

# MONTHLY NEWS REPORT ON GRAINS

FAO Trade and Markets Division

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# Market News

## **China's set to import more US maize and squeeze global prices**

27 November – Bloomberg.com

China is set to import more U.S. maize, with volumes for next year seen hitting the top end of market expectations and squeezing global grains prices.

State-owned food titan Cofco Corp. has sold 10 million tons to domestic private mills and will probably boost purchases from the U.S. even further, according to people familiar with the matter. This could put China's total imports of the American crop on track to hit 30 million tons next year, the people estimated.

The purchases -- which are in addition to China's annual maize import quotas -- could drive up Chicago futures that are already trading near their highest since July last year. Grains have been surging amid robust Chinese consumption, with domestic maize prices near a record as demand for hog and poultry feed grows and state reserves dwindle.

China's maize purchases from the U.S. surged to record in 2020

Investors and growers are also tracking China's progress in fulfilling its pledge to buy \$36.5 billion in U.S. agricultural goods this year and \$43.5 billion in 2021. While overall purchases so far have fallen short of Beijing's trade deal agreement, imports of American grains have soared in recent months as the economy has strengthened and China rebuilds a hog herd that was decimated by African swine fever.

The nation allocates annual maize import quotas to state and private firms. Cofco may at times receive allowance to buy additional amounts and resell domestically to private mills or to replenish state reserves. The quotas for 2020 and 2021 are set at 7.2 million tons each.

Cofco has signed supply agreements with private mills for an additional 10 million tons, said the people familiar with discussions, who asked not to be identified as the information is private. Some shipments will arrive in the first half of 2021, the people said.

Cofco and the National Development & Reform Commission, the country's top economic planner, didn't respond to requests for comment. The jump in shipments has sparked speculation that China could become the world's largest maize importer. The U.S. Department of Agriculture's Foreign Agricultural Service estimates China could buy 22 million tons in the 2020-21 season, while Goldman Sachs Group Inc. said shipments could surge to 33 million tons in 2021.

Benchmark Chinese maize, used to produce a range of products from animal feed to starch and alcohol, dropped 0.6% to 2,578 yuan (\$391) a ton Friday on the Dalian Commodity Exchange. Chicago futures were closed Thursday for Thanksgiving holiday.

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## **UK's dire wheat crop to leave it with 'tightest balance' in more than 20 years**

26 November – Agrimoney.com

The UK's lowest wheat harvest in nearly 40 years will leave it with its "tightest balance" in the grain since at least the 1990s, despite a surge in imports, and a switch by livestock feeders to barley and maize.

The first official forecasts for UK grain balance sheets in 2020-21 showed, in a highly unusual move, that wheat stocks were poised to end the season below pipeline supplies, pegged at 1.50m tonnes.

The bureau estimated the UK's surplus of wheat available for exports at a negative 166,000 tonnes.

"Despite wheat consumption forecast at a 13-year low, a substantial drop in availability has led to the tightest balance in over 20 years," said the AHDB bureau, which with farm ministry Defra compiled the data.

The supply figures included a forecast for imports which, at 2.20m tonnes, would represent a more than doubling year on year, to the highest since 2012-13, when the UK

suffered a moisture-devastated harvest.

They excluded any allowance for exports which, while down 86% year on year, reached 58,064 tonnes in the July-to-September period, latest customs data show.

The bureau acknowledged that its forecasts were open to revision, with the “current deficit is a result of a number of supply and demand factors which may change as the season progresses”.

These uncertainties include “the future of trade after the end of the UK’s transition period from leaving the European Union”.

A so-called “no deal” Brexit would see the UK impose, for example, a levy of £79 a tonne on wheat imports even from the EU and £74 per tonne on oats, although maize would remain tariff-free.

The AHDB wheat supply and demand forecasts factor in a domestic harvest which, at 10.13m tonnes, was the lowest in nearly 40 years, after an excessively wet autumn in 2019 hampered sowings of winter crop which comprises the vast majority of production. Consumption of wheat for food and industrial use was seen falling by 5.6% year on year to 6.53m tonnes, “largely driven by a drop in usage by the bioethanol and starch sectors”, the AHDB said, factoring in too the closure of Roquette’s plant-based ingredients plant in the east Midlands.

However, feed mills were seen leading the rationing process, with the amount of wheat used in rations in 2020-21 seen dropping by 10.8%, or more than 800,000 tonnes, to 6.63m tonnes,

“Due to the size of the domestic crop and the relative price of wheat this season, it is assumed that producers will yield more from selling the grain than feeding it to livestock on farm.”

Livestock farmers will instead switch largely to barley, for which feed use was seen soaring to 4.89m tonnes - 18.1% higher year on year, and nearly 1.1m tonnes above average levels.

“With the greater availability of barley compared with other feed grains and its subsequent price, a higher proportion of barley is expected to be used in all rations throughout the rest of the season,” the AHDB said, adding that this trend would be driven by an “increase in the amount of barley fed on-farm”.

For maize, by contrast, livestock use was seen flat year on year at 1.35m tonnes, a reflection of the relatively high prices of the grain, which must be imported to the UK, after a weak harvest in Ukraine, and against a backdrop of soaring Chinese demand. Indeed, maize use might have fallen were it not for the fact that, with the weak 2020 wheat harvest long heralded, “processors have bought quantities [of maize] forward until at least the new year,” the bureau said.

“Despite the recent rise in maize prices, it has been reported that some feed processors bought ahead earlier in the season when prices were more competitive.”

UK maize imports, which for the July-to-September period rose by 9.2% to 613,042 tonnes, “are expected to remain relatively strong during the second quarter of the season”.

In fact, UK maize prices ex-port have risen to about £195 per tonne, ahead of the £190 per tonne wheat is achieving ex-farm, which is in turn ahead of the £140 per tonne that barley is achieving, a UK grain trader told Agrimoney.

The price differential means that livestock feeders are “maxed out on barley”, the trader said, although acknowledging that there were limits, particularly for the poultry industry, in the extent to which the grain can be substituted for wheat in rations.

“In broilers, once you get much above 15% barley, their bones get brittle, meaning that a lot of cuts have to be discarded in processing.”

The trader added that livestock feeders may face some more competition ahead from maltsters for malting barley, given increasing optimism over Covid-19 vaccines, and a potential recovery ahead in pub and hospitality trade.

“The announcement of the Covid-19 vaccines has added £5 a tonne to the malting barley

premium.

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### **Brazil renews wheat import quota free of tariff, from outside Mercosur**

26 November – Mercopress.com

Brazil's Chamber of Foreign Trade (Camex) has renewed the import quota of 750,000 tons of wheat from outside Mercosur and exempt of the Common External Tariff (TEC) currently at 10%. Purchases can be made from Novr 18 this year to November 17, 2021.

The quota was established in a commitment made by the country to the World Trade Organization (WTO) in 2019. This July, due to the shortage of wheat in the Brazilian market and the high prices, CAMEX allowed the import of an extra quota of 450,000 tons, TEC-free, from outside Mercosur until November 17 of this year.

Brazil is one of the world's main importers of wheat. Almost 60% of domestic consumption comes from abroad mainly Argentina, other suppliers include United States, Uruguay and Paraguay.

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### **US farmers plant more winter wheat as grain prices rally**

26 November – Hellenicshipping.com

U.S. farmers expanded seedings of winter wheat this autumn for the first time in eight years as strong demand and dry weather in several producing countries fuels higher prices for the grain, farmers and analysts said.

Winter wheat, seeded in the Northern Hemisphere in autumn for harvest in June, is the first cash crop to be planted since an agricultural commodity price rally began in August. The rally is a welcome relief for farmers after four years of global surplus grain stocks that have kept prices low and hobbled the U.S. agricultural economy.

Tightening grain supplies and demand from China have lit a fire under Chicago Board of Trade maize, soy and wheat futures. CBOT soybeans are at a four-year high and wheat is near a six-year top at around \$6 a bushel. The U.S. Agriculture Department (USDA) says there could be record acreage of all major U.S. crops next year.

David Justison, a third-generation farmer who grows wheat, maize and soybeans in Montgomery County in south-central Illinois, planted 1,200 acres (485 hectares) of winter wheat this autumn, up from 900 acres last year.

"It's the best price I have seen in a few years. Six-dollar wheat is something that got my attention," Justison said.

USDA this month projected U.S. total wheat seedings for 2021, including winter and spring wheat, at 46.0 million acres, up from 44.3 million acres in 2020/21.

Additional U.S. wheat would help meet export demand after countries around the world stocked up on grains to ensure food supplies during the COVID-19 pandemic, and ensure flour for baked goods and pastas next year.

Domestic demand for wheat and flour has held roughly steady from a year ago, USDA data shows, even as the pandemic sent millers and bakers scrambling to adapt to consumers eating more meals at home instead of dining out. Grocery stores faced flour shortages this spring due to an uptick in demand for small bags of flour for home baking.

The U.S. government will not release a farmer survey specifically on winter wheat plantings until January. But private analytics firm IHS Markit Agribusiness this month forecast U.S. winter wheat plantings were 31.5 million acres, up 3.6% from the 30.4 million acres seeded a year ago, according to an IHS client note seen by Reuters.

U.S. wheat export sales commitments for the 2020/21 marketing year begun June 1 are up 10.5% as of Nov. 12 from a year ago. China, an irregular U.S. wheat buyer, has booked 1.7 million tonnes of U.S. wheat, up from 194,063 tonnes last year.

While plantings expanded in Plains states like Kansas, the top U.S. grower of the hard winter wheat needed for bread, the size of the crop ultimately may be limited by dry conditions.

But Plains farmers have another option to turn a profit this year. They could tear up the wheat crop and plant sorghum, a drought-tolerant grain planted in the spring that is used as an alternative feedstuff to maize and is seeing strong demand from China.

Sorghum, also called milo, is grown in Plains wheat states including Kansas, Oklahoma and Texas. Cash prices have been historically high in recent weeks, reflecting robust export demand from China. U.S. sorghum sales commitments to China totaled 3.0 million tonnes as of Nov. 12, up from 123,000 tonnes from this time last year.

"If we do see wheat ground that is not planted right now, or if it has a poor stand going into the winter, it's easy to see acres get plowed up and shift from wheat to milo," said Mike O'Dea with StoneX Ltd, a commercial grain broker.

The export market for sorghum is dominated by China, which uses it for animal feed and baiju liquor. China has been a huge importer of maize, sorghum and other grains in recent months as it fights food inflation and rebuilds its massive hog herd following a devastating swine disease. Unlike maize, China has no low-tariff quota on sorghum imports.

"Sorghum ... is helping a lot of people get back into decent shape, fiscally speaking," said Wayne Cleveland, executive director of Texas Sorghum Producers, an industry group.

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### **Russia's grain export quota puts squeeze on small traders**

25 November – Successful Farming.com

Russia's grain export quota for February through June 2021 will consolidate the market positions of major traders and speed the exit of smaller players, analysts said.

The loss of smaller traders will also disrupt supplies to secondary seasonal importers, they added.

The number of smaller trading companies in Russia, one of the world's largest wheat exporters, has fallen steadily in recent years while large exporters - some of which are state-controlled and have crucial access to port infrastructure - have increased their market share.

"The quota will galvanise this process," said Dmitry Rylko, head of the IKAR agriculture consultancy.

Russia's quota of 15 million tonnes of grain between Feb 15 and June 30, 2021 will be distributed among exporters based on their share of July-December grain exports, according to the agriculture ministry's proposal which is yet to be formally approved by the government.

The number of firms supplying Russian wheat to other countries has fallen to 110 so far this season, which started on July 1, from 216 in July-November 2019, Interfax news agency quoted Yelena Tyurina, chief analyst at the Russian grain union, as saying this week.

Small traders - exporting no more than 30,000 tonnes a season - are among those who left the Russian market, Tyurina told Interfax.

"Small markets will be lost due to small players leaving," Arkady Zlochevsky, the head of Russia's Grain Union, a non-government farmers' lobby group, told Reuters.

Russia may lose exports to Mongolia and other markets which tend to import in the second half of the season, Rylko said. Mongolia imported 103,600 tonnes of wheat from Russia in the previous season, mainly in March-May.

The quota distribution among those who traded in July-December this year is still an improvement, analysts said, after a previous export quota caused turmoil, running out soon after it started due to a spike in demand from traders rushing to secure customs documents for future shipments.

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## **Ukraine maize shortfall drives Chinese demand for US maize exports**

18 November – Gro-intelligence.com

The maize harvest is nearly complete in Ukraine, which in most years is the No. 1 exporter of maize to China. But persistent dry weather this summer has sharply reduced production. The USDA estimates the Ukraine maize crop at 28.5 million tonnes, down 20% from last year's 35.8 million tonnes.

As a result, Ukraine maize prices have jumped. FOB prices of Ukraine maize have appreciated 40% versus this time last year, and are up over 25% since early September. More than half of Ukraine's maize exports head to China.

Ukraine's domestic feed costs also have risen sharply, and meat producers are petitioning the government to limit maize exports for the 2020/21 season. Restrictions on Ukrainian maize exports would force a larger share of Chinese imports to US shores.

Maize is the top feed grain in Ukraine. Its production has grown fourfold in the past 10 years, boosted by both acreage expansion and yield improvement. Maize is typically planted in late April or early May. Harvest begins in late September and is usually nearing completion by early November. China's reliance on Ukraine maize exports has increased steadily in recent years. China's growing demand for feed grain comes at a time when dry conditions are also seen impacting crops in Brazil and Argentina, among the world's leading producers and exporters. The impact of the South American growing season on 2021 global supply and demand for maize and soybeans bears close watching.

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## **India to export 3.5-4 million tonnes of wheat to neighboring countries till March if government extends export subsidy**

18 November – Economictimes.indiatimes.com

India is likely to export 3.5 to 4 million tonnes of wheat to the neighbouring South East Asian and West Asian countries till March, compared to the 0.18 million tonne in the previous year, if the government extends an export subsidy, said the trade. The current stocks in the country with the government and the private sector are over 56 million tonnes, which the government will have to offload ahead of the arrival of the new crop in April.

"It is estimated that Indian exporters contracted 0.5 million tonne of wheat this season with customers in Middle-East, Sri Lanka, Bangladesh and South East Asia. However, with Australia expected to harvest a record 29 million tonne wheat crop, markets in South East Asia and Middle East have started covering their January-March 2021 requirement from Australia. For Indian wheat to compete effectively in other larger export markets, an export incentive of about 7 to 8% will be required on FOB values. If such support is extended soon, India can export an additional 2 to 3 million tonne during the next 4 to 5 months," ITC spokesperson said.

The company supports millions of farmers through its wheat value chain contributing to building strong Indian brands and also to exports, he added.

Wheat traders and exporters said that in the last few months India had good opportunity to export due to less crop in Ukraine and Russia, increased buying by China and firm maize prices in the global market.

"There is good number of export enquiries coming, contracts are being signed and companies are trying to accumulate quality wheat stock", said wheat trader Raju Khandelwal of Jagdish International Ltd.

"Bangladesh is one of the largest buyers where by rail rakes the exports are happening and already over five lakh tonne has been contracted, Also, small containers are being sent to UAE, Indonesia, Viet Nam and Malaysia, taking overall exports contracted to 1 million tonne".

Prerana Desai, head of rural and corporate services research at Eldelweiss, said the export will have to be aggressive from here on because of the glut like situation in the Indian market. "We have 56 million tonnes of wheat, which includes 38 million tonnes by the

government and the rest by the market,” she said.

Desai said that in the last few years, wheat exports from the country have been between 0.2 and 0.7 million tonnes, with government focusing on domestic availability.

However, the industry said that international prices were falling with new crop arriving from other markets and they expected export parity with government assistance.

“Presently, the Indian wheat is priced at Rs 1,960 per quintal while the international prices is about Rs 1,750 per quintal. The government needs to reduce the price of the grain stock it holds, “ said Sanjay Puri, president at Roller Flour Mills Association.

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## **Barley trade routes redrawn as China tariff hits Australian firms**

17 November – Reuters.com

Out in Australia’s grain fields, farmers have started harvesting one of their biggest ever barley crops, after drought-relieving rains convinced many to plant to the edges of their paddocks.

The crop is seen in a barley field at a farm near Moree, an inland town in New South Wales, Australia October 27, 2020. Picture taken October 27, 2020. REUTERS/Jonathan Barrett

Yet the tractors are working under the cloud of a new tariff imposed by China -- seen widely as retaliation for Australia’s push for a UN probe into the origins of the coronavirus pandemic -- that has all but halted barley trade between the two countries.

The diplomatic row between a major exporter and the world’s second-biggest importer is prompting a rapid reconfiguration of global trade in the grain used primarily in beer production and livestock feed.

“As an industry we became too reliant. We had a neighbour happy to pay for our good quality grain, we did probably get complacent,” said Lyndon Mickel, a grains farmer in Western Australia’s southern grain belt.

“This has taught us a lesson to have plenty of diversity in the market to make sure we don’t fall into that situation again,” he said.

Diplomatic and trade relations between Australia and China have deteriorated rapidly this year, with several categories of Australian goods now subject to Chinese trade restrictions or probes. Australia typically accounts for up to 40% of the world’s malting barley trade, used in beer production, and 20% of feed barley. Well over half its total exports, around 6 million tonnes in a good year, go to China, the world’s biggest beer maker.

This will now either be stored, sold domestically or sent to alternate markets, such as top buyer Saudi Arabia, if new deals can be negotiated.

China, meanwhile, is seeking alternate supplies, benefiting grain farmers as far away as France, Ukraine, Argentina and Canada.

Brent Atthill, managing director of RMI Analytics, a Swiss consultancy that specialises in brewing ingredients, said the barley supply chain has been put under strain.

“There’s a liquidity issue in the market and when China comes in with additional requirements that pushes prices up,” said Atthill, who expects the buying pressure to remain for at least another three months.

Barley prices around the world have risen strongly - except in Australia, where prices are down more than 10% this year.

French farmers are responding to the Chinese demand, with high barley volumes flowing to China despite France’s smaller-than-usual harvest this season.

Chinese buyers have more than doubled their purchases from Canada from a year ago, and now take more than four-fifths of the country’s barley exports.

This is helping lift domestic prices, said Peter Watts, managing director of the Canadian Malting Barley Technical Centre in Winnipeg.

Barley shipments from Argentina have also started streaming toward China after a three-year lull, which includes malt barley usually provided by Australia.

China’s effective ban on Australian barley has come at a difficult time for the rural sector. After a prolonged drought, many Australian grain fields have turned golden, raising hopes that farmers can restock both their silos and bank accounts.

The country is set for an 11.2 million tonne barley crop, the second biggest in the past 30 years. "A lot of people in this district have not harvested a worthwhile crop since 2016 so there's a lot riding on this particular crop," grains farmer Matthew Madden told Reuters at his family farm near the town of Moree in New South Wales.

Helping farmers, Australia is also predicting a bumper wheat crop, where the tariffs don't apply. And the drought has created more demand for barley locally, as farmers replenish depleted stores, while China's buying may open up export opportunities elsewhere.

"Australian barley should be attractive for export to the big Saudi Arabian market, so pushing out EU and Black Sea exporters," a leading barley trader in Germany told Reuters.

With China's tariff on Australian barley - an anti-dumping and anti-subsidy tariff totalling 80.5% - due to run for five years, the disruption to trade routes could be long-running.

"The fact is they put it on, we'll have to live with that and continue to try explain we are not subsidised - we don't believe it is fair," Madden said.

"In the meantime, we'll try to diversify markets and ... use it domestically."

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## **Australian wheat is one of the cheapest**

7 November – Farmweekly.com.au

The 2020/21 Australian wheat crop is estimated at 27.9 million metric tonne, up 84 per cent on last season.

Australia's wheat exports are pegged at 17mmt for the 2020/21 marketing year, due to larger exportable surplus created by the favourable growing conditions across most of Australia this season.

Western Australian wheat production for 2020/21 is about 8mmt, with APW and AH accounting for more than 60pc of grade splits.

We may start to see the premiums for higher protein wheats widen as forecast rainfall, particularly in eastern Australia, could see large portions of the crop downgraded.

Australian national wheat exports for the 2019/20 season are estimated at 9.1mmt, with South East Asian destinations accounting for a third of exports.

The east coast drought in recent years has reduced the volume of grain available for export as traditional export-orientated States (WA and South Australia) moved wheat interstate rather than to export markets.

There are concerns that a lack of international exports in the past two years have hurt Australia's market share, particularly in the Asian region.

However reduced European Union production was diverting Russian wheat, which has filled South East Asian demand in recent years, to Northern African destinations providing optimism that Australia can claw back some market share in the coming season.

When looking at which countries Australian wheat competes with, Argentina is a main contender.

Argentinian wheat production has been about 19mmt for the past four years, with exports of 13mmt per year.

Argentina competes directly with Australian wheat exports and has increased its market share in the Asian region in the past two years, not only for wheat but other feed grains such as maize.

The most recent update from the United States Department of Agriculture's Buenos Aires office has cut Argentina's 2020/21 wheat production down to 17.4mmt.

This has corresponded to wheat exports being revised lower to 11.2mmt, down 15pc year-on-year.

The cut to export volumes can be attributed to lower production due to the dry weather (the La Nina phenomenon that brings wetter-than-usual conditions to Australia, has the opposite effect in Argentina with drier-than-usual conditions) but also because of increased competition from Australia.

Australian wheat is some of the cheapest in the world which means it is well placed to capitalise on strong international demand.



Kwinana APW FOB values are about US\$266/t, pricing more competitively into the Asian region than Black Sea or Argentinian origin wheat.

Russian milling wheat recently filled a 165,000t Egypt tender at an average price of \$US278.5/t CFR (cost and freight).

This tender was about US\$22/t higher than Egypt's previous tender a month ago.

World wheat export prices continue to strengthen being underpinned by production concerns due to dry weather and elevated Russian wheat prices.

Wheat production cuts in Argentina, dry conditions across winter wheat plantings in the US and Russia are supporting prices.

Futures markets and global wheat prices are fundamentally supported by these weather concerns and if significant rainfall is received across winter cropping areas in Russia and the US, then we may see some downside to local pricing levels.

Australian wheat is currently some of the cheapest in the world which means we are well placed to capitalise on strong international demand.

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## **South Africa planting more maize in 2020-21**

5 November – World-grain.com

Attractive prices, a growing export market and favorable weather have led South Africa's commercial farmers to plant 2.6 million hectares of maize in the 2020-21 marketing year, a 12% increase over a year ago, according to a Nov. 4 Global Agricultural Information Network report from the US Department of Agriculture (USDA).

USDA also forecasts an 11% increase in maize production to 14 million tonnes, significantly higher than its previous projection of 12.6 million tonnes. Of that total, USDA forecasts exports of 2 million tonnes.

In the current marketing year (2019-20), South Africa is expected to export 2.5 million tonnes after producing the second largest crop in history at 16.0 million tonnes, an increase of 35% over the 2018-19 total (11.8 million tonnes). USDA predicts a marginal increase in commercial demand for maize in 2020-21 to 11.6 million tonnes as South Africa's economic growth will be under pressure in 2021, due to the COVID-19 pandemic and structural and policy constraints.

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## **Reports**

### **Food Outlook - FAO**

As it was projected earlier in the year, while most markets were braced for a major global economic downturn, the food sector, including markets for bananas and tropical fruits, continued to display more resilience to the Covid-19 pandemic than other sectors.

This report provides supply and demand forecasts for basic foodstuffs, fish and fishery products along with price analysis, policy information and a preliminary assessment of the impacts of the Covid-19 pandemic on trade in bananas and tropical fruits.

The report's special feature reviews recent trends in food imports bills and export earnings. Food Outlook is published by the Markets and Trade Division of FAO as part of the Global Information and Early Warning System (GIEWS). It is a biannual publication (November and June) focusing on developments in global food markets.

### **The State of Food and Agriculture 2020 – Overcoming water challenges in agriculture - FAO**

Intensifying water constraints threaten food security and nutrition. Thus, urgent action is needed to make water use in agriculture more sustainable and equitable. Irrigated agriculture remains by far the largest user of freshwater, but scarcity of freshwater is a growing problem owing to increasing demand and competition for freshwater resources. At the same time, rainfed agriculture is facing increasing precipitation variability driven by climate change. These

trends will exacerbate disputes among water users and inequality in access to water, especially for small-scale farmers, the rural poor and other vulnerable populations.

The State of Food and Agriculture 2020 presents new estimates on the pervasiveness of water scarcity in irrigated agriculture and of water shortages in rainfed agriculture, as well as on the number of people affected. It finds major differences across countries, and also substantial spatial variation within countries. This evidence informs a discussion of how countries may determine appropriate policies and interventions, depending on the nature and magnitude of the problem, but also on other factors such as the type of agricultural production system and countries' level of development and their political structures. Based on this, the publication provides guidance on how countries can prioritize policies and interventions to overcome water constraints in agriculture, while ensuring efficient, sustainable and equitable access to water.

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