

MONTHLY NEWS REPORT ON GRAINS

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Market News

Dryness in Argentina hits maize and wheat outlook; election haze supports safe-best soy

30 September – Thisismoney.co.uk

Dryness in Argentina is hitting the outlooks for wheat and corn crops, local climate experts said, while low-cost soy is being supported by growers looking to hedge their bets with political uncertainty rising ahead of October's presidential vote.

While large regions of the grain exporter's Pampas farm belt are in good condition, around one-fifth of the growing area has been hit by arid weather over recent weeks, said Eduardo Sierra, meteorologist at the University of Buenos Aires.

Sierra, climate consultant to the highly referenced Buenos Aires Grains Exchange, has cut his 2019/20 wheat crop forecasts to 17 million tonnes from 20 million tonnes previously and his corn crop outlook for this season by a fifth to 40 million tonnes. His soy projection has edged down to 50 million tonnes.

"You have 80% of the grains belt in good condition and 20% in mediocre to bad condition," he said, adding these areas had about 30% of Argentina's wheat, 20% of its soy and 25% of its corn crop.

The dryness has hurt wheat yields and slowed corn sowing, as growers pile into safe-haven soybeans, Argentina's main cash crop. Uncertainty is rife in the recession-hit economy with left-leaning Peronist Alberto Fernandez expected to win the Oct. 27 presidential election. Argentina this month signed a soymeal export deal with China, linking the world's biggest international supplier of the livestock feed with its biggest consumer. The pact was inked as Washington and Beijing fight a trade war that is reconfiguring global supply chains. With the United States harvest now starting, the grain futures market is starting to turn more of its attention to South American weather and crop outlooks.

The U.S. Department of Agriculture expects a 2019/20 Argentine soy crop of 53 million tonnes versus 55.3 million tonnes in 2018/19, a corn crop of 50 million tonnes versus 51 million in 2018/19 and wheat up slightly at 20.5 million tonnes.

Growers started planting corn in September, while soy starts going into the ground in October. Wheat was sown in June-July and will be harvested at the turn of the year.

Of Argentina's big three crops, wheat is at the most advanced stage, and as spring sets in, water demand is increasing, particularly in growing areas in the north, David Hughes, president of the country's wheat industry chamber ArgenTrigo, told Reuters.

"The central region will also need water very soon as it is entering a critical stage of growth. Fortunately rain is expected next week, and hopefully will help," he said.

"The southern region has some very dry spots. Although it is not near its critical stage of growth, it will need water soon."

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EU lifts expectations for maize, rapeseed imports, as it cuts harvest hopes

27 September - Agrimoney

The European Union raised its forecasts for corn and rapeseed imports, as it cut harvest estimates - but stood by expectations for wheat exports, despite improved production ideas.

The European Commission raised by 500,000 tonnes to 5.50m tonnes its forecast for EU rapeseed imports in 2019-20, a figure which would represent a record high, and a gain of 1.27m tonnes year on year.

The revision came as the estimate for the harvest was cut by 544,000 tonnes to a 13-year low of 16.93m tonnes, on a downgraded area estimate, which the commission said "is now 19% below last year".

The commission flagged in particular "further monthly reductions for rapeseed output in Germany and Romania".

EU rapeseed imports for 2019-20, up to Sunday, totalled 1.75m tonnes, up 86% year on year.

For maize, the commission raised its forecast for EU imports in 2019-20 by 1.52m tonnes to 17.00m tonnes, although this would still represent a large fall from the 24.23m tonnes imported last season.

Again, the revision reflected a production downgrade, with the estimate for EU corn output this year cut by 2.04m tonnes to 66.46m tonnes, taking it further below 2018's result of 68.98m tonnes.

The revision follows persistent cautions that dry weather has reduced EU corn production prospects, with the commission's Mars agrimeteorology unit last week cutting its yield estimate by 0.30 tonnes per hectare to 7.63 tonnes per hectare, citing heat and dryness which had cut prospects for crops in the likes of Hungary and Romania.

CRM AgriCommodities said that while "rains have finally arrived for western Europe", in time to help plantings of winter cereals for the 2020 harvest, they were "not soon enough for maize".

EU corn imports too have started apace, standing at 4.80m tonnes in 2019-20 as of Sunday – running 54% ahead of the pace at this stage of last season, which ended up setting the record.

Brazil is the leading origin so far this season, on 2.71m tonnes, with Ukraine second on 1.54m tonnes.

Buyers are being encouraged by increasingly competitive prices of corn compared with other grains, with corn in Rouen, France, for instance, priced at E160 a tonne, compared with E165 a tonne for soft wheat and at a premium of E6 a tonne over feed barley, according to Agritel.

Corn started the month at even money with wheat, while at an E11-a-tonne premium over barley.

For soft wheat, the commission raised its forecast for EU production this year by 2.35m tonnes to a four-year high of 145.0m tonnes, the latest in a series of upgrades by market commentators, largely thanks to better-than-expected results in France.

The commission's revision reflected increases both to area and yield.

However, the forecast for EU soft wheat exports this season was kept at 25.53m tonnes despite the extra supplies, which were instead seen boosting the bloc's stocks at the close of 2019-20 to 16.90m tonnes.

EU soft wheat exports had reached 5.45m tonnes this season up to Sunday, a gain of 36% on last season, when shipments ended up at 20.63m tonnes.

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Australia pledges USD 68 million more in aid to drought-stricken farmers

27 September – Agriculture.com

Australia will set aside an additional A\$100 million (\$68 million) to support drought-stricken farmers as continued dry weather threatens business for many growers, Prime Minister Scott Morrison said on Friday.

Australian Prime Minister Scott Morrison chats with farmer David Gooding on his drought-affected property near Dalby, Queensland, Australia, September 27, 2019. AAP Image/Dan Peled/via REUTERS

Australia's east coast will swelter for at least three more months and the country will experience hotter-than-normal conditions, putting the chance of exceeding average temperatures at 80% over the period, its weather bureau has said.

The forecast is a blow for the rural sector given the east coast accounts for about a third of its wheat output, the country's most lucrative agricultural product.

Australia is among the world's top 10 exporters of the grain, typically contributing about 2% to GDP. [GRA/]

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In addition to setting aside more funds to prop up the industry, Morrison said his government will also lower eligibility standards so more farmers can get access to the previously committed A\$7 billion in aid.

"This isn't welfare. This is really just helping people make sure that they can maintain viability," Morrison told reporters in Dalby, 208 km (129 miles) west of Brisbane - the state capital of Queensland.

"These are important assets for our country, our farming assets, lands they can remain productive so they can stay on the land is important to Australia."

Morrison said A\$33 million, from the A\$100 million, will be set aside to provide cash-strapped farmers, contractors and families with emergency payments of up to A\$3,000 each.

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The government estimates there are about 24,000 farmers who would qualify for the payments.

Another A\$50 million will be allocated to expand a scheme that pays drought-stricken farmers income support every fortnight.

Morrison said the remaining capital will be used to expand services such as mental health counseling.

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United States inks trade deal with Japan

26 September – World-grain

U.S. President Donald Trump and Japanese Prime Minister Shinzo signed a trade agreement on Sept. 25 that lowers or eliminates tariffs on many U.S. ag products and increases market access for U.S. ag producers in Japan.

According to the U.S. Department of Agriculture (USDA), out of the \$14.1 billion in U.S. food and agricultural products imported by Japan in 2018, \$5.2 billion were already duty free.

Under this first-stage initial tariff agreement, Japan will eliminate or reduce tariffs on an additional \$7.2 billion of U.S. food and agricultural products.

Preferential market access will be provided for some products through the creation of Country Specific Quotas (CSQs), which provide access for a specified quantity of imports from the United States at a preferential tariff rate, generally zero. CSQ access will cover:

- Wheat, wheat products, malt, glucose, fructose corn starch, potato starch, inulin

The USDA said exports to Japan of wheat and barley will benefit from a reduction to Japan's "mark-up" on those products. Japan's imports of U.S. wheat and barley were valued at more than \$800 million in 2018.

In the U.S.-Japan Trade Agreement, Japan has committed to provide substantial market access to U.S. food and agricultural products by eliminating tariffs, enacting meaningful tariff reductions, or allowing a specific quantity of imports at a low duty (generally zero). The tariff treatment for the products covered in this agreement will match the tariffs that Japan provides preferentially to countries in the CP-TPP agreement.

"The past two years have underscored just how important global trade is to agriculture and rural communities," said Collin C. Peterson, U.S. House Agriculture Committee chair. "I'm glad to see some progress made on tariff reductions in this agreement that will help American farmers and ranchers catch up on some of the access we lost when the administration pulled us out of the Trans-Pacific Partnership. It's only a piece of the puzzle though, and additional agreements with Japan will be needed to make all of U.S. agriculture competitive. I look forward to working with Ambassador Lighthizer, Ambassador Doud, and Secretary Perdue to address the remaining challenges with Japan and to open and restore other international markets for U.S. agriculture."

The agreement levels the playing field for the U.S. wheat industry in Japan.

"This agreement puts U.S. wheat back on equal footing with wheat from Canada and Australia that currently have a tariff advantage under a separate trade deal," said Doug Goyings, chairman of U.S. Wheat Associates (USW). "We applaud the negotiators from both countries who worked very hard to reach an agreement that is so important to wheat farmers and to their flour milling customers in Japan."

Both the USW and National Association of Wheat Growers (NAWG) noted that when the tariff agreement is implemented, Japan's effective tariff on imported U.S. wheat will drop to the same level Japanese flour millers now pay for Canadian and Australian wheat. Since the CPTPP agreement entered into force last December market factors have kept U.S. wheat competitive, the associations said. Without this new agreement, however, U.S. wheat imports would have become less and less cost competitive to the point that Japan's flour millers would have no other choice than to buy more of the lower cost wheat from the CPTPP member countries.

"Resolving trade issues like this and building new opportunities for our wheat and other agricultural products is absolutely needed at a time when wheat farmers are dealing with another year of low prices and a depressed farm economy," said Ben Scholz president of NAWG. "We are very grateful for the efforts that the staff and leaders at USTR and USDA put in to reach this agreement."

The agreement eliminates tariffs on grain sorghum and the National Sorghum Producers (NSP) hope this is the first step in expanding into southeast Asia.

"We applaud negotiators from both countries for their hard work and foresight to build more opportunities for U.S. agriculture producers," said Dan Atkisson, chairman of the NSP.

"Japan has become a stable market for our farmers with growing interest from the consumer and feeding industries, and we look forward to increased market access, duty free, achieved through this agreement. We also feel this relationship with Japan marks an

important step forward in further expanding trade relationships with southeast Asia where there are valuable market growth opportunities.”

With Japan being a top 10 export market for U.S. soybeans the American Soybean Association (ASA) is pleased with a trade deal focusing on continued market access.

“Japan has long been a valued and reliable trading partner for soybeans, and we appreciate that the agriculture component of this deal will assure continued market access for our beans and other ag products,” said Davie Stephens, president of the ASA. “As we go through the details of the agreement, we extend a thank you to the administration for finalizing this deal.”

The American Feed Industry (AFIA) supports the agreement but looks to future negotiations with Japan to address feed safety issues.

“I applaud President Donald Trump and Japanese Prime Minister Shinzo Abe for returning to the table to negotiate a bilateral trade deal that will put U.S. agricultural products back on a more-level playing field with its competitors in the region,” said Joel G. Newman, president and chief executive officer of the AFIA. “Japan is one of the U.S. animal food industry’s most valuable export markets, representing roughly a third of all exports for feed, feed ingredients and pet food products. As the two countries work toward negotiating an agreement beyond this initial limited trade deal on tariff reductions, we hope that they will address outstanding sanitary and phytosanitary and regulatory issues our industry faces.”

The U.S. Grains Council is encouraged by the agreement but also is looking toward future negotiations with Japan, particularly about ethanol.

“Japan is one of the largest and most loyal U.S. corn customers, having bought more than \$2 billion of U.S. corn in the most recent marketing year,” said Ryan LeGran, president and CEO of the USGC. “It is an important market for food and feed barley and sorghum. And as a country looking to improve the environmental impact of its fuel, it is an important future market for U.S. ethanol products.

“While this is the first in several rounds of agreements yet to come and we hope to see continued improvement in the ethanol sector, this is a good first step. We encourage the administration to pursue broader access for all of agriculture and we move forward with our partner, Japan.”

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Lebanese millers say wheat reserves fall due to ongoing ‘dollar problem’

25 September – The daily star Lebanon

Lebanese millers said Tuesday wheat stocks had fallen to a dangerous level, warning the country might face a supply crisis unless dollars needed to import the grain were supplied at the official rate, the National News Agency reported.

The Central Bank said in a statement later Tuesday that it would issue a circular in a week’s time to organize the funding of imports of wheat, medications and gasoline. It said this step would be taken after a request from the president, prime minister and finance minister.

In a statement, the Lebanese millers’ association urged officials to find a fix for dollars to be supplied at the official price “so the owners of the mills can resume their work and import the country’s wheat need.”

The Lebanese pound has been pegged to the dollar at 1,507.5 pounds for over two decades. Central Bank Gov. Riad Salameh said Monday dollars were available and banks were meeting customer demand. The Central Bank had not received any official complaints about dollar availability, he said.

Distributors of fuel, also complaining they can't secure their dollar needs at that price, went on strike last week, saying a lack of dollars at the official rate was forcing them to pay more at money exchange houses.

The millers group said it was determined to supply flour to bakeries at the official Lebanese pound price "but the problem is that converting Lebanese pounds to U.S. dollars has become very costly." This had led millers to issue invoices in U.S. dollars "to preserve operating capital and the continuation of our work."

"The wheat reserve at the mills has fallen to a level that represents a danger, and this may expose the country to a supply crisis if the U.S. dollar problem is not resolved," it said.

The Lebanese economy has suffered from a slowdown in capital inflows from abroad that have long been used to finance the budget and current account deficit. The Central Bank's foreign assets, excluding gold, fell around 15 percent from an all-time high in May last year to \$38.7 billion in mid-September.

Hasan Assaf, a member of the millers' association, said banks had been gradually curbing supply of dollars for two months. Wheat reserves held by private millers had fallen to two months' supply from four, he told Reuters. "We can't place import requests because we cannot secure dollars to open credit lines," he said.

Prices charged by money exchange houses for dollars had touched as high as 1,580 pounds, he said.

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The US is growing more maize than it can handle

24 September – Finance Yahoo

This year's U.S. corn crop isn't looking great. Soggy spring weather in many parts of the Midwest delayed planting, and warmer-than-normal temperatures lately have been posing their own problems.(1)

Still, while the 13.8-billion-bushel corn harvest currently projected by the U.S. Department of Agriculture would be the smallest since 2015, it's about 40% more than U.S. corn farmers were bringing in just two decades ago, and more than three times the average harvest in the 1960s.

Corn is the biggest U.S. crop by volume, acres harvested and value (the most valuable agricultural product is cattle and calves, which are usually fed a lot of corn in the latter stages of their lives). That's not even counting corn for silage — an animal feed of fermented, chopped-up corn plants — and the sweet corn that we eat off the cob. Silage and sweet corn are measured differently, which is why they're not included in the above chart, and they are also much less widely grown, with 6 million acres of silage and 473,100 acres of sweet corn harvested last year to just under 82 million acres of corn for grain. That acreage is higher than it was a few decades ago, which accounts for some of the production boom. But this acreage increase followed even bigger declines in the mid-20th century — grain-corn acreage hit its all-time high of 110.9 million in 1917. The main reason the U.S. produces much more corn than it used to is because U.S. corn farmers have become much, much more productive.

The production and productivity of corn — which people outside the U.S. (as well as some in the U.S., of course) generally call maize — has been rising all over the world. The grain was first cultivated at least 8,700 years ago not far from what is now Mexico City, spreading during subsequent millennia into North and South America and the Caribbean (where the name "maize" comes from). It went global after Christopher Columbus showed up in 1492.

In 2001 it became the largest crop worldwide by tonnage, surpassing rice and wheat. In 2012 corn passed rice even in China, and more land is now planted with corn in China than any other country. But U.S. corn farmers remain tops in both production and productivity. It's great to see Ethiopia on this list, and not at the bottom of the productivity rankings, either. The country, infamously beset by famine in the 1980s, has more than doubled per-acre yields and quadrupled corn production since then. Nearly 90% of Ethiopian corn is consumed directly as food, so productivity gains there have literally been a lifesaver. In wealthier countries the role of corn is more complicated. In China, most of it goes to animal feed. That used to be the case in the U.S., but for the market year that ended last month, the USDA estimates that 38% of U.S. grain corn went to making ethanol versus 37.3% into animal feed. Another 14.6% was exported, followed by 5.6% used in making the sweeteners high-fructose corn syrup, glucose and dextrose.(2)

This is enough to make a person suspect that the U.S. is producing more corn than it knows what to do with.

Indeed, since the 1970s, the U.S. Department of Agriculture and lawmakers from the corn-producing states of the Midwest have made finding uses for excess corn a major priority. High-fructose corn syrup, developed in Japan in the 1960s, was an early success, although in recent years its popularity has waned in the face of health concerns. It has been more than supplanted by ethanol, thanks to the renewable-fuel standards mandated by the Energy Policy Act of 2005 and Energy Independence and Security Act of 2007 that require increasing amounts of biofuels to be blended into the nation's gasoline and diesel each year. These laws were passed by Congress amidst high gasoline prices and concerns about "peak oil," as well as widespread hope that rapid growth in new biofuels made from things like switchgrass would bring declines in greenhouse-gas emissions. Since then, U.S. oil production has rebounded to an all-time high, and corn-based ethanol, which seems at best a wash in terms of carbon emissions, has remained far and away the dominant U.S. biofuel. With President Donald Trump now complaining of spending way too much of his time trying to balance the interests of the oil industry, which wants a relaxation of biofuel standards, with those of Midwestern farmers who don't, it seems pretty clear that the main continuing role of the biofuels mandate is to keep U.S. corn prices — which happen to have hit their all-time inflation-adjusted low in 2005 — from collapsing further.

All in all, it's a pretty weird situation. In the rest of the U.S. economy, one of the biggest complaints since the 1970s is that productivity increases — apart from an information-technology-related spurt in the 1990s and early 2000s — have slowed, thus making it harder to achieve increases in living standards. For corn farmers, and for U.S. farmers in general, it's almost as if too much productivity growth is the problem.(3)

The productivity revolution in corn farming in particular began in the 1930s with new hybrid seed varieties, then continued after World War II with advances in fertilizers, pesticides and machinery. More recently, genetically engineered seeds have come to play a big role. Productivity gains have also come from low-tech changes in farming methods such as no-till agriculture and the regular rotation of corn and soybean crops that now defines the Midwestern landscape. But on the whole U.S. corn farming, along with the intensive livestock operations it supplies, has come to more or less epitomize what is often derided as "factory farming."

Environmentally, there are positives to this as well as negatives. Agricultural productivity gains are surely one of the biggest reasons U.S. forests have stopped shrinking: After declining by an estimated 30% from 1630 to 1920, U.S. forested acreage has grown about

6% since 1920 even as the population has tripled. In theory, at least, rising corn yields here and elsewhere could also slow the conversion of tropical forests into farmland in Africa, Asia and South America. Then again, fertilizer runoff from Midwestern cornfields helps create a giant oxygen-deprived dead zone in the Gulf of Mexico every year, and the risks of pesticides have been coming under renewed scrutiny lately with more than 18,000 plaintiffs blaming the widely used weed killer Roundup for their non-Hodgkins lymphoma and entomologists growing increasingly concerned that the neonicotinoid pesticides that coat nearly every corn seed sold in the U.S. are harming honeybees, aquatic insects and even predators that eat agricultural pests. And the lead author of a blockbuster study documenting a 29% decline in the number of birds in North America since 1970 pinned some of the blame on habitat destruction due to “this steady intensification of agriculture and pastureland being converted to pure corn.”

For the farmers growing all this corn, the productivity boom has been a mixed blessing as well. I’ve already noted the downward pressure it puts on prices. Higher productivity also generally means fewer people needed to produce something, so if you’re looking to explain the oft-lamented depopulation of rural and small-town America, rising agricultural productivity is the most obvious culprit. Getting more productive also tends to entail spending money upfront — even a used high-end combine harvester will set you back more than \$500,000 — which favors bigger farms over smaller. According to the USDA’s once-every-five-years Census of Agriculture, the number of farms growing corn for grain fell from 450,520 in 1997 to 304,801 in 2017, while the number of corn farms of 2,000 acres or more rose from 868 to 4,097. Describing similar trends in the dairy industry for a column I wrote a few months ago, Cornell University agricultural economist Andrew Novakovic called it “an economic miracle wrapped around a social tragedy.”

I don’t have any grand solution here. Productivity growth is a good thing. But in the case of corn farming in the U.S., it could be that government policy (in the form of farming subsidies as well as the biofuels mandate) ought to be seeking to take advantage of the productivity gains to encourage farmers to plant fewer acres of the stuff rather than more.

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ASF fallout prompts cut to Chinese grain import hopes

20 September - Agrimoney

Chinese grain imports in 2019-20 will fall short of previous expectations thanks to a dent to feed demand stemming from the African swine fever epidemic, US officials said, seeing sorghum buy-ins at an eight-year low.

The US Department of Agriculture’s Beijing bureau estimated use in livestock rations of four major grains – barley, corn, sorghum and wheat – at a total of 198,100 tonnes in 2019-20. That represents a fall of 6.30m tonnes year on year on the bureau’s estimates – and a shortfall of 17,400 tonnes behind the USDA’s official forecasts for feed use of the four grains.

The bureau cited the dent to demand from a lower Chinese pig herd, saying that “overall feed demand is expected to decline amid lower domestic swine inventories due to African swine fever”.

China’s agriculture ministry earlier this week said that China’s pig herd had in August shrank by 38.7% year on year, extending a run of accelerating decline prompted by African swine fever (ASF).

The disease has, besides directly killing animals, prompted farmers to reduce even unaffected herds for fear of being hit by the virus.

Citing “lower compound feed production in China”, the USDA bureau pegged at 175.0m tonnes the country’s corn consumption in livestock rations in 2019-20 – 13.0m tonnes below the USDA forecast, and a figure which would be the lowest in four years.

For wheat, the feed use forecast, at 19.0m tonnes, was 2.0m tonnes beneath the USDA’s official estimate, with the barley figure 2.0m tonnes lower too.

On imports, the weakened demand profile means that corn volumes will come in at 6,000 tonnes in 2019-20 – 1.0m tonnes below the USDA figure, but still relatively high, “due to attractive prices from major exporters, especially Ukraine”, the bureau said.

However, for barley, imports were seen at 5.0m tonnes – a six-year low, and 2.0m tonnes below the official USDA estimate.

The bureau flagged a “significant reduction in demand for imported feed barley”, which accounts for roughly half of Chinese demand for the grain, the balance being largely for the brewing industry.

Sorghum imports were, at 500,000 tonnes next season, seen dropping to their lowest in eight years, with the bureau reporting “feed use expected down”.

It also flagged “lower projected imports for US sorghum”, in the face of the US-China trade dispute, while shipments from Australia are expected to be curtailed by a 2019-20 harvest forecast by Abares at the lowest in 26 years.

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Russia ups wheat quality, opens door to Saud trade

20 September - Ukragrocconsult

Russia has lowered levels of insect damage in its wheat in recent years and improved the overall quality of the crop, opening the door to supply markets such as Saudi Arabia, Russia's state Grain Quality Centre said on Friday.

Russia, the world's largest wheat exporter, has long sought access to Saudi Arabia as it aims to win a bigger share of Middle Eastern and North African markets from the European Union and United States.

Black Sea wheat did not meet Saudi specifications for a zero level of insect damage until August when Riyadh decided to relax bug damage quality requirements to 0.5% in wheat tenders.

The change has been a positive development for Russian farmers as they have managed to decrease the level of bug damage in recent years, Yulia Korolyova, the head of Russian state Grain Quality Centre, told an agriculture conference in Moscow.

The change has had wider implications as Riyadh, which regards the United States as its most important ally, boosts ties with Moscow. Russian President Vladimir Putin is due to visit Saudi Arabia in October.

Saudi Arabia's state grain buyer SAGO agreed to buy 780,000 tonnes of wheat at its September tender. The wheat offered to SAGO was from the EU, the Black Sea region, North America (excluding Canada) and South America.

It remains unclear what portion of supplies Black Sea origins will claim as sellers have a choice. The arrival period of their offers ranges from November to January.

The average level of bug damage in Russia's 2019 wheat crop is at 0.9% but it is lower at 0.8% in the country's southern regions, the key producing and exporting area, Korolyova said, adding that in the southern region of Krasnodar it was slightly higher than 0.5%.

Russian agricultural consultancy SovEcon said earlier in September that the average bug damage for wheat in Russia's southern regions was at around 0.6% this year, "so getting a 0.5% wheat should not be a problem."

Traders have estimated that up to 60% of the Saudi purchase could be sourced from the Black Sea region and about 40% from the northern EU including Germany, Poland and the Baltic States.

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Morocco confirms cut in soft wheat duty to 35 percent

19 September – Business recorder

Morocco will cut its customs duty on soft wheat to 35% from 135% from Oct. 1, government spokesman Mustapha El Khalfi announced on Thursday after a cabinet meeting.

The cut aims at ensuring regular supplies and guaranteeing the stability of the soft wheat price at 260 dirhams per quintal, he told reporters.

"This is also a social measure that is aimed at boosting national reserves and protecting the purchasing power of citizens," said El Khalfi.

"Keeping customs duty at 135% will lead to higher prices," he said. Reuters on Tuesday cited a government source as saying that Rabat had decided to cut soft wheat duty.

Wheat supply is key to Morocco's stability as bread and semolina make up staples for the population of 35 million.

The cut would also help importers boost national reserves, which are expected to shrink to 1.5 million tonnes by the end of September, covering 2.7 months of the needs of industrial millers, he said.

Importers were waiting for the cut to buy more wheat from the international market after no bidders were made for a US wheat tender earlier this month.

Morocco announced a cereals harvest of 5.2 million tonnes, down 49% from a year earlier because of a lack of rainfall.

This year's harvest includes 2.68 million tonnes of soft wheat, 1.34 million tonnes of durum wheat and 1.16 million tonnes of barley, according to the agriculture ministry.

The majority of cereal-planted areas are small properties owned by subsistence farmers.

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Brazil's upcoming soy, maize crops at risk amid historically dry weather

12 September - Reuters

Brazil's soybean sowing season for the 2019-20 harvest is officially under way, but there might not be too many planters out in the fields just yet as conditions are extremely dry. Weather forecasts call for practically bone-dry conditions in most of Brazil's growing regions for at least the next two weeks, and this stands to threaten not only the soybean crop but the heavily exported second corn harvest, as well.

Farmers in the top soybean and corn producing state in the country's Center-West, Mato Grosso, cannot start planting soybeans until Sunday. But down south, No. 2 grower Parana's soybean planting window opened on Wednesday.

Brazil is the world's top exporter of soybeans, and most of those shipments go to China, the largest buyer. Beijing has been keeping an extra close watch on Brazil's soybean market ever since the U.S.-China trade war began last year.

But the timely sowing of soybeans in Brazil may be even more important for the second-crop corn, or safrinha, which is planted immediately after the beans are harvested. More

than 70% of Brazil's total corn is safrinha and it is primarily used for export, while the first-crop corn is consumed domestically.

Brazil's safrinha corn competes directly with the United States for export competition, and the recent record Brazilian harvest priced the U.S. product out of the global market. Brazil's corn exports hit record levels in the last two months, while U.S. shipments slid to six-year lows for the period.

But a late start to the soybean sowing season already places pressure on the second corn crop, especially in northern growing regions such as Mato Grosso, which have distinct wet and dry seasons. Mato Grosso's dry season typically begins in late May, but the safrinha harvest kicks off closer to July, so there is often no room for delays.

The seasonal weather patterns in Mato Grosso typically mean that its soybean crop, which is planted starting in September and harvested starting in January, is less susceptible to drought-related losses. Parana and other southern growing areas do not have such reliable seasonal rainfall patterns, so they may be just as likely to have problems with soybeans or corn.

The country's prime growing areas are starting the season in a significant hole. In Mato Grosso's crop-heavy northern region, soil moisture at the end of August stood at the lowest levels in at least 20 years. It was also 6% lighter than the same period in 2015, which was the start of one of Brazil's driest growing seasons.

Precipitation from June through August, the driest months in Mato Grosso, totaled just 13 mm (0.5 inch), tied with 2010 as the lowest in at least 20 years.

The dry trend is likely to continue in September as weather models midday Wednesday suggested the next measurable rain may not come until Sept. 24, and those totals are light. Well above-normal temperatures are also likely to persist until then.

August 2018 soil moisture in Parana was lower than in August 2019 as southern Brazil and Argentina were still battered by historic drought a year ago. But adequate rains in September and the subsequent months restored moisture in Parana. Farmers went on to harvest a bumper second corn crop, but the soybean yields were very disappointing.

Aside from last year, end-of-August soil moisture in Parana was the lowest since 2006, and like Mato Grosso, the rainfall forecast is sparse and temperatures will be warm for at least the next 10 days. June through August precipitation in the state was the lightest in at least 20 years at just 108 mm (4.25 inches), and that total is down 60% from the recent five-year average for the period.

Market participants operate on the notion that Brazil's corn and soybean yields have the best prospects when soybeans are planted and harvested early, meaning that the safrinha corn can be planted early. They are not wrong on this, but there are some exceptions. There are also instances where super-dry planting periods recovered to produce above-trend crops.

In Mato Grosso, both the 2014 and 2015 planting campaigns were among the slowest in recent memory. October through December rainfall was record low and temperatures were very hot in 2015. Rainfall in the same period in 2014 was second-lowest on record but 21% larger than in 2015, and temperatures were milder.

Soybean yields in Mato Grosso were 2% below the long-term trend in 2014-15 but 12% below in 2015-16. The state's safrinha yields were 29% below trend in 2015-16 but 11% above trend in 2014-15, proving that weather can turn around mid-season.

It is also interesting to note that 2015-16 featured a record strong El Niño, which is when the waters in the equatorial Pacific Ocean are warmer than normal. The previous year had

featured a weak El Niño pattern, the same expectations that forecasters have for the last couple months of 2019 into early 2020.

There are more examples of seemingly contradictory yield results in Mato Grosso and other states based on weather patterns, making the outcomes difficult to predict, even in the most extreme of cases. But just like crops elsewhere in the world, the bottom line is that trouble lurks if precipitation is insufficient and temperatures are too warm during the most critical periods of development, meaning the story will still take several more months to unfold.

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Reports

Crops Prospects and Food Situation – FAO

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FAO Cereal Supply and Demand Brief - FAO

Grain Market Report – IGC

Oilcrops Monthly Price and Policy Update – FAO

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FAO Rice Price Update – FAO

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Early Warning Crop Monitor – GEOGLAM

Commodity Price Data - World Bank

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