

MONTHLY NEWS REPORT ON GRAINS

FAO Trade and Markets Division

MNR ISSUE 171 – March 2021

Market News

- March rains to help Argentine wheat/barley sowing, but too late to restore soy/maize yields
- IGC forecast record global grain production in 2021/22
- Australian wheat farmers see silver lining to destructive floods
- South Africa expects record maize crop
- South Korean feed buyers switch from maize to feed wheat as negative spread widens
- China launches campaign to cut maize, soymeal content in animal feed
- Australian barley heads for Saudi market; moves past Chinese curbs
- La Nina leaving but gives a departing kick to South America
- Russia faces wheat trade disruption caused by complex export tax
- Brazil to offer farmers incentives to plant more summer maize in 2021/2022

Reports

- Crop 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
- Mediterranean Agricultural Information Network - MED-AMIN
- Club Demeter Système de veille
- FAO Daily Food Prices Monitor
- FAO's Big Data tool on food chains under the COVID-19 pandemic
- COVID-19 and World Trade
- IFPRI COVID-19 Food Trade Policy Tracker

Market News

March rains to help Argentine wheat/barley sowing, but too late to restore soy/maize yields

29 March – Agriculture.com

Hard late-March rains in Argentina have set the stage for smooth wheat and barley sowing, but the storms arrived too late to help maize and soy yields in areas that had been pounded by months of dry weather, farmers and crop analysts said on Monday.

The South American grains powerhouse is the world's No. 3 maize exporter and top supplier of soymeal livestock feed, used to fatten hogs and poultry from Europe to Southeast Asia.

"There are regions where late-planted soy is in very bad shape and where maize harvesting has started with terrible yields. The rain got here too late for these crops," said Francisco Santillan, a grower in the bread-basket province of Buenos Aires.

"The rains will help with wheat and barley planting. The big problem this year is late planted soy, which took the brunt of dry weather and high temperatures in January and February," said Buenos Aires-based agricultural analyst Pablo Adreani.

Argentine barley and wheat is sown in May-July. The main importer of Argentine wheat is neighboring Brazil. China, bereft of barley from its usual supplier Australia due to a bi-lateral trade fight, has stepped up purchases of Argentine barley needed to help Asia's top economy rebuild its disease-ravaged hog herd.

"Rains were very favorable in much of the country over the last ten days. A large part of the agricultural area received at least one hundred millimeters of water," said German Heinzenknecht, a meteorologist at consultancy Applied Climatology.

But damage from a long dry spell that started in mid-2020 had already been done, he said. The Rosario exchange this month cut its 2020/21 soy harvest forecast to 45 million tonnes from a previous 49 million tonnes, citing persistent high temperatures and scant rainfall. And the Buenos Aires Grain Exchange cut its soy crop forecast to 44 million tonnes from a previously-projected 46 million tonnes.

"The recharging of ground moisture is positive for upcoming wheat and barley planting. But, in general, these rains arrived too late to restore soy and maize," Heinzenknecht said.

[back to top](#)

IGC forecast record global grain production in 2021/22

26 March - AHDB

Yesterday, the International Grains Council (IGC) produced their latest world forecasts. For total grains, the world projection for 20/21 was raised by 9Mt, to 2,224Mt. The report also pointed to record production for 2021/22, totalling 2,287Mt. This record crop will be rise of 63Mt on the revised 20/21 production figure.

While the IGC has forecast increased production this season, rises in both trade and consumption figures have resulted in carryover stocks pegged back 2Mt from the February report, to 609Mt.

Carryover stocks are predicted by the IGC to remain the same for 21/22, with increased consumption offsetting rises in production.

For wheat, the 2021/22 new crop is forecasted to be 790Mt, a rise of 16Mt from the 774Mt forecasted production this season. This is on account of rising production in Argentina, Ukraine, the US and the European Union. The biggest forecasted increase to wheat production is in the EU, following the rebound in wheat area, rising 12.4Mt to 136.8Mt.

However, Russia, Canada and Australia are projected decreases in their production – although Australia’s forecast is following record breaking production this season. Overall, the increase forecast for global production (15.4Mt to 789.6Mt) will partially off-set an increase in consumption (17.3Mt to 777.6Mt). A fall in predicted global export levels of 5.8Mt looks to support closing stock projections, which are 12Mt more for 21/22 than the previous season at 304.3Mt.

Maize production is also forecast to rise, with 2021/22 production pegged as 1,193Mt. This is an increase of 54Mt from this season’s forecast, with the largest increases attributed to increasing production in Ukraine and the US. The US crop is set to rise by 23.7Mt to 384.0Mt.

Demand for maize is forecast to rise more strongly than supply, with China and the US the big drivers here. As a result, closing stocks are forecast back by 10.3Mt on 20/21.

World 2021/22 production of soyabeans is set to total 383Mt, up 22.5Mt from the forecasted 2020/21 production of 361Mt.

Production rises in Brazil and the US can be considered the main contributors to this increase. Brazil’s 2021/22 production is forecasted to rise 6.2Mt to 133.0Mt and the US production is forecasted to increase to 122.8Mt, up 10.3Mt from projections for this year.

[back to top](#)

Australian wheat farmers see silver lining to destructive floods

25 March – Reuters.com

Australian wheat farmers are the unexpected beneficiaries of the country’s most devastating floods in more than half a century, with the deluge priming their land just in time for the major planting window next month.

While the recent downpour has caused widespread damage – submerging houses, sweeping away livestock and smashing roads – the impact for the wheat industry is providing something of a silver lining.

After harvesting their biggest ever wheat crop last season, the flooding – or at least drenching – in large parts of the country’s main eastern wheatbelt is improving soil moisture for crop planting.

“We’ve got a good start so at least we have an opportunity to have another good year,” said Matthew Madden, a grains farmer from the major wheat-growing area of Moree, in New South Wales, the state worst affected by the flooding.

“There are some individuals suffering with damage, but in general, it is shaping up as another really good season,” he said, adding that his own farm was underwater.

Relentless rains for five straight days – the worst downpour in more than half a century – burst river banks, inundating homes, roads, bridges and farms and cutting off entire towns in Australia’s east.

Other farmers have not been so lucky, including cotton growers who are currently harvesting, and the floodwaters are expected to interfere with supply chains.

But the damage is more limited in the flat agricultural plains of NSW, which underpinned the 2020/21 record wheat harvest of more than 33 million tonnes.

In fact, the slow moving waters are a benefit for Australia’s main agricultural crop, which brings in export earnings on average of about A\$6 billion (\$4.5 billion) each year, according to government data.

“It is very, very unlikely that we will get a bad national crop now,” said Phin Ziebell, agribusiness economist at National Australia Bank. “With the amount of moisture in the soil, we are locked in for at least an average year and possibly better.”

The upbeat sentiment marks a turn-around from just 18 months ago, when drought ravaged Australia's eastern states.

Tracy Blackburn, who runs sheep and cattle, and grows crops including wheat near the NSW regional city of Dubbo, said the soil was already wet even before the torrential rains hit.

"There's a full moisture profile everywhere, plus ten inches," said Blackburn, referring to the flooded areas.

"It is setting us up for a very nice season."

[back to top](#)

South Africa expects record maize crop

24 March – World-grain.com

South Africa is anticipating a record maize crop based on a second consecutive bumper crop, according to a Global Agricultural Information Network (GAIN) report from the US Department of Agriculture (USDA).

South Africa is expected to remain an exporter of maize in the 2021-22 marketing year and maize exports in the 2020-21 marketing year are expected to increase 40%, to 3.5 million tonnes. The USDA attributed the increase to a second consecutive bumper maize crop.

The 2020-21 marketing year maize crop is forecast to be a record of 16.45 million tonnes.

The USDA said the 2020-21 marketing year bumper crop is expected to put downward pressure on local maize prices, which will influence maize producers' decisions to plant maize for the 2021-22 marketing year.

Commercial maize area planting is expected to slip to 2.5 million hectares in the 2021-22 marketing year with a total of 15 million tonnes of maize produced.

The USDA anticipates wheat imports to increase in the 2021-22 marketing year to 1.7 million tonnes based on a 7% drop in production. South Africa's wheat production in the 2021-22 marketing year is expected to be 1.96 million tonnes.

The country's rice imports for the 2021-22 marketing year are forecast to rise slightly to 1.06 million tonnes based on an expected rise in demand. South Africa is dependent on rice imports to meet domestic demand as rice production is insignificant in the country, due to the high-water requirements of the crop.

[back to top](#)

South Korean feed buyers switch from maize to feed wheat as negative spread widens

24 March - Platts

Feed millers in South Korea have switched from maize to feed wheat, as the price spread between the two feed components widened further in the negative territory.

Earlier in the week of March 21, South Korea's Major Feed Group privately purchased a 66,000-mt of feed wheat cargo from COFCO on March 22 at \$274.99/mt CFR, plus \$1.50/mt second port premium, for arrival on Oct. 5.

Feed Leaders Committee followed suit on March 23 to privately purchase two 65,000 mt feed wheat cargoes from Cargill at \$271.99/mt CFR, plus \$1.50/mt second port premium.

The first vessel was for worldwide origin, excluding Denmark, Argentina, China and India, for arrival on Oct. 15 while the second vessel was from the Black Sea for Aug. 22-Sept. 10 shipment.

The three trades proved that the price spread between feed wheat and maize for delivery into South Korea has steeply widened in the negative zone by over 300% from Feb. 18 when the spread was \$13/mt to -\$28/mt March 23.

Wheat prices have come under pressure in recent weeks amid improved crop conditions in major producing regions of the US, EU and Black Sea. Moreover, the wheat market is facing a price inverse ahead of the new crop marketing year in the Black Sea starting end July. As a result, suppliers have been lowering offers to entice buying activity afraid of lower price levels ahead due to the steep inverse, but buyers have been patiently bidding their time, confident that prices will continue to trend lower.

Maize, on the other hand, continues to face upward price pressure due to persistent supply tightness. Market is expecting a delay in the Brazilian new crop harvest as a quarter of the crop was sown outside of the ideal planting window this year.

Hence, supply of August shipment maize cargoes are limited and sellers are pricing in a risk premium, which coupled with rising freight rates, is keeping CFR maize prices at elevated levels.

S&P Global Platts assessed the CFR Northeast Asian maize index at \$300/mt CFR March 23, up \$11.15/mt from March 11.

[back to top](#)

China launches campaign to cut maize, soymeal content in animal feed

18 March – Nasdaq.com

China's agriculture ministry has launched a campaign to lower the content of maize and soymeal in animal feed, according to a document issued this week, which could have repercussions for the global grain trade.

The document, sent to animal feed producers and other government departments, outlines a plan for nutrition experts to draw up guidelines by the end of this month on ways in which maize and soymeal could be replaced by alternative grains, three industry sources with knowledge of the matter told Reuters.

The ministry did not immediately respond to a fax seeking comment.

The document comes amid a growing deficit of maize in China, which has pushed prices of the grain used largely in animal feed to record highs and triggered a surge in imports by the world's second largest consumer.

It also comes after Beijing stepped up its focus on food security as the COVID-19 pandemic raised concerns about its dependence on imports and stability of supplies.

Industry participants said it was not clear how much impact the guidelines would have however, given that they are not expected to be binding.

Chinese feed mills have already stepped up use of maize alternatives since last year when prices surged.

The ministry said it wanted to reach a balance in supply and demand of feed grains, and promote greater use of rice, wheat, and other grains, as well as other meals to replace maize and soymeal.

Its animal nutrition committee is due to submit a plan to the ministry's animal husbandry and veterinary bureau by March 31. The husbandry bureau will review and approve the plan by April 10 before making it public.

[back to top](#)

Australian barley heads for Saudi market, moves past Chinese curbs

16 March – Businesstimes.com

Australian barley farmers have moved on, big time. Facing massive Chinese tariffs and an urgent need to ship a bumper harvest, they're piling into one of the world's mega markets for the grain - Saudi Arabia.

For the first time in about five years, Australia has meaningfully broken into the Saudi market, beating usually fierce competition from other suppliers, and there are signs that sales will continue at least until the middle of the year, according to Andrew Whitelaw, an agricultural analyst at Thomas Elder Markets.

"We lost China," said Mr Whitelaw in Melbourne, but Saudi Arabia is shaping up to be Australia's biggest customer this season.

"If you look at the last three tenders in a row, we got the lion's share of most of that," he said. "In terms of volumes to Saudi Arabia, we're getting more than anyone else."

In tender results announced last week, Australia appears likely to provide the bulk of a purchase of 660,000 tons, pushing out traditional suppliers from the European Union and Black Sea. Australian trade data show the value of exports to Saudi Arabia far exceeded every other destination in December.

Saudi Arabia and China jostle for the position of top barley importer, with Saudi being ahead the past two years and China having an edge this year, according to data from the US Department of Agriculture. The kingdom uses most of the barley as feed for sheep, camels and goats, a tradition among Bedouin tribes.

The sales are a significant turnaround for barley growers in Australia, who were hit last year by escalating political tensions with China, spurring Beijing to impose anti-dumping tariffs of over 80 per cent on the grain as a retaliatory measure.

The surge in global crop prices to the highest in more than six years has lifted Australian barley sales. China's been scooping up soybeans and grains to feed a recovering hog herd and rebuild stockpiles, pushing up world markets. That's made Australian barley competitive, opening up new destinations.

"There's only a finite amount of grains, so when China soaks up a lot of demand, it means that other countries will buy alternate products, for instance barley instead of maize," Mr Whitelaw said.

Australian farmers had a near-record harvest this season as rains supercharged crop yields. With expectations for next season also tipped to be favourable, the sales into new markets are welcome news.

Mexico bought its first ever shipment in January, while sales to Thailand and Vietnam have surged. There are nascent signs of interest from India after the government removed phytosanitary restrictions that have kept Australian barley locked out of the country for a decade, Mr Whitelaw said.

Still, risks remain in the long term. Saudi Arabia is set to phase out government tenders as it shifts towards private deals. That could spur a decrease of barley imports in favour of other grains. At the start of February, the Foreign Agricultural Service of the USDA forecast barley imports at 6.2 million tons in 2020-21, about 23 per cent below the official USDA's latest estimates.

[back to top](#)

La Nina leaving but gives a departing kick to South America

16 March – Agrimoney.com

In the southern hemisphere Australia has had its third-wettest December since records began in 1900, says the country's Bureau of Meteorology.

The heavy rainfall typically associated with La Nina years has been good to Australian farmers - crop production for the 2020-21 season will be the second-biggest on record at more than 55m tonnes, according to the the local Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES).

But La Nina's beneficial effects for Australia is proving detrimental an ocean away, in South America.

La Ninas typically bring drought to parts of South America; this one is no exception.

In Argentina the Rosario Grains Exchange has cut its estimate for soybean production this year to 45m tonnes, 4m tonnes lower than an earlier estimate, giving as the reason persistent high temperatures combined with insufficient rainfall. It's expected that the actual harvest will be lower still. The exchange estimates that Argentina will lose more than \$2bn in export revenue through the lower soybean harvest; Argentina is the world's biggest exporter of soymeal animal feed.

Thanks to high global prices - soybeans prices are up more than 66% in the past 12 months - it will nevertheless probably gain a record amount - about \$35bn - of foreign currency from soybean exports.

Dry conditions in Brazil, Argentina's northern neighbour, led last year to a slow pace of soybean planting. The concern here is that the slow soybean harvesting could delay planting of the country's safrinha - the second maize crop, which is now being planted outside the ideal climate window. The safrinha crop accounts for around 80% of the country's total. The Brazilian consultancy AgRural last week put the safrinha planting at 54% compared to the previous year's 80% at the same date.

Brazil's agriculture minister has said that tight local maize supplies are a "concern" for local meat producers.

All eyes are on China, already Brazil's biggest soybean buyer and a major maize importer, especially since last year China's own maize harvest was blitzed by storms. The minister estimated that China will import 25m tonnes of maize this year - compared to 7.6m tonnes in 2019-20 according to the USDA.

High international prices for both soybeans and maize - the latter is up by some 60% in the last 12 months - will encourage US farmers this year; they anticipate strong demand for both items to continue.

Independent estimates put the total US planted area for both crops at a record of more than 184m acres (74.6m hectares), almost 5% higher year-on-year.

This enthusiasm begs the question - what will stop the party? There's more maize available than previously thought, 288m tonnes in stock at the end of this season according to the March edition of the USDA's Wasde report; and there will be 84m tonnes of soybeans. China imported about 100m tonnes of soybeans in 2020 and has been importing record volumes of US maize. This month US maize exporters are on track to beat the record 6.7m tonnes they exported in March 2017.

The slow and disappointing South American harvests have opened export opportunities for US farmers this year - but will appetites, particularly Chinese ones, extend their recent cracking strength? Were bad weather to hit the US Maize Belt this year, prices could soar from their already elevated level.

[back to top](#)

Russia faces wheat trade disruption caused by complex export tax

15 March – Bloomberg.com

Russia's complicated wheat export taxes could disrupt trade from the world's top shipper just as the next crop begins filling silos.

The Russian government launched a flat tax on exports last month, which has already helped slow flows. The measures will switch to floating duties weeks before the next

harvest, a mechanism announced as part of a series of efforts to safeguard domestic supply and cool food inflation.

But the way they've been designed means exporters won't know how much they'll pay until cargoes actually sail, which is often weeks or months after a deal is struck. That makes it riskier to book advance sales of the coming crop and means some business may fall to rival sellers.

"The system itself was not developed to make it all convenient for traders," said Eduard Zernin, head of the Russian grain exporters union. "On the contrary, its aim is to create inconveniences for them."

Russia is a wheat export heavyweight, aided by low costs and bumper crops in recent years. Top buyer Egypt favored European Union and Ukraine grain in its latest tenders, including rare Romanian cargoes from trader Grain Export, owned by a state-backed Russian company.

It's still early for new-crop trade that references the season that starts in July. And export potential hinges on spring weather and the size of the next harvest.

Added to those usual unknowns is the floating duty regime, which requires traders to register export volumes and values with a unit of the Moscow Exchange. The bourse plans to start publishing a price index from the data next month, used to calculate the duties that begin from early June.

The tax setup could prompt higher risk premiums and make it harder to compete at large tenders, said Andrey Sizov, managing director at analyst SovEcon.

EXPORT TAX TIMELINE:

Feb. 15: Russia started 25 euros per ton tax on wheat exports

March 1: Tax doubled to 50 euros per ton

June 2: Tax to be replaced by floating duties, calculated at 70% of what remains per ton after \$200 is subtracted from the benchmark index

"Everybody's going to be able to sell spot, but how could you sell wheat forward a month from now not knowing where the tax will be?" said Dan Basse, president of consultant AgResource. "No one's willing to take that risk."

The Federal Anti-Monopoly Service will fine traders who breach reporting rules. And the government may opt for stricter measures like canceling export-quota volumes for those who fail to disclose sales correctly, Zernin said.

The agriculture ministry's press service didn't respond to a request for comment. No quotas are set past the current season, although officials have signaled they may become annual.

Russia is currently ensuring that all grain isn't exported, but may consider lifting the shipment measures once the domestic market stabilizes, Interfax cited Agriculture Minister Dmitry Patrushev as saying Tuesday at a meeting of the State Duma Committee.

The publication of the price index from April offers some time for kinks to be resolved, said Matt Ammermann, commodity risk manager at StoneX. Grain groups have also appealed to ease some limits.

For now, forward sales seem "a huge gamble," he said.

[back to top](#)

Brazil to offer farmers incentives to plant more summer maize in 2021/22

12 March – Business Record

The Brazilian government will introduce measures to boost production of next season's summer maize, which will be planted in late 2021 in key growing regions, its latest bid to raise domestic supplies, an Agriculture Ministry official told Reuters on Wednesday.

Silvio Farnese, the ministry's trade and supply director, said by telephone that measures are not yet finalized but may be announced in May. They could include offering more credit, crop insurance and trade support mechanisms for maize farmers to raise production.

"Brazil is expected to increase maize and soy production to record volumes this year," Farnese said. "But that growth will not entail an expected fall in prices."

Brazil's total maize production will be around 103 million tonnes this season. Summer maize, the first crop of the year that is planted concurrently with soybeans, once represented the bulk of the country's output, but now accounts for about 22%.

The measures are a response to strong global demand for food and Brazil's currency weakness, which continues to prop up the country's grain export prospects while reducing domestic availability of basic staples and feed ingredients.

Last year, the government temporarily eliminated maize, rice and soy import duties from suppliers outside the Mercosur South American trade bloc to raise internal supplies. Yet that did not prevent retail oilseed and cereal prices from spiking 60% in 2020, according to IBGE, the government's statistics bureau.

Farnese said Brazil - the world's second biggest maize exporter - will not extend the maize tariff import exemption set to expire on March 31. Building up grain reserves, as has been done in the past to regulate prices in the inter-harvest period, is also not an option, he said, citing costs associated with this effort.

The official also ruled out export curbs to increase internal food supplies.

[back to top](#)

Reports

Crop prospects and Food Situation - FAO

This report 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).

[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

Mediterranean Agricultural Information Network - MED-AMIN

Club Demeter Système de veille

FAO Daily Food Prices Monitor

FAO's Big Data tool on food chains under the COVID-19 pandemic

COVID-19 and World Trade

IFPRI COVID-19 Food Trade Policy Tracker

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