Sent by The Food and Agriculture Organization of The United Nations (FAO)

MONTHLY NEWS REPORT ON **GRAINS**

FAO Markets and Trade Division

MNR ISSUE 178 – November 2021

Market News

- China feed imports double previous record
- EU wheat exports to rebound further than expected in 2021-22
- Argentina's wheat crop sales surge amid supply concerns
- Badly timed rain hurts Australian wheat when world needs it most
- US maize basis firm on strong ethanol margins even as harvest wraps up
- Brazilian crop projection of maize cut to 119.3 million tonnes
- Russia – plans for quotas to address inflation and supply
- Brazil clears sale of GMO wheat flour from Argentina
- Saudi Arabia barley imports down due to vessel shortage
- Worst to come: pasta makers fret over durum wheat supply crunch

Reports

- Food Outlook – FAO
- Public food stockholding – A review of policies and practices – FAO
- FAO Statistical Yearbook 2021
- The State of Food and Agriculture 2021 - FAO

Monthly Information Sources

- AMIS Market Monitor
- FAO Cereal Supply and Demand Brief - FAO
- Grain Market Report – IGC
- Oilcrops Monthly Price and Policy Update – FAO
- Crop Monitoring in Europe - European Commission
- FAO Rice Price Update – FAO
- World Agricultural Supply and Demand Estimates – USDA
- Early Warning Crop Monitor – GEOGLAM
- Commodity Price Data - World Bank
- Food Price Monitoring and Analysis (FPMA) – FAO
- GIEWS Country Briefs - FAO
- Mediterranean Agricultural Information Network - MED-AMIN
- Club Demeter Système de veille
- FAO's Big Data tool on food chains under the COVID-19 pandemic
- COVID-19 and World Trade
- IFPRI COVID-19 Food Trade Policy Tracker

Market News

China feed imports double previous record
29 November – Graincentral.com

Full year China Customs data show October 2020 to September 2021 imports of coarse grains, that is, corn, sorghum, and barley (Figure 1) totalled 50.2 million tonnes (Mt), doubling the previous record set in 2014/15.
Imports of corn and barley each reached new highs, while sorghum reached the second-largest volume on record.
Major suppliers for corn were the United States 69pc and Ukraine, 29pc; for sorghum US 77pc, and Argentina 14pc; for barley, Canada 29pc, France 26pc, and Ukraine 26pc.
The import growth can be attributed to a convergence of events. Aside from the implementation of the US- China Phase One agreement, the recovery in the swine sector from African swine fever (Figure 2) favoured the use of corn in feed rations and drove domestic corn prices higher.
The run-up in prices widened the spread between imports and domestic corn, making imports highly profitable. Higher prices also boosted imports of sorghum and barley. These corn substitutes are not genetically modified, making imports and use less administratively burdensome.
Since June 2021, domestic corn prices have declined but are still above a year ago despite expectations of a record harvest this fall.
Imports of non-grain feed ingredients (NGFI) also grew from the prior year.
Strong cassava imports can be attributed to high domestic corn prices as feed mills and fuel ethanol plants may have turned to a cheaper alternative to domestic corn. Imports of distillers' dried grains (DDGS) improved from a year ago but were small as the antidumping and countervailing duties on US DDGS remain in place.
Imports of dried peas, used as a protein source in feed rations, continued to set new highs.

back to top

EU wheat exports to rebound further than expected in 2021-22
26 November – Agrimoney.com

European Union soft wheat exports will rebound this season by more had than expected, officials said, as they cut their forecast for the bloc's end-of-season inventories, but offered some early hope for the 2022 harvest.
The European Commission lifted by 2.0m tonnes to 32.0m tonnes its forecast for the bloc's soft wheat shipments in 2021-22, as started in July.
That took the forecast 4.60m tonnes, or 16.8%, above the year-before total, despite what would appear – from official data – a flat start to this season.
EU soft wheat exports so far in 2021-22, at 10.27m tonnes, are running only 3.9% ahead of last season's pace, despite a bumper start to shipments to Egypt - up nine-fold at 1.20m tonnes, thanks to strong purchases from Romania.
However, the 2021-22 include incomplete data for France, the EU's top exporter, where technical problems have been blamed for the void.
According to Refinitiv, France has exported 3.23m tonnes of soft wheat so far this season, well above the 822,592 tonnes that the commission is reporting.
Factoring in the higher figure implies an EU soft wheat export pace some 28% above that a year ago.

The extra EU supplies will come in part at the expense of domestic consumption, but also mean smaller stocks, the commission said, cutting its forecast for carryout inventories by 1.2m tonnes to 12.7m tonnes.
This would nonetheless represent a 3.80m-tonne rebuild from last season, when the French harvest, as well as that in some neighbouring countries, was curtailed by weather setbacks, including a poor autumn sowings period.
For the 2021 harvest, EU soft wheat area recovered by 1.0m hectares to 21.7m hectares.
Plantings for the 2022 harvest may have risen further, the commission said, noting reports that “soft wheat area is expected to increase, but moderately”.
It said that the sowings campaign had been “completed on time or with limited delays in the north and centre of EU” - but highlighted as curbs to area growth “uncertainties on fertilizers availability”, and “record high prices of rapeseed”, a big rival to wheat in autumn sowings programmes.
Separately, Origin Enterprises, which owns the Agrii agronomy chain, reported that Polish sowings of winter crops overall were “forecasted to be broadly in line” with last year’s, but Romania’s were “expected to be 6.1% ahead of the prior year at 3.1m hectares”.
In Romania - one of the EU’s biggest wheat exporters, with shipments of 3.57m tonnes so far this season - “despite a delay to winter plantings because of some localised dry conditions, favourable conditions in October allowed for catch up activity in-field”, Origin Enterprises said.
However, analysis group Strategie Grains has taken a more conservative view of EU soft wheat sowings, last week downgrading by 140,000 hectares to 21.64m hectares its forecast for 2022 area – taking it narrowly below the 2021 total.
“Soft wheat acreage is forecast slightly smaller than last campaign in most EU countries,” said Strategie Grains, which like Agrimoney is owned by AgriBriefing.
The analysis group noted setbacks from volatile weather in the Baltic countries, while adding that “the spike in fertilizer prices is of particular concern because it reduces the potential profit margins of crop growers for the 2022 harvest.
“In addition to surging operating costs, fears are emerging around potential delays in delivering fertilizer orders to farms.”

back to top

Argentina’s wheat crop sales surge amid supply concerns

25 November – Argusmedia.com

Argentina's 2021-22 export wheat sales have almost doubled on the year, driven by concerns over a tightening global milling wheat supply outlook.
Argentinian farmers sold nearly 400,000t of wheat in the week to 17 November, with 346,000t bound for export, agriculture ministry data show.
New-crop export wheat sales now stand at 10.31mn t, up from just 5.76mn t at the same point last year, as importers try to secure milling wheat volumes amid uncertainties over Australian crop quality and expectations that Russia will further tighten export restrictions.
Heavy rain in eastern Australia continues to disrupt harvesting, reducing crop quality, and about 40pc of Australian wheat from the 2021-22 crop could be unfit for milling.
Meanwhile, Russia — the world's largest wheat supplier — is expected to introduce a wheat export quota in February, while modifying its floating export duty formula to impose higher taxes if global prices rise further. This could exacerbate already tight global milling wheat supply.

Meanwhile, Argentina is on track to harvest a bumper wheat crop of 19.8mn t in 2021-22, according to the Buenos Aires Grains Exchange (Bage). This is slightly lower than the US Department of Agriculture's forecast of 20mn t. USDA also sees exports hitting a record, at 13.5mn t.
Despite delays in harvesting caused by rain, Argentina's wheat crop conditions remain promising, with 59pc rated 'good-to-excellent' on 17 November, compared with just 17pc a year earlier, Bage said.
With Argentinian wheat in such high demand, Brazil — which usually absorbs just under 50pc of Argentinian wheat exports — could face stiff competition from other importers.
Argentina's new-crop corn sales are also robust, with 595,000t sold in the week to 17 November, up from 412,000t the previous week.
This takes overall 2021-22 Argentinian corn sales to 10.71mn t, up from 10.29mn t a year earlier, with 10.64mn t bound for export.
Favourable weather continues to drive expectations for record production in 2021-22, with 91pc of the crop rated 'good-to-excellent' on 17 November. Argentinian corn production is forecast to hit 54.5mn t this year, with exports projected at 39mn t, up by 500,000t from 2020-21, according to USDA.
But Argentina's new-crop soybean sales slowed further, to just 110,000t on 11-17 November. Total sales of the 2021-22 soybean crop continue to lag last year's by about 846,000t, with 3.25mn t sold by 17 November. About 374,000t was headed for export, while 2.87mn t was sold to domestic crushers.

back to top

US maize basis firm on strong ethanol margins even as harvest wraps up
24 November - Platts

The corn basis in key US markets was firm in the month through Nov. 22, even as the current marketing year 2021-22 (September-August) harvest is coming to a close, because of strong ethanol production over the recent weeks and farmers' reluctance to sell.
The basis is calculated by finding the difference between the spot and futures prices of a commodity. A narrowing negative basis range and a widening positive range typically indicates strong demand or supply shortage or a combination of both.
The average corn basis in the state of Iowa, the largest producer of corn in the US, was 19.87 cents/bushel under the Chicago Board of Trade's December corn contract for the current month as of Nov. 22, with the five-year average for November at 33 cents/bu under the CBOT futures contract, data from the Iowa Department of Agriculture and Land Stewardship showed.
"The two factors that are controlling corn basis are very high ethanol margins and farmers not selling," Pete Meyer, head of grains and oilseed analytics at S&P Global Platts Analytics said. "They will not sell now until January for the most part just because of tax implications for 2021."
Farmers will wait until January to make their sales to avoid taxes in 2021, Meyer said. The leading factor for the current strength in corn prices was, however, high ethanol margins.
Corn is the primary feedstock for ethanol in the US and nearly 40% of the country's corn output is consumed by the ethanol industry. Ethanol is usually blended with petroleum fuels but can also be used on its own.
Ethanol production in the US was over one million barrels for the sixth straight week to Nov. 12, according to the latest data released by the US Energy Information Administration.

Prior to the COVID-19 outbreak in 2019, US weekly ethanol production was at or above one million barrels for 43 out of 52 weeks. Weekly ethanol production in 2021 was at or above one million barrels for just 18 weeks out of 46 weeks through Nov. 12.

"October was a banner month for US ethanol producers, dominated by sky-high ethanol prices, extraordinary manufacturing margins, and near-record output," Platts Biofuels Analytics Global Manager Corey Lavinsky said. "Chicago ethanol prices soared above $3/gal for the first time since April 2014, closing at $3.08/gal on Oct. 28."

Unseasonably high driving demand, despite the end of summer driving season, and a robust export program have supported ethanol prices, Platts reported earlier this month.

"US ethanol production rose from 2020 to 2021 and will increase again in 2022," Lavinsky said. Ethanol prices and manufacturing margins will subside as inventories build, which is typical at the end of the year, he said.

Ethanol producers are also waiting for COVID-19 relief payments promised by the US Department of Agriculture heading into the new year that should boost the industry.

"Nearly all ethanol in the US is made from corn so the recent surge in ethanol production is an exciting development for corn growers," said Lavinsky.

The USDA in its most recent World Agricultural Supply and Demand Estimates report increased its estimate of corn use for ethanol and its by-products in the MY 2021-22 season to 5.25 billion bushels, from 5.2 billion bushels.

ADM's end-October announcement that it entered into an agreement with Gevo to supply 900 million gallons of ethanol annually for conversion into sustainable aviation fuel starting 2025 provided a 'feel good' factor and contributed to corn's price strength, Platts Analytics said in its November Global Biofuels and Agriculture Outlook.

The prices also had some deferred strength from September, when fertilizer prices for fall and spring were in focus, according to the outlook. Unusually high fertilizer prices provided sentimental support to corn prices amid rising concerns about price and availability of fertilizers, as US farmers start spring plantings.

Corn being a fertilizer-intensive crop offers lower returns currently, compared with soybeans, as fertilizer prices soar to near-record highs.

A 3 million acre shift away from corn to soybeans is possible in the US, with both corn and soybean acreage at around 90 million acres in MY 2022-23, according to Platts Analytics.

back to top

Badly timed rain hurts Australian wheat when world needs it most

23 November – Bloomberg.com

Those fretting about the global scarcity of high quality wheat have one more reason to worry: heavy rains at the wrong time in Australia, one of the world's biggest exporters of the grain.

Just as farmers were set to head into the fields and pull off a bumper harvest, sheets of heavy rain have battered crops across major growing regions in the country's east, bogging down machinery and raising the risk of hefty downgrades that are likely to worsen a worldwide shortage of milling wheat.

The torrential downpours are typical of a La Nina weather event, which the Australian Bureau of Meteorology said on Tuesday had now commenced. The phenomenon brings above average rainfall to eastern and northern areas of Australia and to Southeast Asia, and dry weather to parts of the Americas.

"There's no doubt that everyone is downgrading wheat, to the point where we are going to get 200% to 300% more feed wheat than a normal year," said Ole Houe, chief executive of

IKON Commodities. New South Wales state would be facing the greatest losses with around 30%-40% of total output at risk of being low-grade animal feed -- up from around 8% in a normal year, he said.
Still, Australia is on track to produce a record 37 million tons of wheat this season, according to IKON, with output from Western Australia largely unaffected by the torrential rains. If conditions remain the same during the season, only 15%-20% of the national crop is likely to be downgraded to feed, said Houe, who added that even the feed will be met with "plenty of demand."
"Will it reduce our exports? Probably not. Will it keep prices high for the quality? Yes it will," he said. "Is it a big deal? You betcha."
IKON's forecast for wheat production is above some other predictions. The U.S. Department of Agriculture, for example, estimates the crop at 31.5 million tons, down from last year's record 33 million tons, but still one of the largest ever.
While the damage doesn't yet look quite as bad as the downpours in 2011, which resulted in severe downgrades to around 75% of the New South Wales crop, a dearth of higher-quality supplies globally has led to the market banking on the Australian harvest for relief, with a particular focus on the east coast which tends to grow varieties with higher protein content than western regions.
The red hot demand has pushed benchmark prices in Chicago to multi-year highs. Meanwhile, the deteriorating situation is driving up prices Down Under, with futures for Eastern Australia Wheat jumping to the highest since 2019.
"The general protein-quality profile of the actual crop is lower than a normal year and in many years that doesn't matter," Houe said. "But given we've lost access to a lot of the Russian grain this year, we had trouble with the Canadian crop, we were kind of looking at Australia for this high-protein wheat."

back to top

Brazilian crop projection of maize cut to 119.3 million tonnes
23 November – News.safras.com.br

Brazil's 2022 crop has an excellent production bias. In this November update, Safras & Mercado reduced its forecast from 122.5 to 119.3 million tons of potential. The cut could suggest some concern. However, for the time being, this is just an adjustment to what is happening at the moment in terms of the profile of the area to be planted and technology. The combination of the summer crop in good progress and the second crop in a good window keeps projections positive for this year. The doubt is really about the technology profile to be applied by growers to the next second crop.
The Brazilian summer crop is forecast to take place under good to excellent conditions. The rains in September and October occurred within the possible schedule for summer planting and crop development. The first half of November continued with excellent conditions for development between Santa Catarina and the Northeast region of Brazil, as well as in Paraguay. So far, no severe problem has been detected in Brazil's Center-South for this summer, but reaped corn should only reach the market from March.
Rio Grande do Sul was mentioned last week as a potential candidate for production losses. Well, the phase of most crops in the west of the state is really decisive, under pollination and going into silking, while later crops are already entering the early stage of pod filling. Therefore, this stage is really decisive for production.
Areas with more problematic soil and less technology may suffer from a few days of drought. However, it rained in most of the state last week. For the time being, we are far

from any potential loss of general production in the state, considering that December will be an important month for these crops that are in process of silking and pod filling. It needs to rain.

Therefore, the summer crop in the Center-South region is now estimated at 25.7 mln tons against 21.6 mln tons in 2021, awaiting, of course, the weather conditions of December and January. The situation is also very comfortable at the moment for Matopiba's summer crop.

2022 second crop, in turn, offers the first big sign of good production potential, which is the planting of soybeans in a good window. This offers a harvest condition for soybeans already from January. The first crops in Mato Grosso are usually followed by cotton planting, but they keep a very good space for planting the corn's second crop.

The key point for the 2022 second crop is that we are still very much dependent on this scenario of the input market, be it in terms of price conditions or deliveries. Growers needed to accelerate sales of available corn, to buy raw materials in cash to have some guarantee of delivery in time for planting in 2022.

Production costs are rising to levels of BRL 55 to 65 a bag depending on the degree of technology, but applying technology. With market prices ranging from BRL 60 to 75 a bag depending on the region for the 2022 second crop, the situation is looking tight to ensure positive results. Failing to plant is unlikely. In some locations in Paraná, Mato Grosso do Sul, and São Paulo, wheat may be an alternative for having lower costs and better prices at this time.

So, the 2022 second crop area should not show growth this year, at first. We should reflect that there is still time for this decision, and maybe it will involve the arrival of inputs to growers by January. Moreover, they expect an improvement in prices to make the barter viable and move forward with planting decisions. With difficulties in guaranteeing the delivery of inputs and with lower prices for the 2022 second crop, barter business ended up being slower this year, and this also impacts the planting decision.

So, the area to be planted will practically remain stable compared to last year, which is an area very close to a record. The big doubt, which is hard be evaluated in numbers, is the cut in technology, which will inevitably occur on the average of national crops. With good sales of seeds, already carried out in all second-crop regions, the only question is the technology use. Therefore, we are containing for a little longer the productivity projections for the second crop and we should monitor the situation in the first half of next year. A crop with the application of lower technology, to reduce costs, in a good climatic condition, could bring productivity averages of 70 to 90 bags/hectare for this 2022 second crop. Of course, next fall will define this production scenario. Besides, this situation is not generalized, as many growers had already purchased inputs and guaranteed the planting. This whole situation also involves the second crop in Matopiba, which, at first, could have the same production profile.

Thus, the Brazilian crop with 119.3 million tons must be a new record, despite being lower than the previous estimate.

back to top

Russia – plans for quotas to address inflation and supply

16 November – Farmonline.com.au

In a week when the US Department of Agriculture (USDA) released the latest chapter in its intriguing, but never-ending, world agricultural supply and demand saga, it was Russia that took centre stage.

Russia has confirmed plans for the introduction of grain export quotas in the New Year, along with possible changes to the existing export duty.
The escalation of export restrictions comes as food inflation in Russia runs at a five-year high, and global wheat prices continue to rise in a concerted effort to ration supply.
The new measures are being introduced in a bid to cool inflationary pressures by boosting upcountry stocks and increasing supply to domestic consumers.
The Russian Agriculture Ministry's announcement on Wednesday last week initially led to a degree of market confusion around the actual start date of the proposed quotas, making mention of January.
But it is now believed that the finer details of the export restrictions on a range of commodities, including wheat, will be determined in December and announced in January.
The new export quotas are expected to start on February 15, as previously mooted, and run until the end of the 2021-22 marketing year on June 30.
The size of the wheat quota will be determined by two things - final 2021-22 production and the pace of exports in the first six months of the marketing year.
In late October, the Russian government reduced its wheat production estimate to 75 million tonnes, which would be 10 million tonnes lower than last season.
This is broadly in line with market estimates, with Sovecon at 75.5 million tonnes; IKAR in the 75-75.6 million tonne range; and the USDA at 74.5 million tonnes - which is up 2 million tonnes from its October forecast.
In last week's communique, the Russian Agriculture Ministry also stated that the existing floating export duty formula may be modified to impose higher taxes if global wheat prices got close to the US$400 per tonne level.
Russian 12.5 per cent protein wheat was quoted as high as US$340/t free-on-board (FOB) for December shipment at the close of last week, which was up by about US$100/t since the start of the current marketing year.
Moscow introduced the floating export tax in June this year, with its magnitude determined by the Agriculture Ministry weekly.
It is based on a formula that applies a 70 per cent tax to the difference between the government-determined base price and the current market price.
The tax is currently set at US$69.90/t for the November 10-16 period.
This will rise a further US$7.20/t to US$77.10/t for the week ending November 23.
If the global wheat market continues to rally, which is highly probable given the current supply and demand imbalance, and Moscow decides to tweak the formula, it has two options.
It can either reduce the base price - currently at US$200/t for wheat - or it can raise the 70pc tax rate.
Or the government could do both, such is the unpredictability of the authorities in Moscow.
The conundrum for Russia is a tightening global wheat balance sheet, which is clashing with a poor domestic production year.
Russia has been the world's biggest exporter of wheat in recent years.
Importers want Russian grain, but Russian farmers are refusing to sell.
They know that as world wheat values rally, the exporters can pay more for their grain.
Theoretically, the grower bid should be 30 cents higher for every dollar increase in the export price.
But if the exporter is squeezed, it will likely be more.
The Russian government gets the other 70 cents of course.

Russian wheat exports reportedly totaled 15.3 million tonnes in the first four months of the 2021-22 marketing year, although it is difficult to get accurate and timely data.
That is almost 19pc lower than the 18.8 million tonnes that was shipped in the same period last season.
With the export tax increasing substantially every week, wheat shipments from Russia's Black Sea ports are already slowing.
And, as the winter freeze sets-in across Europe, it will be impossible to maintain the current pace of wheat exports.
Even 3 million tonnes per month would be quite an optimistic outcome and would put exports at 25.8 million tonnes by the time the quota is introduced on February 15.
When the flat export tax of US$60/t was introduced early this year, Russia only exported 2.5 million tonnes of wheat in the March to May period.
This season, the floating tax could be US$100/t - or even more - by New Year.
The latest market talk out of Russia is a wheat export quota possibly as low as 5 million tonnes for the February 15 to June 30 period.
This is much lower than earlier suggestions of 1.5 million tonnes per month.
The former would put 2021-22 exports at 30.8 million tonnes, which is slightly lower than the Russian government's export target of 31.5 million tonnes.
And the latter would put exports slightly higher at 32.6 million tonnes by the season's end.
However, both scenarios are still much lower than the USDA.
Despite all the talk about increased export restrictions, the USDA raised its Russian wheat export forecast by 1 million tonnes to 36 million tonnes in last week's monthly supply and demand update.
Sovecon recently cut its Russian wheat export forecast by another 0.3 million tonnes to 34 million tonnes and IKAR kept its estimate unchanged, quoting a range of 31.5-32 million tonnes.
The Russian farmer will largely determine the pace of the nation's exports in the next three months.
With new demand from global consumers surfacing every week, the world wants more from them at the moment than they are prepared to concede.
The same can be said of most of the major Northern Hemisphere exporters.
The market needs a widescale capitulation by the Russian farmer.
Maybe a floating tax approaching US$100/t and the prospect of an export quota may be enough to loosen their grip and entice them to sell nearby wheat ahead of the mid-February deadline.

back to top

Brazil clears sale of GMO wheat flour from Argentina

15 November – Hellenicshipping.com

Brazil on Thursday cleared imports of flour from Argentina made with wheat modified genetically to resist drought and a common herbicide, making it the first market in the world to grant such approval.
Brazilian biosecurity agency CTNBio said the unanimous decision applied only to wheat flour. The ruling followed a request by Tropical Melhoramento Genético, a partner of Argentina-based Bioceres SA BIOX.BA, which developed the wheat variety resistant to ammonium glufosinate.
Brazilian flour millers have threatened to stop buying wheat from Argentina if CTNBio approved GMO wheat imports from the neighboring country.

“The decision was by a technical agency, but it is important to see what the Brazilian market wants. It looks like consumers in Brazil do not want GMO wheat,” said Gustavo Idigoras, head of Argentina’s CIARA-CEC chamber of grains exporters.
Some 55,000 hectares in Argentina have been planted with the GMO wheat on a experimental basis, according to company disclosures.

back to top

Saudi Arabia barley imports down due to vessel shortage
11 November – World-grain.com

Saudi Arabia will import 30% less barley in the first six months of 2021-22 compared to the same period a year ago due to a shortage of vessels, according to a report from the Foreign Agricultural Service of the US Department of Agriculture (USDA).
Imports are expected to total 2.8 million tonnes from July to December 2021. The drop in imports was due to a shortage of vessels that are lined up to load commodities to China or are waiting at Chinese ports to unload cargoes, the USDA said. In addition to affecting imports it has increased the overall price.
Australia is currently the most competitive barley supplier but it is facing an acute shortage of vessels because of prior commitments to shipping wheat and canola. As a result, Australia is lagging behind by about three months in delivering barley to Saudi Arabia.
Total barley imports for 2021-22 are estimated at 5.5 million tonnes, 21% lower than the USDA official estimate of 7 million tonnes. The import estimate takes into consideration the continued shortage of vessels.

back to top

Worst to come: pasta makers fret over durum wheat supply crunch
10 November – Reuters.com

Italian pasta makers are fearful of a substantial supply squeeze in the coming months after this summer's durum wheat price shock, as the market runs out of ways to offset a dire harvest in top exporter Canada.
Extreme heat and drought this year in the North American country, which usually accounts for about two-thirds of global durum trade, are expected to cut output there by about 3 million tonnes to nearly 50% below 2020 levels.
That has sent durum quotations to 13-year highs, stoking concerns about food inflation at a time when many economies are struggling to recover from COVID-19.
An index of food prices from the United Nations Food and Agriculture Organization is at a 10-year high, with the cost of bread also climbing as European wheat prices hit a 13-year peak this month. read more
With forecasts for Italy's domestic durum crop, which typically covers most of pasta makers' needs, also recently cut, the country's food producers are particularly exposed to turmoil in the wider market for the niche wheat variety.
Some Italian processors risk being caught short when the local crop runs out and may see production stoppages in the coming months, Strategie Grains analyst Severine Omnes-Maisons said.
"In terms of prices and scarcity of durum, the worst is perhaps still to come."
Canada's output wilted just as world durum stocks were already at a six-year low, partly due to at-home hoarding of pasta during pandemic lockdowns.

Several crops have seen prices jump this year due to harvest setbacks and mounting supply chain costs, but tensions in durum have been particularly intense, with export prices almost doubling since June.

Italy's durum crop had been expected to surpass 2020 levels this year, but the European Commission in October cut its estimate to 3.7 million tonnes from 4.3 million, leaving pasta makers fretting about availability in the first half of 2022.

"It will be more dramatic than it is now because at the moment we can find domestic wheat," said Vincenzo Divella, chief executive of the Divella pasta brand. "The situation with durum wheat is very serious."

Supply from this year's harvests may be even lower than anticipated. Unfavourable local crop reports in Canada suggest its official durum production estimate may be cut again in December, Omnes-Maisons says.

"Durum presents the greatest challenge in terms of balancing global import requirements with global export availability," Rhyl Doyle, director of export trading at Paterson Grain in Winnipeg, said.

Buyers have adjusted to some extent with non-Canadian supply. Australia has become the EU's second-largest durum supplier this season after Canada, while Mexico was expected to fill most of a large import purchase by Algeria in September.

Like Canada, the United States is set to see production drop by about half this year after suffering similar torrid weather since spring. France's rain-hit harvest meanwhile has curbed European supply.

That has led some to blame weather shifts for upsetting a balance of moderately warm and dry growing conditions suited to producing the hard, high-protein wheat variety.

"The increase in the price of durum wheat is a symptom of climate change," said Alberto Cartasegna, chief executive of Miscusi, which has a dozen restaurants in Italy.

Adjusting to low stocks will partly come from paying more for durum-based staples and switching to less costly common wheat.

Price rises are not expected to dampen pasta demand in wealthy European countries - where pasta is required to be made from durum - despite double-digit percentage increases by some manufacturers that are being passed on partly to shoppers.

But consumption patterns may shift more in emerging economies.

North African households face an increase of around a quarter in the price of durum-based semolina bread, which is expected to reinforce the prevalence of soft wheat bread.

"We have no choice but to increase prices to cover costs," Abdelaziz Bouchireb, an Algerian baker, said of semolina bread.

Turkey, a major pasta exporter, earlier this year relaxed rules to increase the maximum share of common wheat allowed in pasta exports from 30% to 100% in response to dwindling durum supply.

Reduced demand in Turkey and North Africa is expected to account for the bulk of a 6% drop in global food use of durum in the 2021/22 season compared with pre-pandemic levels, Strategie Grains forecasts.

The International Grains Council projects that worldwide durum demand will hit a 19-year low in that period. Nevertheless it sees end-season durum stocks at a 14-year low, suggesting a tightrope for the market before next year's harvests.

Even in wealthy economies, households may feel the pinch.

Market data specialist Nielsen says supermarket prices of budget pasta brands - those most dependent on raw material costs - rose nearly 20% year-on-year in France in October, which could augur significant across-the-board increases to come.

In the United States, stores are still stocking products made with last year's durum, so the impact of tighter supplies has not reached the end of the supply chain, said Jeffrey McPike, a U.S.-based trader and consultant with McWheat Trading Inc.
"It will," he warned.

back to top

Reports

Food Outlook – FAO

This report provides supply and demand forecasts for basic foodstuffs, fish and fishery products along with price analysis and policy information. The Special Feature examines the pathways and impacts of rapidly rising input prices, especially those of energy derived from fossil fuels, which can have detrimental effects on the global food economy in terms of their influence on food prices and future price developments, as well as their likely consequences for global food security.

Public food stockholding – A review of policies and practices – FAO

Public provision of food stocks has been a common feature of agricultural policy throughout history and in various geographical contexts – Asia and the Pacific, Europe, Latin America and the Caribbean, Near East and North Africa, North America, and Sub-Saharan Africa. This is because promoting food security, managing price risks protecting consumers, and supporting rural incomes are important social outcomes in any country, and addressing or mitigating the effects of market failures that prevent the achievement of these outcomes tends to be high on the public policy agenda.

World Food and Agriculture – Statistical Yearbook 2021 – FAO

This publication offers a synthesis of the major factors at play in the global food and agricultural landscape. Statistics are presented in four thematic chapters, covering the economic importance of agricultural activities, inputs, outputs and factors of production, their implications for food security and nutrition and their impacts on the environment. The Yearbook is meant to constitute a primary tool for policy makers, researchers and analysts, as well as the general public interested in the past, present and future path of food and agriculture.

The State of Food and Agriculture 2021 – FAO

This year's report presents country-level indicators of the resilience of agrifood systems. The indicators measure the robustness of primary production and food availability, as well as physical and economic access to food. They can thus help assess the capacity of national agrifood systems to absorb shocks and stresses, a key aspect of resilience.

back to top

Monthly Information Sources

AMIS Market Monitor

FAO Cereal Supply and Demand Brief - FAO

Grain Market Report – IGC

Oilcrops Monthly Price and Policy Update – FAO

Crop Monitoring in Europe - European Commission

FAO Rice Price Update – FAO

World Agricultural Supply and Demand Estimates – USDA

Early Warning Crop Monitor – GEOGLAM

Commodity Price Data - World Bank

Food Price Monitoring and Analysis (FPMA) – FAO

GIEWS Country Briefs - FAO

Mediterranean Agricultural Information Network - MED-AMIN

Club Demeter Système de veille

FAO's Big Data tool on food chains under the COVID-19 pandemic

COVID-19 and World Trade

IFPRI COVID-19 Food Trade Policy Tracker

The main purpose of the MNR is to provide links between the FAO Secretariat and the Members of the Intergovernmental Group (IGG) on Grains, as well as the general public.

To unsubscribe, send an email to: mailto:MNR-L-signoff-request@LISTSERV.FAO.ORG

The MNRs are sent electronically on the last working day of the month except in July and December.

Useful links

Previous issues of the MNR

FAO World Food Situation

FAO Grains website

Food and Agriculture Organization of the United Nations

www.fao.org/economic/est