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Market News

Record China grain imports to keep US prices rising

27 January - Reuters

Expected record Chinese imports of maize and soybeans in the coming seasons will continue to absorb U.S. supplies and keep prices on an upward trend, Chicago-based consultancy AgResource Co said on Wednesday.

Chinese demand has fuelled a rally in grain markets in the past year and sparked a jump in U.S. maize futures on Tuesday as massive exports of U.S. maize and maize-based ethanol were reported.

China's soybean imports could rise to around 110 million tonnes in the 2021/22 crop year, surpassing a potential 103-105 million tonnes over the 2020/21 crop cycle, Dan Basse, president of AgResource, told the Paris Grain Day conference.

China has already reported record soybean imports of 100 million tonnes for the 2020 calendar year.

For maize, also increasingly used by China to feed its pig herd being rebuilt after a disease epidemic, Chinese imports were seen at about 25-27 million tonnes in 2020/21, including 18-20 million from the United States, Basse forecast.

Chinese maize imports could range between 25 million and 40 million tonnes in the coming years, he added.

Other analysts have also projected that China's maize imports and soybeans will surge.

China already imported a record 11.3 million tonnes of maize in 2020, as it faced spiralling domestic maize prices.

"We've been talking for years about trying to find a new demand driver and that demand driver is now coming from our friends in China," Basse said.

A trade deal between Beijing and Washington would contribute to Chinese demand being focused on U.S. supplies, Basse and Rosa Wang, analyst with Chinese consultancy JCI, told the conference.

JCI expected China to buy more U.S. wheat this year, after making limited purchases in recent months, as part of its push to bring in more U.S. farm goods, Wang said.

Supply tensions and rising prices in grains and oilseeds could last for up to two years, Basse said, adding that higher prices were needed to push U.S. farmers to plant as much maize and soybeans as possible.

There was potential for U.S. soybean prices to reach $15-$17 a bushel and maize $5.70-$6, surpassing multi-year highs struck this month, he said.

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Argentina works to ensure domestic wheat supply, export cap rumours swirl

27 January – Nasdaq.com

Argentina is looking for ways to ensure ample domestic wheat supplies without resorting to shutting down exports, a top official said on Wednesday while farmers fretted about possible state intervention in the markets.

The government, worried about food price inflation, recently tried to limit maize exports, but the idea was beaten back by growers. Now the focus is on wheat, with rumors swirling around the Pampas grains belt that export limits might be on the way.

"In the case of wheat we are seeing what we can do to ensure that we have enough in the country, without closing the export market," Agriculture Minister Luis Basterra told local radio.
"There is room for the wheat value chain to allow for the provision of the domestic market," he said.
"We will meet over the coming days with the government. They do not want to intervene in the market or limit wheat exports, but everything is on the table," Gustavo Idigoras, head of Argentina's CEC export companies' chamber, told Reuters.
Most of Argentina's wheat exports go to neighboring Brazil.
Chicago Board of Trade wheat futures Wv1 were down on Wednesday but hovered near 6-1/2 year highs set in mid-January. The market has drawn support from expectations of tightening global supplies of wheat, as well as maize and soy.
Russia, the world's top wheat supplier, has approved a higher export tax on the grain to start on March 1, in its latest push to control rising domestic food prices.
The Argentine government says that of the 17.2 million tonnes of 2020/21 wheat recently harvested, 10 million tonnes will be exported. Official data also shows that exporters have already bought 8.9 million tonnes of 2020/21 wheat.
Argentina recently proposed a two-month suspension of maize exports and then a daily limit on international shipments. It ditched both plans following objections from farmers.
But the proposals showed Argentina is willing to limit exports in a bid to slow increases in domestic food prices. The country's overall inflation rate was 4% in December alone.
"We are concerned that there my be some kind of unofficial deal between the government and traders to reduce wheat and maize exports," said Santiago del Solar, a grower in the bread-basket province of Buenos Aires.
"We need transparency in the grain markets. We need to know what is going on in order to invest and produce," he added.
Idigoras said no unofficial deal had been struck.

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South Africa barley farmers face bleak outlook as alcohol ban hurts
27 January – Moneyweb.com

South African barley farmers are bracing for a tough market ahead as demand for the grain used to make beer falls and stockpiles grow after a ban on the sale of alcohol was reinstated as the country battles a surge in Covid-19 cases.
The government in December enforced its third ban on alcohol sales since the outbreak of the virus to alleviate pressure on strained healthcare facilities after a rise in infections.
Unutilised stocks of barley, which is mainly planted for malting purpose in South Africa, stood at around 719 307 tonnes by December, 49% higher than a year ago, according to data from the South African Grain Information Service.
Farmers say the ban is further hurting a sector still reeling from effects of drought conditions in 2019.
“The biggest impact will be on next year’s mandate to supply malt barley for the industry,” said Jose De Kock, chairman of Barley Industry Committee, referencing to the 2021/22 season where plantings are due to start in around April.
“With the carry-over that is already in the pipeline they are going to limit the mandate for next year, that is the fear,” he added.
Farmers could plant other crops, but De Kock said this may not be a complete solution with some of them in a crop rotation as part of disease and weed control measures.

"You can juggle a bit to the one side or the other side but you cannot not plant barley," he said.
Anheuser-Busch InBev (AB InBev), which uses malting barley in beer making, lowered its mandate for the 2020/2021 season to 380 000 tonnes from 475 000 tonnes in the previous season.
"There is the possibility that we will have to reduce the mandate further if the ban should continue," AB Inbev's director of agricultural development in Africa, Josh Hammann, said.
This may force farmers to sell excess barley as animal feed which can be between 40 to 50% lower than the price of malting barley, said Abrie Rautenbach, head of ABSA's AgriBusiness.
South African Breweries, part of AB InBev, is challenging the alcohol ban in court.

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Raised flour tariffs hit Irish bakery sector under new "market-distorting" Brexit trade deal
26 January – Foodingridientsfirst.com

The UK's new Trade and Cooperation Agreement (TCA) with the EU is resulting in additional tariffs being applied to Irish flour imports. As a point of contention for local traders, the new deal stipulates that if the wheat used to make flour is more than 15 percent of third country origin, the full tariff of €172 (US$209) per metric ton becomes payable. This is equivalent to a 50 percent increase in product cost.
Ireland has had no industrial milling options available since the closure of a number of mills in recent years. It currently imports around 80 percent of the flour, mainly from Great Britain.
"We have certainly noted the impact of this issue, and indeed the concerns of the flour milling sector were raised directly with the Commission and UK government on more than one occasion before the TCA was signed," Alex Waugh, director of UK Flour Millers, tells FoodIngredientsFirst.
Unlike customs procedures, which the industry was prepared for, the rules of origin only became clear when the TCA was published on December 24, 2020."We particularly highlighted the potential impact of the now agreed upon Rules of Origin on Irish bakers and consumers."
Under the new trade deal, a Great Britain, Northern Irish or EU-based bakery competitor – using the same specification flour but not facing the same tariff – will be at a significant competitive advantage selling their finished product in the marketplace, versus an Irish-based bakery.
"Under the Rules of Origin in the TCA, there is a requirement that the wheat used should be of UK or EU origin, with a maximum tolerance of 15 percent for grain from other countries such as Canada or US," Food Drink Ireland (FDI) director Paul Kelly tells FoodIngredientsFirst.
"This is a significant problem for the Irish Bakery industry, which purchases flour from millers in Great Britain with a high proportion of third country wheat, mainly Canadian or US which is rarely below the 15 percent tolerance level."
Unlike customs procedures, which the industry was prepared for, the rules of origin only became clear when the TCA was published on December 24, 2020 – leaving businesses with little time to prepare.
"It has been clear for some time that with Britain communicating its intention to leave the Single Market and the customs union, there would be trade barriers and costs associated with customs procedures," Kelly notes.

“The Irish bakery industry prepared for Brexit on this basis. However it was unable to change its supply lines and for reasons of geography and lack of milling capacity in Ireland must continue to source British flour.”

Ireland currently imports around 80 percent of the flour, mainly from Great Britain.

FDI is flagging the issue of a distorted Irish marketplace and calling for a repeal for the Irish bakery sector in order to avoid these tariffs.

“In order to avoid distortion of trade and negative impacts on Irish consumers we are seeking a derogation for the Irish bakery sector from this specific Rule of Origin in order to deliver a tariff-free solution and put the businesses on a level playing field with UK and EU bakery competitors,” says Kelly at FDI.

According to projections from the The Economic and Social Research Institute (ESRI), the full tariff per metric ton on imported flour would equate to a 9 percent consumer price increase in bread.

“There are potential solutions,” Alex Waugh, director of UK Flour Millers, tells FoodIngredientsFirst. “The most obvious would be a slight adjustment to the product specific rules of origin applying to wheat flour, so that it would be acceptable to make flour from third country grain where the originating grain would itself have been subject to the same tariff in both jurisdictions.”

“Elsewhere in the TCA, adjustments to Rules of Origin have been made where it is recognized that materials from third countries are an essential product component (such as batteries in electric cars), so this would not create a precedent within the agreement.”

“Importantly, as highlighted by FDI, it would benefit EU consumers who will bear the cost of the rule as it exists today,” he concludes.

Under the new Brexit trading rules, other critical exports – particularly seafood – remain constricted due to the new customs regulations that have come into effect. UK traders have previously expressed that it will take some weeks before the full impact of the nascent trade deal will come into clarity.

Kelly at FDI stresses that all these Brexit changes will continue to impose significant costs on F&B businesses. In talks with MPs, UK Food and Drink Federation (FDF) chief executive Ian Wright has echoed the sentiment that there will be both short and long-term costs to “re-engineering” supply chains.

Ireland now stands to receive over €1 billion (25 percent) from the EU Brexit fund this year.

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Russia approves higher wheat export tax from March 1

26 January – Successful Farming

The Russian government has formally approved a proposal to impose a higher export tax on wheat from March 1, it said on Tuesday, in another push to curb a rise in domestic food prices triggered by the COVID-19 crisis.

Russia is one of the world’s largest wheat exporters. Global wheat prices jumped after the proposal to raise the tax was first announced by Russian officials earlier in January on expectations that it could make buyers prefer wheat from other countries.

The government approved a 50 euro ($61) per tonne wheat export tax starting from March 1 to June 30 compared to the 25 euro-per-tonne tax set for Feb. 15 to March 1. A barley and maize export tax is set at 10 euro/t and 25 euro/t, respectively, from March 15 to June 30.

The move tightens up measures to stabilise grain prices initiated by the government in December. Prices on the domestic grain market are under pressure from global prices which are rising, Deputy Economy Minister, Vladimir Ilyichyov said in a statement.

Moscow will continue monitoring the situation and is ready to further adjust the mechanism for grain export regulation if necessary, he said.
“At the same time, we hope that in the near future the price situation will stabilise and we will be able to switch to a permanent export duty mechanism,” Ilyichyov added.
Moscow will continue taxing wheat exports in the new marketing season that starts on July 1 and will prepare a formula for that, instead of the current fixed tariff, officials have said.

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Ukraine’s maize export cap agreed at 24 million tonnes
25 Janaury - agriCensus

Ukraine’s agriculture ministry and representatives of the industry have agreed on a maize export cap set at 24 million mt to govern exports through to June 30, an official notice from the government said Monday.
The parties also agreed to re-assess and potentially revise the limit after publication of the final production number by the country’s statistical agency, if needed.
The agreement coincided with news that the ministry has increased its maize export estimate to 23.5 million mt earlier today, a move that has raised expectations that any cap will only amount to a nominal volume and unlikely to be enforced as a real restriction.
“Determining the maximum export volumes of grains in accordance with the signed Memorandum between the Ministry of Economy and the associations representing the participants of the grain market is a symbolic step. This is the so-called "landmark", which provides market predictability and certainty for all its participants,” a notice on the ministry’s website said.
At 22 million mt, the approved quota is 2 million mt higher compared to levels previously discussed.
Since the start of the marketing year on July 1 through to January 22, Ukraine has exported 11 million mt of maize.
Port line up data suggests that slightly above 1 million mt of maize is scheduled to be loaded in late January and February, meaning there is still up to 12 million mt of maize left for export within the quota.

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Mexico’s maize production dips
22 January – World grain

A recent drought and limited irrigation is expected to impact Mexico’s maize production, according to a Global Agricultural Information Network (GAIN) report from the US Department of Agriculture (USDA).

The USDA estimates Mexico’s maize production to be 27.8 million tonnes for the 2020-21 marketing year, a slight reduction from the previous forecast due to water availability. As of mid-December, water available for irrigation was approximately 271% below the level registered in 2019 at the national level.

Mexico is planning to phase out the use of both glyphosate and genetically modified maize for human consumption, according to a Dec. 31, 2020, decree. However, Mexico has not provided information on the definition of human consumption and what, if any, maize-derived products might be affected. The government also has not set a timeline for the implementation of these changes.

The USDA forecasts Mexico's 2020-21 marketing year wheat production to total 2.9 million tonnes. There has been a shift away from producing durum-type wheat and an uptick in producing more bread wheat due to modifications to Mexico's Guarantee Prices Program. It grants small and medium growers a guarantee price per tonne of bread wheat produced.

Mexico's sorghum production for the 2020-21 marketing year is anticipated to total 4.6 million tonnes, according to the USDA's latest forecast. Sorghum exports are expected to pick up as Mexico and China agreed on phytosanitary protocols in October 2020. It allows Mexico to export sorghum to China for human consumption. Sorghum export volumes to China could reach 50,000 tonnes to 100,000 tonnes by the 2021-22 marketing year, the USDA said citing private industry sources.

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EU grain supply tension may ease next season, but prices to stay high
18 January - Hellenicshipping

Tight grain supplies in the European Union should be replenished next season by an improved harvest, but prices could remain high as Chinese demand keeps the global surplus limited, French analyst firm Strategie Grains said.
European wheat futures soared this week to seven-year highs as reduced U.S. supply forecasts and Russian plans to curb grain exports fuelled concern about dwindling global availability.
"Despite wheat and maize stocks in Europe returning to more comfortable levels than in 2020/21, we anticipate that prices will remain high," Strategie Grains said in a monthly report.
"For marketing year 2021/22, we forecast that the global inventories of barley and maize will shrink – assuming that China's import requirements remain high."
For soft wheat, production in the EU's 27 countries is expected to rise to 129.7 million tonnes this year, up 9% from last year's weather-hit crop.
The rebound in production should outstrip an expected recovery in EU demand as the coronavirus pandemic eases, allowing the bloc's wheat inventories to expand in 2021/22 from very low levels in the current season, it said.
Maize supplies could also be bolstered if main EU supplier Ukraine recovers from last year's drought-hit harvest, it said.
Global wheat and maize production was also expected to rise next season, but maize and barley stocks could shrink due to strong Chinese imports of animal feed grains, it added.

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First rice, now wheat – India rides on global grain trade bandwagon
14 January – The Indian Express

After rice, India is set to turn a major exporter of wheat as well – thanks to surging international prices from Chinese stockpiling and ultra-low interest rate money increasingly finding its way into agri-commodity markets.
The US Department of Agriculture (USDA) on Tuesday upped its forecast of Indian wheat exports for 2020-21 (July-June) to 1.8 million tonnes (mt), as against its earlier estimate of one mt. That would be the highest ever in the last six years (see chart).

The trebling of shipments this year is mainly on the back of rising global prices. Wheat future contracts for March delivery at the Chicago Board of Trade exchange are currently at $244.35 per tonne, 18.3% higher than the $206.59 a year ago. This opens up possibilities for Indian exports to nearby markets, especially Bangladesh that buys mostly from Russia.

With the Russia government levying a 25 euros-per-tonne export tax on wheat effective from February 15 – in response to high domestic prices – Bangladesh "is beginning to shift its purchases towards India", the USDA has noted in its latest world grain trade report. Bangladesh's total wheat imports are placed at 6.6 mt in 2020-21.

Traders, however, believe that Indian wheat is still not competitive at the government's minimum support price (MSP) of Rs 19,750 per tonne. The export price of wheat bought in Gujarat at that rate – after adding roughly Rs 1,200 towards cost of cleaning, bagging, loading and transport to Kandla or Mundra port – would be Rs 20,950 per tonne.

That works out to $286 per tonne or $290-plus, after adding exporter margins.

The above price is higher than the $275-280 that major exporters such as Australia, France, US, Russia and Canada are quoting for March-April shipments. Indian grain, moreover, fetches a $10-15/tonne discount relative to Australian premium white and Russian wheat having more protein content (12.5% versus 11.5%) and less foreign matter/impurities.

"In all, given our MSP, we are $25 or so per tonne costlier today," said Amit Takkar, managing director, Conifer Commodities Pvt. Ltd.

Also Read |Before bringing in agri reforms, level the playing field for farmers

That disadvantage can, of course, be overcome if wheat is sourced at below MSP from Uttar Pradesh, Bihar, Gujarat and Maharashtra, where not much government procurement happens. The new crop arriving in these markets from March onwards would be available at Rs 17,000-18,000/tonne. This wheat can be exported by rail rakes to Bangladesh or shipped to the Middle East (UAE, Oman and Bahrain) and Southeast Asia (Indonesia, Vietnam and Malaysia).

The USDA report, meanwhile, has also estimated India's rice imports to have hit a record 14.4 mt in 2020, up from 9.79 mt and 11.791 mt of the preceding two years. The country's closest competitors – Thailand and Vietnam – have seen their exports during this period fall from 11.056 mt to 7.562 mt and 5.5 mt and from 6.59 mt to 6.581 mt and 6.1 mt, respectively. Both have had drought-reduced crops, with Vietnam recently even contracting 70,000 tonnes of Indian rice for the first time, following China in December.

USDA has projected India's rice imports in 2021 at 14 mt. Bangladesh, which imported just 80,000 tonnes in 2020, is expected to buy one mt this year. The beneficiary of it will again be India. "Despite concerns about the availability of shipping containers, which is impacting rice exports from Vietnam and Thailand, India can export to Bangladesh via rail and truck," the report added.

All this export demand isn't bad at a time when India's own domestic production of rice and wheat touched an all-time-high of 118.43 mt and 107.59 mt, respectively, in 2019-20. Government agencies also procured a record 52 mt of rice and 38.99 mt of wheat. This year, too, similar bumper crops are likely.

The key driver of global price turnaround seems to be China. USDA data has forecast record Chinese imports of oilseeds (mainly soyabean) and coarse grain (maize and sorghum) in 2020-21 (October-September), apart from end-year stocks of rice and wheat. The reasons for its building strategic stockpiles of everything aren't as fully clear as their effect on international prices.

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USDA cuts estimate of 2020 crop harvest, prices spike for maize and soybeans
12 January – Startribune.com

U.S. soybean and maize supplies in September will be smaller than previously forecast due to a reduced estimate of last fall's harvest, the U.S. Agriculture Department said on Tuesday.
The crop revisions will intensify fears of shortages around the world this year, after governments tried to lock in extra food supplies amid the COVID-19 pandemic that disrupted global supply chains and thinned U.S. stockpiles.
Concerns about tight supplies have pushed Chicago Board of Trade maize, soybean and wheat futures to multiyear peaks in recent weeks. On Tuesday, maize jumped by as much as 5%, while soybeans added nearly 4% and wheat gained almost 5%. The surge took prices to highs not seen since 2014.
"The U.S. numbers are creating more of the sticker shock, with USDA not only reducing 2020 supplies, or current crop year supplies, but also realizing that demand — especially led by beans — is fairly strong," said Terry Reilly, senior analyst with Futures International.
USDA pegged the 2020-2021 domestic soybean ending stocks outlook at 140 million bushels, down from its December forecast for 175 million, and maize ending stocks at 1.552 billion bushels, down from 1.702 billion in December.
U.S. maize production for the 2020-2021 marketing year was pegged at 14.182 billion bushels and soybean production was pegged at 4.135 billion bushels.
The soybean harvest view fell below the average of market expectations, and maize production missed the low end of a range of analysts' estimates in a Reuters poll.
"Nobody was expecting maize production to drop like that," said Jack Scoville, analyst with the Price Group. "They [USDA] underestimated the damage from the drought and the derecho and probably overestimated some of the better areas."
Chicago Board of Trade (CBOT) March maize ended up the daily 25-cent limit at $5.17¼ a bushel, the highest level for a most-active contract since May 2014. May and June futures were also limit-up, and all three were trading synthetically through options about 8 cents above closing prices.
Maize-trading limits will expand to 40 cents on Wednesday following the limit-up close, CME Group said.
March soybeans jumped 45¾ cents to $14.18¼ a bushel, the highest for a most-active soy contract since June 2014. CBOT March wheat gained 30¼ cents to $6.65 a bushel, the highest since December 2014.
USDA also lowered its forecast for upcoming harvests in key export countries Brazil and Argentina.
Soybean production in top-producer Brazil was pegged at 133.00 million tonnes, unchanged from the previous outlook. Brazil's maize harvest was seen at 109.00 million tonnes. In Argentina, where farmers have struggled with drought throughout the growing season, USDA predicted a soybean harvest of 48.00 million tonnes and a maize harvest of 47.50 million tonnes.
Argentina has moved to curb maize exports, while top wheat exporter Russia is considering raising a previously announced export tax on the grain.

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Reports

The State of Economic Inclusion Report 2021: The Potential to Scale – World Bank

The State of Economic Inclusion Report 2021 provides a global assessment on the state of economic inclusion programs that reach the extreme poor and vulnerable. Drawing on experiences from over 75 countries, the report considers the feasibility of bringing economic inclusion and graduation programs to scale. For the first time, a strong baseline is established which unpacks the evolving landscape of government and nongovernment programs and explores the potential for scale.

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