benchmark corn futures in Chicago, which have been boosted by heavy rains hurting the new US crop.

Corn futures on the Sao Paulo exchange gained 25 per cent since mid-May, while prices in Brazil's physical market gained some 15 per cent, according to the Esalq/Cepea index.

The price spike has drawn comparisons to a corn supply squeeze in 2016, when a drought in Brazil hurt the local crop, driving up costs for meatpacking giants such as BRF SA and JBS SA. BRF blamed surging corn prices that year for an annual loss of 372 million reais (\$\$130 million), but the company said it is watching carefully this time to avoid getting squeezed.

"We already have corn purchasing deals for the next 12 months," said BRF, the world's largest chicken exporter.

JBS, which controls Seara, another large pork and poultry player in Brazil, declined to comment.

The higher corn cost would limit profit margins for the companies at a moment when pork exports, for example, are 40 per cent up due to strong demand from China.

Antônio Barreto, a food industry analyst at broker Itaú BBA, said that based on recent exchanges he had with companies recently it appears they do not have a big enough corn position.

"Some people were caught off guard by the rise in corn prices," said Thiago Bernardino de Carvalho, a meat industry analyst at the University of Sao Paulo's Esalq/Cepea think-tank. Mr Carvalho said meatpackers in general have adequate knowledge of market protection mechanisms, but since most projections were indicating a large second corn crop in Brazil this year some of them might not have all the supply contracts they need.

Despite the large domestic corn crop, the price rise in Chicago made Brazilian corn very competitive in the global market, fueling exports that will reduce local supplies.

Corn exports are expected to be record in 2019, possibly above 32 million tonnes, according to cereal exporters association Anec.

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Australian grains on a roll in Vietnam

14 June – Grain Central.com

AEGIC's report, 'Wheat and barley markets in Vietnam: their strategic importance to Australia', analyses Vietnam's grain market and economy to understand trends and suggest future actions for Australia.

Lead author Dr Peter White said Australia had historically been Vietnam's largest wheat supplier, providing about 1.5 million tonnes (Mt) each year on average – however in recent years Black Sea wheat had been encroaching in the feed sector.

"About 0.9Mt of Australian wheat was used in Vietnam's higher priced food market and we expect increased demand to expand this market segment to 1.3Mt by 2030 – a 44 per cent increase," he said.

"Similar to other South East Asian countries, Australian wheat has an excellent reputation for noodles in Vietnam. Australian wheat is also Vietnam's first choice for bread (banh mi), which is quite unusual in Asia countries.

"To maintain and grow this market, the Australian grains industry has to make sure our wheat continues to meet the quality expectations of Vietnamese end-users as the economy grows and incomes increase."

Dr White said malt and feed barley were also potential areas of growth for Australian exports.

"Vietnamese people love their beer," he said. "Vietnam is one of the top 10 beer markets in the world, and Australia is already their largest supplier of malt and malt barley.

"In the two years since the Intermalt malting plant opened in Vietnam (partly owned by CBH), barley imports into Vietnam have increased from about 50,000t to more than 150,000t in 2018. Australia supplied about 80pc of this barley. This malting plant has the ability to double its capacity by 2030."

Dr White said feed barley was another untapped market for Australia.

"The feed grain market in Vietnam has expanded rapidly in the past 10 years, but feed barley is not used in this market. Educating Vietnamese buyers about the benefits of Australian feed barley could create valuable new opportunities for Australian barley."

AEGIC's chief economist, Professor Ross Kingwell, said Vietnam would remain an important market for Australia in the years to come.

"Vietnam's middle class will make up one-quarter of the population by 2030 and will demand higher quality food and beverages, such as whole wheat breads, premium noodles and full malt beer*," he said.

"As Vietnam's economy grows, it will be very important for Australia to carefully monitor and respond to the changing needs of Vietnamese flour mills, food manufacturers and consumers.

"Convenience and affordability will remain a major factor for most people in Vietnam for the foreseeable future, so Australian wheat for human consumption needs to be attractively priced whilst maintaining its preferred quality status in the market.

"Australian wheat remains under pressure from lower-cost grain producers such as Russia, Ukraine and Argentina, which will be an ongoing challenge."

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Reports

International Maize and Wheat Improvement Center (CIMMYT) Annual Report 2018

CIMMYT, maize and wheat annual reports give accounts of achievements and overviews of goals, finances and the big issues being addressed through research, development and training.

Global Economic Prospects June 2019 – World Bank

Global growth has continued to soften this year. Subdued investment in emerging market and developing economies (EMDEs) is dampening potential growth prospects. Risks to the outlook remain firmly on the downside, including the possibility of escalating trade tensions. Another concern is rising debt, which may make it difficult for EMDEs to respond to adverse developments and to finance growth-enhancing investments. Reforms to boost private investment and productivity growth are needed, particularly in low-income countries, which face more significant challenges today than they did in the early 2000s.

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