

MONTHLY NEWS REPORT ON GRAINS

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Market News

Brazil truckers slow to end strike, despite concessions

30 May – Today online

A nationwide protest by Brazilian truckers was slow to unwind on Monday, even after the week-long demonstrations against diesel price hikes got the government to cave to their demands, causing stocks and the currency to slide.

Brazilian truckers association Abcam, which says it represents at least 600,000 independent truck drivers, called on members to stand down, but warned that unwinding protests would take time.

"We are working to spread the word of a deal to all the drivers," Abcam said in a written statement. "It is worth remembering that even though we are calling for an end to the blockades, not all protesters agree with that."

By Monday night, most of the country had not returned to any semblance of normality.

The truckers' protest left South America's biggest city and economic hub Sao Paulo, and hundreds of communities across the country, without fuel, emptying normally gridlocked roads. Hospitals said they were running out of supplies.

Schools canceled classes, businesses told employees to work from home and virtually every part of the powerhouse agribusiness sector said the damage was massive, if not yet quantifiable.

In a televised Sunday night address, President Michel Temer said he signed three decrees with immediate effect to address the main demands of truck drivers, adding that "we gave everything they asked for."

One of the decrees cuts the price of diesel at the pump by 12 percent for 60 days, another ordered toll operators across the country not to charge for rear axles that are not in use and another mandates the minimum fare paid to truckers for freight.

Finance Minister Eduardo Guardia said on Monday that the measures Temer announced will cost 9.5 billion reais (\$2.54 billion), of which 3.8 billion will come from cutting government expenses.

The benchmark Bovespa stock index dropped 4.5 percent, sliding into negative territory for the first time this year. Leading the losses was a nearly 15 percent plunge by Petroleo Brasileiro SA due to investor concerns about political interference in the state-led oil company's fuel pricing policy.

Brazil's currency also lost about 1.6 percent on Monday against the U.S. dollar on concerns about further pressure on the government's gaping fiscal deficit.

"The market is focused on the fiscal problem, with the impact the government's actions will have on public accounts," said Fernando Bergallo, head of currency at FB Capital.

Guardia acknowledged that the truckers' protests would have a "relevant" impact on this year's gross domestic product.

In the central bank's weekly survey released Monday, economists polled revised their economic growth forecasts to 2.37 percent growth in 2018, down from a median forecast of 2.5 percent the week before.

In a sign of the uncertainty of how or when the protest may wind down, one of the leaders of independent truckers in Rio de Janeiro, Vicente Reis, said that drivers were not happy with what Temer offered.

"We are not satisfied with what was offered, nor even with who was negotiating," Reis said. "Our goal is no longer just a cut in diesel prices. We won the support of society and now we want a reduction in the costs of other fuels."

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Egypt removes ban on importing Russian wheat

28 May – Egypt independent

The Egyptian Supreme Administrative Court on Saturday ruled in favor of an appeal, presented by the State Lawsuits Authority, against the ban over imports of Russian wheat after they were found to contain traces of Ergot fungus.

This coincides with Moscow's Russian-Egyptian summit on Wednesday. With the attendance of a Russian-Egyptian Business Council representative, the summit discussed technical problems that could present a hurdle in agricultural trade, particularly in wheat and potatoes.

Central Administration for Agricultural Extension and the Environment Head Ahmed al-Attar told the press that the meeting included ministers of trade from both countries as well as the Egyptian embassy in Moscow, and concluded with a cooperation agreement in the field of agriculture, including the establishment of agricultural and animal quarantines.

Attar also said that Egypt requested that Russia lift their ban on eight pieces of land, which has been ongoing since 2015 after rot was found in several potatoes. On the other hand, Moscow promised to lift the ban after all studies were completed.

The countries have agreed that the import ban should only apply to crops from pieces of land that were proven infected, and not to the whole region. Attar told press that the Russians have already agreed and await the results of studies they require from the Egyptian side to determine the proper potatoes for use.

This issue began in 2016, when a lawsuit was filed by lawyer Tarek al-Awady against the Egyptian prime minister and ministers of agriculture, health, and supply, arguing for the ban of Russian wheat imports due reported infection.

That same year saw Egypt no longer abide by the international 0.05 tolerance limit on fungus in wheat imports, instituting a zero-tolerance policy instead.

Egypt is the world's largest importer of wheat and receives almost one-third of Russian wheat exports.

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India – wheat procurement surpasses government's target by 6.25 percent to over 34 million tonnes

28 May – India Times

Wheat procurement has crossed the government's target by 6.25 per cent to 34.08 million tonnes (MT) so far in this marketing year as purchases in Uttar Pradesh have picked following special efforts by the state authorities.

Food Corporation of India (FCI) and other state agencies had procured 29.37 MT in the same period of the 2017-18 marketing year (April-March). Total wheat procurement stood at 30.82 MT in 2017-18.

The government fixed higher target of 32 MT for this year in view of record output.

According to official data, of the 34.08 MT procured so far this year, 21.45 MT has been purchased from two states Punjab and Haryana. Buying in these states has been completed. However, the procurement operation is underway in Uttar Pradesh, Madhya Pradesh and Rajasthan, which will continue till next month.

More wheat is expected to be procured in UP as the state government has made extra effort to ensure a minimum support price of Rs 1 735 per quintal to farmers, the industry players said.

So far, 3.82 MT of wheat has been procured in UP and the figure could rise by end of the procurement season. In Madhya Pradesh and Rajasthan, 7.24 MT and 1.46 MT of wheat has been procured, respectively, so far this year, the data showed.

Although wheat marketing years runs from April-March, the bulk of procurement is done in first three months. FCI and state agencies undertake purchase at the MSP.

As per the second estimate, wheat output is likely to decline by 1.42 percent to 97.11 million tonnes in the 2017-18 crop year.

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East Africa maize prices fall after bountiful harvest

28 May – All Africa

The price of maize in the region dropped in the first quarter of this year, attributed to ample domestic availability and the lifting of an export ban by Tanzania.

Data from the East Africa Grain Council shows that the prices of maize, sorghum and rice in the East African Community and the Horn states of Ethiopia and Djibouti went down due to bountiful harvests.

Its bulletin, East Africa Cross-border Trade, shows that in January, the price of maize in Tanzania was \$198 per tonne; \$180 in Uganda and \$417 in Rwanda. At the end of the quarter, the price had dropped to \$174 in Tanzania; \$177 in Uganda and \$319 in Rwanda.

However, in Tanzania and Rwanda, the price of sorghum increased significantly, with a tonne fetching \$979 in Tanzania in March, from \$202 in January. In Rwanda, it rose from \$489 to \$614 at the close of the quarter. But Uganda recorded a massive decline, from \$500 to \$163 per tonne.

The price of sorghum in Somalia, Sudan and Ethiopia was stable from the harvests given demand by humanitarian assistance. These pastoralist markets usually receive humanitarian assistance and vouchers for other food items such as rice and wheat flour.

They also have run a productive safety net programme.

Exports of sorghum from Uganda declined after increased domestic demand for human consumption and brewing of beer. According to the trade tracker, Uganda and Tanzania were the main exporters in the region while South Sudan, Rwanda and Kenya were the main importers.

After Tanzania lifted ban on maize exports in the second quarter of 2017, the grain's prices there declined instead of remaining stable or increasing marginally. The report attributes this to a bumper harvest.

In Uganda, maize prices dropped in February and March because of increased supply from the above-average November-December 2017 harvest.

Kenya, which was a major market for the region's maize exporters, saw shortage ease due to increased imports from Uganda and Tanzania, leading to a drop in prices. Between July 2017 and March this year, Nairobi imported 400,166 tonnes of maize from the region, with Uganda accounting for 54 per cent of the total exports while Dar contributed 41 per cent.

The price of maize flour dropped after rallying to a high of Ksh115 (\$1.15) for a two-kilo packet in January, after the government subsidy scheme that helped to lower the cost from a high of Ksh153 (\$1.53) last year came to an end.

The price of the 2kg packet has dropped to around Ksh90 (\$0.9), the subsidy price of last year.

The EAGC bulletin shows that exports from Tanzania to Kenya have been on an upward trend, despite the continuing trade spats between the two countries.

In the past one year, maize exported from Tanzania to Kenya increased by 1,302 per cent to 76,723 tonnes while the volume of maize exports to Burundi from Tanzania increased by 1,041 per cent to 1,254 tonnes.

Tanzanian rice exports to Kenya increased by 16 per cent to 22,792 tonnes and those to Burundi by 130 per cent, to 1,658 tonnes.

The EAGC bulletin says that most of the rice from Somalia consisted of imports that are re-exported to Kenya and Ethiopia.

The relatively higher prices in Kenya were the main driver for the increased regional trade.

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South Africa seen nudging up maize output estimate

25 May - Reuters

The estimate for South Africa's 2018 maize harvest is expected to be raised slightly due to favourable weather conditions, with seasonal dry weather allowing for harvesting operations to get underway.

The government's Crop Estimates Committee (CEC), which will provide its fourth 2018 production forecast crop on Tuesday, is seen pegging it at 12.9 million tonnes, up 0.6 percent from the 12.826 million tonnes it forecast in April, according to a Reuters' poll of four traders and industry watchers.

"Harvest should commence in the dry land areas within two weeks or so and conversations with farmers suggest that the yields will possibly vary between average and above average in most areas," said Wandile Sihlobo, an economist at the Agricultural Business Chamber.

Maize prices have remained depressed with the white maize contract currently fetching 2,128 rand a tonne, about 60 percent lower than its all time high of 5,350 rand scaled in January 2016 when a severe drought hit yields and plantings.

Low maize prices have helped to ease inflation and food prices but have placed pressure on farmers' profits.

South Africa's headline consumer inflation quickened to 4.5 percent year-on-year in April from 3.8 percent in March but remains low by historical standards and the rise was mostly driven by a hike in value-added tax.

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IGC again lifts grain forecast for 2018-19

24 May – World-grain

The International Grains Council (IGC) raised its forecast for total grains production in 2018-19 to 2.089 billion tonnes, up from 2.088 billion tonnes in April but down from 2.091 billion tonnes forecast for 2017-18.

Total grains consumption is forecast at 2.136 billion tonnes, down from 2.139 billion tonnes in April and compared with 2.108 billion tonnes in 2017-18.

The forecast for total grains carryover stocks was lowered to 556 million tonnes, down from 560 million tonnes as the April forecast and down from 602 million tonnes in 2017-18.

"Total grains production in 2018-19 is projected to be only a little below the season before as a reduced wheat harvest is almost balanced by better outturns of maize, barley and sorghum," the IGC said. "However, taking account of reduced opening stocks, total supply is set to decline to a three-year low. Another year of consumption growth is anticipated, with

food, feed and industrial uses all expected to expand. The global carryover is therefore seen coming down for a second year, taking inventories to a four-season low.”

Maize production in 2018-19 is forecast at 1.055 billion tonnes, up from 1.054 billion tonnes in April and up from 1.044 billion tonnes in 2017-18. Consumption is forecast at 1.098 billion tonnes, down from 1.099 billion tonnes in April and compared with 1.074 billion tonnes in 2017-18.

Global wheat production in 2018-19 is forecast at 742 million tonnes, up from 739 million tonnes a month ago and compared with 758 million tonnes forecast for 2017-18.

Consumption is forecast a bit higher, at 746 million tonnes compared with 745 million tonnes in April and 740 million tonnes a year ago.

Soybean production in 2018-19 is forecast at 356 million tonnes, up from 355 million tonnes in April and 336 million tonnes in 2017-18, while consumption is forecast at 356 million tonnes, down from 357 million tonnes forecast a month ago but up from 345 million tonnes a year ago.

Rice production in 2018-19 is forecast at 490 million tonnes, down from 493 million tonnes in April but up from 488 million tonnes in 2017-18. Rice consumption also is forecast lower, at 491 million tonnes, which compares with 493 million tonnes in April and 488 million tonnes in 2017-18.

The IGC Grains and Oilseeds Index (GOI) decreased 0.1%, the IGC said.

“Global grains, rice and oilseeds markets exhibited mixed trends over the past four weeks,” the IGC said. “World milling wheat values strengthened on occasionally difficult cropping weather, but with soybean and maize quotations lower, the IGC GOI was unchanged m/m. Price direction was also influenced by currency fluctuations and the latest developments in U.S.-China trade negotiations.”

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EU maize-buying spree is boosting rare trade with South Africa

23 May – Bloomberg

Europe’s hunger for maize is giving South Africa a surprising destination to sell more of its record crop.

Africa’s top maize grower typically doesn’t export much to the European Union due to the long shipping distance and uncompetitive cost. But last year’s big harvest has cut prices, and should help South Africa ship more to the EU than in the previous six years combined, according to Strategie Grains.

The increased trade comes as EU imports surged 41 percent this season amid strong demand for animal feed and cheap grain from more traditional suppliers such as Ukraine, Brazil and the U.S. Spain has accounted for all of the EU’s recent purchases from South Africa, whose last harvest more than doubled from a year earlier when the worst drought on record hurt crops.

“We have already seen a maize shipment from South Africa to Spain and several more are expected in May and June, which is very unusual,” Strategie Grains analyst Laurine Simon said. The “EU is not a usual market for South African maize because most of the time it’s too expensive to buy maize from South Africa. Even when South Africa exports, it usually does so to neighboring countries.”

Spain and Italy are forecast to import a combined 260,000 tons from South Africa in the 12 months ending September, the most in seven years, Strategie Grains estimates. South

African prices have slumped at least 37 percent in the past two years, underperforming Ukrainian, U.S. and French grain.

South African maize exports to Spain, the EU's biggest grain importer and which is also recovering from a drought, have in the first two weeks of May already surpassed the entire previous 12-month period, South African Grain Information Service data show. Italy and Portugal have also imported in the past decade.

"Spain really surprised us by buying huge quantities of South African white maize because in the past it has not been a big market for us," said Wandile Sihlobo, head agricultural economist at the Pretoria-based Agricultural Business Chamber. "We will be watching with interest to see how this evolves as we expect to see continued good demand for South African maize."

The imports of South African maize are still a fraction of the amount the EU buys from Ukraine or Brazil. The African country recently started collecting its new harvest, which is expected to be close to the average over the past decade.

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Asian flour mills turn to Black Sea region for wheat

23 May – The Edge Markets

Asian flour millers are set to buy record volumes of wheat from Black Sea producers in 2018 as traditional supplier Australia faces a second year of drought and as demand continues to grow around the region, traders said.

Millers in Asia have in the past month or so booked up to 1 million tonnes of new-crop Black Sea wheat for shipments starting in August, two of the traders said, with a wave of similar deals expected to follow.

Surging Black Sea wheat sales to Asia threaten to curb Australia's dominance in supplying the region, where appetite for wheat is climbing as an expanding middle class consumes more noodles, pizzas and cakes, as it moves away from rice.

"Even the large mills which were dedicated Australian customers are taking Black Sea cargoes because of the price spread and quality," said one of the trade sources, based in Singapore.

"Wheat from Russia and Ukraine is getting better every year," he said, declining to be identified as he was not authorized to speak with media.

Black Sea wheat with 11.5-percent protein is being traded around \$220-\$227 a tonne, including cost and freight, compared with a similar variety of Australian wheat quoted at \$255-\$260 a tonne. Mills are usually willing to pay a premium of about \$10-\$15 a tonne for Australian wheat as it is typically seen as better quality.

Those prices come as Australian farmers are forced to plant wheat crops in some of the driest soil in years after scorching weather parched fields.

"It is very hard to get back share once a market develops a taste for an alternative variety which is not just getting better in quality but is cheaper," said a veteran grains trader in Singapore.

Indonesia, which is estimated to buy a record 12 million tonnes of wheat in 2018, is likely to take about half of that from Russia and Ukraine, the traders said. That would be almost double the roughly 3 million tonnes it bought from those countries last year and would make it Asia's biggest importer of Black Sea wheat.

Other importers recently buying Russian and Ukrainian cargoes are Malaysia, Vietnam, India and Bangladesh, traders said.

Asian wheat importers bought 12.6 million tonnes of Black Sea wheat in 2017, up from 10.6 million tonnes the year before, according to Thomson Reuters Eikon agricultural flows data. “Most modern mills can blend lower quality grains with higher quality and get the right end-product,” said a purchasing manager at one of Southeast Asia’s biggest flour mills. Meanwhile, Australian wheat production could drop further from a decade-low of 21.2 million tonnes last year, piling further upwards pressure on grain from the country. “The Official forecast for 2018/19 is 23.7 million tonnes of wheat, but looking at the dryness in April-May, we could be producing just about 20 million tonnes,” said Ole Houe, director of advisory services at brokerage IKON Commodities in Sydney.

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Warning planet could mean bigger maize crop for US

17 May - CNBC

An alarming increase in global temperatures from Earth’s changing climate could bring an unexpected benefit for U.S. farmers who grow maize, the nation’s biggest crop. While hotter weather generally threatens to sap crops of needed moisture, data from Midwest maize-growing states suggests the region will see warmer summers with more humidity, which would aid plant growth and yields, according to a study by Michigan State University researchers Bruno Basso and Joe Ritchie. “The amount of water vapor in the air is gradually increasing,” Basso, the lead author of the study and a distinguished professor in the Department of Earth and Environmental Sciences, said in a statement. If the trend of the past half century extends for another 50 years, farmers in the Midwest may see bigger yields, he said. The data showed daily low temperatures in warm summer months are rising but that high temperatures are cooling or unchanged, which means more humidity and less energy used in evaporation from the soil or leaves. “Think of the energy balance like a bank account,” Basso said. “There are additions and subtractions. The energy coming from the sun is a known, measured quantity that adds to the bank account. The primary subtraction is liquid water from the crop, and soil using the solar energy to convert the water to vapor.” The researchers used the energy balance to calculate the “evaporative water loss” of a record-yielding crop in Virginia, which isn’t a big producer of maize, compared with lower-yielding fields in the Midwest, the primary growing region. They found the rate of water used by evapotranspiration was the same, signaling the Virginia crop was more efficient and that there is reason for optimism that maize yields can continue to rise. “The energy for evaporation is changing little, so if the number of days the crop grows and uses water is the same now and, in the future, the evaporation loss will be the same and slightly less,” Basso said. “In fact, the warmer temperatures allow the use of longer season hybrids that will make for even greater yield possibilities.”

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Vietnam receives first US shipment of maize since 2016

14 May - Blackseagrain

The May 3 vessel was the first of three cargoes of U.S. maize arriving in the six weeks. Photos courtesy of USGC. On May 3, the first direct shipment of U.S. maize since 2016 arrived at the port of Cai Lan in Vietnam. The U.S. Grains Council (USGC) and U.S. Department of Agriculture (USDA)

representatives were present to welcome the new shipment.

The detection of quarantined pests in 2016 led to import suspensions last year after the Vietnamese Plant Protection Department (PPD) issued a decision to institute new fumigation requirements for U.S. maize shipments and temporarily suspended DDGS importation.

The Vietnamese government eased requirements for phosphine fumigation treatment for U.S. maize imports and lifted its suspension of U.S. DDGS imports in September 2017, following a combined effort between by the USDA's Animal and Plant Health Inspection Service (APHIS), the Office of the U.S. Trade Representative (USTR) and USGC in cooperation with PPD and local industry members in Vietnam. The groups worked together to address the Vietnamese government's concerns and help return open access to one of the fastest growing feed markets in the world.

"The council, USDA and industry efforts on this specific trade barrier in Vietnam provide a remarkable example of teamwork from the council's membership and government agencies in both countries," said Manuel Sanchez, USGC regional director for Southeast Asia. "This cargo represents the success of U.S. coarse grains and co-products freely competing in the largest market in Southeast Asia."

According to USGC, the cargo of 67,000 tonnes (2.64 million bushels) of U.S. maize originated in the Pacific Northwest and is the first of three cargoes arriving into the port in the next six weeks. Vietnamese importers in attendance noted the high quality of the maize and the importance of strong relationships with U.S. suppliers.

Representatives from the USGC and USDA, including Robert Hanson, agricultural counselor at the U.S. Embassy in Hanoi (center), welcomed the shipment of U.S. maize to Vietnam in May 2018.

The feed ingredients will be delivered to end-users in Vietnam's rapidly expanding dairy and livestock sectors. Vietnam produces approximately 30 million tons of feed annually. U.S. maize and other feed ingredients are helping fill that demand with exports nearing \$700 million per year.

"Vietnam is the largest maize importer in Southeast Asia with tremendous growth opportunities for U.S. coarse grain imports over the next five years," Sanchez said.

"Vietnam's growing population, urbanization and rapid economic growth have encouraged tremendous feed demand expansion in Vietnam's commercial feed and livestock sectors."

"Thus far in the 2017-18 marketing year (September 2017-March 2018), Vietnam has imported nearly 321,000 tons (12.6 million bushels) of U.S. maize, a 61% increase year-over-year, in addition to 572,000 tons of U.S. DDGS," the USGC said. "These strong upward sales are promising for the market's return as one of the top markets for U.S. maize and co-products."

The USGC said it helps support the export of U.S. maize through trade servicing and technical education with Vietnamese end-users. Vietnam has also re-emerged as a top importer of U.S. DDGS, used mainly in swine and poultry diets to complement the use of imported maize and soybean meal.

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Reports

Oilcrop Policies and Industry Measures – Annual Compendium - FAO

The compendium offers an overview of salient government policies and related private sector measures concerning global and national markets for oilcrops and derived products. Its purpose is to facilitate the work of policy makers, market experts, analysts and other interested stakeholders by providing a short, concise overview of policy developments relevant to the sector. Detailed news items are presented in tabular form – in English only – preceded by a brief discussion of the key policy trends observed in the year under review.

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