

MONTHLY NEWS REPORT ON GRAINS

FAO Trade and Markets Division

MNR ISSUE 144 – June 2018

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Market News

Egypt local wheat harvest ends with sharply lower figure

27 June – Reuters

Egypt announced the end of its wheat harvest on Wednesday with a total of 3.15 million tonnes of the grain procured from local farmers, Supply Minister Ali Moselhy said in a statement, one of the lowest tallies in years for the world's largest importer.

Egypt had said previously it was looking to purchase 3.5 to 4 million tonnes of local wheat, a critical staple it uses to supply a sprawling bread subsidy programme relied on by tens of millions of Egyptians.

Last year Egypt procured about 3.6 million tonnes of wheat from farmers, the first year it scrapped a subsidy and began tying its local purchase price to the global price for grains. The new system was designed to curb smuggling as some local traders had in the past used the price gap to sell cheaper imported wheat to the government as local wheat for a profit. This year however, traders said some of the local crop had been bought out by private sector mills which offered higher prices than the government for the grain with global prices rising above the government price during harvest time.

"The private sector was buying the local crop from farmers at 3,950 Egyptian pounds (\$222.16) delivery at mills while the government was buying at around 3,600 and the imported wheat was at 4,150 at the harvest time," Hesham Soliman, a private grain trader, said.

Another trader said the price gap between the local wheat and imports created an opportunity for the private sector that capitalised on the opportunity to pay for the grain in Egyptian pounds instead of paying in U.S. dollars for imported wheat.

A lower local procurement figure means GASC will have to import more wheat from abroad to fill its supply gap.

"A lot of private millers especially in Upper Egypt bought a lot of quantities as at the time of harvest it was cheaper than imported wheat," Walid Diab vice president of a millers association within the Cairo Chambers of Commerce and head of one of Egypt's biggest private mills, said.

The government has tried to promote its local crop as a way to reduce its world-topping level of imports, and GASC is expected to buy about 7 million tonnes of wheat from abroad in the fiscal year that ends this month.

Moselhy said the ministry had purchased 3.03 million tonnes of the grain for state-buyer GASC, which feeds its supplies into the subsidy programme, and 120,000 tonnes of durum wheat, a harder variety it said would be sold on to macaroni producers.

Egypt is expected to import about 12.5 million tonnes of wheat in the coming 2018-19 fiscal year that begins in July, a U.S. Department of Agriculture report said, a figure that includes both GASC and private sector purchases.

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Agroconsult cuts Brazil 2nd maize crop forecast to 55.2 million tonnes

26 June – Nasdaq.com

Consultancy Agroconsult lowered its forecast for Brazil's so-called second maize crop to 55.2 million tonnes on Monday but left its export projection unchanged after a survey of fields in four states affected by planting delays and a drought.

Agroconsult had estimated last month that the second crop, which farmers are currently harvesting, would total 57 million tonnes.

Andre Pessoa, Agroconsult partner, said more than 70 percent of the second maize crop planted in Mato Grosso state had already been traded.

The main focus of concern was related to shipping next year's soy and maize crop, he added, saying the futures market had "ground to a halt" because of ongoing transportation issues. Grain handlers have stopped buying Brazilian maize and soy as concerns over rising logistical costs continue.

The situation is making farmers worry as they are now harvesting their maize and do not have much room in silos, Agroconsult said.

Freight cost doubts have also disrupted fertilizer deliveries, Pessoa said.

Agroconsult predicts Brazil's soy area is likely to grow by 1 million hectares next season, but planting decisions may be affected if the cargo transport is not normalized, according to Pessoa.

An Agroconsult-led crop tour ended on June 8 after covering much of Brazil's second maize area in the states of Mato Grosso, Mato Grosso do Sul, Goiás and Paraná.

"Another factor contributing to the fall in output and yields was lower investment in fields," said Pessoa.

The government predicted earlier this month that Brazil's second maize crop would be 58.2 million tonnes this season, some 9 million tonnes lower than last year's.

"Delays in harvesting of soybeans narrowed the ideal window for planting second maize," food supply and statistics agency Conab said, adding that drought had also weighed on the crop.

Brazil's second maize, planted after soybeans in many areas, accounts for roughly 70 percent of output and in the world's third largest producer after the United States and China.

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Chinese demand for feed grain sizzles

19 June - Farmonline

A temporary ban on US sorghum meant China bought large volumes of Aussie feed grain in March and April, competing against a rock-solid domestic market.

Australian Bureau of Statistics data has shown China's insatiable appetite for feed grain has meant it continued to compete against soaring Australian domestic grain prices to dominate international purchases of Aussie feed grain through March and April.

Lloyd George, market analyst with AgScientia, said Australia exported just under 1.1 million tonnes of barley in March and around 550,000 tonnes in April.

Of that, he said as much as 90 per cent headed to China, which also made large purchases of Australian sorghum.

"It came during the time when China was restricting access for US sorghum and it pushed the demand into a whole bunch of other areas," Mr George said.

"That meant there were good sales of Australian barley and sorghum as Chinese users tried to source grain.

"March, in particular, was a very big month for feed grain exporters and that was nearly all driven by China."

Mr George said he felt the movement of old crop feed grain to China would slow now as prices in locations such as the Darling Downs reached white-hot levels.

“China was competing against the Australian domestic market which has been very high all this calendar year, but in recent months it has become probably the most expensive grain in the world.”

“In US dollar terms, wheat delivered to Brisbane, which is being used as feed, is more expensive than wheat delivered to Iraq by around \$50/t (A\$67/t).

“No export market is going to compete with this, and we’ve seen that in grain in other parts of Australia being moved around in intra-continental shipments to Brisbane rather than exported.”

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Mexican sorghum buyers to visit US

14 June – World-Grain

A team of Mexican grain importers and feed millers from the National Association of Food Manufacturers for Animal Consumption (ANFACA) will visit the United States June 18-22 to tour major sorghum growing areas, develop new relationships as well as continue to strengthen existing relationships with U.S. suppliers.

The group of buyers selected by the U.S. Grains Council represents companies from central and northern Mexico, including the state of Jalisco, the No. 1 livestock producing state in the country, Michoacán and Sonora. Mexico is the fourth largest producer of livestock feed worldwide accounting for 33.87 million tonnes. Of this total, Jalisco, Sonora and Michoacán contribute to a combined 31% of overall production.

“For years, Mexico has been a valued trading partner with the United States, and the ties between U.S. sorghum farmers and Mexican importers has only grown, due in large part to the importance of the North American Free Trade Agreement,” said Tom Sleight, president and chief executive officer of the U.S. Grains Council. “This team visit is another example of why maintaining an open line of communication is important. Mexican buyers have the opportunity to see the full U.S. sorghum value chain — from crops in the field to elevators and port facilities — and trips like these encourage continued direct sales between the two countries.”

The tour will include visits to sorghum suppliers and producers, feed mills, elevators, a rail facility, an ethanol plant and the Port of Houston. The team’s visit will focus on U.S. sorghum production, marketing and export logistics in Texas and Kansas.

“This trade mission is a great reflection of how organizations like USGC, the Sorghum Checkoff and other state organizations, such as Texas Grain Sorghum Producers and Kansas Grain Sorghum Commission, work together to build and maintain market opportunities for U.S. producers,” said Florentino Lopez, executive director of the Sorghum Checkoff. “These buyers will leave with a better understanding of U.S. sorghum quality and production, helping build future sales to Mexico and increasing buyer trust.”

Mexico accounted for \$103 million in exports of U.S. sorghum, equating to 568,254 tonnes (22.4 million bushels), during the 2016-17 marketing year. Mexico remains one of the chief importers of U.S. sorghum, second only to China in purchases.

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France’s lavish wheat fields fuel expectations of large harvest

13 June - Blackseagrain

Farmers across France are calling the upcoming harvest one of the best they’ve seen in years.

The wheat fields from Dijon to Reims are bright green, standing tall and getting ready to be harvested starting from next month. After a cold and long winter, the weather in France took a turn for the better. It got warmer, rainier and yield prospects are improving, farmers and cooperatives say.

The country will probably produce 37 million to 38 million metric tons of wheat this year, according to estimates from InVivo, a union of grain cooperatives. If it reaches 38 million tons, that would be the third-highest year in data from the French Agriculture Ministry going back to 1993.

"It could be a good crop in terms of quantity, much better than last year, much better than the last two," Christoph Bueren, the chairman of Vivescia, one of France's top grain cooperatives, said in an interview in Reims.

The good growing conditions in France are a contrast to Russia, U.S., Australia and Canada, where dry weather left fields parched. Benchmark wheat futures have rallied 22 percent this year on concern that global stockpiles will fall for the first time in six years.

The weather now is good for crop development, with intervals of rain and sun, according to Francois Farges, the deputy director at Cerevia, a union of grain cooperatives. It's warmer, but not excessively hot, and temperatures are around the 25 degrees Celsius (77 Fahrenheit), which is optimal, Vivescia's Bueren said.

French wheat is currently at the filling stage, meaning that each day that temperatures exceed 25 degrees Celsius will lead to a drop in yield equivalent to 150 kilograms per hectare, according to crop researcher Arvalis.

There are still some risks. Conditions were favorable for fungal diseases including fusarium, which can hurt yields and produce chemicals known as mycotoxins that are poisonous for humans or livestock.

Cerevia says it's keeping an eye on the situation, but hasn't spotted any serious diseases in the Burgundy region, where it operates. Fusarium was found in some crops near Reims, said Frederic Terzieff of Promo-Vert, which studies crop diseases for companies that make products including pesticides and fertilizers.

Better crop yields mean the protein content will probably return to normal levels of 11 to 11.5 percent, according to InVivo. Last year, French wheat had protein of 12 percent to 12.5 percent, allowing exporters to sell to markets such as Saudi Arabia for the first time ever.

"In all probabilities, if the yields stay good, we will have lower protein levels than last year," Philippe Kerbidi, a trader at InVivo, said last week.

"When you look at the fields, even if you are not an agronomist like me, it's green, it's regular, it's nice," Kerbidi added. "The crop size is more than decent."

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Australia lowers wheat production forecast by nearly 8 percent

13 June – Devdiscourse.com

Australia has cut its forecast wheat production by nearly 8 percent for 2018/19, the country's top commodity agency said in a report released on Wednesday, as prolonged dry weather across the country's east coast crimps national output.

The world's fourth-largest exporter of the grain said production during the 2018/19 season would total 21.9 million tonnes, down from a previous forecast of 23.7 million. It also said yields could fall further without desperately needed rains.

"Sufficient and timely winter rainfall will be critically important for crop development," the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) said.

Lower Australian wheat production could support benchmark global prices, which have soared around 14 percent since early April as traders worry about lower global supply amid unfavourable weather across major exporters, including the United States, Russia and Australia.

Australia's wheat crop is poised to record a second consecutive season of below average production, coming after the 2017/18 harvest hit an eight-year low.

Most of the country saw less than half the rains normally recorded in May, and farmers on Australia's east coast are feeling the brunt of the unfavourable weather, which came during the region's crucial wheat-planting window.

Farmers typically wait to sow wheat after heavy rains anytime between late April and early June.

"The crops are late but not in strife yet," said John Hatty, a farmer in the small town Tocumwal, in rural New South Wales, west of Sydney.

"As long as we get rain ... I've got my fingers crossed."

ABARES said acreage devoted to wheat in New South Wales will fall to a 13-year low, with 2.8 million acres (1.1 million hectares) devoted to Australia's most important grain.

A poor harvest poses a threat to Australia's biggest listed bulk grain handler, GrainCorp Ltd, whose primary business is the trading of east coast wheat. GrainCorp typically handles around a third of all grain produced in the region.

GrainCorp said earlier this year that 2018 profits would halve from the year before and that the second year of lower output would extend the financial pain into 2019.

Although the overall wheat harvest will be reduced, the output from the country's west is expected to offset some of the pain.

ABARES said production from Western Australia, the country's largest producing region, is set to total 8.1 million tonnes, up 2.5 percent from last year.

Timely rains provided a much needed boost for the state, which can account for as much as 50 percent of national wheat production.

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Russian 2018 grain crop estimate slashed by two leading forecasters

11 June - hellenicshippingnews

Leading Russian agricultural consulting firms SovEcon and IKAR have cut their estimates for the country's 2018 grain harvest due to cold wet conditions in the key spring wheat regions of Siberia and the Urals.

Russia, which gathered a record grains harvest of 135 million tonnes in 2017 due to favorable weather, is one of the world's largest wheat exporters and is also an important producer of barley and maize.

SovEcon said on Saturday it had downgraded its forecast for the 2018 grain crop to 119.6 million tonnes from 126.2 million tonnes previously. The consultancy cut its outlook for wheat output by 3.9 million tonnes to 73.1 million tonnes.

IKAR said on Friday it had reduced its forecast for grain production to 114.7 million tonnes from 117 million tonnes previously. Its estimate for the wheat harvest was trimmed by 2 million tonnes to 71.5 million tonnes.

Despite this year's poorer harvest outlook, Russia will have large stocks left from last season's bumper crop once the 2018/19 marketing year starts on July 1.

The carry-over stocks will help Moscow keep exports high even if the 2018 crop is smaller, the agriculture ministry has said.

Russia usually exports grain to customers in Africa and the Middle East from farming regions around the Black Sea and the Azov Sea, far from Siberia and the Urals.

However, the two regions currently affected by chilly, rainy weather account for about 60 percent of Russia's spring wheat crop, which totaled 24 million tonnes in 2017, SovEcon said in a note.

And while they are not crucial for overall exports from Russia, they are important for balancing supply and demand.

Citing the probability of poor crop yields due to the climate conditions, SovEcon reduced its estimate for Russia's 2018 spring wheat crop to 19.1 million tonnes from 22.2 million tonnes previously.

"The key revision reason is very unfavorable weather in Siberia and the Urals in May. Too cold and too wet – poor yield is on cards for the region," it added.

It also trimmed its estimate for Russia's winter wheat crop by 800,000 tonnes to 54 million tonnes but said that it could upgrade it later if warm weather favors the Volga region.

It also played down industry concerns about dry weather in Russia's export-focused southern regions, which mainly produce winter wheat, saying they were doing relatively well despite some issues in parts of the Krasnodar and Stavropol regions.

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No grain self-sufficiency in China without changes to land policies

8 June - McGill

If China is to achieve its target of 95% grain self-sufficiency by 2030 it will need to restrict the conversion of arable land to other uses say researchers from McGill. This may prove challenging in a country with a population of almost 1.4 billion, but with just under 13% of arable land, close to half of which is suffering from soil degradation. After analyzing the potential impacts of various current trade-related food policies, the researchers have arrived at the conclusion that the current Red Line arable land protection policy is insufficient to reach the government's desired goal. They predict that China will achieve only 90% self-sufficiency in wheat and rice by 2030 if business continues as usual. Moreover, they add that if the population continues to grow at its current rate, by 2050 grain self-sufficiency will have dropped to 83%, with the poor being most affected as food prices rise. In a controversial finding, the researchers instead suggest that if the government hopes to attain grain self-sufficiency it needs to set out to both preserve and increase the areas given over to grain production.

How they reached this conclusion

The researchers used a global computable general equilibrium model to calculate the potential future effects on grain production of five different policy scenarios relating to food production and trade:

1. a reduction in meat tariffs to discourage domestic production of meat and replace it with production of feed and food grains: The researchers calculate that this is likely to have a significant and very positive impact on outputs of rice and wheat and could contribute towards grain self-sufficiency above 90% in 2050.
2. a reduction in grain tariffs to eliminate protection for China's grain producers: The researchers calculate that this will have a mixed impact on China given that although it increases the chances of grain self-sufficiency, it has a marginal negative effect on social welfare.

3. the imposition of higher tariffs on grain imports to encourage high grain self-sufficiency: The researchers calculate that this will increase grain self-sufficiency over time although, for poor households, it may raise prices and reduce private consumption.
4. the free-trade agreement with Australia about meat-trade: The researchers calculate that this is a win-win situation since it will ease rising prices and spur consumption.
5. the Chinese-Korean free-trade negotiations to remove all tariffs on meat from China that is imported to Korea: The researchers calculate that this will have a positive impact on meat export but negligible impact on food grains, not so favourable overall.

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Morocco supports local farmers, wheat harvesting and storage

6 June - Northafricapost

Moroccan Minister of Agriculture Aziz Akhannouch and Tariq Sijilmassi, Chairman of banking Group Crédit Agricole, chaired on Tuesday, in Rabat, the signing ceremony of an agreement with the farmers' cooperatives and their Union (UNCAM) and the National Federation of millers.

Under the agreement, Crédit Agricole bank will provide agricultural cooperatives soft loans to enable them to purchase and store the harvested wheat this season before selling the crops to the milling plants.

The majority of cereal-planted areas are small properties owned by subsistence farmers. Morocco's agricultural cooperatives play important role in crops collection and market place stabilization. Cereal harvest of the North African country is expected to reach 9.82 million tons in 2018, matching last year's harvest despite late rainfall.

More than 4.5 million hectares were sowed with soft wheat, hard wheat and barley in 2018. This year's agricultural season takes place in good conditions after abundant rainfall, up 16 percent on an average year.

Last year, Morocco imported 4.2 million tons of soft wheat, 2.1 million tons of maize, 850,000 tons of durum wheat and 440,000 tons of barley.

In 2015, Moroccan authorities raised customs duty on soft wheat imports to 75 pc from 17.5 pc to protect the local harvest. Wheat is one of the most important commodities in Moroccans' daily life.

Agriculture accounts for more than 15 percent of Morocco's economy and employs nearly 40 percent of the workforce. The government expects an economic growth of 3.2 percent this year.

In 2008, the ministry of Agriculture launched the Plan Maroc Vert (Green Morocco Plan) aimed at maximizing agricultural output from modern large-scale farms through the promotion of agribusiness and investment.

This plan seeks to give a sustained momentum to socioeconomic development, reduce poverty and support small-scale farmers in marginal areas.

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Indonesia continues to buy more Russian wheat, Australian producers concerned

5 June - Northqueenslandsregister

Australia's largest wheat market, Indonesia, continues its newly formed love affair with Russian wheat, purchasing a whopping 1.14 million tonnes from Russia from July last year to the end of March according to official Russian reports.

While it is still dwarfed by Australian wheat exports to the archipelago nation, which Grain Growers data shows have averaged around 3.7m tonnes annually over the five years to 2015-16, the Russian sales represent a threefold year on year increase with three months of the marketing year still to go.

Ross Kingwell, economics and business analysis manager with the Australian Export Grain Innovation Centre (AEGIC) said he expected the trend to continue.

“Flour makers and wheat-based food processors are experimenting with increased proportions of Russian wheat and are finding the end-product quality is not greatly impaired,” Prof Kingwell said.

“Black Sea wheat continues to be available and is so attractively priced that it will increasingly be considered in many flour blends.”

Western Australian farmer Ray Marshall, Pingelly, said the news our most reliable buyer was increasingly looking further afield was a concern, but was not a surprise.

“It’s a worry, but it is hardly surprising,” Mr Marshall said.

“We’ve known for some time that the Black Sea region was producing more wheat and with sea freight prices so cheap it can be landed in Indonesia as cheaply as Australian wheat, despite Western Australia being a stone’s throw away from Indonesia in relative terms.”

Prof Kingwell said from being a net importer less than 30 years ago Russia was now regarded as a reliable supplier due to its consistent increased production.

He said Australia’s much-vaunted high quality wheat was still an advantage, but said millers were now comfortable using higher proportions of Russian wheat.

“Our quality still gives us an edge, particularly in noodle consumption, but flour makers and wheat-based food processors are experimenting with increased proportions of Russian wheat and are finding the end-product quality is not greatly impaired.”

Mr Marshall said Australia could not afford to rest on its laurels in terms of a perceived quality advantage.

“I’ve heard the millers in Indonesia are quite happy with the Russian wheat, it has good protein levels, so this idea they will just loyally stick with Aussie wheat at any price is probably not right.”

Prof Kingwell said Russian and Ukrainian yields had improved massively and were now approaching par with US yields due to improved agronomic practices.

Cheap freight has been another factor in Black Sea origin grain hitting Indonesian shores economically.

Prof Kingwell said while sea freight rates had risen off the lows of 2015 the sheer volume of Black Sea exports meant they still could attract very competitive rates.

And even though sea freight rates have kicked up modestly over the past 12 months in particular they are still far lower than in the period from 2010 to 2014 Prof Kingwell said.

It is not just cheap sea freight that is bringing down the cost of getting Black Sea grain into south-east Asia.

Prof Kingwell said there had been significant investment in Russia’s domestic supply chain to allow grain to move to port much cheaper.

Moving forward, he said Australia would have to be proactive on a number of fronts.

“We can increase yields via plant breeding and technology investment and we can also co-ordinate investment into our supply chains,” he said.

“By doing this we can lower our unit costs of production.”

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Reports

Global Economic Prospects, June 2018 – World Bank

After reaching 3.1 percent in both 2017 and 2018, global growth is expected to decelerate over the next two years as global slack dissipates, major central banks remove policy accommodation, and the recovery in commodity exporters matures. Amid moderating international trade and tightening global financing conditions, growth in emerging market and developing economies (EMDEs) is projected to plateau, reaching 4.7 percent in 2019 and 2020, up from 4.5 percent in 2018.

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Grain Market Report – IGC

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