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Market News

Soybean acres to exceed maize for the first time in 35 years
29 March – CNBC

Maize has been dethroned as the king of crops as farmers reported Thursday they intend to plant more soybeans than maize for the first time in 35 years, the U.S. Department of Agriculture said in its annual prospective planting report.
Profitability is the primary reason farmers indicate they intend to plant 89 million acres in soybeans and 88 million acres in maize.
Maize costs much more to plant because of required demands for pest and disease control and fertilizer. When the profitability of both crops is close, farmers bet on soybeans for a better return, said Chad Hart, an agriculture economist at Iowa State University.
"We're hearing a lot more folks talk about when they've looked over the past couple of years beans have performed better than maize in terms of farm returns," Hart said. "When they're feeling a little pinched they do tend to look to control their cost side and that's where beans have an advantage over maize."
Soybeans cost about 60 to 70 percent as much as maize to plant, he said.
The report is an estimate based on farmer surveys and could change depending on weather and commodity prices at planting time.
The only year that soybean acres beat maize in recent memory was 1983 but it was due to government manipulation as the USDA pushed farmers to plant fewer acres in an effort to boost prices in the midst of the nation's worst farm crisis.
Hart estimates at prices prior to the report Iowa farmers could turn a profit of between $8 and $15 an acre for both crops which explains why the acreage intentions between the two are very close.
Narrow profitability explains why total acreage planted for all major U.S. crops will fall by about 1 million acres this year. Much of the land will likely be removed from production and used for pasture or remain unplanted, Hart said.
Maize acres nationally will be 2 percent lower, about 2 million acres, and soybean acres will be down 1 percent, about 1 million acres. Some of the previous maize and soybean land will be planted in wheat, which is growing by 3 percent in acreage planted and cotton, which will be up 7 percent this year or about 858,000 acres.
Ray Gaesser, who grows maize and soybeans on 6,000 acres in southwest Iowa near Maizeing said planting intentions often change and acres devoted to maize and soybeans could rise from the estimates.
"We'll probably see those total acres go up at planting time but probably not as large as folks were thinking a month ago because the market is telling us to do something different," said Gaesser, who also is chairman of the American Soybean Association.
Farmers in Iowa, the top maize producing state, expect to plant 13.3 million acres, the same as last year. Illinois, Nebraska and Minnesota all plan on fewer maize acres. Ohio is the only state expecting an increase, the USDA said.
Illinois, the top soybean producer, will plant 10.6 million acres, the same as last year. North Dakota also will plant the same as last year. Decreases of 100,000 acres or more are anticipated in Iowa, Kansas, Michigan, Minnesota, Nebraska, North Carolina, and Ohio.

Prices for benchmark December maize rose 13 cents after the report's release to $4.10 a bushel and the benchmark November soybean futures price surged 30 cents to $10.46 a bushel.

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Canadian government invests in ag research
29 March – World-grain.com

The governments of Canada and Manitoba on March 23 announced plans to invest nearly C$484,000 in equipment and infrastructure to complete the Prairie Agricultural Machinery Institute's (PAMI) grain innovation facility located near Portage la Prairie. The funds will be used to add basic infrastructure needs, as well as specialized equipment such as hopper bins, a grain weighing wagon, lighting, conveyors, ventilation fans and related research instruments.
"Canada's agriculture and agri-food sector is a key driver of our economy," said Lawrence MacAulay, minister of Agriculture and Agri-Food Canada. "As we innovate new crops and enhance existing ones, we need improvements in storage to keep up with an evolving sector. This funding will help Canadian grain producers grow their businesses and stay competitive, while creating good well-paying jobs in the local economy."
Ralph Eichler, agriculture minister for Manitoba, added, "Manitoba has an internationally-recognized network of grain handling and storage manufacturers, making this investment essential to supporting the future of these sectors while preserving the quality and standards of our grain products. For Manitoba's value-added processing industries to grow, we must also continually improve how we store agricultural commodities, with the goal of avoiding spoilage and other losses."
Once the project is complete, research at the facility is expected to be used by the farming community and agribusiness sector. Funding for the project was provided through Growing Forward 2 (GF2).
"The scale of grain storage bins has increased 10 to 20 times over the last 30 years," said Harvey Chorney, vice-president and manager of PAMI's Manitoba operations. "On top of that, innovations in crops and harvesting techniques are changing the characteristics of grain going into bins. Scientific and engineering testing has not kept up, leaving agricultural producers in a risky position. The research facilities made possible by this funding will help us to answer new questions in grain storage."
PAMI is a non-profit applied research, development and testing organization, serving the agriculture industry in western Canada and internationally. It directly employs 11 people in Portage la Prairie and surrounding areas and completed 126 agricultural research projects last year. The organization's work is directed by an independent board of producers and the Manitoba and Saskatchewan governments.

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China agri-industries see boost to China wheat millers from price drop
28 March – Agrimoney.com

China Agri-Industries revealed expansion plans in wheat milling, to exploit prospects enhanced by a cut to the state guaranteed price, after a year of growth focused on oilseed processing, fuelling a more than doubling in earnings.

The vegetable oils-to-rice group, which is part of the empire of state ag trading giant Cofco, said it was taking a “variety of approaches” to “strengthen the geographic footprint” of its wheat processing division.
These include “acquisition”, besides the construction of new plants, at a time when tight margins have spurred a “trend to consolidation in the wheat processing industry”.
“Large-scale… processors increasingly predominate” in the sector, China Agri-Industries said.
Indeed, last year “processors with simple business model suffered from the rising costs” of raw materials, the group said, revealing that its own operating profits in the sector rose by a modest 5.1% to HK$158.0m, despite growth of 18.1% to HK$10.56bn in revenues.
However, it forecast better market conditions ahead, thanks to a 2.5% cut, to 2,300 yuan a tonne, for 2018 in China’s minimum wheat price - the first such reduction since the policy was introduced more than a decade ago.
“As the minimum wheat purchase price reduced for the first time due to the progress of market-oriented reforms in the grain pricing mechanism, cost pressures could be eased for processors,” said Dong Wei, the China Agri-Industries chairman.
He saw the move as “promoting industry development”.
The comments came as China Agri-Industries unveiled a jump to HK$3.38bn in earnings for 2017, from HK$1.53bn a year before, on revenues up 12.6% at HK$87.86bn.
“All business segments… maintained positive momentum,” the group said, flagging “steadily” growing in retail spending on grains and edible oils, backed by strong Chinese economic growth.
In the biggest division, oilseeds processing, revenues grew by 11.5% to HK$56.23bn, helped by acquisition, and winning the Chinese rights to the Fortune consumer edible oils brand.
The division’s operating profit rose by 12.6% to HK$1.18bn, helped by canny purchase of oilseeds to crush.
The group’s traders “locked in profit margin by making procurement at appropriate timing to reduce raw material costs”.
China Agri-Industries shares closed up 1.5% at HK$3.49 in Hong Kong.

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Barley the star performer as rain tempts growers to sell
28 March – The WeeklyTimes

There are a few grain growers with sufficient confidence in the season to sell new crop grain, given neutral El Nino-Southern Oscillation Index conditions forecast by most weather models.
Barley has been a standout performer this season, with Feed 1 grade reaching $280 a tonne delivered to end users in Melbourne, a rise of $55 since November. F1 barley prices are higher than Australian Standard White wheat, which is trading at about $278 a tonne delivered to Melbourne.
These F1 barley prices are historically high and equate to decile 9 or within the highest 10 per cent of prices in the past 10 years.
By contrast, the current prices of ASW equate to about decile 5, only marginally above the 10-year average of $268 a tonne delivered Melbourne.
New crop F1 barley bids of $260 a tonne delivered to Victoria ports equate to decile 8.
Grain buyers were hoping for rain last weekend to inspire some confidence in new crop plantings and to encourage a few growers to sell.

As most grain growers in southeastern Australia received less than 10mm, and without significant swings to international markets, grain prices remain steady this week.
The dry stretch continues for most grain growers, which for many brings beneficial savings in herbicide costs to control summer weeds.
Last week, Hopetoun received 2mm of rain, Charlton and Horsham 5mm, but further south, Westmere picked up 20mm.
Following a strong sell-off due to improved rain in the drought-affected US Plains, prices for wheat, maize and soybean consolidated last week.
Dry conditions are once again forecast to return to the US Plains.
US grain markets are described as jittery given the uncertainty over the potential for a trade war between the US and China. US soyabean prices improved last week due to it not appearing on any lists of products that will have import duties applied on arrival to China.
Overall international prices are weaker, with Winnipeg canola futures falling $3 a tonne and Chicago wheat futures slipping $3.60 a tonne.
Even at the historically elevated levels, exporters are managing to make sales.
About 50,000 tonnes of Australian wheat was sold to Iraq during this month's tender, successfully competing against US and Russian wheat.
These sales provide confidence that Australian grain can remain competitive in key markets.

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Egypt to pay USD 80 million above the market for wheat in 2018
25 March - AgriCensus

A convoluted import policy and a risk premium to compensate for the cost of doing business means Egypt can expect to pay as much as $80 million above the wheat market price in 2018, according to a report published Monday by the USDA's local office in Cairo.
As the world's biggest wheat buyer, Egypt buys as much as 12 million mt of the grain each year, but often pays more than other importers due to the restrictions it places on sellers, including a hefty performance bond, high demurrage costs, and frequent sieving of cargoes.
In its report, the USDA explained a 63,000 mt wheat shipment to Egypt could expect to pay $332,270 in expenses – equivalent to $5.29/mt – all of which would subsequently be passed on to the importer.
"GASC could buy better (cheaper) if they did not insist that sellers' finance their credit by paying the costs of the 180-day deferred LC," Swithun Still, director at Solaris Commodities, told Agricensus.
"GASC could also buy better if they were to only charge demurrage at the load port (it is a FOB contract after all) and did not always charge for sieving, when often none is needed. These costs are added to the price from suppliers," Still said.
The spread between the FOB price GASC paid and the Agricensus spot assessment of Russian 12.5% protein milling wheat shows the premium paid since the start of October has ranged from as little as 90 cents to as much as $12.39/mt, with an average of $5.55/mt more paid.
In February, GASC lowered its minimum protein requirements for various origins in a bid to encourage more participants in its tenders.
"Traders remain sceptical that the increased competition will transmit to lower purchase prices," the USDA said, and evidence to date would indicate this is the case.
The average FOB premium GASC has paid over the wider market since the protein amendment has spiked to $8.33/mt from $4.15/mt before.

On the delivered market, one trader who declined to be named, estimated the premium GASC must pay over the wider market to be closer to $14-$15/mt.

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Even without Trump-brokered deal, refiners get biofuel relief
22 March – AmericanBiosGasCouncil

Despite a series of White House meetings in recent months, U.S. oil refiners haven't seen any change in the federal mandate requiring them to blend biofuels. Yet the market in biofuel credits shows they're getting some of what they want anyway.
The complaint among some refiners is that the cost of complying with the Renewable Fuel Standard is too high. Refiners without the capability to blend ethanol or biodiesel have to buy the credits, so-called Renewable Identification Numbers, or RINs. Prices for RINs have slumped amid the Trump administration meetings, indicating that refiners are increasingly confident they'll get some kind of relief.
"The conversation has already been helpful in that area of driving RIN prices down," U.S. Agriculture Secretary Sonny Perdue said in a speech in Washington on Tuesday.
The RFS is a complicated policy that crosses political lines and reverberates in markets for maize and crude oil. Two of President Donald Trump's most valued constituencies -- blue-collar workers and farmers in the rural Midwest -- are locked in a fight over compliance costs. The debate has gotten more heated since the recent bankruptcy of Philadelphia Energy Solutions Inc., the largest U.S. East Coast refiner. But farmers of maize and soybeans -- used to make ethanol and biodiesel -- support the RFS.
Although Trump had pledged to support the program during his presidential campaign, he has personally waded into the debate, holding meetings in an attempt to broker a deal between the two sides.
Some refiners have used those meetings to push the president to put a ceiling on the price of RINs. Biofuel advocates, meanwhile, have countered that any price cap would be "catastrophic," based on a view that climbing RINs spur companies to blend more ethanol to generate credits when they are more lucrative.
But it's unclear how much effect RINs prices actually have on ethanol blending or spot prices for the fuel. Ethanol costs have been relatively stable amid big swings in RINs over the past year.
"There is no erosion or backsliding of ethanol blending when RIN prices drop significantly, nor is there a massive increase in blending when RIN prices skyrocket," said Brendan Williams, vice president of government relations for New Jersey-based refiner PBF Energy Co. Market data "disprove erroneous claims that controlling RIN costs would somehow hurt farmers or destroy ethanol blending," he said.
Even without complex administrative changes, prices for the RINs tracking 2018 ethanol targets have tumbled 49 percent since October, a time when the prospect of changing the RFS grew dimmer after Trump directed Environmental Protection Agency chief Scott Pruitt to back off any changes that would dilute the mandate.
Still, RINs prices remain volatile. They've jumped 30 percent since Tuesday, according to broker data compiled by Bloomberg, after Perdue said the administration is trying to determine whether to move forward with a fix or leave it to Congress.

His comments suggested waning White House interest in finding a solution that government agencies could implement on their own. That could mean the RFS is here to stay in its current form for some time to come, because lawmakers have struggled for years to advance a legislative overhaul. Although Republican Senator John Maizeyn is developing a plan, it faces long odds of passage before the November mid-term elections.

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Late season rains put the brakes on Argentine soy, maize losses

20 March – Nasdaq.com

Late season rains will halt further deterioration of drought-hit Argentine soybean yields, setting the stage for an estimated crop of at least 40 million tonnes after being trounced earlier in the season by extremely dry weather, experts said on Tuesday.

The 2017/18 crop year started with soy harvest estimates in the 55 million tonne range. But the drought has parched wide areas of Argentina's normally fertile Pampas grains belt since November and scorched some soy and maize fields beyond repair.

Argentina is the world's No. 3 exporter of soy and maize. The drought put upward pressure on world food prices but Chicago Board of Trade soybean futures fell more than 2 percent on Monday after weekend showers were seen stabilizing crop losses.

"The rain helped a little, but the destiny of most soy plantations had already been written," said Eduardo Sierra, climate consultant to the Buenos Aires Grains Exchange. "It helped a handful of farmers whose soy and maize was at the right stage to be helped by moisture."

"The new moisture will maintain 40 million tonnes as a floor for the soy harvest, and maybe add 500,000 tonnes. Maize, with a bit of luck, could go from an estimated 34 million tonnes to 35 million tonnes," he said.

The exchange projects the soy harvest at 42 million tonnes, warning that further cuts are possible if rains do not reach the northern province of Chaco. The exchange forecasts the 2017/18 maize harvest at 34 million.

The Rosario grains exchange last week slashed its soy crop forecast to 40 million tonnes from a previous 46.5 million while cutting its maize estimate to 32 million tonnes from 35 million.

Wide areas of Buenos Aires got 3 to 4 centimeters (1.1 to 1.5 inches) of rain over the weekend. "We hope it will rain in Cordoba and Santa Fe over the days ahead," said Leandro Pierbattisti, an analyst with the country's grains warehousing industry chamber.

"For soybean yields, the movie has ended. A recovery in soybeans at the end of March is just impossible," he said.

But late-planted maize, which was sown in December, could still see some recovery. "I'm optimistic that there is room for maize yields to recover if it rains this coming weekend," Pierbattisti said.

Ground moisture also needed to set the stage for Southern Hemisphere autumn wheat and barley planting in May.

"We need a lot of rain over the next month but the forecasting models over the mid-term are not very promising," Pierbattisti said.

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Demand growth to lift Philippines wheat imports to record high in 2018-19

19 March – Blackseagrain.com

Wheat imports by the Philippines will resume growth next season, hitting their highest on record, offering an early fillip to exporters from the US, the country's top origin for purchases.
The US Department of Agriculture bureau in Manila, in their first forecasts for Philippines grain supply and demand in 2018-19, pegged wheat imports at 5.75m tonnes.
That would be the highest on data going back to 1960, and represent a return to expansion after an easing this season to an estimated 5.20m tonnes "as stocks are being drawn down".
Indeed, the bureau's 2017-18 figure is 500,000 tonnes below the USDA's official estimate.
The prospect of enhanced demand next season reflects "increasing consumption" prospects, for both food and feed uses.
The bureau said that tax reforms, which in January saw cuts to the likes of income and estate taxes in favour of increased levies on fuel, electricity and sugary drinks, "should increase disposable incomes and raise food and feed consumption in 2018-19 onwards".
Meanwhile, feed demand should be boosted by the needs of "domestic livestock and poultry industries [which] continue to be the bright spots of Philippine agriculture primarily due to the performance of the hog and chicken industries".
"Next to rice, hog and chicken production are the top contributors to Philippine farm output with shares of 14.8% and 12.0%, respectively."
Wheat's use in feed is enhanced thanks to "a lower price relative to feed maize".
The prospect of growth in Filipino wheat imports next season will be of reassurance to wheat exporters in the US, Australia and Canada particular, historically, the top three origins on this route.
Indeed, the US – exporting 2.49m tonnes of wheat to the Philippines in calendar 2017, worth $565m - had a market share of 53%.
The Philippines, in turn, was the third-biggest buyer of US wheat.
"US market share during [2018-19] will likely remain flat due to increased competition from Black Sea and Latin American wheat sources," the bureau said.
The report represents among the earliest of a series set to be issued by USDA bureau ahead of the department's May Wasde briefing, which will unveil the first global grain balance sheet forecasts for 2018-19.

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Soviet-scale mountain of wheat is blow for Russia's European rivals
16 March – Bloomberg.com

Russia's wheat stockpiles are set to swell to the highest levels since at least Soviet times, keeping its prices low in a blow to European Union rivals hoping their exports will be able to compete against Black Sea grain in the months ahead.
Despite exporting more wheat than any other country in a quarter of a century, Russia's inventories are still projected to leap almost 50 percent to a record 20.6 million metric tons, according to Moscow-based consultant SovEcon.
That may make it harder for France, the EU's biggest exporter, to rebuild share in overseas markets even after Russian prices rose to an almost three-year high of $208 a metric ton, $4 more than French wheat. High levels of Russian stockpiles may restrain its prices in coming months, while a weaker ruble in recent weeks means the nation's wheat is cheaper in dollar terms.

“High stocks and relatively low ruble prices will ensure that Russia will stay competitive versus EU exports through this season end,” SovEcon Managing Director Andrey Sizov Jr. said.
EU farmers have been struggling to compete with a deluge of cheap Russian exports into world markets, with the trade bloc’s outbound shipments down by more than a fifth from last year. The euro’s rise to more than a three-year high against the dollar also hurt competitiveness.
That’s reflected in sales to Egypt, which vies with Indonesia as the world’s biggest wheat buyer. Just one 60,000 ton cargo of French wheat has been sold to the country in government tenders this season. In contrast, Russian grain accounted for 79 percent of sales.
The Moscow-based Institute for Agricultural Market Studies, or IKAR, raised its export forecast for the current season this week. IKAR sees flat Russian wheat export prices given prospects of another bumper Russian harvest ahead. Meanwhile, crop office FranceAgriMer cut its export estimate for France, and Strategie Grains did the same for the EU.
“If Russian prices go down again and we lose competitiveness in Morocco and Western Africa markets, then the current FranceAgriMer target will be very, very hard to reach,” said Alexandre Boy, an analyst at farm adviser Agritel in Paris. “It’s a good thing to see French prices below Russian prices, but we will still need $3 or $4 per ton more of competitiveness to be able to capture more market share.”

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Brazilian grain producers explore increased use of Panama Canal
15 March – Reuters

Brazilian farmers in top soy state Mato Grosso signed a memorandum of understanding with the Panama Canal Authority to evaluate ways to cut transportation costs and boost Brazilian grain volumes using the waterway, the authority’s chief administrator said.
The canal’s administration is looking to increase its participation in rising Brazilian grain exports, since a large part of grain trade expansion in Brazil is via new terminals in the northern part of the country, which are closer to the canal.
“We started to exchange information, ideas, with the Aprosoja association to explore possibilities on cargoes leaving Brazil’s northern ports and using the Panama Canal to reach Asian markets,” Jorge Luis Quijano, the canal’s chief administrator, told Reuters by phone.
Aprosoja is the entity representing soy and maize producers in Mato Grosso. Quijano was in Cuiabá, the state’s capital, for the signing.
Only about 2 million tonnes of Brazilian soy went through the canal last year, out of annual soy exports of around 60 million tonnes. Brazil is the largest exporter of the oilseed.
Most of Brazil’s grain exports are shipped via the Atlantic Ocean, passing by the Cape of Good Hope, to reach China and Japan. But capacity expansion in the northern ports and increased soy and maize production in the center-west might change that.
“We have studies showing that vessels coming from North Brazil and going to destinations like Yokohama could save up to five days using the expanded Panama Canal,” Quijano said.
He said the draft of the canal’s Panamax locks is similar to that of the Amazon ports.
Brazil’s northern ports increased shipments of grain volumes by 80 percent in 2017, according to government data, and already account for around 40 percent of total Brazilian grain exports.

Besides soybeans, Brazil has become a very large maize exporter. Large commodities traders such as Bunge, ADM and Louis Dreyfus have built operations in the northern ports and are planning to increase exports from the region.

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Reports

Global Report on Food Crisis – Food Security Information Network

The 2018 Global Report on Food Crises provides the latest estimates of severe hunger in the world. An estimated 124 million people in 51 countries are currently facing Crisis food insecurity or worse (the equivalent of IPC/CH Phase 3 or above). Conflict and insecurity continued to be the primary drivers of food insecurity in 18 countries, where almost 74 million food-insecure people remain in need of urgent assistance.

Crop Prospects – FAO

It is published 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 focuses on developments affecting the food situation of developing countries and in particular the Low-Income Food-Deficit Countries (LIFDCs). The report provides a review of the food situation by geographic region, a section dedicated to the LIFDCs and a list of countries requiring external assistance for food. It also includes a global cereal supply and demand overview to complement the biannual analysis in the Food Outlook publication.

Prospective Plantings – USDA

This document reports the expected plantings as of March 1 for maize, all wheat, winter wheat, durum wheat, other spring wheat, oats, barley, flaxseed, cotton, rice by length of grain classes, all sorghum, sweet potatoes, dry edible beans, soybeans, sunflower, peanuts, and sugar beets; acreage for harvest of oats, hay, and tobacco.

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