

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

MONTHLY NEWS REPORT ON GRAINS

FAO Trade and Markets Division

MNR ISSUE 151 – March 2019

Market News

- Russian wheat export prices up with global benchmarks
- China buys most US maize in 5-1/2 years as trade war persists
- Grain trade regional tie-ups likely in preference to mega-deals-LDC
- New investments in poultry feed mills in Egypt, more local maize planting
- Grain markets walled off from flood impacts by mountains of supplies
- Saudi barley tender boosts hopes that barley correction has run its course
- Brazil, US discussing trade deal
- Argentina forecasted to increase the wheat area planted for the 2019/20 season
- Surprise Black Sea wheat sales to Asia curb US export prospects
- China's top grain region to keep high soybean subsidies, up maize payments

Reports

- Crops Prospects and Food Situation - FAO

Monthly Information Sources

- AMIS Market Monitor
- FAO Cereal Supply and Demand Brief - FAO
- 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

Russian wheat export prices up with global benchmarks

28 March – UkrAgroConsult.com

Russian wheat export prices rose last week, supported by an increase in global benchmarks in Chicago and a strengthening of the rouble, analysts said. Last week, the rouble hit its strongest level since August, while Chicago wheat futures touched 3-1/2 week highs. Black Sea prices for Russian wheat with 12.5 percent protein content and for delivery in April were \$227 per tonne on a free on board (FOB) basis at the end of last week, up \$5 from a week earlier, agricultural consultancy IKAR said in a note.

SovEcon, another Moscow-based consultancy, quoted FOB wheat prices up \$3 at \$226 a tonne. The country exported 35.7 million tonnes of grain from the start of the season on July 1 to March 21, down 5 percent from a year ago, according to SovEcon. That included 30.1 million tonnes of wheat, up 5 percent from a year ago.

SovEcon also said it may downgrade its forecast for Russia's 2018/19 grain exports from the current 44.8 million tonnes due to the rouble strengthening and relatively high domestic prices. Domestic prices for third-class wheat were unchanged at 12,000 roubles (\$186) a tonne at the end of last week in the European part of Russia on an ex-works basis, SovEcon said. Ex-works supply does not include delivery costs.

Russia's agriculture ministry continued sales of grain from stocks last week, when it sold 34,000 tonnes of wheat. It has sold 1.7 million tonnes of grain, including 1.4 million tonnes of wheat, since the start of these sales during the current marketing year.

As of March 21, farmers had sown spring grains on 1.5 percent of the planned area, or 454,000 hectares, compared with 97,000 million hectares a year ago, the ministry added. Sunflower seed prices were down 125 roubles at 19,100 roubles a tonne as the market remained under pressure due to a stronger rouble and high supply, SovEcon said. Domestic sunflower oil prices fell by 150 roubles to 42,850 roubles a tonne, while export prices were steady at \$650 a tonne. IKAR said its white sugar price index for southern Russia was \$527.1 a tonne on March 22, up \$10 from a week earlier.

[back to top](#)

China buys most US maize in 5-1/2 years as trade war persists

25 March – Thisismoney.co.uk

Chinese importers booked their largest U.S. corn purchase in at least 5-1/2 years, the U.S. Department of Agriculture (USDA) said on Friday, a rare sale of the grain in the middle of the U.S.-China trade war.

The USDA, via its daily reporting system, said private exporters sold 300,000 tonnes of the grain for shipment in the 2018/19 marketing year, which ends on Aug. 31.

The grain will be shipped from April to July, two traders said.

Concerns about widespread flooding in the central United States, and likely logistical challenges shipping grain from the Farm Belt to export markets, likely triggered the purchases, traders and analysts said.

"If the flooding continues, it's going to be harder and harder to get the corn out of the Gulf. It will have to come out of the Pacific Northwest," said Mike Zuzolo, president of Global Commodity Analytics.

"You have to tack on quite a bit of transportation cost if you ship it across Fargo over to the Pacific Northwest like we do the soybeans," he said.

Freight costs for moving grain by barge on the Mississippi River to Gulf Coast export terminals already jumped this week and navigation on some sections of the key shipping waterway are likely to remain restricted as floodwaters flow to the Gulf.

Although China is home to the largest hog herd in the world, it is not a large importer of the livestock feed grain. Beijing had committed to buying only 166,328 tonnes of U.S. corn in the 2018/19 marketing year before Friday's announcement.

Friday's announcement is China's largest U.S. corn purchase since at least October 2013, according to USDA data. That year was the last time China bought significant volumes of U.S. corn, with more than 3.6 million tonnes of imports.

The two countries have levied tit-for-tat tariffs on each other's goods since last summer in a trade war that has roiled commodities markets and shifted global trade flows. Washington and Beijing have been negotiating a trade agreement since December.

In a television interview on Friday, U.S. President Donald Trump said negotiations with China were progressing and a final agreement "will probably happen," adding that his call for tariffs to remain on Chinese imports for some time did not mean talks were in trouble.

U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin plan to travel to China next week for another round of trade talks with Chinese Vice Premier Liu He.

[back to top](#)

Grain trade regional tie-ups likely in preference to mega-deals-LDC

25 March - Reuters

The agricultural trading industry can expect more consolidation at a regional level in an effort to improve margins, but big deals between global merchants are becoming more difficult, Louis Dreyfus Company's chief executive (LDC) said.

Merchants have been grappling with lower profits from sourcing and shipping commodities such as grain and oilseeds, prompting cutbacks in trading teams, investments in food processing activities and acquisition speculation.

Investor pressure has centred on Bunge, which has drawn interest from both Glencore and Archer Daniels Midland for a potential mega-merger.

But LDC Chief Executive Ian McIntosh is unconvinced on the merits of wholesale tie-ups.

"Each of the participants - the ABCDs, Gs, Cs, all the various acronyms - are becoming increasingly different businesses," he said in a telephone interview, referring to the so-called ABCD quartet of ADM, Bunge, Cargill and Dreyfus, along with Glencore and Chinese-owned COFCO International.

"Which means that consolidation at total-company level is, I think, increasingly difficult to execute because the business fits have become less obvious."

ADM Chief Executive Juan Luciano is another who has played down the prospect of major consolidation, telling Reuters in January that he didn't see the need for his company to enter "monster" transactions.

Privately held LDC expects consolidation to happen more locally, with more-focused tie-ups to speed its own shift further along the food chain, McIntosh said.

"I think you will see consolidation at a regional level," he said, arguing that some struggling niche players would be taken over or exit some businesses.

For LDC, such deals could take the form of acquisitions or joint ventures, McIntosh said, noting that his group had reinforced its acquisition last year of an oilseed processing factory in Tianjin, China, by forming a joint venture to produce fish feed at the site.

McIntosh was talking after LDC reported a 12 percent jump in group net profit last year, supported by a strong oilseed performance linked to demand for Brazilian soybeans during a U.S.-China tariff battle.

Advertisement

Profit was also helped by a very strong year in cotton and improved returns in other businesses, he said.

This year looks similar to last in terms of market conditions, but a settlement between Washington and Beijing would change the outlook, McIntosh said, adding that it is too early to talk about LDC's performance this year.

McIntosh took the helm last September at a turbulent time for the 168-year-old company that also changed its finance chief, reported lower first-half profit and was burdened with an acrimonious buyout of minority shareholders and a bailout of Brazilian sugar business Biosev.

[back to top](#)

New investments in poultry feed mills in Egypt, more local maize planting

25 march – Feednavigator.com

The US agency forecasts that Egypt's corn production in 2019/20 will be, at 7.2 MMT, up 6% from a year earlier. The area harvested is set to reach 900,000 hectares in 2019/20, up some 50,000 hectares from 2018/19, it added. The report predicts Egypt's corn consumption level in 2019/20 will be 16.4 MMT, up almost 2% from the previous year.

The USDA also forecast poultry feed prices in Egypt to drop from \$414.50 per metric ton to \$391/MT.

Egypt's poultry industry employs 2.5 million workers, with investment reaching \$3.73bn, some, according to the USDA data.

The sector produces nearly 1.25 billion day-old chicks, 1.1 billion broilers and 8 billion table eggs per year. Large commercial breeders account for about 70% of the production.

"We anticipate the poultry's feed consumption to grow by 2-3% as the larger producers consolidate and vertical integration increases. Since the beginning of MY 2018/19, the market has seen new investments in poultry feed mills, with capacities reaching 6,500 metric tons per day," said the authors of the report.

Additional feed lines are coming online, adding to already existing feed milling capacities to increase production of aqua and cattle feed in the North African country, they reported.

Dakahlia Poultry Co, one of Egypt's largest investors in the poultry sector, recently inaugurated a new feed mill with a capacity of 3,000 MT/day of poultry feed and 400 MT/day of aqua feed, said the USDA. The new feed mill is the largest in the Middle East, noted the US agency's publication.

Dakahlia's feed line, utilizing a quality feed system, is allowing it to produce broilers averaging 2.1 kg in bodyweight in 33.5 days with a 1.53 feed conversion ratio (FCR), revealed the report.

In January this year, Egypt's Ministry of Agriculture and Land Reclamation (MALR) signed four new poultry investment contracts, totalling \$84.5m, with producers for the establishment of five new projects, spread out over 3,300 hectares, in Upper and Western Egypt, found the publication. These projects will produce, on an annual basis, 62 million

broiler chicks, 4.2 million mothers, 400,000 grandmothers and 30 million table eggs, generating nearly 2,000 new jobs, it added.

The USDA, however, forecasts that Egypt's corn imports in 2019/20 will be up 1% on 2018/19, at 9.5 MMT.

"Egypt's yellow corn production cover less than 20% of its feed demand needs. Imports are supplementing the feed manufacturing industry's expanded production".

Egypt's top three suppliers in 2018 were Argentina at 2.7 MMT, Ukraine at 2.4 MMT, Brazil at 2.1 MMT and the US at 1.8MMT.

[back to top](#)

Grain markets walled off from flood impacts by mountains of supplies

24 March – Hellenicshippingnews.com

A massive supply of grains has shielded the futures markets from the impact of flooding in the U.S. Midwest so far, with traders largely shrugging off this week's reports of destroyed storage bins, swamped elevators and questions about if waters will recede in time for planting.

The problem is grain glut that has long weighed over commodities markets, said Tom Grisafi, a market advisor at commodity brokerage Advance Trading.

"If we lost 50 million bushels of beans, would it matter?" asked Grisafi. "If 100 million bushels of corn were gone, would it matter?"

The answer in traders' minds: no.

The U.S. Agriculture Department's latest report on U.S. grain stocks showed that domestic soybean supplies stood at a record 3.736 billion bushels as of Dec. 1, 2018.

Corn stocks were 11.952 billion bushels, down 4.9 percent from a year earlier but still the third highest ever, and wheat stocks were 1.999 billion bushels, the second biggest in 31 years.

Icy floodwaters are beginning to recede from Nebraska and Iowa but Midwestern states downstream on Thursday braced for a relentless surge along the Missouri River, with more rain expected.

Concerns about the flooding did prompt some investment funds, who are holding big short positions on grains, to begin unwinding some of those bearish bets on Thursday. But the gains remained muted, particularly in comparison to the market's response to previous natural disasters.

So far this week, Chicago Board of Trade corn futures were up 0.6 percent, soybean futures were up 0.1 percent and wheat futures were up 0.6 percent.

The timing of this week's flood did factor a bit into the market's response. Farmers in the affected areas are weeks away from starting up their planters.

"It is just a little bit early," said Greg Grow, director of agribusiness at Archer Financial Services. "This becomes a bigger issue in about a month."

In mid-May 2011, floods in some of the same areas sparked a weekly rally of 11.4 percent in corn, 10.8 percent in wheat and 3.8 percent in soybeans.

But at that time, domestic corn supplies were 15.9 percent smaller than they are now.

Soybean supplies were 39.0 percent smaller and wheat supplies were 3.4 percent smaller. Waning global demand for all three U.S. commodities also helped to douse rally attempts this week. USDA has pegged soybean exports for the marketing year to fall by 254 million bushels, due to the trade war with China.

In its last demand report, USDA lowered its usage forecast for corn by 100 million bushels, with 75 million coming from export projections and 25 million from decreased demand from the ethanol sector. The wheat export forecast also was cut by 35 million bushels.

[back to top](#)

Saudi barley tender boosts hopes that barley correction has run its course

22 March – Agrimoney.com

The return by Saudi Arabia's official Sago authority to barley import tender, after a gap of more than four months, has spurred that the prices of the grain may have finished their correction to wheat.

Sago, Saudi Arabia's main grain-buying agency, on Thursday unveiled a tender for 720,000 tonnes of feed barley, for delivery in May and June.

The tender was Sago's first since early November, and ends a void of business from the world's top buyer of the grain which raised ideas that a boost to domestic forage production from unusually strong rains would curtail significantly its needs for barley imports this season.

The US Department of Agriculture bureau in Riyadh last month pegged Saudi's barley imports in 2018-19 at 7.5m tonnes, a drop of 200,000 tonnes year on year, although the USDA itself has so far stuck by a forecast for 8.5m tonnes.

Saudi's absence from the market, coupled with a step back too by China, the second-ranked buyer, was viewed as spurring a sharp underperformance in feed barley prices compared with those of wheat in the early weeks of the year.

In France's Rouen market, for instance, feed barley, which began the year trading at a par with soft wheat at some €200.00 a tonne, had devalued to €177.00 a tonne by mid-February, opening up a €19.00-a-tonne discount to wheat, according to Agritel.

The discount has since stabilised, with barley priced at €170.00 a tonne in Rouen on Friday, €15.00-a-tonne below the value of soft wheat.

"The absence of Saudi Arabia pushed prices to tumble from the start of the year," Agritel said.

However, "this return of Sago on the market is a relief for operators that were impatiently waiting to see again this major importing country".

In the UK, the Saudi tender had underpinned a process where barley prices had found "support from recent lows", said CRM AgriCommodities, adding that the UK was, on price terms, in with a chance of winning some of the tender.

"Prices have reached a level where they are competitive," James Bolesworth, director at CRM AgriCommodities, told Agrimoney.

According to the AHDB bureau, barley in the key East Anglian producing region was priced last week ex-farm at £128.30 a tonne which, factoring in a charge of £5.00-8.00 a tonne to reach port and £3.00 for loading onto a ship, suggested an FOB export price of about £136-140 (\$180-185) per tonne.

"This is on par with Russian FOB barley," as priced as Azov Sea ports, "and lower than both Romanian and French barley according to UKAgroConsult," AHDB senior analyst James Webster said,

"With freight rates from the Black Sea and the EU to Saudi Arabia largely comparable, the UK should be in a position to access the Saudi Arabian market."

In Ukraine, barley for export was price last week at \$214 per tonne, according to SovEcon.

Mr Webster added that the UK's ability to compete in the tender may actually be in terms of enticing enough sales from farmers, at prices well below those earlier in the season.

[back to top](#)

Brazil, US discussing trade deal

18 March – World-grain.com

Brazil is considering granting an import quota of 750,000 tonnes of U.S. wheat per year without tariffs in exchange for other trade concessions, Reuters reported.

That amounts to about 10% of Brazilian annual wheat imports and is part of a two-decades-old commitment to import 750,000 tonnes of wheat a year free of tariffs that Brazil made during the World Trade Organization Uruguay Round of talks on agriculture but never adopted.

Farm state senators have asked that wheat sales be on the agenda, in a letter to U.S. President Donald Trump seen by Reuters. They estimate such a quota would increase U.S. wheat sales by between \$75 million and \$120 million a year.

Brazil buys most of its imported wheat from Argentina, and some for Uruguay and Paraguay, without paying tariffs because they are all members of the Mercosur South American customs' union. Imports from other countries pay a 10% tariff.

A Brazilian official, who asked not to be named so he could speak freely, told Reuters the wheat quota could be sealed during a meeting between Brazil's Agriculture Minister Teresa Cristina Dias and U.S. Secretary of Agriculture Sonny Perdue on March 19.

In return, the Brazilian government is hoping to see movement toward the reopening of the U.S. market to fresh beef imports from Brazil that were shut down after a meat-packing industry scandal involving bribed inspectors, according to Reuters.

[back to top](#)

Argentina forecasted to increase the wheat area planted for the 2019/20 season

14 March – Mercopress.com

Argentina's wheat planting area will rise again in 2019/20, industry experts anticipated, which could mean another bumper harvest after a record wheat crop last season. The area could reach up to 6.9 million hectares, analysts and farmers said, which would be the fourth consecutive increase and a rise from 6.3 million hectares in the 2018/19 season when the country produced a record 19.5 million tons of wheat.

Argentina is one of the top 10 wheat exporters in the world, sending much of the crop to neighbor Brazil, with US\$ 3.2 billion in exports from the most recent harvest.

"Everything points to what is going to be a fine campaign, and without doubt wheat will be the main protagonist," said Jorge Marcenac, a farmer from Pigüé, in the southwest of Buenos Aires province, the bread basket of Argentina.

Marcenac, who chairs the local rural society, said planting area for wheat and other winter crops in the Pigüé region would be raised versus other crops such as soy beans, Argentina's main crop.

Pablo Adreani, the head of consultancy AgriPac, said he was expecting a planting area of up to 6.9 million hectares, helped by robust prices.

"Although at the time of sowing there may be lower prices (than currently), they are still very good," he said, referring to the planting season in April.

Official data showed wheat being traded at an average price of US\$ 180 per ton in

Argentina, down from US\$ 205 a month ago but in line with the US\$ 187 registered last year, which helped propel the record 2018/19 season.

"Producers start with more incentive than in other years," said Gustavo López, head of consultancy Agritrend, which estimates a planting area of up to 6.6 million hectares.

"Wheat is still an interesting option; they had spectacular harvests this year and the quality was very good."

The head of the agricultural estimates department at the Buenos Aires Grain Exchange, Esteban Copati, added that heavy rains over recent weeks in the central region of Argentina have left good reserves of moisture for planting.

[back to top](#)

Surprise Black Sea wheat sales to Asia curb US export prospects

13 March – Blackseagrain.com

Black Sea wheat exporters are boosting sales to Asia from the crop harvested last July in a surprise move, denting demand for U.S. shipments which were expected to pick up in the second quarter of this year.

The benchmark Chicago Board of Trade wheat contract has fallen more than 10 percent so far this year, losing more than half of the gains made in 2018 on expectations of strong demand for U.S. supplies.

"It is a comeback for Black Sea wheat to Asia after a brief slowdown," said one trader at an international trading company in Singapore. "Prices being offered for Russian and Ukrainian wheat are among the cheapest now."

Wheat millers had been expecting top exporters from the Black Sea region, Russia and Ukraine, to run out of surplus grains early this year after a hectic export programme, leaving room for Argentina and the United States to fill the gap.

Argentinian wheat exports picked up early this year in Asia following drought in Australia, but Black Sea wheat is now returning, squeezing out shipments from the United States, the sources said.

Asia is the world's biggest wheat consumer and importer.

Prices for old-crop Russian wheat with 11.5 percent protein have dropped to around \$250, including cost and freight (C&F), to Indonesia, the world's second largest importer, from \$270 a tonne quoted in January and early February.

Buyers in the region are looking for May-June delivery.

Russia still has a surplus of 4 million to 5 million tonnes of old-crop wheat for exports, a leading trader for Black Sea wheat told Reuters at the end of February.

Last week, the U.S. Department of Agriculture raised its estimate for inventories in the United States.

U.S. wheat ending stocks were pegged at about 28.72 million tonnes, up from the February outlook of 27.50 million tonnes and above the high end of market expectations. Wheat exports were cut to 26.26 million tonnes from 27.22 million tonnes.

Asian buyers have also been locking in deals for the new Black Sea crop that will be harvested in July.

In recent deals, millers in Indonesia bought up to 200,000 tonnes at around \$215, C&F, for arrival in August, traders said.

"There are good flour margins to be made which is encouraging mills to sign deals as far ahead as August," said a second Singapore based trader.

[back to top](#)

China's top grain region to keep high soybean subsidies, up maize payments

6 March – CNBC.com

China's top grain producing region plans to increase subsidies for corn growers as a stocks glut eases, and will keep soybean subsidies at high levels for a second year running, official media reported.

The increase for corn marks a reversal from last year when the government was still trying to encourage farmers to reduce corn acreage as it sold off mammoth stocks of ageing grain. However, soybeans will attract a much bigger subsidy after Beijing pledged to expand domestic soybean output this year amid a bitter trade war with the United States.

China's Heilongjiang province will also promote rotation from rice to soybeans in the new year, according to the provincial agriculture ministry, the party-run Heilongjiang Daily reported.

The northeastern province nearly doubled subsidies for soybean farmers last year to 320 yuan (\$47.67) per mu - a Chinese measure of land equal to 0.06 hectare (0.14 acre) - while slashing corn subsidies to 25 yuan per mu, from about 134 yuan in 2017.

Heilongjiang is China's top grower for both soybeans and corn, with farmers there switching between the two crops based on which will be more profitable in a given year.

Subsidies for soybean growers will be maintained at about 300 yuan per mu, the Heilongjiang Daily said. It did not give a figure for the increased 2019 corn subsidy, but said the figure for soybeans would still be more than 200 yuan higher than for corn.

Beijing said last month that it will further increase subsidies for farmers in northern China to help expand acreage in the region.

China has been seeking ways to reduce its reliance on U.S. soybeans, although the two sides have recently been in talks aimed at ending the trade dispute.

Beijing has also been whittling down its huge corn stockpiles, but the world's No. 2 consumer of the grain will likely sell off the last of its ageing stocks this year, an agriculture ministry official said earlier this year.

[back to top](#)

Reports

Crops Prospects and Food Situation - FAO

Crop Prospects and Food Situation is issued by the Trade and Markets Division of FAO, under the Global Information and Early Warning System (GIEWS). It is published four times a year and provides a forward-looking analysis of the food situation by geographic region, focusing on the cereal production outlook, market situation and food security conditions, with a particular attention on Low-Income Food-Deficit Countries (LIFDCs). The report also includes a list of countries requiring external assistance for food, highlighting the main drivers of food insecurity. It also includes a global cereal supply and demand overview to complement the biannual analysis in the Food Outlook publication.

[back to top](#)

Monthly Information Sources

AMIS Market Monitor

FAO Cereal Supply and Demand Brief - FAO

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