

# Monthly News Report on Grains

*MNR Issue 115 - August 2015*

## About the MNR:

---

**For a printer friendly version of the MNR, you may wish to use the attached PDF file.**

The main purpose of the MNR is to establish a communication vehicle for closer dialogue between the FAO Secretariat and the Members of the Intergovernmental Group (IGG) on Grains as well as the general public.

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

To find previous issues of the MNR click [here](#).

To subscribe, send an email to:  
FAO-IGG-  
GRAINS@fao.org

---

## Links to our web sites:

FAO World Food Situation

FAO Grains Website

## Market News:

- U.S. soybean, corn prices seen dropping below production costs
- Venus knocks \$5 a tonne off wheat to win Egyptian order
- Iran will be missing from wheat-import market for first time
- Healthy EU wheat harvest nearly done; record French crop
- World grain stocks to hit 29-year high, says IGC
- Russia expecting 3rd largest grain harvest in post-Soviet history
- Australia's largest wheat state Western Australia set for El Nino defying rains
- Argentine wheat supply seen hit by floods, cuts in planting
- Zimbabwe stocks shelves with maize meal that most struggle to buy
- India to impose import duty of 10 percent on wheat

## Reports

- OECD-FAO Agricultural Outlook 2015-2024

## Monthly Information Sources

- Grain Market Report (IGC)
- Oilcrops Monthly Price and Policy Update (FAO)
- Crop Monitoring in Europe (MARS)
- World Agricultural Supply and Demand Estimates (USDA)
- FPMA Bulletin (FAO)
- Commodity Price Data (World Bank)

## Market News:

---

### **U.S. soybean, corn prices seen dropping below production costs**

31 August 2015

Agricultural Wire

U.S. new-crop soybean and corn prices are expected to drop as much as \$1-\$2 per bushel below production costs in the coming months as near-record domestic output adds to bulging world supplies, industry officials said on Thursday.

Mounting losses could prompt the country's farmers to try and maximize their yields in order to meet their costs, the officials added, which in turn would further drag on benchmark U.S. futures that are currently mired near multi-month lows.

Chicago new-crop soybean futures will likely drop below \$8 a bushel and corn to \$3 a bushel, the officials said on the sidelines of an industry meet in Siem Reap. It costs \$8-\$9 to produce one bushel of soybeans and \$4-\$5 for a bushel of corn.

"We are going to see a lot of red ink out there," said Jim Call, former chairman of United Soybean Board who farms soybeans in Minnesota. But farmers have no choice but to continue producing more, he added. As much as 97 percent of the farms in the United States are family owned.

"Futures are under pressure but we are also seeing the basis falling," said Call. In fact, cash prices for new-crop beans in some areas are already 65 cents below Chicago November futures contract, he added.

Soybean futures hit their lowest since 2009 at \$8.55 a bushel this week as rains boosted U.S. output prospects. Higher South American supplies have also dented prices.

Corn, down 5 percent so far this year, is trading at \$3.76 per bushel, just 30 cents above its lowest since October.

"We had a record harvest last year and looking at near-record production this year which is after two years of all-time high production in South America," said John Baize, president of consultancy John C. Baize & Associates in Washington.

The U.S. Department of Agriculture has pegged domestic corn and soybean harvests above expectations this year. It forecast corn production at a 13.686 billion bushels, with average yield projected at 168.8 bushels per acre.

The 2015-16 soybean harvest was pegged at 3.916 billion bushels based on an average yield of 46.9 bushels per acre.

"Last year we produced 60 bushels of soybeans an acre and it cost us \$10.12 a bushel and going by current prices we will need the yields to go up to 73 bushels per acre," said Jim Miller, vice chairman of the U.S. Soybean Export Council who farms corn and soybeans in Nebraska. "We are not going to get that."

[back to top](#)

---

### **Venus knocks \$5 a tonne off wheat to win Egyptian order**

31 August 2015

Black Sea Grain

Grain merchant Venus knocked more than \$5 a tonne off its offer price for Ukrainian wheat to win an order from Gasc – and underline the struggle of French supplies to compete, heightening fears of a logistical squeeze.

Gasc - the grain authority for Egypt, the world's top wheat importing country – purchased on Friday, at its second tender in two days, 55,000 tonnes of wheat from Venus.

The winner offer was priced at \$177.20 a tonne, excluding freight - a reduction of \$5.79 a tonne from the price at which Venus offered Ukrainian wheat to Gasc's previous tender, and meaning a price cut of \$318,000 in 24 hours.

Gasc has now bought 110,000 tonnes of wheat this season from Venus, out of 1.06m tonnes purchased in all, although Olam International is the most popular seller so far, winning 300,000 tonnes of orders.

The offer from Venus undercut offers from Russia, from where Gasc has ordered most of its wheat since 2015-16 opened last month, and which has an advantage of lower shipping costs to Egypt, and has pledged to increase its share of business on this route.

The cheapest Russian offer this time was priced at \$181.98 a tonne excluding freight, from Glencore.

Wheat from France, the EU's top producer and exporter, remained well out of the running, despite a cut of \$2 a tonne from Thursday to \$185.74 a tonne in the offer to Gasc from Soufflet.

The competitiveness of former Soviet Union wheat "has again been aided by further falls in the Ukrainian hryvnia and the Russian rouble, which touched a new all-time low against the dollar earlier in the week", traders at a major European commodities house said.

"France, with the stronger euro, continues to struggle to make export sales."

Indeed, the apparent failure of France, which has harvested a record 40m-tonne soft wheat crop this year, to win significant export business has raised worries about the country's logistics, which were fouled up last year by a poor quality crop which required extensive grade segregation.

"Not only does France have to contend with Black Sea competition; there is now cheap wheat being offered from the Baltic," the traders said.

"It looks as if northern Europe, including Poland, Denmark and the Baltic states of Estonia, Latvia and Lithuania, has had bumper yields", and is "reverting to aggressive export sales".

For France, "the maize harvest is now no more than a fortnight away, so where is all this grain going to go?"

Already, operators of two silos in Rouen and one in Dunkirk – the three points for taking wheat for delivery against Paris futures – have closed to new receipts because of the glut of supplies.

"The French wheat crop is now projected at a record 40m tonnes plus, and with all three Matif intake silos now closed for intake, the sheer volume of supply is weighing heavy," said David Sheppard, managing director at UK grain merchant Gleadell.

The EU cleared 277,000 tonnes of soft wheat for export from the bloc this week, a low figure by recent standards, and taking shipments so far this season to 3.15m tonnes, down 17.1% year on year.

[back to top](#)

---

## **Iran will be missing from wheat-import market for first time**

30 August 2015

Bloomberg

Iran won't be importing wheat for the first time on record with farmers and inventories providing enough supplies to meet domestic demand.

Guaranteed wheat purchases from farmers will exceed 8 million metric tons, Ali Ghanbari, managing director of the Government Trading Corp., responsible for imports, said on the government website on Sunday. The nation's inventories are adequate to meet domestic demand for six months, he said.

"Given the increase in guaranteed wheat purchases from wheat farmers so far this year, there will be no need for importing this strategic product from abroad this year," Ghanbari said. The U.S. Department of Agriculture has Iran importing wheat every year since at least 1960.

The lack of Iranian imports is another blow to the wheat market where prices in Chicago have tumbled 18 percent this year. In the year ending May 31, 2016, world stockpiles will be at a record high, the U.S. Department of Agriculture forecasts.

Iran needed as much as 6.8 million tons of wheat from overseas in 2008-09, when the domestic harvest slumped about 50 percent, according to USDA data. The USDA is still forecasting imports for the current year at 3 million tons, less than half of last season's 6.3 million tons.

"To date, 7.8 million tons of wheat has been purchased from farmers and based on projections made, the volume of guaranteed wheat purchases to the end of the farming season will surpass 8 million tons," Ghanbari said. "At this volume of purchase, the country's bakery sector for wheat will be met." The domestic harvest usually ends in October, and the imports are for the year ending March 21, 2016.

[back to top](#)

---

## **Healthy EU wheat harvest nearly done; record French crop**

28 August 2015

AgWeek

European Union wheat harvesting is almost finished with good average crops in the main producers, and with a record in the largest grower France, observers said on Friday.

French growers group AGPB said France's soft wheat harvest would be a new record, surpassing 40 million tons, up from 37.5 million tons last year after highest-ever yields were achieved.

"Despite the deep concern caused by the heatwave temperatures, we have had some nice surprises," said AGPB president Philippe Pinta. France's harvest is now finished.

Other observers also forecast a record French crop of around 39-40 million tons, after wheat crops survived dry, hot weather in early summer.

French quality is also better than year's poor levels, with the exception of protein content which was expected to stay close to the 11.1 percent average in 2014.

In the second largest producer Germany, the crop will fall by 5 percent on last year's especially good harvest to a good average 26.4 million tons, Germany's agriculture ministry said.

Harvesting is almost finished apart from late northern areas and quality is overall good, the ministry said.

In third largest producer Britain, heavy rain slowed harvesting during the last week, raising some quality concerns.

Crop consultants ADAS estimate Britain's harvest was 45 percent complete on Tuesday, up from 40 percent a week earlier but behind the five-year average of around 60 percent.

"Most crops harvested over the last week required drying with moisture contents ranging from 15 to 21 percent," ADAS said.

ADAS said quality has so far held up well despite the rain but concerns were emerging that there could be increased supplies of feed wheat.

"With the UK weather now marking further harvesting a snap and grab exercise, quality concerns will rise," David Sheppard, managing director of merchant Gleadell said in a note.

Estimates for this year's UK wheat crop range between 15.5 to 16.0 million tons, down from last year's 16.6 million.

In the fourth largest producer Poland, harvesting is practically finished and should be completed in final northern area next week, said Wojtek Sabaranski of analysts Sparks Polska.

"Both wheat yields and crops turned out to be better than projected before the harvest," Sabaranski said. "We now see this year's wheat crop at about 10.8 million tons, down 13 percent from 2014."

"Thanks to favorable weather conditions during the harvest, the quality of this year's grains is more than satisfactory."

[back to top](#)

---

## **World grain stocks to hit 29-year high, says IGC**

27 August 2015

[Agrimony](#)

World grain stocks are to end the new season at their highest in nearly 30 years, the International Grains Council said, ditching expectations of a fall in inventories as it upgraded to a record its wheat output estimate.

Global inventories of wheat and coarse grains combined will rise by 2m tonnes to 447m tonnes in 2015-16, "a 29-year peak", the IGC said, reversing expectations that production would fall behind consumption for the first time in three years.

The revision reflected a hike of 18m tonne to 1.99m tonnes in the forecast for world grains production, "tied to larger-than-expected wheat and barley crops in the [former Soviet Union] and the European Union", the council said.

The world wheat crop was upgraded by 10m tonnes to 720m tonnes, putting it in line with last season's record high.

The forecast for world corn production was lifted too, led by an upgrade to the US crop, which has enjoyed benign weather, although this revision was in part offset by cuts to hopes for some smaller crops.

"Following reports of worse-than-anticipated drought damage, estimates for corn in the EU and Ukraine... are lowered from before," the IGC said.

World corn output this season was seen at 968m tonnes, 2m tonnes above the previous estimate, but 35m tonnes below the 2014-15 record.

"Reductions in both area and yields are seen resulting in a 3% contraction in the global corn crop."

The IGC also highlighted that world sorghum production will hit a 20-year high, and upgraded its forecast for the US crop.

Larger crop supplies, in implying reduced need for buyers to pay up to secure supplies, tend imply weaker prices and the council highlighted declines in soybean and wheat values in particular over the past month "amid prospects for bumper availabilities".

"More recently, outside markets weighed, with concerns about global economic growth adding to bearish sentiment," the IGC said.

Wheat values, as measured by a council index, have fallen by 4.3% over the past month, "with limited fresh international demand".

Soybean prices have dropped by 6.7%, with the IGC highlighting that "signs of slowing economic growth in China and associated worries about prospects for import demand" by the top buying country for the oilseed had added "to the bearish tone".

[back to top](#)

---

## **Russia expecting 3rd largest grain harvest in post-Soviet history**

27 August 2015

Moscow Times

Russia, one of the world's top wheat exporters, will harvest its third-largest grain crop in post-Soviet history this year, leading Russian consultancy SovEcon said on Thursday after upgrading its forecast.

Farmers have managed to reap a large crop despite unfavorable weather last autumn, a weakening ruble, which inflated their costs, and government regulation, which has periodically curbed wheat exports since late 2014.

"Weather is always playing the key role for crops, we had very good spring rains which caused a good harvest of winter wheat," SovEcon head Andrey Sizov told a conference in Moscow.

"However, it's too early to say that this situation will be repeated next year: the latest ruble weakening means more expensive fertilizers and seeds, while farmers do not have that cash stock which they had last year."

The ruble has been hit by low oil prices and Western sanctions imposed over Moscow since 2014. It has been also volatile against the dollar in the last few days, prompting some farmers to put sales of their wheat on hold.

Farmers are now preparing for the most active period of winter grains sowing for next year's crop, but some regions have already started work, sowing 9 percent of Russia's total area.

SovEcon has increased its forecast for Russia's 2015 grain crop by 2 million tons to 101 million; its outlook for the wheat crop was raised to 61.3 million tons from 59.5 million.

Its estimate is still lower than the agriculture ministry, which sees the crop at 103 million tons of grain, down from 105 million in 2014 and a record crop of 108 million in 2008.

Ruble volatility is also causing uncertainty for Russian wheat exporters, whose costs depend on the state's floating tax on wheat exports, imposed from July. The government will consider changing it and the agriculture ministry has until Sept. 10 to submit its proposal.

So far, Russia's grain exportable surplus for the 2015/16 marketing year, started on July 1, is expected to be high, but the actual exports will really depend on the tax, SovEcon said.

It sees the 2015/16 grain exportable surplus at 31 million tons, down 300,000 tons on a year ago and the wheat surplus at 23 million tons, up 1 million on a year ago.

[back to top](#)

---

## **Australia's largest wheat state Western Australia set for El Nino defying rains**

27 August 2015

The Economic Times

Australia's largest wheat producing region is likely to receive ample rains during a crucial yield-setting stage, Australia's weather bureau said, potentially offsetting any damage from an intensifying El Nino weather event.

The chance of rainfall exceeding average levels in Western Australia between September and November was

seen at 65 per cent, the Australian Bureau of Meteorology said on Thursday.

Western Australia is the country's largest grain producing and exporting state, typically accounting for about a third of the country's wheat crop.

Rain in September is a significant barometer of Australia's wheat production, as yields are determined during that period.

Benchmark wheat prices have fallen nearly 15 per cent over the past 12 months due to ample global supplies, and could come under further pressure if Australia, the world's fourth-largest wheat exporter, can avoid any decline in output.

Forecasts for a major El Nino event had stoked expectations of a shortfall in Australian production, with some analysts estimating that a dry finish to the 2015/16 season could cut output to as low as 21 million tonnes, from 23.7 million tonnes last year.

But analysts said conditions have improved in several key regions in recent weeks and the forecast for favourable weather meant production was now likely to fall in line with recent years.

"If we get good spring rains we could get 23 million tonnes or even above that," said Phin Ziebell, agribusiness economist, National Australia Bank.

In June, Australia's chief commodity forecaster estimated wheat production at 23.598 million tonnes, although it warned that rains would be needed to avoid curbs to yields.

[back to top](#)

---

## **Argentine wheat supply seen hit by floods, cuts in planting**

21 August 2015

AgProfessional

Argentine wheat output will likely fall this season after record storms lashed the Pampas grains belt, making it difficult for Argentina to compete in a global export market saturated by bumper harvests in western Europe and the Black Sea region.

A key supplier of wheat to neighboring Brazil and the world's top exporter of soymeal livestock feed, Argentina is one of a handful of key international food suppliers at a time when both global demand and weather-related risks are rising.

Farmers expect a 6.0 percent loss in recently-sown wheat, after plantings were reduced in reaction to government export restrictions and a local currency widely considered over valued.

"We've already gotten a year's worth of rain and we're just headed into spring, which is supposed to be the wet season," said David Hughes, who farms several thousand hectares in the bread-basket province of Buenos Aires.

He usually gets 1,000 millimeters every year. "We passed that for 2015 about a week ago," Hughes said.

Ernesto Ambrosetti, analyst at the Argentine Rural Society, which represents big growers, said a record 300 millimeters fell on some parts of the Pampas over the last 10 days.

"What's certain is that we will lose around 6.0 percent of wheat area to the floods," Ambrosetti said, not counting yield losses due to fungi that flourish in overly-wet conditions.

The Buenos Aires Grains Exchange expects 3.7 million hectares were planted with wheat this year, versus 4.4 million in the previous season.

Weak production could crimp Argentine exports to Brazil, prompting its largest wheat customer to turn elsewhere. When frost damaged Argentina's 2013 crop, U.S. exporters stepped in with 4 million tonnes of



wheat, the most ever shipped from the United States to Brazil.

Storms, droughts and heat waves will cause more frequent food shortages as the global climate changes, British and American experts warned last week, throwing a question mark over top commodity crops corn, soybeans, wheat and rice.

Since most of these crops come from a small number of countries such as the United States, Argentina and China, extreme weather in these regions are expected to have an outsized impact on food supplies.

Global wheat stock piles are nonetheless seen hitting a record 221.5 million tonnes by the end of the season.

The U.S. Department of Agriculture (USDA) expects an Argentine wheat crop of 11.1 million tonnes, down from 12.5 million in 2014/15. Some of Argentina's restrictive trade policies may change after the Oct. 25 presidential election, which could in turn increase wheat output the following season.

Front-running presidential candidate Daniel Scioli has left his policy platform vague. He is from the same party as outgoing President Cristina Fernandez, whose interventions to keep the local peso strong have put exporters at a disadvantage.

Running second is Buenos Aires Mayor Mauricio Macri, who vows let the peso trade freely and ditch wheat export quotas if he wins the presidency. His goal in the October election is to do well enough to force a November run-off.

[back to top](#)

---

## **Zimbabwe stocks shelves with maize meal that most struggle to buy**

17 August 2015

New Zimbabwe

In January, President Robert Mugabe's government reversed a ban on private imports of maize as a drought looked set to slash harvests. Poor Zimbabweans like Jessica Musoni will struggle to afford it.

Musoni is one of millions of people in Zimbabwe's rural areas enduring the worst drought in more than a decade that's left the country with a 700,000 metric ton-corn deficit, about half of annual consumption.

Income from vegetables that Musoni grows and sells at a street stall barely allow her to buy the staple food of corn meal, that's boiled into a dish known locally as sadza.

"People can import food, yes," Musoni, 68, said in an interview from her home in Mvurwi. "But can we afford to buy it? No."

The drought comes after a political and economic crisis that halved the size of the economy since 2000 and has now left 1.5 million Zimbabweans, or about 15 percent of the population, facing food shortages, according to an assessment by Fewsnet, an organization that provides warnings about food insecurity.

"What you will see is people buying less of everything else so that they can afford mealie meal," John Robertson, an independent economist based in Harare, said by phone. "People will limit buying to maize meal and nothing else."

Food remains widely available and the situation isn't at the tipping point of "disaster," Agriculture Minister Joseph Made said in a phone interview.

Private companies have already imported more than 100,000 tons of maize this year, adding to a domestic supply estimated by the United Nations Food and Agriculture Organization at about 950,000 tons.

In April, the government scrapped a rule that fixed the procurement price of maize at \$390 a ton, the FAO said. White maize for delivery in December was trading at 3,044 rand (\$236) a ton on the South African Futures Exchange in Johannesburg.



Customers are "buying extremely frugally because there's no money out there," Vinod Patel, who has a grocery shop in Mvurwi, said.

Weakening consumer demand, government cost-cutting and a liquidity squeeze as banks hold back on lending are dragging down prices. Annual consumer prices fell 2.8 percent in July, with food declining 3.7 percent, according to the statistics agency.

The country's agriculture sector is recovering from an often violent government-backed land-seizure campaign that began in 2000.

Most white-owned commercial farmers were stripped of their land to resettle black subsistence farmers in a redistribution programme meant to correct the legacy of colonialism.

The turbulence of the takeovers devastated the output of food including corn, of which Zimbabwe was once Africa's second- biggest exporter, and more lucrative export crops like tobacco and cut roses.

The government last month cut its 2015 economic growth forecast by more than half to 1.5 percent, from 3.2 percent, citing the drought, which cut farming output by 8.2 percent.

Sitting in the shade of his thatched hut in Guruve district, wearing faded overalls from a mining job decades ago, Sam Goredema, 72, said life has never been harder.

He, like many of his neighbours, is relying on remittances sent by mobile phone from family and friends living abroad, from United Nations workers in Haiti to bankers in London and restaurant waiters in neighbouring South Africa.

"My first-born son sends money from Britain by Western Union, then my other son distributes it to me and his sister," Goredema said. His cut of \$100 a month pays for two meals a day.

"Every cent must go to upfu, there's no money to spare for anything else," he said, using the local term for uncooked corn meal. "If I have money, I buy upfu."

[back to top](#)

---

## **India to impose import duty of 10 percent on wheat**

7 August 2015

Reuters

India will impose an import duty of 10 percent on wheat until March 31 next year, Finance Minister Arun Jaitley said on Friday, reinstating tariffs after a gap of eight years following big overseas purchases in recent months.

Reuters reported last week that a decision had been taken after officials from the ministries of farm, food, trade and finance met to discuss ways to curb imports at a time when domestic stocks are ample thanks to seven years of bumper harvests aided by government subsidies.

In June private firms signed deals to import 500,000 tonnes of premium Australian wheat, the biggest such purchases in more than a decade, which led to criticism Prime Minister Narendra Modi's government was letting farmers down.

Some flour millers in India's port cities contracted to buy the wheat after rain and hailstorms earlier this year damaged crops, especially high-protein varieties used to make pasta and pizzas.

The duty increase, announced on the website of the upper house of parliament ([bit.ly/1M9JpCd](http://bit.ly/1M9JpCd)), could rule out the import of another 500,000 tonnes that had been expected earlier.

A trader in New Delhi said the government may have been forced to move quickly due to fears that some of the 52,500 tonnes of French wheat rejected by Bangladesh over quality concerns could find its way into India.

The trader, who did not want to be named, said at least one of the rejected cargoes was heading towards Tuticorin port in southern India.

"The government didn't want any rejected cargo to come to India because it would have prompted trading companies to divert the rest of their rejected vessels to Indian shores," he said.

[back to top](#)

## Reports

### OECD-FAO Agricultural Outlook 2015-2024

July 2015

FAO

The twenty-first OECD edition of the Agricultural Outlook, and the eleventh prepared jointly with the Food and Agriculture Organization of the United Nations (FAO), provides projections to 2024 for major agricultural commodities, biofuels and fish.

[Link to report](#)

[back to top](#)

## Monthly Information Sources

---

### Grain Market Report

August 2015

IGC

[Link to report](#)

[back to top](#)

---

### Oilcrops Monthly Price and Policy Update

August 2015

FAO

[Link to report](#)

[back to top](#)

---

### Crop Monitoring in Europe

August 2015

MARS

[Link to report](#)

[back to top](#)

---

### World Agricultural Supply and Demand Estimates

August 2015

USDA

[Link to report](#)

[back to top](#)

---

## **FPMA Bulletin**

August 2015

FAO

[Link to report](#)

[back to top](#)

---

## **Commodity Price Data**

August 2015

The World Bank

[Link to report](#)

[back to top](#)