

# MONTHLY NEWS REPORT ON GRAINS

FAO Markets and Trade Division

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# Market News

## **EU raises wheat stocks forecast on import hike**

27 January – Nasdaq.com

The European Commission on Thursday increased its forecast of European Union common wheat stocks at the end of the 2021/22 season as it revised up sharply expected imports. In monthly supply and demand projections, the Commission projected stocks of common wheat, or soft wheat, at the end of the season at 13.3 million tonnes, up from 12.9 million seen in December and a four-year high.

This month's increase to the stocks forecast was mainly due to a 500,000 tonne upward revision to 2021/22 EU common wheat imports to 2.0 million tonnes.

The Commission made few other revisions to its common wheat supply and demand balance sheet, with 2021/22 usable production trimmed marginally to 130.5 million tonnes from 130.6 million previously, and projected EU wheat exports unchanged at 32.0 million tonnes.

In contrast, a cut to expected barley imports to 1.0 million tonnes from 1.3 million led the Commission to lower its forecast of 2021/22 barley stocks to 4.15 million tonnes from 4.5 million seen last month.

For maize, the Commission cut its forecast of 2021/22 usable production in EU's 27 member countries to 69.0 million tonnes from 69.4 million a month ago.

Combined with a sharp rise in projected maize exports, to 5.0 million tonnes from 3.7 million forecast in December, that brought down expected maize ending stocks to 17.3 million tonnes from 18.9 million.

The Commission left its forecast of EU maize imports in 2021/22 unchanged at 14.5 million tonnes.

In oilseeds, forecast imports of rapeseed were lowered to 4.9 million tonnes from 5.3 million tonnes.

But projected stocks were kept at 0.5 million tonnes as the reduced imports were offset by a cut to domestic use to 21.8 million tonnes from 22.2 million.

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## **Record wheat harvest for Argentine farmers**

27 January – farmweek.com

Argentine farmers have excelled in the past year, with the 2021-22 wheat harvest expected to be a record.

During November and December they brought in 21.9 million metric tonnes of wheat, according to the Buenos Aires Grain Exchange.

That was up some 28 per cent on the same period for the 2020-21 season.

Argentina's successful wheat harvest is in contrast to the problems other major growers have been experiencing.

Global supplies from Russia, the United States and Canada have, for a variety of reasons, been drying up, meaning Argentine wheat could be a very attractive option for the likes of the Middle East countries.

Russia has restricted its surplus of wheat by raising wheat export taxes and setting quotas on the amounts allowed to be shipped out of the country.

In North America adverse weather has hit harvests in both the US and Canada.

Ukraine, under threat of invasion by Russia, is also looking at limiting its exports of wheat between now and the middle of the summer.

Argentine farmers had sown over 6.6 million hectares in wheat and realised an average yield of 3.4 metric tonnes per hectare.

Some 87 per cent of the wheat crop is said to be in excellent-to-good condition with 13 per cent described as “fair”.

Argentina may not be quite the ‘go-to’ supplier this year to make up for shortfall elsewhere. however. With concerns that external demands might hype up the country’s inflation, it is setting its own limits on exports to 12.5 million metric tonnes.

Traditionally Argentina is a key wheat supplier to its neighbour Brazil.

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## **Maize supplies in Brazil to remain very tight through at least June**

27 January – Soybeanandmaize.com

The livestock industry is concentrated in southern Brazil where there is always a maize deficit. Livestock producers in the states of Santa Catarina and Rio Grande do Sul usually import their needed maize supplies from states such as Mato Grosso and Goias in the center-west region of Brazil where most of the maize is produced as a safrinha production after soybeans.

Parana is also a large livestock producing state, but the state generally produces enough safrinha maize to meet the state's domestic demand.

Last year, late planting, dry weather, and early frosts severely impacted Brazil's first crop maize production and the safrinha maize production to such an extent, that there was not enough maize to meet the needs of livestock producers in southern Brazil, As a result, they imported over 3 million tonnes of maize from Argentina and Paraguay to keep their operations up and running.

The current situation in southern Brazil looks eerily like last year. A severe drought coupled with record high temperatures have greatly reduced the first maize crop which is primarily grown in southern Brazil. As a result, the states in southern Brazil will be forced to import large amounts of maize from central Brazil once the safrinha crop starts to be harvested in June.

Authorities in the state of Santa Catarina estimate that the maize production in the state will be down 43% compared to initial estimates to approximately 1.5 million tonnes. The domestic demand in the state is approximately 7 million tonnes, so the state will need to import about 5.5 million tonnes of maize.

Rio Grande do Sul was expected to produce 4-5 million tonnes of maize, but the drought has reduced that number to approximately 2.5 million. Therefore, the state will need to import 1.5 to 2.5 million tonnes.

Combined, the livestock industry in southern Brazil will need to import at least 8 million tonnes of maize in 2022 to keep their operations functioning. Most of that maize will come from the safrinha crop, but it will not be available until at least June. Between now and then, domestic maize prices in Brazil will remain near record high levels due to the tight supply.

If the safrinha crop end up being disappointing like last year, livestock producers in southern Brazil may need to import maize once again from Argentina and Paraguay. Approximately 75% of Brazil's total maize production comes from the safrinha crop.

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## **Heaviest rains since 1921 curb South African maize planting**

27 January – Bloomberg.com

South African farmers' planted less land with maize this season after record rains caused waterlogged fields.

Growers in South Africa, the continent's biggest producer of the grain, planted about 2.61 million hectares (6.45 million acres) of land this season, a 5.3% decline compared with the previous year, Lusani Ndou, a senior statistician at the Pretoria-based Crop Estimates Committee, said by phone Thursday.

That's after many areas in six of South Africa's nine provinces, including those in the maize belt, experienced the most rainfall on record in December since tracking by district began in 1921. South Africa is this year experiencing the La Nina weather phenomenon which usually causes above normal rainfall in the country and its neighbors.

At about 1.57 million hectares, the area under white maize, a staple food, is 6.87% smaller than a year earlier. The land allocated to yellow maize, generally used for animal feed, is seen down 2.77% to 1.03 million hectares. Plantings of soy, peanuts, dry beans and sorghum also fell.

"Now that we have the plantings data, the discussion will likely shift to yields," Wandile Sihlobo, chief economist of the Agricultural Business Chamber of South Africa, said by text message. "The areas such as the western regions of the Free State, North West, and parts of KwaZulu-Natal and the Eastern Cape, which received heavy flooding, could realize lower yields than the previous season."

The first national production forecast will be released in a month's time.

Other major global grain suppliers also suffered poor weather this season, with drought hitting Canada and heavy rains falling in Europe during its harvest. The International Grains Council forecasts world stockpiles at a six-year low.

The committee raised its estimate for the nation's wheat crop, grown in the country's winter by 2.6% from the previous month to 2.2 million tonnes.

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## **Ukraine's rising role in grain exports complicates impact of crisis**

25 January – Reuters.com

Ukraine has significantly climbed the ranks in grain exports over the last decade, this year aiming for No. 3 in wheat and No. 4 in maize, though the latest conflict with Russia has instilled fear in markets over whether Ukraine's export efforts can succeed.

The timing of this potential export disruption is poor since the world is still trying to recover from last season's historic supply tightness and multiyear-high prices across all grains and oilseeds.

Traders have clearly expressed their nervousness. At Tuesday's close, Chicago wheat futures were up 5% so far this week, hitting two-month highs, and Paris-based Euronext wheat rose more than 6% to one-month highs.

Russia has amassed 100,000 troops on Ukraine's borders, but Moscow denies planning an invasion. read more NATO on Monday said it was putting forces on standby and major energy-producing countries are discussing the protection of energy supplies, but Ukraine's leader urged calm in a televised address Tuesday. read more

It is uncertain how exports might be affected, if at all, should the conflict escalate. Although not a direct comparison, the Russian occupation of Ukrainian territory eight years ago did not necessarily hamper grain exports, though the destabilization in Ukraine's currency raised crop worries.

Global food security is of top concern if Ukraine's exports are disturbed as much of its grains are destined for Middle East and African nations that depend heavily on imports. Recently, more than 40% of Ukraine's annual maize and wheat shipments have headed to the Middle East or Africa.

By comparison, the United States' proximity disadvantage means less than 10% of its maize and wheat exports set out for those regions. Historic droughts in the Middle East and North Africa last year have exacerbated grain needs with rising domestic food prices and lingering shortage fears.

Grain exports are a cornerstone of Ukraine's economy. The country this year is expected to export more than three-fourths of its domestic maize and wheat crop. That compares with one-fifth for the United States.

Ukraine is increasingly important for oilseeds as it accounts for half of the world's sunflower oil exports and is the No. 3 rapeseed exporter. Many global oilseeds, particularly vegetable oils, have hit record-high prices within the last year.

This year, Ukraine is predicted to account for 12% of global wheat exports, 16% for maize, 18% for barley and 19% for rapeseed.

As of last Friday, Ukraine's grain exports since July 1 were up 28% from a year ago and up 6% from two years ago following a record 2021 harvest. The country's wheat shipments usually peak in August or September, but more than half of Ukraine's expected maize volume must be shipped in the next five months.

Much of that maize is destined for China, as Ukraine was its top supplier before the United States took over last year. It is unknown whether China is confident in fulfillment, but there have not been significant Chinese purchases of U.S. maize since May, signaling it is not yet seeking alternatives.

Ukraine's agriculture ministry expects 2021-22 maize exports at 30.9 million tonnes, and 17.2 million (677 million bushels) remained as of Friday for shipment before June. By comparison, U.S. maize exports are pegged at 61.6 million tonnes in its September-August 2021-22 marketing year.

Ukraine and the United States are the only world suppliers of maize right now, as Argentina's crop is a couple months away from the market and Brazil's several months away. There is already plenty of uncertainty over South American export potential given dicey weather, but Brazil's exported maize crop is only now being planted.

China does not purchase South American maize, so the U.S. market would be the recipient if the Asian country develops jitters over the Ukraine situation.

Ukraine's currency, the hryvnia, started declining against the dollar in early 2014 during the revolution and Russian occupation of Crimea and conflict in Eastern Ukraine. That devaluation rapidly peaked in early 2015, and weakness in the hryvnia has remained at more than triple the pre-2014 levels ever since.

While currency weakness typically fosters exports, it also raised costs for agricultural inputs, many of which are imported. Producers for 2015 reportedly reduced purchases of quality inputs and used fewer chemical applications to save on expenses.

Yield hits were expected, but the results were mostly positive. Ukraine's primary grain exports went on to new records in every year from 2013-14 through 2016-17.

Ukraine's increasing role in the global agricultural market has drawn a lot of foreign investment to the country, boosting yields and crop reliability. However, farmers have already cited concerns ahead of the 2022 maize season about the potential negative impact of high fuel prices.

The hryvnia has weakened more than 5% so far this year on the recent geopolitical instability and Tuesday's parity of more than 28:1 against the dollar is among the largest on record.

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## **Egypt increases local wheat procurement price for harvest season beginning in April**

25 January – English.ahram.org

Egypt will raise the local wheat procurement price for the harvest beginning in April by around EGP 670 (\$42.66) per tonne amid a rise in global prices, Finance Minister Mohamed Maait said on Tuesday.

In a meeting with the industrial and business community on the draft budget, Maait said that the government decided to increase the prices of local wheat procurement to ease the burden on farmers.

He said that the state's treasury has incurred around EGP 12 billion as additional allocations to purchase wheat after a spike in global prices due to turbulence in supply chains, a rise in freight rates and unprecedented inflation rates globally.

The minister did not set a final procurement price for the harvest season which begins in April.

In November, Egypt raised procurement price to EGP 820 Egyptian pounds per ardeb in a move meant to encourage farmers to increase the amount of cultivated land.

The decision was taken due to international rise in wheat prices to their highest in a decade. Egypt, the world's largest wheat importer, reported around 5.5 million tonnes of wheat in imports last year, and around 3.5 million tonnes of locally procured wheat.

Supply Minister Ali Mosselhi forecast in December Egypt's imports of wheat in 2022 to drop to 5.3 million tonnes due to an increase in locally procured wheat from farmers.

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## **Australia's bumper barley harvest finds new buyers**

19 January – Argusmedia.com

Australia's exports almost doubled with 119,366t of malting barley and 971,669t of feed barley shipped so far in the 2021-22 marketing year that started in October, compared with 62,508t and 441,014t shipped, respectively, the same time last year, according to trade data from the Global Trade Tracker (GTT).

Some 33,000t of Australian malting barley headed to Mexico in October-November 2021. Mexico's purchases of Australian barley started in January 2021, with 140,944t exported from the origin in the 2020-21 marketing year.

Peru has also emerged as a new buyer of Australian malting barley, having imported 19,436t of crop so far this year, as Australia has partially displaced Canada in Latin America, after Canadian barley production fell this year on account of dry weather. Australia first entered the Peruvian barley market last marketing year, starting from May 2021.

And Mexico could step up purchases of Australian malting barley this season after the country zeroed import tariffs on the product from 1 January 2022 under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). According to market participants, this provides Mexico's local maltsters and brewers with an opportunity to experience the quality advantages of Australian barley and could lead to continued sales

despite expectations of renewed competition from Canada and others in the upcoming seasons.

Saudi Arabia has been the major destination for Australian feed barley, with 317,955t shipped to the destination so far in 2021-22, followed by the Philippines and Vietnam. The Philippines imported about 163,955t of product this season, compared with only 66,000t the same time last year. This was as Australia has taken market share from Russia in Saudi Arabia, while the Philippines and Vietnam have stepped up their overall barley purchases this year.

Australia's grain industry has another potential market opportunity and new trade arrangements in Indonesia, with continuing expansion of Tariff Rate Quotas under the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA).

The agreement entered into force on 5 July 2020 and provides access into the Indonesian market for 500,000t of Australian feed grains, including barley at 0pc tariff, with quota volumes set to grow by 5pc/yr.

The tariff-free quota volume rose to 525,250t in 2021 and is set at 551,250t for 2022. But Australia has not fully used this quota so far, according to customs data, with bureaucratic reasons and permits restricting free trade opportunities, participants said.

At the same time, Australia's barley exports to China have stood at zero so far this season, with France, Canada and Ukraine remaining the biggest suppliers of product to China. This was largely the result of punitive import duties applied on Australia's barley shipments to China, following the anti-dumping and countervailing duties investigations, which completely halted the barley trade between Australia and China.

Australian-origin barley has been the cheapest in a tight global barley balance sheet — before Argentinian barley hits the international markets — with tightness driven by persistently large Chinese demand, along with rising Turkish consumption this year.

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## **China maize imports hit new record in 2021**

18 January – World-grain.com

Soaring prices and a supply crunch in China led the world's largest grain importer to more than double its maize imports in 2021, Reuters reported, citing General Administration of Customs data released Jan. 18.

China, the world's top grains market, brought in 28.35 million tonnes of maize in all of 2021, up 152% from an annual record figure of 11.3 million tonnes in 2020, the data showed.

Imports of wheat in 2021 also hit a record at 9.77 million tonnes and were up 16.6% from 8.38 million tonnes in 2020.

In 2021, China also imported 12.48 million tonnes of barley, up 54.5% from the previous year, and 9.42 million tonnes of sorghum, up 95.6%.

With China paring back its huge temporary stockpiles of maize and bad weather smacking important production regions, prices of maize hit record highs in 2021, Reuters noted.

Buyers reached for overseas markets and imported maize and wheat to plug the domestic supply gap.

Imports slowed down in December as a bigger maize crop brought down domestic prices.

China imported 1.33 million tonnes of maize in December, down 39.9% from the previous year, customs data showed.

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## **Rising wheat and energy costs to push pasta prices up 38 percent**

17 January – Esmmagazine.com

The CEO of Italy's second largest pasta producer has warned that pasta prices will increase by 38% due to rising costs of raw materials and energy.

In an interview with daily Il Sole 24 Ore, the CEO of Divella, Vincenzo Divella, said that the price of one kilo of pasta went up from €1.10 in September 2021 to the current €1.40, and is set to increase to €1.52 by the end of January, or 38% more.

According to Divella, the price of wheat on the Foggia Stock Exchange has risen by 90% since June 2021. while energy costs have also soared.

The price of wheat has risen because harvests in Canada and the United States, the world's main producers, have collapsed by 50%.

Italian pasta makers have had to buy the share of wheat not covered by domestic production (20-30%) at higher prices, Divella explained.

The price of Italian wheat has reached €0.56/kg, while the price of Canadian wheat went up to €0.65, and Divella is worried that the increases may not end there.

An analysis of Italian farmers association Coldiretti reveals that the sowing costs for wheat production for pasta and bread have practically doubled due to over 50% higher diesel fuel prices. At the same time, the costs of agricultural equipment, plant protection products and fertilisers have increased threefold.

Despite this, the amount paid to farmers for Italian durum wheat is less than that of imported wheat, which accounts for 40% of pasta production.

In addition, imported wheat, especially from Canada, uses the chemical herbicide glyphosate in pre-harvest, which is banned in Italy. It has resulted in record purchases of pasta made with 100% Italian wheat.

According to Coldiretti's analysis, conditions exist to increase wheat production in Italy, which currently amount to 3.8 million tonnes (-3% compared to the previous year).

Italy is the second largest producer in the world, but also the main importer because many industries prefer to buy on the international market to take advantage of the low prices of the last decade.

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## **Canadian maize imports at historic high**

10 January – UkrAgroConsult.com

Canada imported 575,295t of maize in November 2021, up from 258,140t in October and 101,015t a year earlier, customs data show. This was more than double the previous record of 266,427t in April 2019.

Maize imports were supplied almost exclusively by the US, with about 575,240t having been received from the origin country during the period. The US traditionally acts as an exclusive supplier of maize to Canada, having shipped 2.22mn t of product in 2020-21 — 99.8pc of the country's total imports.

Canada stepped up maize imports after September, amid a poor domestic harvest of wheat and barley for animal feed purposes following exceptionally dry and hot conditions in the summer. The same weather conditions also boosted the protein content of Canada's wheat crop, making it more suitable for milling and less so for animal feed.

Canadian soft wheat output totalled 19mn t this marketing year, which runs August to July. This is down from 25.84mn t in the 2020-21 marketing year and long-term averages, according to government statistics agency StatCan.

Unfavourable weather also weighed on barley production, which fell to 6.9mn t this marketing year from 10.74mn t in 2020-21, further reducing feed grain availability. Meanwhile, falling hog and cattle slaughter rates in British Columbia in October-November 2021 following heavy rainfall further raised Canada's feed grain requirements at the time. Canada is now the fifth-largest importer of US maize so far this season, behind Mexico, Japan, China and Colombia. Higher purchasing commitments suggest shipments to Canada in the coming weeks could outpace those to Colombia.

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## Reports

### **World Economic Outlook Update – International Monetary Fund**

The global economy enters 2022 in a weaker position than previously expected. As the new Omicron COVID-19 variant spreads, countries have reimposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging market and developing economies. The ongoing retrenchment of China's real estate sector and slower-than-expected recovery of private consumption also have limited growth prospects.

### **World Economic Situation and Prospects 2022 - United Nations Department of Economic and Social Affairs**

This is the United Nations definitive report on the state of the world economy, providing global and regional economic outlook for 2022 and 2023. The World Economic Situation and Prospects 2022 will examine the recovery of the global economy from the COVID-19 pandemic. In addition to presenting the latest UN growth forecasts, the report will provide a comprehensive assessment of economic developments, risk factors, and policy challenges. This year's thematic chapter will discuss the macroeconomic and distributional consequences of monetary policy, with particular focus on unconventional measures such as quantitative easing (QE).

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[FAO World Food Situation](#)

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**Food and Agriculture Organization of the United Nations**

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