

Monthly News Report on Grains

MNR Issue 116 - September 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:

- Dry weather threatens 2016 grain crops in Ukraine, Russia
- Zambia. State bans wheat importation
- SA wheat import duties climb to record as US prices drop
- World wheat stocks to hit record high, says IGC
- Russian government proposes cutting wheat export tax
- Syria needs more wheat from abroad despite healthy harvest
- Iran cancels import duties on wheat and barley
- Wheat plunge may not be over
- Sudan lifts subsidy on wheat imports
- China to stockpile corn during 2015-16 at lower price

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)
- FPMA Bulletin (FAO)
- World Agricultural Supply and Demand Estimates (USDA)
- Market Monitor (AMIS)
- Commodity Price Data (World Bank)

Market News:

Dry weather threatens 2016 grain crops in Ukraine, Russia

25 September 2015

Hellenic Shipping News

Dry weather is threatening the 2016 grain harvests in Ukraine and Russia, both major Black Sea wheat exporters which are currently planting winter crops, analysts and forecasters say.

Officials expect the total area for winter grains to remain flat year-on-year at 7.4 million hectares in Ukraine and to rise 300,000 hectares to 17.1 million hectares in Russia.

Most of the seeds in Ukraine have been planted in dry land due to widespread drought across its central, eastern and southern regions and observers fear a lack of moisture could disrupt the 2016 wheat and barley harvest.

"In southern and eastern regions where the rainless period has lasted for more than a month, critically unfavorable conditions for soil moisture replenishment were observed in fields for seeding winter crops," said analyst UkrAgroConsult.

"Failure to comply with sufficient sowing time period increases the probability that crops will enter the winter underdeveloped and weak."

Ukrainian farmers have sown 1.9 million hectares of winter grains, or 26 percent of the intended area, according to agriculture ministry data, down from 2.0 million hectares at the same date last year.

"Farmers are continuing to sow despite the fact that 70 percent of Ukrainian fields are absolutely dry. They sow 'just in case'," said Tetyana Adamenko at Ukraine's state weather centre.

Ukrainian weather forecasters say this August was the driest in 54 years and expect no rain before the end of September.

Ukraine and Russia were both hit by bouts of dry weather last autumn, but a favourable spring climate during helped to improve yields.

"The situation is very sad, but we know cases when seeds sown in autumn sprouted in the spring," Adamenko added.

So far, there has been less drama in Russia, where farmers have already sown 9.6 million hectares, or 56 percent of the planned area.

The country's southern regions have experienced dry and hot weather, especially around the cities of Rostov and Volgograd, but farmers are still able to sow grains in optimal time.

"The situation is not easy, but we still have time," said Dmitry Rylko, the head of the IKAR agriculture consultancy.

The agricultural department at state weather forecaster Hydrometcentre said: "There is not much to worry about so far."

The pace of the sowing in Russia has increased significantly in the last few days and is currently down 377,800 hectares year-on-year.

[back to top](#)

Zambia. State bans wheat importation

25 September 2015

Black Sea Grain

Government has with immediate effect banned the importation of wheat saying Zambian farmers have the capacity to meet local demand.

This follows the country's deficit in wheat which was estimated to run out by March this year prompting Government to approve the importation of 75,000 tonnes of wheat.

During the launch of the 2015 wheat harvest at Zambezi Ranching and Cropping farms on Wednesday, Minister of Agriculture and Livestock Given Lubinda cautioned farmers not to charge their commodity above the import parity price.

Mr Lubinda said the importation of the commodity will only be allowed if local supply is exhausted.

"The one thing for sure is that whoever comes running to the ministry asking for an import permit, the answer is a categorical no. I will not allow the importation of wheat. I want to inform the citizens that I am not in a hurry to allow importation of commodities as long as they are locally available.

"We are a Government that takes precautions when handling imports and exports matters...Let me also appeal to farmers not to abuse [ban of wheat imports] by increasing prices. Let everyone involved in the value chain be responsible," he said.

Meanwhile, the country is expected to harvest about 330, 371 tonnes of wheat this year against the national consumption requirements of 310,000 tonnes annually, a surplus of 28,371 tonnes.

Earlier, Zambia National Farmers' Union second vice president Graham Rae said although this year's wheat production has reduced marginally by 7,862 tonnes, the country is anticipated to have an exportable surplus.

Mr Rae attributed the reduction in yield to load shedding and lower water level, which is affecting irrigation.

"There is need to ensure that the local wheat market is not eroded. At worst case scenario, wheat imports should only be allowed between April and July [if there is a] shortage," he said.

He said this will give farmers space to market their crop harvested in the previous year and guarantee market for the next season to enable them to repay the loans obtained for production process.

[back to top](#)

SA wheat import duties climb to record as US prices drop

25 September 2015

Business Day Live

South Africa raised duties on wheat imports to the highest on record to protect local producers after US prices of the grain dropped to the lowest in more than five years this month.

The Treasury increased the tariff by 78% to R911.20 a metric tonne, it said in a statement posted on the website of the South African Grain Information Service (Sagis). That is the highest since the government introduced the regime in January 2002, Sagis GM Nico Hawkins said.

"An increase in the tariff would provide a base for domestic prices," Wandile Sihlobo, an economist at the Grain SA farmers' lobby, said by phone on Friday.

"The tariff is a good increase given that South African producers right now are heading towards harvesting."

Wheat is trading close to a five-year low in Chicago amid a global glut and as world inventories may climb to

a record high in 2016 as farmers reap the biggest crops in the US, Russia and Ukraine, the largest producers.

In SA, farmers probably planted the second-smallest area on record this year, substituting the grain for more profitable, higher-yielding crops such as corn.

While SA is the sub-Saharan region's biggest producer of the grain after Ethiopia, it's still a net importer of wheat, according to US Department of Agriculture data.

The duties comprise the difference between a reference price of \$294 a tonne and a weekly price for hard red winter wheat, which averaged about \$220 a tonne in the week through September 22, Mr Hawkins said.

The rand has weakened 16% against the dollar this year, reaching a record R14.0813 on September 24. Wheat climbed 0.4% to R4,139 a tonne in Johannesburg on the South African Futures Exchange, extending the increase this year to 3.5%.

[back to top](#)

World wheat stocks to hit record high, says IGC

24 September 2015

Agrimoney

World wheat stocks will this end this season at an all-time high, with improved ideas for the global harvest more than offsetting expectations of extra supplies being fed to livestock, the International Grains Council said.

The IGC, in a monthly report, raised by 7m tonnes to 211m tonnes its estimate for global wheat inventories at the end of 2015-16, a figure it termed "a record".

The revision reflected an upgrade to 727m tonnes in the estimate for wheat production this season, confirming the harvest as "a third successive record" high.

This more than offset an increase of 3m tonnes, to 719m tonnes, in the estimate for wheat consumption, reflecting largely increased ideas for inclusion in livestock rations.

"Tighter supplies of corn," with lower production expected in many major growing countries, "will increase interest in alternative feeds, and use of wheat is seen at its second highest level ever, including a jump in the European Union," the council said.

The EU has seen its own corn harvest prospects hurt badly by a dry and hot summer in many major growing countries.

The IGC noted that wheat prices had, despite the improved supply prospects, gained over the past month, by 3.1%, amid concerns over dryness in the former Soviet Union, where farmers are planting crop for the 2016 harvest, and in Australia, where combines have just begun rolling."

"Recent advances in wheat were partly tied to speculative short covering in US futures, as well as concerns about dry weather in some countries," the council said.

Nonetheless, "sentiment across most markets was weighed by bearish fundamentals, as well as worries about the world economy and how demand for commodities might be affected".

Corn prices fell by 0.2% month on month and barley values by 1.1%, according to the council's own indices.

Indeed, the IGC restated expectations of world stocks of grains overall ending 2015-16 at a 29-year high - although with the figure upgraded by 9m tonnes to 456m tonnes, mainly reflecting the increased wheat inventory estimate.

The estimate for corn stocks at the end of the season was raised by 1m tonnes to 199m tonnes, still down 4m

tonnes year on year.

The upgrade reflected a decreased expectation for consumption, which will fall in particular in the EU as farmers switch to wheat for feeding livestock.

The production estimate was trimmed by 1m tonnes to 967m tonnes, a drop of 38m tonnes year on year.

[back to top](#)

Russian government proposes cutting wheat export tax

24 September 2015

Grainews

The Russian government has proposed cutting its floating wheat export tax from Oct. 1 and to exempt durum wheat from the levy, a senior official said on Thursday.

Russian wheat exports have been constrained by the tax, which has prevented exporters from fully benefitting from the weaker rouble and a large grain crop.

The current duty formula is set at 50 per cent of the customs price minus 5,500 roubles (C\$110) per tonne but not less than 50 roubles per tonne.

The government is proposing changing that to 50 per cent of the customs price minus 6,500 roubles (C\$130) per tonne but not less than 10 roubles per tonne, Deputy Prime Minister Arkady Dvorkovich said on Thursday in Semikarakorsk in Russia's southern grain-growing Rostov region.

"The (tax) easing is for 1,000 roubles," Dvorkovich, who is in overall charge of agriculture, told reporters on Thursday.

He did not say when the proposal would be approved by Russia's Prime Minister Dmitry Medvedev.

"This is broadly in line with what market had expected," said Dmitry Rylko, the head of the IKAR agriculture consultancy.

The agriculture ministry had proposed the changes, but according to industry sources the decision was delayed due to Economy Ministry opposition.

The new tax would also exclude more expensive "hard wheat" and seeds, Dvorkovich said.

Two agriculture consultancies told Reuters the hard wheat Dvorkovich was referring to was durum, of which Russia is a small supplier, and all types of wheat seeds.

Dvorkovich did not say whether the government also planned to raise prices for the state restocking programme, which the agriculture ministry had also proposed.

Russia exported 7.7 million tonnes of grain, including six million tonnes of wheat, between July 1 and Sept. 18, according to official customs data, down 23 percent from a year earlier.

The agriculture ministry currently expects grain exports of 30 million tonnes this marketing year and a harvest of 100-101 million tonnes.

[back to top](#)

Syria needs more wheat from abroad despite healthy harvest

23 September 2015

The Express Tribune

Syrian farmers enduring a fifth year of civil war have sold less wheat to the state than last year despite a better harvest and higher offer price, leaving a large shortfall to be made up with imports complicated by Western sanctions.

President Bashar al-Assad's government has lost control over many wheat-producing areas in the fighting that grew out of pro-democracy protests but said in February it would avoid imports by buying grain from Syrian farmers across the country.

The aim was both to reassert its authority and secure supplies of the heavily subsidised bread its citizens expect.

With the local procurement season almost over, it has bought just 454,744 tonnes of local wheat, government sources said, compared with 523,000 tonnes collected last year, double that the year before and around 2.5 million tonnes annually before the war.

A price increase to 61 Syrian pounds a kilo from 45 pounds per kilo last year appears to have had little impact. Damascus raised the price of a loaf by 40 per cent in January and residents say it has used less flour per loaf since March to maintain supply of the politically sensitive staple.

Meanwhile many farmers have either sold their crop more cheaply to middlemen who export it to neighbouring Iraq and Turkey or planted other crops.

Where the state has bought wheat, a lot goes astray.

"Long distance transport is dangerous in the country because of the continued fighting so the risk of loss in transit is high," one European trader said.

Four million people have fled Syria since a government crackdown on protesters led to war in 2011 but around 18 million are estimated to be still in the country, many of them in the government-held west. The state needs between 1-1.5 million tonnes of wheat to provide those areas with bread, traders and local media reports say.

"It is actually cheaper for the government now to import wheat than transport the Syrian local crop around the country with so many difficulties in trucking," one Syrian commodities trader said.

But it has had only patchy success in buying wheat internationally because the sanctions imposed on Damascus by the United States, European Union and Arab League make banking finance more difficult, even though food supplies are exempt.

"It seems more feasible that the government will now opt for imports, which would be easier to work with. Whether they can muster up the financing is a separate question," a Middle East Commodities trade source familiar with Syria said.

[back to top](#)

Iran cancels import duties on wheat and barley

22 September 2015

Ag Week

Iran has canceled import duties it imposed on wheat and barley in July, according to an official document.

The document said the import duties ended on Sept. 6 for wheat and on Aug. 22 for barley. It gave no reason for the cancellation.

The Iranian government imposed a wheat duty of 1,500 rials per kilo, or about \$45 to \$50 per metric ton, a level that rendered wheat imports commercially unfeasible.

The government had originally said the wheat duty would last for one year and the barley until Sept. 22.

The cancellation comes despite a statement by the government in August saying that it did not need to import wheat this year.

"Russian ships have not been offloaded in the previous two weeks, possibly because they were waiting for the tax to be removed soon. After they complete offloading and finish checks at the customs, one can expect a spike in export activity to Iran," a Russian industry source said.

Iran was the third largest buyer of Russian wheat last marketing year after Turkey and Egypt.

The import duties had applied to all private sector importers, traders and mills but not to the state import agencies Government Trading Corporation of Iran or the State Livestock Affairs Logistic Co.

Iran, which was largely self-sufficient in wheat a decade ago, has emerged as one of the world's biggest importers. For the 2015/16 season, however, the U.S. Department of Agriculture has forecast a drop in wheat imports to 4 million metric tons from 6.3 million a year earlier.

Iran is the world's third largest importer of the animal feed barley, trailing Saudi Arabia and China.

[back to top](#)

Wheat plunge may not be over

22 September 2015

Irish Examiner

Hedge funds are so down on wheat that even the worst price plunge in 29 years isn't leaving them satisfied.

Instead, a global glut has money managers ready for more losses and sticking with a net-bearish outlook for seven straight weeks. World inventories before the start of next year's harvest are expected to climb to an all-time high as farmers reap bigger crops in the US, Russia and Ukraine.

Wheat futures have tumbled 21% since the end of June, heading for the worst quarterly loss since 1986. American farmers are particularly struggling because they're saddled not just with bigger stockpiles, but also a rising dollar.

"You have a lot of producers around the world coming in with pretty solid crops," said Sameer Samana, a St Louis-based global quantitative strategist at Wells Fargo Investment Institute.

"You have France, the US, Russia, Ukraine and others all jockeying to sell their wheat. That will probably continue to put pressure on prices," he said.

Futures dropped 18% this year to \$4.85 a bushel in Chicago. The Bloomberg Commodity Index of 22 components fell 16%.

World wheat inventories at the end this season will grow to 226.56 million metric tons, the US Department of Agriculture said on September 11. That's up 7.2% from a year earlier, a third straight increase. The agency expects domestic stockpiles to jump 16% to a six-year high.

There's not a lot of demand for all that grain. In the US, commitments for exports this season are trailing last year's pace by about 13%, government data show. French shippers are also having a hard time attracting buyers, and there's so much excess supply in the country that some silo operators are maxed out.

"Investors are perpetually short because it's a market where you've got a crop coming out of just about every country in the world," said John Stephenson, chief executive of Stephenson & Co Capital Management in Toronto.

"It's so well-supplied globally that it's never usually a problem getting your hands on wheat."

The saving grace for bulls could come from crop-damaging weather. Dryness is building in parts of Kansas, the largest US grower of winter varieties that are now being seeded. While the lack of moisture is a worry for

[back to top](#)

Sudan lifts subsidy on wheat imports

21 September 2015

News 24

Sudan on Monday announced it will no longer subsidise wheat imports nine months after promising to maintain the subsidy for 2015, and insisted that bread prices will not be affected.

The move follows a drop in worldwide wheat prices, State Minister for Finance Abdelrahman al-Darar told AFP.

"We have decreased the subsidy without affecting the people," he said, referring to the possible knock-on effect on the cost of bread.

In September 2013, Khartoum slashed fuel subsidies, sparking huge street protests - the worst urban unrest in Sudan in two decades - as retail prices soared by more than 60%.

Thousands of people, many of them poor, took to the streets calling for the downfall of President Omar al-Bashir's 24-year regime.

Rights group Amnesty International said more than 200 demonstrators were killed when security forces crushed the demonstrations. The government gave a toll of fewer than 100.

In November 2013, a central bank hard currency shortfall meant Sudan was unable to import enough wheat, causing a bread shortage in the capital.

Sudan does not grow enough wheat to meet its needs, and imports 2.5 million tons of wheat annually.

The country will drop the subsidy for wheat imports by increasing a special US dollar/Sudanese pound exchange rate for the imports from 4 to 6 Sudanese pounds.

The central bank works on an exchange rate of 6 Sudanese pounds to the US dollar, while the black market rate is 10 Sudanese pounds to the US dollar.

The government announced last week that it would import 500 000 tons of wheat at the price of \$279 a ton.

Sudanese have struggled to cope with soaring prices and a weak currency since South Sudan separated in July 2011, taking with it around 75% of the formerly united country's oil production.

[back to top](#)

China to stockpile corn during 2015-16 at lower price

20 September 2015

Country Guide

The Chinese government will continue its controversial corn stockpile policy during 2015-16 and will start to stock the grain from farmers at a lower price compared with last year, government bodies said in a statement late Friday.

Beijing will pay 2,000 yuan (C\$414) per tonne to farmers in the northeast, the country's corn belt, with the scheme lasting from Nov. 31 to April 30, 2016, said the National Development and Reform Commission (NDRC) in a joint statement with other government bodies.

The price is about 10 per cent lower than the current year, ranging from 2,220-2,260 yuan per tonne,

confirming an earlier Reuters' report.

Four state-owned companies, including COFCO, are allowed to purchase on behalf of the government, and Beijing will offer subsidies for the purchases as well for building grain silos, according to the statement posted on the State Grain Administration website.

China is also expecting a record corn harvest next month after high domestic prices encouraged farmers to grow more of the grain.

Beijing will offer subsidies for building storage facilities, which are already running short as the government is sitting on more than 150 million tonnes of corn after years of stockpiling.

[back to top](#)

Reports

OECD Agricultural Policy Monitoring and Evaluation 2015

September 2015

OECD

This annual publication provides information on policy developments and related support to agriculture in OECD countries and selected partner economies, measured with the OECD Producer Support Estimate methodology

[Link to report](#)

[back to top](#)

Monthly Information Sources

Grain Market Report

September 2015

IGC

[Link to report](#)

[back to top](#)

Oilcrops Monthly Price and Policy Update

September 2015

FAO

[Link to report](#)

[back to top](#)

Crop Monitoring in Europe

September 2015

MARS

[Link to report](#)

[back to top](#)

FPMA Bulletin

September 2015

FAO

[Link to report](#)

[back to top](#)

World Agricultural Supply and Demand Estimates

September 2015

USDA

[Link to report](#)

[back to top](#)

Market Monitor

September 2015

AMIS

[Link to report](#)

[back to top](#)

Commodity Price Data

September 2015

The World Bank

[Link to report](#)

[back to top](#)