

MONTHLY NEWS REPORT ON GRAINS

FAO Trade and Markets Division

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Market News

Russia's agri ministry: grain export quota mechanism relevant despite large crop

28 September – agriculture.com

Russia's agriculture ministry said on Monday that the country's grain export quota mechanism, used in April-June amid the coronavirus outbreak, remains relevant despite the large crop its farmers are harvesting this year.

Russia, one of the world's biggest wheat exporters, has said it could set the grain export quota for January-June 2021 if there is a need to secure domestic supplies.

"Despite good prospects of harvest, the mechanism of non-tariff quotas for grain exports remains relevant and the agriculture ministry plans to improve and apply this measure in the future," the agriculture ministry said in a statement.

Oksana Lut, the deputy agriculture minister, told the largest exporters of Russian grain about it while meeting them on Monday, it added.

The ministry did not provide any other detail on the possible quota.

The Russian Union of Grain Exporters said on social media after the meeting that the grain quota would not be restrictive in the current marketing season, which runs from July 1, 2020, to June 30, 2021.

The exact mechanism for the quota is still being discussed, two sources familiar with the discussions told Reuters.

According to them, the size of the quota could be 20 million tonnes of grain for January-June 2021.

The agriculture ministry did not reply to a Reuters request for comment.

Russia, one of the world's largest wheat exporters, is widely expected to harvest the largest grain crop since a record 2017. Farmers have already harvested 121.8 million tonnes of grain before drying and cleaning from 88% of the area.

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Argentine grains ship loadings affected by 24-hour strike by grains inspectors

28 September – Nasdaq.com

The loading of grains ships in Argentina was affected on Monday by a 24-hour strike by cargo inspectors demanding higher wages and shorter working hours, said Martin Brindici, general manager of the country's private ports chamber.

The work stoppage, by the URGARA union, began at midnight.

"This measure generates economic losses for the sector and for the country. It makes operations more difficult and could generate breaches of international commercial commitments," Brindici said in a telephone interview.

The strike affected the loading of ships at docks operated by major export companies in the country's main shipping hub of Rosario, on the Parana River, said Guillermo Wade, manager of Argentina's CAPyM port and maritime activities chamber.

He said loading operations at other docks remained normal. Inspections at some port facilities are not carried out by workers represented by URGARA.

September is a relatively slow month for grains shipping from Argentina, as soy and maize have both long been harvested and wheat collection has yet to begin.

A negotiating session to hammer out a deal that would allow the inspectors to return to work was scheduled for Tuesday among union leadership, private export company executives and representatives of Argentina's Labor Ministry.

The URGARA union, which represents inspectors who check the quality of grains before they are loaded onto ships, called on its workers to "cease all ... activity in ports throughout the country," in a statement released late Sunday.

URGARA's workers are critical to the operation of ports.

Argentina is the world's top supplier of soymeal livestock feed and a major exporter of maize, wheat and raw soybeans. Labor strikes are common in Argentina, where employers are hard-pressed to grant wage increases in line with high inflation.

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Projected grains output in EU lowered grain

25 September – World-grain.com

In its fifth forecast for 2020, COCERAL sees the total grain crop in the EU-27+UK at 293.6 million tonnes, down from the 295.5 million tonnes seen in the fourth forecast in August and 18.8 million tonnes below the 2019 level of 312.4 million tonnes.

Wheat production (excluding durum) is projected almost unchanged from the previous estimate at 129.2 million tonnes. This compares to last year's crop of 146 million tonnes.

The EU's 2020 barley production is now forecast at 61.3 million tonnes, down from the 62.5 million tonnes seen in the previous forecast and from the 63.2 million tonnes last year.

COCERAL said the downward revision is mainly due to downward revisions for the UK, the Balkan countries and parts of Scandinavia, which cannot offset a further upward revision in Spain.

The EU's 2020 maize crop is revised lower to 62.8 million tonnes from the previous forecast of 64.6 million tonnes. Last year's crop was at 65.3 million tonnes. Hot and dry weather has further reduced yield potential, especially in the Balkan countries.

The 2020 rapeseed production forecast for the EU-27+UK has remained unchanged at 17 million tonnes. Last year's crop stood at 16.8 million tonnes.

Unfavorable growing conditions in many parts of the EU have led to smaller crops, particularly wheat.

COCERAL is the European association representing the trade in cereals, rice, feedstuffs, oilseeds, olive oil, oils and fats and agrosupply.

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China blames speculation and hoarding for maize price surge

24 September – Bloomberg.com

Fund speculation and irrational hoarding are to blame for a spike in China's maize prices, agriculture minister Han Changfu told state media on Wednesday.

A recovery in hog breeding capacity, and an expansion of the maize processing industry have also contributed to prices, which this week climbed to the highest in five years before paring gains, said Han.

Prices should not climb further, owing to ample commercial stocks and the upcoming harvest, Han said. China may still see a bumper harvest despite crops being flattened by rains that were triggered by typhoons in the northeast, he added in the interview, which was posted on the ministry's website.

His comments came as China's customs data indicated the country last month imported the most maize in more than four years, driven by the spike in domestic maize prices on expectations of a supply deficit. China purchased more than 1 million tons of maize in August, the most since April 2016, official customs data showed.

Han said China will increase maize imports only where necessary. Import volumes of soybeans, used in animal feed and cooking oil, will continue to be large, as domestic output is unable to meet demand.

China has increased cereals imports this year but imports are equivalent to only about 2% of the country's output, as it aims for self-sufficiency and relies on its own production to meet domestic demand, said Han.

China imports only hard and soft wheat varieties when the country is unable to produce enough, he said. China's wheat imports are forecast to jump to the highest in more than two decades for 2020-2021 in part to meet pledges made to the U.S. under the countries' phase one trade deal.

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Ukraine grain sowing facing worst weather in a decade

16 September - Reuters

Weather conditions for winter grain sowing in Ukraine are the worst in the last 10 years due to severe drought across most of the country, the APK-Inform consultancy on Wednesday quoted weather forecasters as saying.

Ukraine, among the leading global grain growers and exporters, is likely to reduce its grain harvest to around 68 million tonnes this year from a record 75 million tonnes in 2019 due to poor weather.

"As of September 10 ... the area with absolutely dry and almost dry arable soil layer increased up to 60-70% (of the total area). At the same time, the soil layer 0-10 cm was almost dry on 70-80% of the area," forecasters said in a report.

"Mass winter crop sowing in areas with such a low moisture is impractical," they said, adding that in some areas of central regions, soil moisture reserves were the worst in the past 50 years of observation.

Forecasters see no significant improvement in soil moisture in the near future and light rains, which are predicted later this week could moisten only the topsoil.

They said the start of mass sowing of winter crops could be delayed until the end of September or even early October.

Ukraine's economy ministry last week said farms had not yet started winter grain sowing for the 2021 harvest because of drought.

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Algeria alters import terms to allow Black Sea wheat, French exporters say

16 September - Zawya

Algeria has decided to change the terms of its wheat import tender in order to allow Black Sea origins like Russian wheat to be offered, a French exporters group said on Wednesday.

"We are expecting a change to Algeria's terms for the next wheat tender that should open up this destination to Black Sea origins," Thierry de Boussac, a trader and representative of French grain exporters group Synacomex told reporters.

"This has been approved by the Algerian government but I don't know the details," he added during a news conference organised by farm office FranceAgriMer.

While details of the changes have not been published, they are expected to see the limit on bug damage increased from 0.1% to 0.5% for certain origins, along with a higher protein requirement, he said.

Algeria's grains agency OAIC, which runs the country's wheat import tenders, could not immediately be reached for comment.

Moscow has been lobbying for access to Algeria's market, one of the few major importers where Russian wheat is not shipped.

While Russian wheat is not banned in Algeria, a strict insect damage limit has effectively ruled it out.

France is Algeria's main wheat supplier, although a much smaller harvest this year is expected to sharply reduce French sales to the North African country. France was expected to ship between 1.5-2.5 million tonnes of wheat to Algeria this season, down from at least 5 million tonnes in previous years, de Boussac said.

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China puts Australia on notice over wheat exports

14 September – abc.net

Australian wheat producers have been dragged into the growing political and trade tussle between Canberra and Beijing, after China warned it would put Australian exports under the microscope.

China says it will apply "enhanced inspection" of shipments of wheat arriving from Australia. Australia has already sold more than a dozen wheat shipments worth almost \$250 million. In May, China applied an 80 per cent tariff on Australia's barley exports which were worth \$1.6 billion a year.

In the latest sign of souring relations between the two countries, China's General Administration of Customs has issued a notice in the past two weeks saying it will apply "enhanced inspection" efforts on shipments of Australian wheat.

It comes at a delicate time for wheat growers, who are believed to have forward-sold more than a dozen shipments to China for December and January worth almost \$250 million.

In May, Australia's barley trade with China — once worth \$1.6 billion a year — was all but destroyed after Beijing imposed crippling 80 per cent tariffs.

Nick Carracher, chief executive of Geelong-based market analyst Lachstock Consulting, said the decision by China was worrying given the value and volume of wheat already sold.

He said the move appeared to be political given China's need for feed grain and the dwindling nature of its own reserves.

China has targeted everything from Australian barley to coal, wine to tourists and students, but it isn't likely to come after our biggest export, iron ore. Ian Verrender explains why.

It also had echoes of Beijing's decision to reject barley shipments sent by giant WA grain handler CBH on grounds the vessels were contaminated with "pests", he added.

"It's obviously going to be a huge concern to those people who have forward business in China, the implications for the vessels that haven't unloaded yet.

"But one thing that is very clear is that China has this increased willingness to scrutineer the vessels that are coming in.

"It's definitely a very nervous time for the guys that have got forward business on."

According to Mr Carracher, while the Australian wheat trade with China had been smaller than exports of barley in recent years, activity had been picking up ahead of this year's harvest.

Despite minimal flows last year in the face of severe drought in the eastern States, exports amounted to about \$300 million in 2017-18 and almost \$500 million in 2016-17.

CBH, Australia's biggest grain handler, declined a request for an interview.

Instead, the co-operative issued a statement in which it said: "The CBH Group is confident that the grain we export from Western Australia meets all Australian phytosanitary export requirements, whether it is barley, wheat or other products."

Grain Producers Australia chairman Andrew Weidemann said the news was no surprise given events earlier this month.

"This is not unexpected that they would heighten their increased surveillance on any grain, or any producer really, transferring from Australia to China at the moment," Mr Weidemann said.

"I think the trade (participants) are well aware of the current political environment between Australia and China and are looking to export (grain) as well as they can within tolerance." Mr Weidemann said it was always concerning when there were problems with trading partners but he expected Australian grain arriving in China to meet quality controls. He said issues had previously arisen because of differences in sampling techniques and suggested harmonising the countries' approaches could help avoid problems in the future. "We have flagged doing a research project with the Chinese around snails that, unfortunately, has been lost with all of the discussions we've been having recently around the trade of barley and tariffs between our two countries," he said.

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Brazil's maize ethanol booms despite obstacles

10 September – Agrusmedia.com

Brazil's maize ethanol industry is booming, undaunted by a temporary drop in demand for the biofuel and record-high maize prices.

Virtually non-existent in 2016, maize ethanol mills have mushroomed across Brazil's center-west grain belt over the past five years, with maize consumption by the industry projected to reach 6.63mn t in 2020 and 7.5mn t in 2021, despite the collapse in demand for most fuels in March and April because of the pandemic, according to agricultural analysts T&F Agroeconomica.

"Brazil produces far more maize than it consumes, and maize farmers have responded to increased demand by planting more," T&F analyst Luiz Carlos Pacheco told Argus, adding that the "best remedy for high prices is high prices."

Since Brazil began producing maize ethanol, the harvest of the grain has jumped from 66.5mn t in 2015-16 to a projected 102.5mn t in the current 2019-20 season, according to the official crop supply company Conab.

For the 2020-21 season, Conab is projecting that the maize harvest will increase by 12pc to 113mn t, which would more than offset increased demand from maize ethanol production. The industry's demand for the grain could reach 8.3mn t in the 2021-20 (April-March) sugar and ethanol season, according to the maize ethanol industry association Unem.

Maize ethanol producers' strategy of pre-purchasing maize, coupled with the strong demand for distiller's grains (DDG) from animal protein producers, has helped the sector to weather higher maize prices, Unem president Guilherme Nolasco told Argus.

Brazil's biggest maize-producing state, Mato Grosso, expanded its current 2019-20 planted area for maize by 4.4pc to 5.4mn hectares and is projected to outdo that with a 5pc increase in area in the coming 2020-21 season that kicks off planting in September, the state's agricultural economics institute Imea said in its latest forecast.

Maize prices in Mato Grosso are just below their records set over the past weeks at between R42-R47 (\$7.94-\$8.88) per 60kg bag, Imea said.

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Egypt sets up commodities exchange for wheat, oils, sugar and rice

9 September – arabnews.com

Egypt on Wednesday announced the formation of a commodities exchange which will initially trade wheat, oils, sugar and rice beginning in the first half of 2021.

Egypt, the world's largest wheat importer, established the exchange to provide protection for small farmers and producers and make their stocks available to the wider market, the supply ministry said.

The exchange will have 91 million Egyptian pounds (\$5.78 million) in capital and will be chaired by Ibrahim Ashmawy, the current head of the internal trade development authority which falls under the supply ministry.

Farmers, traders and producers can deposit their stocks in any of the supply ministry's certified storage facilities where they will be evaluated and graded, then directly traded on the electronic platform, Ashmawy said. Supply and demand will then determine the price of these commodities for the consumer, he added.

"It is strange that they did not choose to start with crops that are widely grown in Egypt privately by farmers such as citrus," a Middle East commodities expert, who declined to be named, said.

Citrus is one of Egypt's most competitive agricultural exports, whereas it imports sugar and vegetable oils, in addition to wheat, for its sprawling food subsidy programme which covers the needs of more than 60 million people.

Egypt grows rice in quantities that are sufficient to cover local needs but does not export its staple short grain variety as it seeks to rein in production of the water-intensive crop.

Traders and market sources said the announcement came as a surprise and they were unsure of how the exchange would operate in practice given the government traditionally prices the strategic commodities it buys from farmers.

Most recently, the supply ministry had announced a buying price of 700 Egyptian pounds per ardeb of wheat ahead of the local harvest in April.

It was not immediately clear how the grain would be priced on the exchange and whether the government would purchase directly from it.

The exchange could also allow for developing options and futures contracts for the commodities on offer at a later stage, the supply ministry said.

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UK wheat area to recover for harvest 2021?

9 September - AHDB

The GB wheat area for harvest 2020 is expected to be the lowest in over 40 years. The extremely wet weather last autumn significantly limited the area sown to all winter crops. However, current expectations are for the area planted to wheat for harvest in 2021 to rebound.

Nevertheless, the rebound may only be close to the average of the previous five years (2015-2019) of 1.802Mha. This could be the case if any "rebound" followed historical trends, as recorded after the wet autumns of 2001 and 2013 (more detail below).

While historical patterns are not a guarantee of what may happen, they can give us a starting point. There are also additional factors to consider that could amplify the size of any rebound e.g:

- The scrapping of the three-crop-rule for next season, meaning additional area is theoretically available
- Large area of uncropped arable land (see below)
- Ex-farm prices for feed barley and feed oats are at large discounts to wheat, which could deter some farmers from planting these crops.

Equally, there are considerations which might mute any wheat area increase e.g:

- Blackgrass - part of the reason the UK wheat area was under pressure through the 2010s was due to efforts to combat blackgrass and this hasn't gone away.
- Rotational constraints, such as we saw for harvest 2014.
- Additionally, the greatly reduced rapeseed area in 2019/20, a break crop used to give a good entry for wheat, might impact planting decisions for 2020/21.

Winter cereal drilling will be of greater importance to many this season, wanting to get ahead of any potential weather delays. While the challenging drilling conditions of last autumn make these behaviours understandable, it should be remembered that most winter wheat varieties are bred for October planting. Repeated rainfall in the coming weeks could start to offer pressure on drilling schedules. The next harvest progress report on Friday will indicate how much is still left to cut.

A recovery in the UK wheat area will look to calm concerns around domestic wheat availability and already UK Nov-21 wheat futures are at a discount of around £20.0/t to Nov-20 prices. Of course next year's harvest is still many months away, and much can change over the coming months that may further allay or exacerbate these concerns. These sentiments could play out in pressure or support for Nov-21 prices.

The financial return each crop potentially can produce on a whole farm basis is more important than ever with Single Farm Payments beginning their phased reduction.

Tomorrow, we will be examining potential gross margins for next season, moving to cover total costs of production in-depth on Friday. This analysis should provide better insight of the potential outcomes for planting wheat, and how that will compare to similar crops at a nationwide level.

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Reports

Crop Prospects and Food Situation - FAO

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

The State of Agricultural Commodity Markets 2020 - FAO

The State of Agricultural Commodity Markets presents commodity market issues in an objective and accessible way to policy-makers, commodity market observers and stakeholders interested in agricultural commodity market developments and their impacts on countries at different levels of economic development. This edition of The State of Agricultural Commodity Markets focuses on how markets can bring us closer to achieving the 2030 Agenda for Sustainable Development.

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www.fao.org/economic/est