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Market News

Brazil's Bolsonaro backs ethanol industry, pledges partnership

29 October – Reuters.com

President-elect Jair Bolsonaro backed Brazil's ethanol industry and pledged to be a partner of the biofuel sector, according to remarks aired on Monday during an international sugar conference in Sao Paulo.

Right-wing Bolsonaro, who beat leftist Fernando Haddad in a run-off vote on Sunday, said in a video that he would like to see Brazil retake global leadership in ethanol production, which it lost to the United States some years ago.

"In the past, we were leaders on this front and we will once again lead, certainly," he said in the video presented by congressman Evandro Gussi, who authored the bill passed in Congress this year that implements Brazil's new policy to boost consumption of renewable fuels called RenovaBio.

This industry "is very important. It reduces carbon emissions, and from something that is ours, gives energy to Brazil. You can count on us, we are partners on this issue," Bolsonaro said.

Gussi said he recorded the video some days ago, before the run-off vote.

The RenovaBio program is seen by many in Brazil's sugar and ethanol industry as a lifeline to mills that are in a difficult financial situation after several years of low prices for the biofuel and the sweetener.

The new policy, which has yet to be fully regulated by the federal government that will take power on Jan. 1, gives fuel distributors growing targets for annual traded volumes of biofuels such as ethanol and biodiesel.

There were doubts in the ethanol industry if Bolsonaro, who at one point threatened to pull out of the Paris climate treaty, would back the policy and go ahead with its implementation. Some days before the second round of the election, he did a U-turn, saying that Brazil would honor the treaty it has signed.

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Russia. High dependence on grain in formulations means ongoing volatility in feed prices

24 October – Feednavigator.com

Russian poultry and livestock producers are looking for the ways to save on feed costs, to boost their profitability, as feed prices continue to increase in that market, according to a new report.

The FAS team behind the latest USDA Grain and Feed Update on Russia expects feed consumption in Russia to be stable reflecting very moderate growth in production in the poultry sector.

The authors noted that while the Russian Feed Union is forecasting that feed production in Russia will continue to increase by 3-4% annually up to 2025, other industry experts are more circumspect, predicting a very moderate increase of a maximum 1-2%.

Production of compound feeds in Russia has been rising in the past few years. Output increased from 25.8 MMT in 2016 to 27.6 MMT in 2017, 6.9%, according to data from the Russian Federal State Statistics Service, Rosstat.

The share of grain in animal feeds in Russia is at 65 to 70%, compared to the EU average of just 40-45%, and because of the higher percentage of grain in Russian feed rations, large fluctuations in grain prices can severely affect feed prices.

For the small and medium sized enterprises (SMEs) in Russia buying compound feeds, the market outlook has been particularly unfavorable of late.

Inclement weather during spring planting, dryness in major grain producing areas during vegetation and an uneven pace of harvesting has resulted in decreased production of the major grains in Russia this year as well as lower yields, compared to last year.

In June 2018, the price for feed wheat, west of the Ural Mountains, was 28.5% higher than in June 2017, while the price of barley increased 31% year-on-year to 9,270 rubles (US\$141) per MT. The corn price increased 24% percent to 9,425 rubles per MT, wrote the USDA team.

Average wheat and barley yields are down by 12 and 20% respectively, from 2017/18, they added. The USDA Moscow office has decreased its July 2018 grain production forecast by 1 MMT to 108.9 MMT, and the analysts estimate that total Russian grain exports during MY2018/2019 will be 41.4 MMT or 3.9 MMT less than the previous forecast in July.

“As of October 2, 2018, Russian farmers have harvested almost 87% of all Russia’s area sown to grain, 38.4 million hectares. This is almost 2.3 million hectares less than the acreage harvested by the same date last year. “

Meanwhile, Russia’s Ministry of Agriculture reports that winter grain sowing is proceeding at a good pace where in some grain producing areas, such as Siberia and Altai, farmers have already planted more area for winter wheat than originally planned.

Although the domestic production of premixes and mineral concentrates is starting to climb, the country is still dependent on imports of raw materials, mainly for vitamins and amino acids, as well as for fermented preparations.

This need for imported inputs tends to increase the overall cost of feed in Russia.

From January to May 2018, the Russian ruble depreciated by 10% against the US dollar, which increased the cost of, imported feed components and led to climbing prices for feed.

Speculation over the availability of soy from South America also drove feed prices higher, added the USDA team.

In order to save the cost on feeds, they said the Russian Feed Union is encouraging producers to use improved and more balanced rations, to incorporate more food industry byproducts in feed formulations including corn gluten, molasses, dried sugar beet chips, brewing waste and distillers dried grains.

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Iran wheat imports down to zero amid global crisis

24 October - Presstv

An official says the Iranian government needs no more wheat imports thanks to favorable crop harvest and procurement from local farmers at a time of diminishing grain stocks around the world.

Largely self-sufficient in wheat a decade ago, Iran emerged as one of the world’s biggest importers a few years ago but a raft of measures taken by the government is returning the country to where it was.

“With the government’s measures in recent years, the country has been freed of wheat imports and the volume of imports has reached zero,” the man in charge of the program at Iran’s Ministry of Agriculture Jihad Esmail Esfandiari said.

Iran’s last major government-sponsored wheat import in 2011 stood at more than 2.6 million tonnes. Last year, the government purchased about 9 million tonnes of wheat from local farmers out of 11 million tonnes planned.

According to state officials, the country usually maintains a carryover from previous wheat crops and past stocks which cover any shortfall.

For the current harvest season, the government planned to locally purchase 10.4 million tonnes of wheat, more than 9.3 million tonnes of which was confirmed by a state official to have realized early last month.

Preliminary official estimates included 13.4 million tonnes of wheat as higher yields in the rest of the country offset decreases in the southern planting areas.

Better than expected precipitations resulted in a national harvest of about 20 million tonnes of cereals, similar to last year and about 10 percent above average.

Wheat is the dominant cereal crop accounting for almost 70 percent of the aggregate cereal production in Iran.

Irrigated wheat covers only one-third of the total wheat area of 6.1 million hectares, with the bulk of the wheat crop depending on rainfall. This makes the staple grain susceptible to drought in one of the world's driest countries, with an average 250 millimeters of rain a year.

Most of the rainfed wheat crop is concentrated in the west and northwestern regions of the country.

Iran's use of improved seed technology over the past five years has boosted the country's self-sufficiency in wheat by more than 30%, where all its needs are currently covered by domestic supplies, according to Esfandiari.

Iran is a partner of international CIMMYT and ICARDA programs for breeding resistant wheat varieties in the face of climate change.

Esfandiari said with the implementation of these programs, the yield of wheat will increase by about 25% in rainfed lands and 30% in irrigated areas over the next five years. Iranian private millers are not allowed to use domestic wheat for flour exports. As a result, they put orders for imports from a variety of producers.

In March, Russia clinched a deal to export up to 1 million tonnes of wheat per year over the next five years to increase the utilization of the Iranian wheat flour mills and consequently expand the Iranian exports of flour.

With US sanctions reimposed in August, however, Iranian shipments might be headed for choppy waters.

Foodstuffs are purportedly not restricted by US sanctions, but banking sanctions and asset freezes are making it difficult for trading houses to do business with Iran.

The United States also appears to be capitalizing on a shortfall in global grain supply, with much higher stocks than rival exporters.

The wheat crop in the world's biggest exporters such as Argentina, Australia, Canada, the European Union, Kazakhstan, Russia and Ukraine has suffered this year which experienced a scorching hot, dry summer.

Russia and Ukraine, as the Black Sea bread baskets, went through a spring drought, followed by a summer heatwave in the European Union. Australia, another important exporter, is also facing dry weather which threatens its crops.

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China grain imports plunge in September amid trade war with US, higher prices

23 October – Agriculture.com

Chinese imports of grains such as sorghum plunged in September from the year before, customs data showed on Tuesday, hit by escalating trade tensions with the United States and high prices elsewhere.

Imports of sorghum, largely used in China to feed the country's massive livestock herd, fell 76.9 percent from the same month last year to 90,000 tonnes, according to the data, dragged down by Chinese tariffs on cargoes of the commodity from key supplier the United States.

Despite that drop, imports of sorghum were higher than expected, said Darin Friedrichs, risk management consultant at INTL FCStone in Shanghai.

“It’s definitely higher than expected given how reliant (China was) before on the U.S.,” he said. Australia likely supplied all of last month’s sorghum imports, he added.

Corn imports for the month came to 40,000 tonnes, down 83.4 percent on-year and the lowest volume since November 2016, the data also showed.

“Chinese buyers bought a lot of corn in the first months of the year and used much of their import quota amid rising domestic corn prices,” said Cherry Zhang, an analyst with Shanghai JC Intelligence Co. Ltd.

“As for sorghum and barley, global prices were not very attractive, which curbed buying,” Zhang said.

Barley imports fell 27.1 percent to 680,000 tonnes, the data showed.

Meanwhile, pork imports edged up from the previous month to 94,317 tonnes, and were up 8.4 percent on the year.

That comes as China battles to contain African swine fever, a highly contagious disease without a cure or vaccine. It has reported more than 40 outbreaks since August and culled an estimated 200,000 pigs.

China brought in 923,053 tonnes of pork in the first nine months of the year, on a par with last year’s levels, according to the data.

“If the disease keeps spreading, pork imports will likely further go up next year,” said Alice Xuan, analyst with Shanghai JC Intelligence Co. Ltd.

Sugar imports rose 16.1 percent to 190,000 tonnes in September.

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Australian wheat production, exports forecast to be lowest in 11 years

23 October – World-grain.com

The U.S. Department of Agriculture on Oct. 12 forecast Australian wheat production and exports in 2018-19 to be the lowest since 2007-08.

The USDA forecast Australian wheat production in 2018-19 at 18.5 million tonnes, down 1.5 million tonnes from the September outlook, down 2.8 million tonnes, or 13%, from 21.3 million tonnes in 2017-18 and compared with a record 31.8 million tonnes in 2016-17. The USDA’s initial forecast for the 2018-19 Australian crop, which was issued in May of this year, was 24 million tonnes.

The Australian crop was forecast to be the smallest since 13.6 million tonnes in 2007-08.

That crop came on the heels of a disastrous outturn of 10.8 million tonnes in 2006-07.

The USDA in its October Wheat Outlook said, “Exceptionally dry, warm weather, particularly during the critical month of September, shriveled wheat in most growing regions of eastern Australia. According to the Australian Bureau of Meteorology, at the national level, it was the driest month of September on record.”

New South Wales, which in some years accounts for up to 40% of Australia’s wheat crop, has endured sustained drought. Wheat yields in the state were expected to be the lowest since the 2007 drought. The USDA said precipitation beyond this point may only marginally help a fraction of the crop that was planted later in the season “but is unlikely in any substantial way to improve yields of a crop which is mostly beyond its reproductive period and is going through the final states of maturity.”

The USDA observed conditions had been much more favorable in Western Australia, but poor precipitation there in September reduced yield potential. October rains in the state

stabilized yield prospects, but frost was reported recently, and the extent of possible damage to the crop was unclear. Wheat production in Western Australia will not be able to offset crop losses in the eastern states, the USDA said.

Some private analysts suggested Australian wheat production may fall below the USDA forecast by as much as 2 million tonnes.

The USDA forecast Australian wheat exports in 2018-19 at 13 million tonnes, down 1 million tonnes from the September outlook, down 1.5 million tonnes, or 10%, from 14.5 million tonnes in 2017-18 and compared with 22.6 million tonnes in 2016-17. Australia exported a record 24.7 million tonnes of wheat in 2011-12.

The forecast outgo for 2018-19 was the lowest since 7.5 million tonnes was exported in 2007-08.

The initial USDA forecast for Australian wheat exports in 2018-19, issued in May, was 17 million tonnes.

The USDA observed, "Not only are Australian wheat supplies diminished, but it is also unlikely that the eastern states will export any substantial amount of wheat. Additionally, wheat originating in Western Australia that under normal conditions would be exported is going to be transported from Western Australia to New South Wales and Queensland. These two states greatly need animal feed this year, as the drought not only shrank their wheat harvest, but also destroyed pastures."

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Drought takes toll on European cereal production

19 October – Producer.com

The European Union's total cereal production for 2018 is expected to be 284.3 million tonnes, which is a five-percent decline from 2017-18 and eight percent lower than the last-five-year average.

Soaring hot temperatures and extreme lack of rain this summer throughout Europe has caused an estimated eight percent drop in total European Union cereal production.

In its latest short-term outlook report by the European Commission, the EU total cereal production for 2018 is expected to be 284.3 million tonnes, which is a five-percent decline compared to 2017-18 and eight percent lower than the last-five-year average.

The drought conditions hit wheat production the hardest, leading to a decrease of nine percent compared to 2017. The wheat production forecast is set at 129 million tonnes for 2018.

As a result, cereal prices peaked during August, reaching levels higher than last year, with wheat prices increasing by \$75 per tonne and barley by \$90 per tonne over last year's prices.

EU sugar production should be lower than last year's record levels, forecasted at 19.2 million tonnes for 2018-19, compared with 21.1 million tonnes for 2017-18. However, sugar prices remain low because of significant sugar surpluses worldwide.

The dairy sector was also affected due to the significant reduction in grassland growth and feed production. The increase in EU milk collection is lower than expected, with a forecast of 166.6 million tonnes for 2018, leading to an increase of 0.6 percent compared to 2017.

As for the meat sector, beef production is growing more than anticipated due to a shortage of feed, which has sent more animals to slaughter. The net beef production for 2018 is forecast at eight million tonnes, which is 1.6 percent higher than in 2017.

Poultry production is also growing, expected to reach 14.9 million tonnes in 2018 in comparison with 14.6 million tonnes in 2017. This rise is linked with the recovery from last year's bird flu, but also a drop in imports from Brazil, which is keeping EU prices high. As for pork, ample supply is keeping prices down.

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Egypt studying wheat hedging, still buying spot

16 October – Zawya.com

Egypt, the world's largest wheat importer, is studying the possibility of hedging against the rise in global prices of the grain, Supply Minister Ali Moselhy said on Monday.

"Until now we are buying spot ... there is a working group formed within the finance ministry to study this (hedging) ... but to this moment no decision has been taken," Moselhy told a news conference in Cairo.

A government source earlier told: Egypt was in the "early stages" of talks with banks over the scheme.

Moselhy also said Egypt would need around 400,000 to 500,000 tonnes of rice imports but that the ministry was still evaluating its needs and would not import from only one origin.

"We are going to pick the right time to start building reserves ... we are still studying," he said.

Local press reports in September had stated Egypt would import its rice from Vietnam.

"It will not be from one origin only," Moselhy said, adding China and India were countries of interest for rice imports.

Egypt has over four months of strategic wheat stocks, 5.6 months of sugar and 3.2 months of vegetable oils, Moselhy said.

Cairo spends around \$1.5 billion annually on wheat imports for a sprawling bread subsidy programme relied on by tens of millions of Egyptians.

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Feds weigh in on Canadian durum issue

12 October – Farms.com

Canada continues to discuss possible resolutions to a durum wheat issue with Italian importers, Minister MacAulay says.

During an Oct. 8 to 11 trade mission to Europe, MacAulay "met with the Italian grain industry (and) raised Canada's serious concerns about market conditions in Italy which are hurting our durum wheat" exports, he told reporters today on a conference call from Rome.

Italy used country-of-origin labelling (COOL) and other actions to present Canadian durum as a dangerous product laced with glyphosate since July 2017. Italy also bans the application of glyphosate on pre-harvest wheat.

Since Italy implemented its COOL actions, Canada has exported very little durum wheat directly to the country.

In July 2018, Cereals Canada and Grain Growers of Canada urged the federal government to file a complaint with the World Trade Organization to challenge Italy's practices. But Canada isn't willing to go that route yet.

Canada will consult directly with Italian industry officials, MacAulay said.

Canadian producers want the durum wheat issue resolved as soon as possible.

The longer Italy curbs Canadian durum wheat imports, the higher the chances of other markets acting in a similar manner, said Margaret Hansen, a durum producer from Moose

Jaw, Sask., and the Saskatchewan vice-president of the Western Canadian Wheat Growers. “We produce about 8,000 acres of durum, and none of it from our farm has gone to Italy in about a year,” she told Farms.com. “I’m very concerned about these kinds of actions spilling over into other commodities and that other countries witness what happened in Italy and find reasons to be protectionist.”

The wheat issue aside, Canada’s agriculture minister did provide positive news about trade in Europe.

CETA’s has been in effect for under a year but has already been beneficial for some Canadian ag sectors.

“Since CETA came into force, Canadian agriculture, food and seafood exports have increased to most of the member states in the European Union,” MacAulay said. “Our corn exports to the EU are up by 82 per cent, our blueberry and cranberry exports are up 28 per cent and our maple syrup exports are up by 13 per cent.

“All told, that represents an increase of over \$133 million in new sales for farmers in the first 10 months of CETA.”

Since enacting CETA, total Canadian exports to Europe are up by about \$1 billion, he added.

Minister MacAulay also reaffirmed the government’s plan to compensate Canada’s supply managed sectors with the upcoming ratification of USMCA.

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France to compete with Russia and Ukraine to export wheat to Morocco

11 October – [Moroccoworldnews.com](#)

Morocco and France have signed a partnership agreement on cereals. France showed interest in exporting its wheat to the Moroccan market.

Chakib Alj, president of the National Federation of Mills (FNM) and Philippe Heusele, president of France Export Cereales signed the agreement on Tuesday in Casablanca, as part of the 21st conference on “The Franco-Moroccan Meetings of Cereals.”

The three-year agreement will enable the two parties to develop their training for grain milling and boost the cereal trade between France and Morocco.

Under the agreement, both parties will provide training in “laboratory management, training technicians as instructors in France, or granting educational materials to students of Casablanca’s Training Institute for the Milling industry (IFIM).”

In addition to training for milling, the agreement also focuses on bread making. “There is also a part on laboratory and analysis to develop the Moroccan bakery, confectionery, and milling industry,” Heusele said.

“France, the world’s fourth largest exporter of milling wheat, has exemplary relations with Morocco, both politically and economically. French grain farmers want the start of the marketing campaign to be an opportunity to consolidate and further strengthen these commercial exchanges,” explained Heusele in the conference.

“France has the quantity and quality to supply the Moroccan market with up to 50 percent of its wheat imports,” Heusele told Reuters.

However, on the sidelines of the conference, Alj said priority on imports would be given to Russian and Ukrainian wheat which have “the best quality-price offer,” according to Reuters.

In a previous statement to Les Eco, Alj said France no longer has the same presence in Morocco’s imports. “Before, France accounted for 60 to 70 percent of our imports. Today, it is between 30 percent to 40 percent.”

Although Morocco is interested in Russian and Ukrainian markets, Thierry de Bousac, of the national union of foreign trade of grains in France, indicated that “France presents itself this year under better conditions.”

Alj stated that Morocco will start importing French wheat in February or March “depending on whether there is still Russian or Ukrainian wheat available,” Reuters reported.

France Export Cereales expected that Morocco would import 3 million ton of soft wheat between 2018 and 2019.

The conference brought together over 300 participants, including 50 experts who were international traders, hardware dealers, technical experts, and institutional experts in the Moroccan and European cereals sectors. The meeting was held under the patronage of French Ambassador to Morocco Jean-François Girault.

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Turkey to use national currency for wheat imports from Russia

2 October – Daily Sabah Business

According to a statement released by Russian analytical center SovEkon, Turkey will purchase 30,000 tons of high-protein wheat from Russia and will pay in rubles, the country's currency. The price of wheat is set at 17,000 rubles per ton, the statement added and emphasized that Russia and Turkey's losses ensuing from exchange conversion will be minimized thanks to trade in national currencies.

The move comes after President Recep Tayyip Erdoğan recently announced that Turkey will increase the use of national currencies in trade transactions with important commercial partners like Russia.

Erdoğan's initiative was welcomed by Russian President Vladimir Putin, who highlighted that the use of local currencies in bilateral trade with Turkey will mitigate the impacts of currency volatility.

From July to September, Turkey imported 1.2 million tons of wheat from Russia.

The sanction policies by the U.S., particularly related to Turkey, Iran and Russia, have recently sent the national currencies of these three countries to historic lows, therefore emerged the issue of looking for an alternative medium for financial transactions that can decrease the domination of the dollar in global trade.

After the Tehran summit on Sept. 7, Turkey, Russia and Iran agreed to use their local currencies for trade between the three countries, according to Central Bank of Iran Governor Abdolnaser Hemati.

Hemati had said that a meeting with the administrators of the Turkish and Russian central banks is expected in the near future and he hopes that the agreed topics will come into effect quickly.

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Reports

The State of Food and Agriculture: 2018. Migration, agriculture and rural development - FAO

SOFA 2018 looks at how internal and international migratory flows link to economic development, demographic change, and natural-resource pressure. The report provides a thorough analysis of the factors in rural areas which contribute to migration decisions and recommends tailored policy and investment responses to make migration work for all.

World Food and Agriculture – Statistical Pocketbook 2018 - FAO

This publication is part of the FAO Statistical Yearbook suite of products. The first part of the book includes thematic spreads with data visualizations (graphs, charts, and maps) with basic text. The second part has country-level tables for a selected number of indicators.

Commodity Markets Outlook October 2018 – World Bank

The World Bank's Commodity Markets Outlook provides detailed market analysis for major commodity groups, including energy, metals, agriculture, precious metals, and fertilizers. The report includes price forecasts to 2030 for more than 45 commodities. It also provides historical price data and supply, demand, and trade balances for most commodities.

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