

MONTHLY NEWS REPORT ON GRAINS

FAO Markets and Trade Division

MNR ISSUE 191 – March 2023

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Market News

Cargill to halt grain loadings at its Russian export terminal

29 March – Reuters

Cargill Inc said on Wednesday it would take a further step back from the Russian market by no longer handling the top wheat supplier's grain at its export terminal from July, although its shipping unit will continue to carry grain from the country's ports. The move stoked concerns about global grain supplies disrupted by the 13-month-old war in the Black Sea breadbasket region, lifting benchmark wheat futures prices to multi-week highs.

Most international grain traders have stopped new investment in Russia since last year following Moscow's invasion of Ukraine but continued exporting Russian wheat.

"As grain export-related challenges continue to mount, Cargill will stop elevating Russian grain for export in July 2023 after the completion of the 2022-2023 season," the company said in an emailed statement.

"Elevating" refers to the lifting of grain into export vessels.

Cargill, which owns a stake in the grain terminal in the Black Sea port of Novorossiisk, did not specify if it was selling the stake.

Benchmark Chicago Board of Trade May wheat futures rallied to a one-month peak on Wednesday and closed at \$7.04-3/4 a bushel as the news sparked nervousness about grain flows from top wheat exporter Russia. Paris-based Euronext May milling wheat hit a two-week high and settled at 265.25 euros (\$287.13) a tonne.

"Russian state exporters claim that they'll be able to keep grain moving out at the same pace, but major speculative funds holding large short positions lack confidence in that currently," Arlan Suderman, chief commodities economist with StoneX, said in a market note. The Russian agriculture ministry had said earlier that Cargill informed it that it would stop its grain export activities from the start of the next season.

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Ukrainian grain exports down nearly 18%

29 March – World-grain.com

Grain exports from Ukraine for the 2022-23 season are down nearly 18% to 36.9 million tonnes as of March 27, due to a smaller harvest and ongoing difficulties caused by Russia's invasion, Reuters reported, citing agriculture ministry data.

During the same period last year, Ukraine had exported 44.8 million tonnes of grain. Exports so far in the July-June season included 12.6 million tonnes of wheat, 21.7 million tonnes of corn and 2.27 million tonnes of barley.

Following a nearly six-month blockade caused by Russia's invasion on Feb. 24, 2022, three Ukrainian Black Sea ports were able to restart shipments under a deal brokered by the United Nations and Turkey. The Black Sea Grain Initiative recently was extended 60 days to May 18.

Ukraine is a major grain grower and exporter, with expected production of 53 million tonnes in 2022, down from a record 86 million tonnes in 2021. Government officials said Ukraine can harvest 44.3 million tonnes of grain, including 16.6 million tonnes of wheat, in 2023.

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European winter crops faring well despite dryness concerns

21 March – Ahdb.org.uk

Recently markets have been reacting to updates from the Black Sea region, as well as Southern Hemisphere production. However, as we move towards harvest 2023, focus is turning to the development of Northern Hemisphere crops. Yesterday, the European Commission released their March crop monitoring report, including its first yield estimates for harvest 2023. The size and quality of European crops can impact UK prices and domestic export potential, so how are winter cereals in Europe faring so far?

Dry weather remains a concern in certain regions

In most key-producing regions in Europe, following the mild winter, cereal crops are generally said to be in fair to good condition. Having said this, the dry conditions in southern parts of the continent are becoming increasingly concerning. An extreme rain deficit and even drought can be seen in certain parts of Spain and Portugal, with soil moisture levels very low and rainfall desperately needed.

As well as soil moisture concerns, water reservoirs for irrigation in most of southern Spain and northern Italy are very low, which could have an impact on spring cropping decisions, and the ability to irrigate during late spring and summer. According to the report, some intended maize area could be partially replaced by sunflowers for example. Elsewhere in Europe, rainfall deficits are also observed in Hungary, Austria, Romania, Bulgaria, Greece and Cyprus. While the deficit is less severe in these regions and crops are in good condition, more rainfall is still needed to meet the increasing crop water demands as the season progresses.

In most of France, Southern Germany and the United Kingdom, the rainfall deficit that was seen mid-January has been alleviated by well distributed rainfall in March, with more rain expected in these parts across the next week too.

What does this mean for yields and production prospects?

As it's still early, the crop yield forecasts in yesterday's report are largely based on historical trends. There is still plenty of room for estimates to change from this point depending on weather conditions up until harvest.

The initial yield for soft wheat for the EU is pegged at 5.99t/ha by the European Commission. If realised, this would be up 3% on the five-year average, and up 3% on the year. The winter barley yield estimate in the EU currently sits at 5.91t/ha, in line with harvest 2022, and up 2% from the five-year average. The EU rapeseed crop also seems to be faring well, with the yield estimate pegged at 3.29t/ha, up 6% on the five-year average, but down slightly (1%) on the year.

Looking towards next season and new crop prices, even with areas of rainfall deficit and drought, most of Europe looks to have strong production prospects at this point in the season, with most crops faring well. As spring drilling progresses and winter crops develop, the weather will remain an important watchpoint moving forward, with more rain needed in some southern areas to mitigate concerns.

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China receives record-high wheat, corn in Jan-Feb

20 March – Agrusmedia.com

Chinese wheat and corn arrivals accelerated in the first two months of 2023, reaching all-time highs for the period. This pressured purchases of other feed grains from the global market, resulting in slower imports of barley and sorghum.

China's wheat imports totalled 3mn t in January-February, customs data show, outpacing the 2.19mn t that arrived the previous year and hitting the highest volumes the country has received for the same reporting period over the past few years.

Australia was the largest wheat source to China, with over 52pc of the nation's imports in the past two months shipping from that origin. China received 771,320t of French wheat in January-February, accounting for 26pc of the total. Canada delivered some 518,700t of products in the same period, becoming the third-largest exporter to China.

Corn products delivered to China's ports also rose to record-high levels in the past two months, increasing to 5.33mn t from 4.69mn t a year earlier. This is compared with a total of 2.16mn t received in the October-December quarter of 2022, and brings overall corn imports for the 2022-23 marketing year to 7.49mn t.

Bulk arrivals from Brazil have significantly boosted corn imports, as China has fully opened to the world's second-largest supplier since late last year, with the first corn vessel arriving at China's ports in January. Brazil shipped a combined 1.48mn t of corn to China in the first two months of 2023, accounting for 28pc of arrivals.

Strong interest in Brazilian crops has squeezed the share of corn imports from Ukraine, which decreased from 57pc in the previous year to 22pc in January-February this year. More than 3.77mn t of Ukrainian corn has been shipped to China as of 13 March since the grain corridor was launched last August, but logistics have yet to recover completely. Market participants have remained optimistic that the grain corridor will remain open after 19 March, but slow operations at the Black Sea grain corridor resulted in bottlenecks in Ukraine's corn deliveries, which weighed on China's buying demand.

US remained the largest supplier of corn to China, as December-January is normally the peak season for US corn exports, which will arrive in China in January-February following a 45-60 day delivery period. Corn delivered from the US made up 44pc of overall imports in January-February, compared with 41pc over the same period last year.

Additionally, China has booked some 2.2mn t of US corn in the first three weeks of March, favouring the more competitive US-origin product over other sources, according to the US Department of Agriculture (USDA). Chinese traders eyed front-month US crops for shipment in April-May because of the absence of Brazilian corn for these shipments, as Brazil's winter corn is normally supplied to the market after July.

In contrast to bulk arrivals of wheat and corn, barley imports in January-February fell to 958,930t, the second-lowest level in the past seven years, and just above the 737,000t in the same period of 2020. Imported barley prices are less competitive compared to domestic and imported corn, which has limited purchases from Chinese users, especially from the animal feed sector. As a result, China secured malt-level products from major sources, with 71pc from Canada and 14pc from Argentina.

Sorghum arrivals fell to 326,506t in the past two months compared with 1.59mn t imported in the same period of 2022 and 1.4mn t in 2021. Sorghum products mostly came from the US, Argentina and Australia, with shares pegged at 48pc, 37pc and 25pc, respectively.

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Black Sea Grain Initiative extended on deadline day

19 March– news.un.org

The announcement was made in a Note to Correspondents, released by the UN Secretary-General's spokesperson's office on Saturday, which emphasized that the Initiative allows for

the “facilitation of the safe navigation for the exports of grain and related foodstuffs and fertilizers, including ammonia, from designated Ukrainian seaports.”

Following the invasion of Ukraine by Russian forces in February 2022, the Initiative has been one of the few areas in which the Russian and Ukrainian governments have been able to reach agreement. It came about in response to the sharp increase in prices for food and fertilizers around the world: Russia and Ukraine are the main suppliers of these products to world markets, and their ability to export was significantly curtailed once hostilities began. Since the signing of the Initiative in July 2022, some 25 million metric tons of grains and foodstuffs have been moved to 45 countries, and the initiative has been credited with helping to calm global food prices, which reached vertiginous highs in March 2022. Following the implementation of the Initiative, prices began to fall and, a year later, had dropped some 18 per cent.

The deal was mediated by the UN and the Government of Türkiye, which was thanked in the statement for its diplomatic and operational support: as part of the agreement, a Joint Coordination Centre (JCC) was established in Istanbul, to monitor the implementation of the Initiative.

The Note to Correspondents reaffirmed the UN’s strong commitment to both agreements, and described the Black Sea Grain Initiative, alongside the Memorandum of Understanding on promoting Russian food products and fertilizers to the world markets, as “critical for global food security, especially for developing countries.”

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Brazil corn crop expected to surpass 126 mln T on larger area, yields

14 March – Hellenicshippingnews.com

Brazilian farmers are expected to produce the highest volume of corn in history in spite of risks associated with planting delays in some areas, according to a Reuters poll on Monday. Brazil’s total corn production will reach 126.63 million tonnes in the 2022/2023 cycle, up 11.93% from the previous year, a poll including 12 analysts showed.

The potential rise in Brazil’s total corn output will be driven by a 4.4% increase in planted area and the expectation of higher yields in the season, poll data showed.

Forecasters said the outlook remains positive in spite of ongoing delays to plant the country’s second corn, which is sowed after soybeans are harvested in the same areas. Sowing second corn later means a higher risk of adverse weather events before the harvest. Brazil’s second corn represents 70%-75% of national output in a given year.

“The grower is encouraged to plant [second corn] as prices are high,” said Flavio de França Júnior, an analyst with Datagro. The general optimism stems from the good prospects for second corn in Mato Grosso, Brazil’s biggest farm state.

“Progress in Mato Grosso, the main producer of the second crop, has been at a good pace, so the outlook is for a good crop”, said Joao Lopes, market intelligence analyst at StoneX.

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Rare 'triple-dip' La Niña is over

14 March – bbc.com

A naturally occurring climate pattern that brought upheaval to weather systems around the world has ended, meteorologists say.

La Niña was in part responsible for record-breaking rain in Australia, active hurricane seasons, and drought in East Africa. A cooling of the Pacific Ocean, it has ended after three

years. Now forecasters are watching to see if the warming El Niño pattern will develop later this year.

La Niña is the phase of the El Niño Southern Oscillation (ENSO) where waters in the Pacific Ocean are cooler than average, the opposite of the warmer El Niño phase.

ENSO would normally transition from La Niña to El Niño every two to five years but in 2022, the waters cooled in the Pacific for a third consecutive year bringing a rare "triple-dip" La Niña.

The most severe impact of this period of La Niña has been in eastern Australia, which saw severe flooding and record-breaking rainfall in 2022. In Sydney the annual rainfall record was broken in October and by the end of the year 2577mm of rain fell, exceeding the previous record of 2244mm set in 1950.

La Niña was also partly responsible for bringing a record-breaking Atlantic hurricane season in 2020 and the third most active season in 2021. In February and early March the sea surface temperature in eastern parts of the Pacific Ocean have been rising and now Australia's Bureau of Meteorology (BOM) and the National Oceanographic Atmospheric Administration (NOAA) in the US have declared ENSO has being "neutral", so neither La Niña or El Niño.

Forecasters expect neutral conditions to persist through the northern hemisphere spring and early summer 2023. Beyond that there are some predictions of a warming in the Pacific leading to El Niño developing by late summer, so BOM have issued an "El Niño watch", which means there's a 50% chance of El Niño developing. While forecasts of the El Niño Southern Oscillation in spring are more uncertain than at any other time of the year, it still gives a good indication of what we might expect later this year and into 2024.

What could El Nino bring?

The biggest impact of El Niño, particularly if it's a strong one, is on the global average temperature which can rise by an extra 0.2C. As the Pacific Ocean warms, this extra heat is released into the atmosphere just as a boiling pan of water lets off steam and raises the temperature in a kitchen. The warmest year on record was in 2016 when a strong El Niño boosted global temperatures. How much influence a potential El Niño will have on the global temperature in 2023 is likely to be minimal as it's only due to begin later this year. However, as the cooling La Niña phase is over, the Met Office suggests temperatures will be between 1.08C and 1.32C above pre-industrial levels. Some of the other impacts of El Niño include drier and hotter weather in Australia potentially leading to greater wildfire risks, flooding in eastern areas of South America such as Peru and Ecuador, and drought in the Amazon region. El Niño is also one factor that could decrease Atlantic tropical cyclone development, leading therefore to fewer hurricanes. As for El Niño's influence on the UK weather, this is more uncertain, but continued research suggests this is one factor in potentially colder winter weather.

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Egypt withdraws from UN grain treaty prompting sadness and concern

9 March – Middleeastmonitor.com

Egypt, one of the world's largest wheat importers, has given notice it will withdraw at the end of June from a decades-old UN grains treaty, causing consternation among some other signatories to the convention, Reuters reports.

Egypt's departure from the multinational Grains Trade Convention (GTC), which promotes market transparency to further trade cooperation, follows a period of turmoil in grains markets linked to the war in Ukraine and concerns about global food security.

Egypt signed the GTC, the only international treaty covering trade in grains, at its inception in 1995, and has been a member of the Council that governs it since 1949. In February, it submitted a request to withdraw with effect from 30 June, 2023.

"This came without prior information. Several delegations within the IGC are surprised and sad about the decision," Arnaud Petit, Executive Director of the International Grains Council, which administers the treaty, told Reuters. Several members would ask Egypt to reconsider its decision, he added.

Egypt's Foreign Ministry told Reuters in a statement that the decision was made after an assessment by the ministries of supply and trade concluded Egypt's membership in the Council delivered "no added value". Other signatories to the GTC include major grain importers and exporters such as the United States and the European Union.

Two sources familiar with the matter, who asked to remain anonymous, told Reuters that Egypt owed the IGC membership fees. The Foreign Ministry did not respond to a question about fees.

Traders told Reuters they did not expect an impact on the grains market, but one diplomatic source said that, symbolically, Egypt's departure from a multinational organization could be seen as concerning.

The war in Ukraine disrupted Egypt's wheat purchases last year and the government held talks with countries, including India, as it tried to diversify from Black Sea supplies.

Despite those efforts, Egypt relied on competitive Russia imports to boost its reserves through traditional tenders, some funded by the World Bank, as well as non-traditional direct offers. The economic impact of the war also exacerbated a foreign currency shortage in Egypt, leading to a slowdown in imports, a backlog of goods in ports and a \$3 billion financial support package from the IMF.

In January, Egypt's government instructed ministries to curb non-essential spending until the end of the fiscal year.

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Australia's Jan wheat exports surge 25pc to 3.3Mt

9 March – graincentral.com

AUSTRALIA exported 273,651 tonnes of containerised wheat and 3,057,527t in bulk in January, according to the latest export data from the Australian Bureau of Statistics.

Total January wheat shipments at 3,331,178t were up 25 percent from the 2,663,123t exported in December, and also the 2,660,888t exported in January 2022.

The surge represents the delayed start in earnest to Australia's 2022-23 wheat harvest, following an unusually mild and wet spring, and rain into December for many regions.

In the boxed market, Vietnam on 79,263t followed by China on 65,260t and Taiwan on 32,0403t were the biggest markets.

In bulk, China on 878,765t retained its position as the largest market by far, with Indonesia on 507,563t and South Korea on 352,576t in second and third place.

Appearing in the bulk export destinations for January is India, typically the world's second-biggest producer of wheat behind Russia, and a sometime exporter if it produces a comfortable surplus.

As outlined in a Grain Brokers Australia column published last month, India's buoyant production outlook is subject to climactic variables, and the Indian Government is keen to keep a lid on food inflation ahead of the country's election in May.

That means India could indeed be importing rather than exporting in coming months.

U.S. Challenges Mexico's Plan to Phase Out Imports of Corn From GMO Seeds

6 March – wsj.com

The U.S. said it is seeking formal consultations with Mexico over its agricultural biotechnology policies—a request officials said is aimed at Mexico's import ban on genetically modified American corn and other crops.

The U.S. Trade Representative's office said the request was filed under the U.S.-Mexico-Canada Agreement, a trilateral trade pact known as the USMCA that took effect in 2020. The step comes after the U.S.'s yearlong effort to persuade the administration of Mexican President Andrés Manuel López Obrador to abandon its plans to ban imports of genetically modified corn by 2024.

The import ban will have a significant impact on U.S. farmers. During 2022, Mexico purchased nearly \$5 billion worth of corn from the U.S., making it the second largest importer after China, according to the Agriculture Department. More than 90% of corn grown in the U.S. is genetically modified, according to the National Corn Growers Association.

"Mexico's policies threaten to disrupt billions of dollars in agricultural trade and they will stifle the innovation that is necessary to tackle the climate crisis and food security challenges if left unaddressed," said Katherine Tai, the U.S. Trade Representative.

The Mexican Economy Ministry said it would show that there has been no commercial impact from the decree, and will seek to resolve its differences with the U.S.

Mexican officials have said their aim has been to protect Mexico's native corn varieties, and that its policies are in keeping with terms of the USMCA.

"If the U.S. wanted to take this to a panel under the USMCA, it would have to show quantitatively, that is, in numbers, that the corn decree is having an effect on imports, which hasn't happened," the ministry said last week. Mexican Economy Minister Raquel Buenrostro, who spoke on Feb. 24 with Ms. Tai, has said Mexico already produces more of the white corn used for tortillas than it consumes, while corn imported from the U.S. is for livestock feed and industrial uses.

U.S. officials have criticized Mexico's policy as not being grounded in science, as GMO products have long been consumed safely in the U.S., Mexico and elsewhere. While the U.S.'s announcement didn't mention specific biotechnology products, a senior U.S. official said corn is a product covered by the consultations.

Under USMCA rules, the two parties now must hold technical consultations within 30 days. If they fail to find a resolution through the process, the fight could shift to formal dispute settlement consultations.

The Biden administration has been under pressure to take decisive actions from lawmakers from agricultural states. "While this is welcome news, it should have happened sooner," said Rep. Adrian Smith (R., Neb.), the new chairman of the Trade Subcommittee of the House Ways and Means Committee. "I hope this is an inflection point for the administration and marks a movement toward a more aggressive and proactive trade agenda across the board."

The fight over GMO corn is part of increasingly thorny trade relations between the neighbors. In July, Ms. Tai requested dispute-settlement consultations with Mexico under the USMCA trade agreement, saying Mexico was favoring its state-owned utility and oil company at the expense of American businesses.

Mexico is among the U.S.'s top trading partners. In 2022, the U.S.'s exports to Mexico totaled \$324 billion, while imports totaled \$454 billion, according to Commerce Department data.

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