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Market News

Wheat soars to highest since 2008, adding inflation worries
25 February – Bloomberg.com

Wheat jumped to the highest level in more than 13 years, extending a rally that's adding to inflation concerns worldwide, as Russia's attack on Ukraine put a vital source of global supplies at risk.
Futures in Chicago rose as much as 2.8% to $9.6075 a bushel before easing. Gains were capped on Thursday when prices surged by the maximum allowed by the exchange. Maize and soybeans also climbed on Friday, while palm oil retreated in Malaysia after a record-breaking rally.
Russia and Ukraine are key suppliers of a raft of agricultural goods to regions including Asia and the Middle East, and the conflict has the potential to upend global trade flows. They account for more than a quarter of the world's trade in wheat, about a fifth of maize sales and 80% of sunflower oil exports.
"Food prices are already high," said Paul Bloxham, Sydney-based chief economist at HSBC Holdings Plc. "An additional rise in commodity prices is something that will further lift headline inflationary pressures. A lot of emerging economies are still dealing with the direct impacts of the pandemic, so it's not the only shock that's being dealt with."
The conflict is already rippling through the agriculture sector. Some of the top crop traders such as Bunge Ltd. have been forced to shut down in the region, while Egypt -- the world's biggest wheat importer -- canceled its tender Thursday after drawing a lone offer of French grain.
Benchmark wheat in Chicago was 0.9% higher at $9.4350 a bushel at 6:55 a.m. London time after jumping to the highest level since June 2008 earlier in the session. Maize rose 1.3% to $6.9950 a bushel, and soybeans gained 0.6%. Palm oil lost as much as 5.3% to 6,112 ringgit a ton, falling for the first time in seven sessions.
In addition to the Russia-Ukraine crisis, drought in South America has parched harvest areas and dimmed the outlook for soybean supplies. Palm oil, which is used in thousands of products from cookies to shampoo, has rallied after a labor shortage crimped output in major producer Malaysia.
Bunge suspended operations at two oilseed processing facilities in Ukraine and closed its local offices due to the military action, according to a statement. Archer-Daniels-Midland Co. closed an oilseed crushing plant in Chornomorsk, a grain terminal in the port of Odessa, six silos and its trading office in Kyiv.
"The Russia-Ukraine conflict will have large ramifications" for global grains and oilseeds markets, Dennis Voznesenski, an analyst at Rabobank in Sydney, said in a note Friday. A full-scale conflict "will see exports out of the region grind to a halt, at least in the short term, due to blockages to shipping and the high cost or lack of availability of insurance for vessels," he added.

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China Oks wheat imports from Russia
24 February – World-grain.com

China's customs agency on Feb. 24 approved imports of wheat from all regions of Russia, the Associated Press reported.
This move gives Russian President Vladmir Putin an alternative to Western markets that might be closed under sanctions.

Russia, one of the largest wheat producers, has not exported to China before now due to concern about possible fungus and other contamination, the AP said.
On Thursday, China's customs agency approved imports of wheat from all regions of Russia, giving Putin an alternative to Western markets that might be closed under possible sanctions.
Russia is one of the world's biggest wheat producers but has been shut out of China until now due to concern about possible fungus and other contamination.
China and Russia announced on Feb. 8 an agreement for China to import Russian wheat and barley. Russia said it would take all measures to prevent contamination by wheat smut fungus and would suspend exports to China if it was found, AP reported.

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EU cuts 2021/22 wheat crop estimate, raises maize forecast
24 February – Financialpost.com

The European Commission on Thursday lowered its forecast of 2021/22 usable production of common wheat, or soft wheat, to 129.8 million tonnes from 130.5 million previously.
In monthly supply and demand projections, the Commission also reduced its outlook for common wheat stocks at the end of the season, to 12.6 million tonnes from 13.3 million, while keeping unchanged its forecast of 2021/22 common wheat exports at 32.0 million tonnes.
For maize, the Commission raised sharply its forecast of 2021/22 usable production in the EU's 27 member countries, to 72.5 million tonnes from 69.0 million a month ago, and kept unchanged its forecast of EU maize imports in 2021/22 at 14.5 million tonnes.

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China to 'strictly control' maize ethanol production due to maize shortage
24 February – Yicaiglobal.com

China has changed tack on ethanol produced from maize biomass, saying it will now "strictly control" the industry because of the short supply of maize, according to the government's annual key policy statement.
China will "strictly control the maize-based fuel ethanol processing industry," according to the No. 1 central document issued yesterday, replacing its stance of "moderate development of grain ethanol fuel" set out in 2017, when maize stocks were high.
The No. 1 central document, released by China's central authorities at the start of every year, is a key indicator of policy priorities for the year ahead.
China's development of the maize processing industry adhere to the principle of "not competing with others for grain and not competing with grain for land," Cai Hailong, a professor at the School of Economics and Management of China Agricultural University, told Yicai Global.
If the industry developed too much, it would squeeze the supply of maize feed and affect the supply of products such as meat, eggs, and milk, he said. More than 60 percent of maize in China is used for feed and about 30 percent is used in industrial processing, Cai added.
Maize production has fallen for four straight years since 2016, the year when new processing projects started to use new maize after old stocks were consumed, said Lin Guofa, research director at bulk farm produce e-commerce and fourth-party logistics platform 16988.Com, noting that the demand for maize from the feed industry continues to grow.

These factors have resulted in tight supply and rising prices of maize since 2020, Lin said. Maize prices sometimes outstrip the cost of wheat, he added.
China's maize production rose 4.6 percent to 273 million tons last year due to a sharp increase in the area planted with the cereal.

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Australia – best sorghum crop in years faces tight battle for export access
23 February – Theland.com.au

Hot on the heels of an enormous cereal harvest, high yields from early-planted sorghum will only add to the already high local volume of feed grains.
Fortunately for growers, the global market is "screaming out" for supply, reports senior commodities analyst with Rabobank Cheryl Kalisch Gordon.
This year's Australian sorghum harvest is projected to bring more than two million tonnes of grain, with some analysts tipping volumes of 2.5mt, into silos and bunkers, including those in the state's north. Much of it will be kept under tarps rather than housed in galvanised steel, as those storage units are full with wheat, barley and chickpeas.
The last time Australia produced such a big sorghum harvest was 2014-'15, when 2.2mt tipped the scales preceded by 2012-'13 which recorded around the same volume. The current five year average is just 1mt due to drought, but last year yielded 1.5mt and there is expected to be a more than 30 per cent year-on-year increase this time around.
Despite supply in the feed grain complex being high, sorghum prices remain strong at around $300/t Brisbane (track).
"Our local prices are being supported by global forces," said Ms Kalisch Gordon, who recalled sorghum selling for $200/t in 2016-'17 when high local grain supply coincided with the world being awash with grain.
Sorghum prices are expected to soften 5-10pc as the year progresses with the likelihood of large plantings in Canada and Europe under better growing conditions.
Sorghum prices are expected to soften 5-10pc as the year progresses with the likelihood of large plantings in Canada and Europe under better growing conditions.
"All prices across the grain commodities are being supported by already tight global grain markets," she said. "On top of this, there is a lot of uncertainty with La Niña affecting maize and soybeans in South America, and potentially also in the US, and political volatility in the Black Sea region."
Of course sorghum won't trade as favourably as wheat or canola but it is not affected by Chinese tariffs like barley and so can be sold freely into the middle kingdom.
Meanwhile, key local market factors for the first quarter of this calendar year include reduced trucking capacity to move grain around, from COVID-induced labour shortages and constrained supply of new trucks and truck parts, and a booked export system with slots full through June in a number of ports. Ms Kalisch Gordon stressed that port capacity was not necessarily deficient but "reflective of the rare occurrence of such strong local supply in a world eager for supply".
Other domestic market factors involved full storage on-farm, the result of a "confluence of two seasons".
"Some farmers are harvesting their sorghum before they finish their wheat," she reported.
"It is of course unfortunate that the export program is constrained now because we expect prices to fall 5-10pc over the course of 2022, but that still leaves prices at favourable levels."

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World's largest wheat importer Egypt achieves 62 percent self-sufficiency
21 February – Arabnews.com

Egypt, the world's largest wheat importer, has achieved 62 percent self-sufficiency in the grain this season, according to the Minister of Agriculture and Land Reclamation.
The country cultivates 3.7 million acres with wheat, producing 9.5 to 10 million tons, Mohamed El Quseir told Asharq during Expo 2020 Dubai.
El Qusier noted that this area is the largest ever set aside for the grain in Egypt's history.
The wheat planting season starts from mid-November until the end of January, while the harvest season starts from mid-April until mid-July, according to Asharq.
Amid efforts to reduce reliance on imports, especially of wheat and maize, Egypt plans to expand its agricultural area, which stands at 9.7 million feddans, the minister noted.
"We aim to increase the agricultural area by about 3 to 3.6 million acres, through horizontal expansion projects, such as the new delta, Toshka, and the development of North and Central Sinai," he said.
Most recently, Egypt said it will launch a new tender to import wheat next week as it prepares for possible grain market disturbance in the light of rising tensions between Ukraine and Russia.

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'Catastrophic' Moroccan drought to boost import, subsidy costs
19 February – Reuters.com

The worst drought in decades has left Moroccan farmers facing what one industry official dubbed a "catastrophic year" that will force the government to hike grain imports and subsidies.
Rainfall this year is 64% less than the average, further emptying reservoirs that were already reduced after years of less predictable weather.
For a country where agriculture is the biggest employer and accounted for 17% of output in 2021, the latest drought will hit state finances and raise longer-term questions over Morocco's water-intensive agricultural model.
"This is Morocco's worst drought in 30 years ... ground water reserves are almost depleted in some agricultural regions such as Souss," said climate expert Mohamed Benabou.
Droughts now occur every two years instead of once a decade as happened until the 1990s, he said.
In most rain-dependent regions, farmers have either not sown crops or given up hope of harvesting them, while in irrigated regions reservoirs are emptying, said Khalid Benslimane, head of a seed-trading association.
Moroccan reservoirs were on average just 33.2% full by Thursday versus 48.5% a year ago.
In the key agricultural region of Doukala, the Al Massira reservoir was at 6.7% of capacity.
"This is a catastrophic year for Moroccan farmers," Benslimane said.
This week, the royal palace, which has the final say over strategic decisions, unveiled a $1 billion drought mitigation programme including animal feed subsidies, more efficient irrigation techniques and financial help for stricken farmers.
Rainfall has been increasingly uncertain in recent years, reflected in big variations in cereal output. Last year, the harvest of 10.3 million tonnes was more than three times larger than it had been a year earlier.

But with much lower output expected this year, Morocco will likely import more than 10 million tonnes of cereals compared to 8 million tonnes last year, said Rachid Benali, vice president of the Morocco farmers' lobby group Comader.
"Morocco will need higher quantities and the bill will be consequential," he said, citing higher prices in the international market inflamed by tensions in the Black Sea region.
To keep bread prices stable, the government expects spending on soft wheat subsidies to rise to 3.8 billion dirhams ($410 million) this year from 3.3 billion last year. That compares to an average of around 1.3 billion dirhams in recent years, said the minister in the charge of the budget, Fouzi Lekjaa.
"This year's drought is exceptionally severe and has hit all Moroccan regions," Benali added.

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South Africa maize production could set new record as crop rebounds
14 February – Gro-intelligence.com

Despite an inauspicious start to the growing season, South Africa's maize crop, the largest in Africa, looks headed for a bumper harvest for a third year in a row.
A solid maize crop would be good news for all of southern Africa, which relies on South African production to meet import needs. South Africa produced a record 16.9 million tonnes of maize last year, of which nearly 20% was exported, mostly to Mozambique, Zimbabwe, and other neighboring countries. Gro expects that 2022 production could be in line or greater than last year, as strong yields offset lower planted acreage.
South Africa's maize regions suffered exceptionally heavy rains during December planting, resulting in a 5.3% reduction in maize planted acreage. Precipitation amounts have returned to normal so far in 2022, and soil moisture levels currently are quite favorable.
NDVI, an important measure of vegetative health, is currently at its second-highest reading in 20 years, as shown by Gro's Climate Risk Navigator, which can highlight growing conditions weighted for specific crops. South Africa's maize crops are in the pollination stage, making growing conditions this month critically important.
For South Africa's maize crop, NDVI, an important measure of vegetative health, is at its second-highest level in 20 years, as shown by the blue line. Gro's Climate Risk Navigator allows users to highlight growing conditions weighted for specific crops.
Maize, which is harvested starting in late May, represents 90% of South Africa's grain production, and the crop is important to the country's food security and export dollars.
Three provinces in the north produce most of South Africa's maize. But during planting in December, rainfall in Free State province was 58% above the 10-year average. In the provinces of North West and Mpumalanga, rainfall was 73% and 40% above average, respectively.
South Africa produces both white maize, a domestic food staple, and yellow maize, used mainly for animal feed. In years of poor production, the region is forced to import mainly from Brazil and Argentina, an especial burden on African economies whose currencies have depreciated sharply.
Global maize prices also are close to their highest levels in years as South American crops are headed for substantial production declines this year. The La Niña global weather event, which is bringing drought conditions and reduced yields to South America, typically brings excess rainfall to many parts of Africa.

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US, Canada make rare barley purchases
11 February – Agrusmedia.com

The US and Canada are scheduled to receive rare malting barley cargoes from Argentina and Australia, respectively, this month, as drought conditions in North America last summer have weighed on both countries' production of crop.
A US-bound vessel carrying 43,750t of malting barley was scheduled to leave Necochea port in Argentina this week, line-up data show. The cargo is being exported by Argentinian firms Ocaco and Campoamor.
It represents the US' biggest single barley purchase from Argentina since at least 2012, customs data show. Argentina last exported malt barley to the US in 2016, when a small 198t cargo was shipped in January, while shipments of product to the US previously reached an annual high of 2,985t in 2014. It implies that this recent purchase would already put US imports of malting barley from Argentina to a new high this year.
And at least one more US-bound malting barley cargo is scheduled to leave Argentinian ports later this month, participants said.
Meanwhile, GrainCorp is scheduled to ship a 30,000t malting barley cargo to Canada from Port Geelong in Australia on 24 February, according to latest line-up data. No malting barley cargo has previously been shipped in that direction since at least 2012, customs data show.
The US mainly trades barley with Canada only, both importing and exporting product. As for barley for malting purposes specifically, the US imports almost exclusively from Canada but occasionally turns to European supply in years of poor production in North America. In 2021, nearly half of US malting barley imports — 33,000t — came from Denmark.
And Canada — a net exporter of barley — occasionally turns to imports for malting purposes, with most shipments arriving from the US. The country has also bought malting barley from Europe in the past — Germany and Denmark in particular.
But hot and dry weather last summer pressured barley production in both the US and Canada, which hit multi-year lows. Canada and the US harvested some 6.95mn t and 2.56mn t, respectively, for the 2021-22 marketing year, down from 10.74mn t and 3.72mn t a year earlier. At the same time, Canada's already weak exportable surplus quickly depleted this year, amid strong purchasing commitments from China at the start of the marketing season. Canadian barley exports — feed and malt combined — have already reached 1.58mn t so far this year. In comparison, the US Department of Agriculture pegs Canada's barley exports this year at 1.6mn t, implying that there is little left to be shipped until the end of the season.

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La Niña continues to affect South American maize and soybeans
10 February – dtnpf.com

The influence of La Niña on the weather conditions in South America this crop season cannot be overstated. But this recent La Niña event has not been a particularly strong one. As far as La Niña conditions go, its peak of minus 1.1 degrees Celsius (minus 1.9 degrees Fahrenheit) from the climatological average in December rates it as just a moderate La Niña, and milder than the La Niña last winter. A reading of minus 1.5 degrees C (minus 2.7 degrees F) or lower would signify a strong La Niña. Last season's La Niña event peaked in October and November 2020 at a minus 1.4 degrees C below average.
It is amazing to think that the temperature of the water changing by just a degree or two from where they normally are would have such a dramatic impact on worldwide weather patterns. Those types of changes regularly happen on an hourly basis over land. But the

vastness of the area that is affected is quite incredible. The area that is currently below normal in the central and southern Pacific Ocean is on par with or slightly larger than the total area of South America. A disruption that large is bound to create some ripples in the weather patterns across the world, especially the adjacent areas from Australia through Asia, and North and South America, quite a vast area of impact.

Conditions across South America during La Niña events favor increased precipitation across northern Brazil and decreased rainfall amounts in Argentina and southern Brazil. That has certainly been the case this year as Argentina and southern Brazil have gone deep into drought. For southern Brazil, the drought is an extension of the one from last year. In Argentina, the drought last year was not as expansive or dramatic. The reason could be that last season's peak occurred in October and November, a dry period across the majority of the continent but before a large portion of the maize and soybeans were planted in Argentina. But this year's La Niña did not peak until a month later in December to early January. This coincides with much more of the planting and early development period of late-planted maize and soybeans across the country, covering much more of the total crop during more of their development cycles.

And the effects are not going away any time soon. Forecasts from most models have fairly stagnant cooler anomalies through March before temperatures start to rise and head closer to a neutral state. The effect would likely keep a drier Argentina and southern Brazil intact through that time. Indeed, long-range forecasts from both the European and American models continues this trend through the end of March. These next six to eight weeks are critical in Argentina as early development and reproductive stages are going to occur for the vast majority of the crop or will have completed, setting in the potential damages even if rains increase in April or May.

In southern Brazil, the damage has already been done to full-season maize and first-crop soybeans and recent updates to all production estimates both private and public have reflected that in soybeans.

With a large portion of the maize crop coming from the second-season (safrinha) crop, maize estimates have been a little more tamer toward being slashed. Safrinha maize in the state of Parana is only 19% planted thus far and the crop is mostly rated as good at 85% due to some recent rainfall. Of that already planted, 54% is still germinating while the other 46% is developing. There is still quite a lot of time for this crop to go before significant damage is done to it.

But the outlook through the end of March is not encouraging. I will say that as the cold fronts that move through Argentina every so often with limited rainfall travel farther north into Brazil, the likelihood for heavier showers increases. That could offset some of the dry bias in the models. But overall, the outlook is still on the lower end of the spectrum of optimism for the safrinha maize crop in southern Brazil.

Meanwhile, showers are having a hard time letting up in central and northern Brazil. There were a couple of weeks in late January where showers became more isolated and were easy enough to work around for those producers in Mato Grosso to get into the fields, harvest their soybeans, and plant their safrinha maize.

The state of Mato Grosso, which accounts for more than 40% of the safrinha maize production in Brazil, has already completed nearly half of their soybean harvest, as well as more than 40% of its safrinha maize planting. Both numbers are well ahead of the normal pace for this point in the season, owing to a fantastic start to the soybean season in late September and early October.

But the return of nearly constant rainfall is making that more difficult. I would anticipate that the rains that continue during the next couple of weeks will have at least some slowing effect on the continued progress.
If producers are forced to wait further into February or possibly March, they risk their safrinha maize going into the dry season during pollination and grain-fill. The end of the wet season comes sooner during La Niña years on average. Last year was a dramatic example where the rains shut down nearly a month early. The effect is not a guaranteed feature, however, so the risks may not materialize. And of course, the soil column is pretty full of water from the rains that have bombarded the region since November.

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Reports

February 2022 CropWatch Bullettin - CropWatch

February 2022 CropWatch Bulletin is based mainly on current remote sensing inputs in addition to detailed and spatially accurate reference data about crops and their management. Focusing on the months of October 2021 to January 2022, chapters cover global, national, and regional level agroclimatic conditions and the condition of crops that were growing during this time. For China, the bulletin presents crop conditions for each of seven key agro-ecological zones, an updated estimate of trade prospects (import/export) of major crops. The focus section reports on the production outlook of major cereal and oil crops countries in the Southern Hemisphere and some tropical and sub-tropical countries, recent disaster events and an update on El Niño or La Niña.

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