

# MONTHLY NEWS REPORT ON GRAINS

FAO Markets and Trade Division

MNR ISSUE 182 – April 2022

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## Market News

### **Brazil's drought: the trigger that could take maize prices higher?**

29 April - UkrAroConsult

This year, USDA is calling for record maize production from Brazil. For 2021/22, the country's maize crop is predicted to hit 116 million metric tons (mmt), which is larger than last year's crop by 33%. Maize yields are estimated at 5.50 tons per hectare, 26% above last year's mediocre crop and 5% above the five-year average.

Brazil grows three rounds of maize each year. The Safrinha crop, which accounts for 76% of total maize production in Brazil, is in its vegetative state and will be harvested between May and August.

That growing crop is facing severe drought conditions, according to the latest Root Zone Soil Moisture Drought Indicator map from NASA's GRACE mission.

"Drought has emerged across parts of the Safrinha maize crop in Brazil," reports Eric Snodgrass, principal atmospheric scientist for Nutrien Ag. "The end of the South American monsoon has come earlier than average this year due to a surging La Niña. The drier finish on the Safrinha crops will limit their yield potential – especially for late-planted maize." Mato Grosso, Brazil's top Safrinha maize producer, is facing its driest April in 17 years, according to weather service EarthDaily Agro. Accumulated April rainfall for the state is expected to be 70% below the 10-year average. Neighboring Goiás is expected to have an 85% reduction in April rainfall.

"This is a big deal, and it is not being talked about nearly enough," says Joe Vaclavik, president of Standard Grain. "Most of the focus right now for the maize market is on the U.S. weather situation and planting delays, but this is a big deal. Common logic says it's too early to get worried about U.S. planting delays, but maybe in a tight situation like this maybe that's a warranted argument."

Vaclavik expects Brazilian maize crop estimates to start declining soon, maybe even ahead of the May 12 World Agricultural Supply and Demand Estimates.

Kevin McNew, chief economist at Farmers Business Network, says the long-lasting and widespread dryness in Brazil is reason for concern.

"You've got about 30% to 40% of the crop that's got some level of stress on it," he says.

"There's not any sort of significant rainfall in the forecast in the next 10 days. If we don't start to see some rain that could be our catalyst for another leg up."

Brazil is the third-largest maize producer in the world (following No. 1 U.S. and No. 2 China). McNew says the Brazilian maize crop is the main global supplier between now and the U.S. harvest this fall.

"So, it is all the world's got to draw from," he says. "That may be the catalyst that gets us to what I know a lot of farmers think starts with one and has two digits before the decimal."

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## **Canada wheat area in MY 2022-23 seen rising 7 percent on higher prices, firm demand**

28 April – Platts

Canada's wheat area for marketing year 2022-23 (August-July) is expected to rise by more than 7% year on year to 25.03 million acres, according to a report released by Statistics Canada.

"An anticipated increase in area for wheat is likely attributable to strong prices and high worldwide demand," the report said.

According to the report, spring wheat area for MY 2022-23 is seen rising to 17.6 million acres, up 7% year on year, while durum wheat area is seen increasing nearly 13% year on year to 6.2 million acres.

However, the area under winter wheat is expected to decline 13% year on year to 1.2 million acres.

The overall area under wheat in the current MY 2021-22 had declined nearly 7% year on year due to the prevailing drought situation and dry conditions.

According to Statistics Canada, farmers in Saskatchewan, the largest wheat producing province in Canada, are expected to plant wheat over 13.3 million acres of land, up 10.6% year on year.

The spring wheat area in Saskatchewan is expected to expand 7.5% year on year to 8 million acres, while durum wheat area is anticipated to increase 15.4% year on year to 5.2 million acres.

Farmers in Alberta are expected to plant wheat across 7.4 million acres, which will be up 6.3% year on year, the report said. Similarly, farmers in Manitoba are likely to plant wheat over 3.1 million acres, up 5.7% from the previous year.

Canada's FOB wheat prices have remained firm over the past few months due to tightness in global supply against the backdrop of Russia's invasion of Ukraine.

Russia and Ukraine, together, account for around 26% of the global wheat trade. Following Russia's invasion of Ukraine, trade from the Black Sea declined sharply.

As a result, wheat prices across origins gained sharply over the past two months.

Despite a lower output and a decline in exports in MY 2021-22, Canada's wheat export prices gained sharply due to strong global demand.

Common wheat exports for MY 2021-22 through April 17 were down nearly 43% from a year ago, while durum wheat exports were over 61% lower year on year.

Canada's wheat export prices have gained nearly 20% since the Russia-Ukraine war, which muted Black Sea supply.

According to S&P Global Commodity Insights data, 13.5% Canadian Western Red Spring wheat, FOB Vancouver, for 30-45 days forward was assessed at \$475.47/mt on April 27, up \$3.86 on the day, while 13.5% CWRS wheat, FOB Vancouver, for 45-60 days forward was assessed at \$477.30/mt, up \$3.85/mt on the day.

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## **US maize planting slowest since 2013, yield risks still premature**

27 April – Hellenicshipping.com

U.S. maize planting is moving at its slowest pace in nine years, poor timing for threats to the world's largest maize crop as prices remain near record levels.

Slower-than-normal planting has preceded strong U.S. maize yields in some recent years, but farmers need to avoid falling too far behind over the next three weeks because crops have been far from excellent when planting delays were serious.

The U.S. Department of Agriculture's statistics service on Monday pegged 7% of the maize crop planted as of Sunday, below trade expectations for 9%. The five-year average is 15%, and 16% was planted on the same date last year.

Many states have been too cold, too wet or both, and maize is best planted in drier, warmer soils. Only 2% of the maize in top growers Iowa and Illinois was planted as of Sunday, well off the respective averages of 15% and 21%.

The next three weeks are statistically the busiest for U.S. maize planting, though many areas will continue to be slow throughout the next week. Rainfall amounts over the next few days may be favorably below normal across much of the Midwest, but cool temperatures are expected to prevail.

U.S. maize planting typically reaches the halfway point on May 8, though that could be a bit early for full-scale panic if progress is still lagging by then. Planting in 2019 was among the slowest years on record and got worse as May progressed. Chicago maize futures bottomed on May 13 that year before surging 24% to finish the month.

One year earlier in 2018, maize planting was delayed by the second coldest April for the Midwest in records since 1895. But the pace mostly normalized by mid-May as that month turned out to be the Midwest's warmest ever.

Last week, the U.S. Climate Prediction Center forecast that the Midwest and Northern Plains were more likely to be cooler rather than warmer next month, which could hold back progress. The precipitation bias was mixed across the Maize Belt.

It is still early in the U.S. maize planting campaign and concerns for yield are not yet necessary. However, below average yields have resulted when May 8 progress is 40% or less. Poor yields were the outcome in eight of the 10 years where planting was less than two-thirds complete by May 15.

Summer weather is much more impactful on maize yields than planting date given that delays are not extreme. In 2019, planting was so late that it caused a great deal of high-yielding fields in states like Illinois to sit idle for the summer, which weighed on the national result.

But a few points below average is nothing to worry about. That was the case for much of the 2014 and 2018 planting cycles, and some of the strongest maize yields were observed in those two years.

Faster planting is not always better, either. Warm, dry conditions facilitate quick maize planting, but sometimes that pattern can linger into the summer as was the case in 1988 and 2012, which featured some of the worst-ever U.S. maize crops.

Statistically speaking, U.S. maize planting is less likely to hit the halfway point on its normal May 8 date when efforts are already running late in April, though less than half of the planting seasons end up with more serious delays.

April 24 progress was slower than the 15% average in 23 of the last 42 years. Nine of those years ended up at or above average two weeks later, and another four were below normal by five percentage points or less on May 8.

On average, about 37% of the U.S. maize crop is planted between April 25 and May 8. In the last decade, U.S. farmers have planted as much as 53% of their maize in those two weeks, in 2015, and as little as 14% in 2013.

The last two times U.S. maize planting was slower than 7% on April 24 was 2013 and 1993. Karen Braun is a market analyst for Reuters. Views expressed are her own.

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## **China halts auctions of wheat reserves before new harvest**

25 April – Nasdaq.com

China has stopped its weekly wheat auctions from state reserves, earlier than last year when stocks were higher, traders and analysts said.

China suspended sales of wheat from its reserves last week, and did not release any auction results on Monday, a move that further bolstered prices of the grain which have hit record highs due to tight supplies, exacerbated by the war in key producer Ukraine.

"A lot of the wheat was consumed last year. You can't keep using that much every year. Inventories were not plentiful either," said a source with a state institution.

"Demand is not as strong either. Only milling plants were allowed to participate in the auctions this year," said the source, who declined to be named as he was not authorised to talk to the media.

Beijing had been releasing only around 500,000 tonnes of wheat from the reserves in weekly auctions recently, compared with 4 million tonnes at some auctions in 2021.

Auctions last year did not stop until May 10, and more than 27 million tonnes of wheat was sold from the reserves from the beginning of 2021 until the sale was halted before the new harvest.

Beijing late last year banned feed producers and livestock farmers from buying wheat from the state reserves at auctions, in a move to cool down prices of the food grain.

Chinese feed producers snapped up wheat from the state stockpiles during auctions in the last crop year to replace corn, after corn prices soared to record levels.

Wheat feeding fell sharply later, however, as prices of the grain rallied, losing its advantage over corn.

Wheat prices in Shandong province, a main producer, hit record high levels at 3,380 yuan (\$515.16) per tonne last week, before edging down slightly. JCI-WHT-JINN

The market is closely watching China's new wheat crop, which initially endured the worst crop conditions in history but conditions have since improved more than expected.

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## **India's wheat stock significantly higher than strategic requirements, exports to boost farmers income**

21 April – The print.in

India's stock of wheat is significantly higher than the strategic and operational requirements, and the prices in the country remain stable despite the global surge caused by the ongoing Russia-Ukraine conflict, government sources said.

For the year 2022-23, the opening stock of wheat stood at 190 lakh metric tonnes (LMT).

The expected procurement during the year is 270 LMT. This takes the total stock to 460 LMT.

The projected requirement for the welfare schemes is 360 LMT.

The government is expected to have a balance stock of 100 LMT of wheat during the year 2022-23 after supplying wheat under all the welfare schemes, the government sources said.

The total wheat production in India during the year 2022-23 is projected to touch 1050 LMT. India exported 70 LMT of wheat during the year ended March 2022. In the current financial year, the export is likely to be higher as the Russia-Ukraine conflict has created a shortage of supply globally.

Due to the continuous efforts of the Centre, most countries including Egypt have given market access to India, the sources said.

With an increase in demand for wheat, this will be a great opportunity for India to gain permanent wheat export markets globally thereby leading to a boost in income of wheat growing farmers of the country, the sources said.

Wheat prices have surged globally, but they remain largely stable in India due to sufficient stocks. Retail prices of wheat rose marginally to Rs 28.67 per kg in March 2022 from Rs 27.90 recorded in March 2021.

Retail prices of Atta rose marginally to Rs 32.03 per kg in March 2022 from Rs 31.77 per kg recorded in March 2021.

According to the sources, the Government of India has been constantly monitoring domestic prices of wheat along with the ongoing procurement in the current season and any shortfall would be met through the sale of wheat under the Open Market Sale Scheme. (ANI).

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### **Middle East's food security at risk due to Russia-Ukraine conflict**

19 April – muscatdaily.com

Russia's invasion of Ukraine has sparked price increases across commodity markets, most evident by the surge in oil and energy prices since late February. But agricultural commodity prices have also jumped higher globally given the importance of both Russia and Ukraine to key export markets.

The Middle East and North Africa region is particularly exposed to the war via higher agricultural commodity costs given the relative shortage of arable land in the region and its dependency on the flows of commodities from both Russia and Ukraine, according to Emirates NBD, one of the largest banks in the Middle East.

The Middle East is highly reliant on imports of food commodities, particularly for basic goods like wheat, rice and coarse grains (including maize, barley and other feed grains). More than 50 per cent of the Middle East's wheat consumption needs are met by imports, as per a research note published by Emirates NBD on Tuesday.

"With such a high dependency on imports of basic agricultural commodities, any prolonged disruption can feed through into considerable economic and social pressures, particularly via higher food price inflation. A prolonged conflict in Ukraine and international trading firms avoiding transactions with Russian exporters will contribute to acute price pressures across the region," Edward Bell, senior director – market economics at Emirates NBD, said in the research note.

The war in Ukraine has 'multiplied risks' for the Middle Eastern countries by raising food and energy prices, the World Bank said in a report last week.

According to the World Bank report, inflation in the Gulf countries is expected to reach 3.0 per cent this year compared to 1.2 per cent in 2021, and will rise to 3.7 per cent in oil-importing countries from 1.4 per cent last year.

Both Russia and Ukraine are major suppliers of agricultural commodities to import markets. Together they accounted for an average of 29 per cent of total global wheat exports from the 2017-2021 marketing years and 18 per cent of total coarse grain exports, with particularly large shares in barley and rye.

Outside of grains, both countries are the largest producers of sunflower seed as well as the associated seed meal and oil. While the war progresses, Ukraine has limited options to divert agricultural exports from normal seaborne routes with bottlenecks on rail capacity to European markets, let alone internal disruption as the conflict remains fraught, Bell said.

He said importers in the Middle East and North Africa are particularly reliant on flows of exports from both Russia and Ukraine.

“Just taking wheat imports as a baseline, both countries are among the single largest source origins for imports and in some case account for a large majority of total imports. The UAE sourced around 63 per cent of its total wheat imports from Russia and Ukraine while in Egypt the share is closer to 80 per cent,” Bell said.

Carry-over inventories of wheat, the research note said, were at relatively normal levels ahead of the conflict and already shipments are increasing from major producers in South America (Brazil and Argentina) to the regional importers.

“A general benefit for food inflation across the region is that rice production is still set to expand this year, helping Middle East economies in particular relative to North Africa given higher regional consumption. However, a prolonged conflict that destroys or interrupts Ukraine’s export infrastructure and sanctions on the export of Russian agricultural commodities will pose meaningful medium-term risks for prices and regional security of supply,” Bell explained.

He further said that the conflict in Ukraine is also passing through to agricultural markets via higher fertilizer costs. Russia is a major producer of fertilizers—potash, phosphates and nitrogen—and has a large share of global export markets.

While fertilizers are not a major direct input cost for the Middle East’s food costs given the shortage of arable land, higher agricultural chemical prices will pass through to other exporters and feed back into the Middle East and North Africa region, Bell added.

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### **Russian wheat continues to find customers**

19 April – World-grain.com

About 900,000 tonnes of wheat has been loaded in Russian ports during the first 13 days of April, in line with March’s pace, according to Logistics OS, Bloomberg reported, despite economic sanctions and soaring shipping costs in the Black Sea region following Russia’s Feb. 24 invasion of Ukraine.

The resiliency of Russian grain exports has led analysts to downgrade their outlook for wheat exports from the European Union, one of Russia’s top competitors. The US Department of Agriculture (USDA) last week also raised its estimate for Russian wheat exports in the current season to 33 million tonnes, though that remains short of the 35 million tonnes it forecast before the war. Russia is the world’s largest wheat exporter, accounting for 18% of global shipments.

Under Russian quotas, exports from February to June are limited to 8 million tonnes. Grain shipments are expected to slow in the coming months compared with March due to a stronger ruble, which Russian exporters must use for overseas business amid international economic sanctions, and high export taxes. The main buyers of Russian wheat remain Egypt, Turkey and Iran, according to the Moscow-based Institute for Agricultural Market Studies. Russia’s Black Sea ports are still operating, and traffic is resuming in the Sea of Azov, but shipping costs from the Black Sea region also have soared 50% to 80% from last year due to war risks, according to UkrAgroConsult. Still, nearby importers continue to weigh whether Russian wheat remains competitive versus other sources. Egypt booked one cargo from Russia in its latest wheat tender on April 13, although France took the bulk of purchases.

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## **Egypt wheat stocks dangerously low**

19 April – graincentral.com

Egypt returned to the global wheat market last week, sealing deals on Wednesday to purchase 350,000 tonnes, the majority of which will come from Europe, following a tender announced two days earlier by the General Authority for Supply Commodities (GASC). Potential suppliers could submit free-on-board (FOB) offers for a May 20-31 shipment period and/or cost and freight (C&F) offers for arrival at Egyptian ports in the June 1-15 window, with payment at sight. The tender had originally specified European-origin wheat only, sending the MATIF wheat futures into an upward spiral. GASC later said offers from Russia and Ukraine would be considered, in conjunction with those from Bulgaria, France, Germany, Hungary, Kazakhstan, Latvia, Poland, Romania and Serbia.

This is Egypt's first successful international wheat tender since February. It cancelled two tenders as wheat prices soared and offers evaporated following Russia's invasion of Ukraine, temporarily restricting the prospect of wheat being shipped out of Black Sea ports by two of the world's largest exporters. Egypt relies heavily on wheat from Black Sea ports. Total wheat imports over the past five years amounted to 62.6 million tonnes (Mt), with 59.7 per cent from Russia and 22.3pc from Ukraine, for a combined total of 82pc of purchases over the period.

The majority of the business went to France, with four 60,000t cargoes purchased on a FOB basis at an average price of US\$451.75/t. Freight is estimated at \$42.50/t, giving a landed cost of \$494.25/t. A 50,000t cargo was also purchased from Bulgaria at \$449.50/t FOB, with the landed price being \$480/t based on freight of \$30.50/t. The final 60,000t cargo was of Russian origin, purchased on a C&F basis for \$460/t.

The successful Russian offer was submitted by Aston, one of Russia's largest agricultural and food-ingredients businesses, with activities in farming, oilseeds crushing, edible oils and grain origination and export. The company reportedly has its own vessels, allowing it to mitigate many of the costs most exporters would currently face when shipping out of the Black Sea. The average price across the entire 350,000t tender was \$486.35/t C&F, close to \$150/t higher than GASC's previous tender on February 18.

Earlier this month, the Egyptian Government announced its wheat reserves had dropped significantly since the war in Ukraine began in February. Egypt only has enough wheat to meet around 2.6 months of domestic demand, well below historical levels, and less than half of the government target of six months. The world's largest importer typically has as much as one month's import volume, or 1Mt, in transit at any one point in time. But with no tenders for more than two months, there are currently very few wheat-laden boats on the water.

However, stocks are expected to receive a boost from the local harvest, which commences this month. Production is forecast to increase by 8.9pc from 9Mt in 2021 to 9.8Mt this year. The higher production is attributable to a higher harvested area, estimated to be 1.53 million hectares (Mha) compared to 1.4Mha last year. Egyptian authorities are hoping to increase the harvested area by around 30pc, or 420,000ha, over the next three years. The higher area came after the government announced its wheat-purchasing prices ahead of the planting season last year, allowing growers to make more informed crop-rotation decisions. And then, on March 15, in response to the war in Ukraine, the government approved an additional incentive of 65 Egyptian pounds (EGP) per ardeb, or \$27.50/t, on the prices it had previously agreed to pay farmers to purchase their locally produced wheat.

After this increase, the government payments to farmers will range from EGP865/ardeb to EGP885/ardeb or about \$366-\$375/t based on quality and moisture. The new price is 22pc higher than last season's procurement price, and payment shall be cash on receipt of the wheat, or within a maximum of 48 hours.

Egypt's Ministry of Supply and Internal Trade (MoSIT) also issued a ministerial decree requiring every wheat producer to sell a minimum of 12 ardebs per feddan, or 4.28t/ha, to governmental wheat purveyors this harvest season. The decision prohibits farmers from selling the remainder of their wheat production to non-governmental agencies unless a permit is first obtained from the MoSIT.

The decree also stipulated that large farms (greater than 10 hectares) should sell 90pc of their wheat production to governmental wheat merchants and, in return, will receive subsidised fertilisers for their summer-cropping program.

The government aims to procure 6Mt of wheat from local growers this harvest, a historically high 61.2pc of estimated national production. This goal is 66.7pc higher than last year's purchases of 3.6Mt and 71.4pc higher than the 2020 purchases of 3.5Mt. This season's procurement program will commence on April 1 instead of April 15, and will continue through to the end of August instead of mid-July.

Egypt's latest tender purchase came just two days before it announced an agreement to source wheat supplies from India, adding the world's second-biggest producer, and occasional exporter, to the list of 17 other international import origins accepted by GASC. Logistical limitations and quality issues have long stymied India's efforts to sell significant volumes of wheat into the world market. However, a run of bumper crops and the exceptional demand resulting from the Ukraine crisis has provided an added incentive for India to solve the myriad of export constraints.

In an announcement last Friday, India's Commerce Minister said that Egypt is likely to buy around 1Mt of wheat from India, 240,000t of which is expected to be shipped in April. The acceptance of India reportedly came after a rigorous process of field visits and checks of Indian quarantine facilities by Egyptian authorities due to concerns that Indian wheat imports may contain karnal bunt disease, a threat to domestic output.

India is just one of many wheat-import origins being considered by Egypt as it attempts to decrease its reliance on Black Sea exporters, Russia in particular, in the wake of major supply disruption stemming from the conflict in Ukraine. The USDA shaved 500,000t off its Egyptian wheat-import forecast due to rising prices and disruptions to Black Sea supply. However, the north African nation still has some way to go to meet the 12Mt wheat import target for the 2021-22 marketing year, which would enable it to meet domestic demand and slightly rebuild stocks.

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## **Central Asian neighbours to feel the pain as Kazakhstan suspends wheat, flour exports**

14 April – rferl.org

Kazakhstan's decision to ban wheat exports is really bad news for the country's poorer Central Asian neighbors, which get some 90 percent of their wheat imports from their northern neighbor.

One of the world's major wheat growers, Kazakhstan also imports relatively inexpensive wheat from Russia to use domestically and to resell to other countries.

But Russia, the world's largest wheat exporter, temporarily banned grain exports to its fellow members of the Moscow-led Eurasian Economic Union (EEU) -- Kazakhstan, Kyrgyzstan, Belarus, and Armenia -- in March.

The Kazakh Agriculture Ministry now says it will limit wheat and flour exports to 1 million tons and 300,000 tons, respectively, for three months starting on April 15. It's not clear if the restrictions will be extended beyond that date.

The Russian government said it was suspending wheat, rye, barley, and maize exports until June 30 to "protect the domestic food market in the face of external constraints" amid harsh Western sanctions over its unprovoked invasion of Ukraine.

Moscow's decision means that Kazakhstan -- the largest buyer of Russian wheat in the EEU - - has temporarily lost access to relatively affordable agricultural products it got duty free.

Just two or three weeks later, Kazakhstan's flour-milling companies began to raise alarms that they were running out of supplies and going out of business. The Union of Grain Processors of Kazakhstan urged the government to halt exports.

It led the country's Agriculture Ministry to limit exports to address the grain "deficit" in Kazakhstan created by Moscow's export ban, officials said.

According to First Deputy Agriculture Minister Aidarbek Saparov, the Russian ban "forces Kazakh millers to urgently switch to the purchase of grains from domestic growers," who sell their crops at a higher price than Russia.

It also comes at a time when prices for wheat and other food products have risen to record highs globally because of the war in Ukraine, which is also a major producer of wheat and maize.

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### **Prospects for Australian wheat exports amid the Ukraine-Russia conflict**

4 April – Internationalaffairs.org.au

Wheat is an important staple crop that is grown widely around the world. Global production in 2017–2018 was 763 million tonnes from 221 million hectares. Nearly US\$50 billion worth of wheat is traded globally each year. Wheat is consumed by 2.5 billion people in 89 countries.

There are several wheat exporters in the world, with a few countries dominating the market. In the five years from 2013 to 2017, these countries were the US (16.8 percent of total exports), Canada (14 percent), Australia (11.4 percent), the Russian Federation (10.8 percent), and France (10.5 percent). The share of the ten major wheat exporters was more than 82 percent of global wheat exports, with negligible exports by the rest of the world. Similarly, Indonesia, Egypt, Algeria, Italy, and Japan are the major wheat importing countries. Together they account for about 23 percent of global wheat imports. Among wheat importers, Indonesia was the leading importing country — six percent of world wheat imports — during 2013–2017, and its most significant import partner was Australia. In 2016-17 Australia produced 34,369 kilo tonnes (kt) of wheat using 12,634 thousand hectares. Of that, 22,057 kt were exported, leaving about 12,000 kt for domestic use. In Australia, wheat export ranked tenth among total exportable commodities, second among agricultural products, and first among grains — wheat accounts for 63 percent of Australian grains exports. The quantity of wheat exported from Australia over the last 18 years has been almost constant. However, there have been shifts in importing countries with fluctuations in quantity over time. In recent years, countries like Indonesia, Vietnam, the Philippines, and China have become the primary destinations of Australian wheat. Australian wheat faces competition primarily from the US, Canada, and the Black Sea countries, such as the Russian Federation and Ukraine.

Given Australia's position in the global wheat trade, the current Ukraine-Russia conflict could be a cause for concern for Australia's share of wheat exports (11 percent) in the short-

term if not otherwise, since together the Russian Federation and Ukraine account for 16 percent of world wheat exports. Due to the Russian invasion of Ukraine, wheat growers in Australia could experience an increase in price if supplies become unavailable from these countries. For example, Rabobank predicts Australian wheat prices could rise from the current \$367 per tonne to \$425 per tonne in the near term. Shipping blockages and the high cost of insurance should halt exports from the Black Sea countries. Further, long-term structural changes to wheat flows could occur if sanctions are implemented on Russian wheat exports.

Ukrainian farmers are mostly family farmers like in Australia, but Australia does not have the opportunity to make sure those markets are still supplied with grain should the disruption caused by the Russian invasion continue. The limiting factor for Australia is its supply chain. Though Australia can physically have a good wheat harvest to cover up the exports from the Black Sea region, logistics may be an issue — there are only so many trains and trucks to transport grain to the ports. Australia's exporting facilities are already constrained and could face difficulty exporting huge volumes. Thus Australia's wheat market may be unable to keep up with the huge rise in demand that the global wheat market should experience. Notably, the flow-on effects of the conflict in Ukraine will drive up grain prices in the Global South. Many countries in the Middle East and Africa are already experiencing rampant food inflation. It will be tough for these countries, as food prices are directly correlated with the price of wheat. However, this impact on the grain market will depend on the length and severity of the Ukraine crisis. It is also possible that the medium-to-long-term effect on global wheat markets will not be that significant if agricultural production continues despite the Russian invasion of Ukraine.

However, there have been other recent crop failures in other wheat-exporting countries that have had a severe impact on the grain market, which had already driven wheat-importing countries to find markets like Australia. The loss of grains from the Black Sea countries, which normally account for about a quarter of the world's annual wheat trade, is an opportunity for Australian farmers to step up amid supply chain issues. However, on the production side, rising fertiliser prices and tougher growing conditions linked to climate change will pose continuing challenges to Australian farmers.

The Australian Bureau of Agricultural and Resources Economics (ABARES) forecasted a wheat crop output of 36.3 million tonnes for 2021–2022, which is about five percent more than the previous year, possibly due to above average rainfall. The Australian share of wheat exports is 10-15 percent of the global wheat trade, and it is one of the major grain-producing nations unaffected by last year's drought. Other major wheat exporting countries — like the US, the world's number two producer — expect a fall in yield by ten percent this year, according to Gro Intelligence. Canada, the third largest producer, has experienced a fall in yield of 39 percent in 2021, according to Statistics Canada. These shortfalls in global wheat production will make wheat prices hit a 14-year high. Therefore, Australia is in a unique position to respond to meet the growing demand in the global wheat market.

The above trends will have significant impacts given the economic fallout of the pandemic has already affected many wheat-importing countries. Low-income, food-importing countries like Egypt and Lebanon buy 70-80 percent of their imported wheat from Russia and Ukraine. However, if the global price of wheat continues to rise, it will stimulate growers to sow more marginal lands and hopefully deliver a bigger crop. And when we consider the supply disturbances from Russia and Ukraine, it also provides opportunities for farmers in Australia or elsewhere to fill this gap, even with higher fertiliser and energy prices.

Australia can therefore consider an increase of wheat exports to countries affected by the Russian and Ukraine conflict and should target their requirements. Quality wheat production and food safety issues are an advantage for Australian wheat exports, should it become more competitive in the world market. Different countries have different product consumption patterns which require different product quality. Therefore, it is essential to understand the quality requirements for different market segments. Thus, Australia should focus collectively on productivity increments, quality enhancements, and wheat crop product diversification through innovative ways of reducing costs and increasing yields to make Australian wheat more competitive.

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## Reports

### **Commodity Markets Outlook April 2022 – World Bank**

The war in Ukraine has dealt a major shock to commodity markets, altering global patterns of trade, production, and consumption in ways that will keep prices at historically high levels through the end of 2024, according to the World Bank's latest Commodity Markets Outlook report.

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## Monthly Information Sources

**AMIS Market Monitor**

**FAO Cereal Supply and Demand Brief - FAO**

**Grain Market Report – International Grains Council**

**Oilcrops Monthly Price and Policy Update – FAO**

**Crop Monitoring in Europe - European Commission**

**FAO Rice Price Update – FAO**

**World Agricultural Supply and Demand Estimates – U.S. Department of Agriculture**

**Early Warning Crop Monitor – GEOGLAM**

**Commodity Price Data - World Bank**

**Food Price Monitoring and Analysis (FPMA) – FAO**

**GIEWS Country Briefs - FAO**

**Mediterranean Agricultural Information Network - MED-AMIN**

**Club Demeter Système de veille**

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

**COVID-19 and World Trade**

**IFPRI COVID-19 Food Trade Policy Tracker**

The main purpose of the MNR is to provide links between the FAO Secretariat and the Members of the Intergovernmental Group (IGG) on Grains, as well as the general public.

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<https://www.fao.org/markets-and-trade/en/>