Monthly News Report on Grains

MNR Issue 118 - November 2015

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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.

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Market News:

'Currency waves to affect agric markets in 2016'

30 November 2015 Zimbabwe Herald

Currency fluctuations will affect agricultural markets in 2016 more than ever, with the US dollar expected to firm and Latin American and European currencies facing weakness, according to a leading agricultural lender. "Through 2016, foreign exchange rates will have a bigger influence on agri-commodity markets than ever before," said Rabobank, the Dutch bank, which is a leading financier to farmers and agribusinesses around the world.

The US dollar is expected to strengthen in 2016 with many emerging markets likely to ease monetary policy. With a larger proportion of agricultural commodities now produced outside the US, the link between low market prices and production cuts has been broken as weaker local currencies provide an incentive to further expand output for countries such as Brazil, Russia and Ukraine, said the bank in its annual outlook.

On the outlook for individual agricultural commodities, the bank said sugar faced "the most bullish fundamentals of all agri-commodities through 2016". The sweetener, which is forecast to average 14.5 cents a pound in the fourth quarter of this year, is expected to rise to 15.5 cents in the fourth quarter of 2016.

The bank is also bullish on cotton, which is coming off a low base of 63 cents a pound in the current quarter, and expects the commodity to rise to 68 cents as inventories are steadily drawn down.

Cocoa, which has risen about 17 per cent year-to-date and is trading at about £2,270 a tonne, is expected to weaken as increases in the prices paid to farmers incentivises production and increases supply.

Wheat is likely to see volatility as competitive Black Sea offers will continue to displace the trade flows of traditional exporters, said the bank.

On the currency impact on trade, Rabobank expects Brazil to be the leading beneficiary. "Clearly, the Brazilian agricultural sector will be one of the biggest winners," it said, with the weak real increasing the competitiveness of the country's soyabeans, corn, coffee and sugar exports.

Elsewhere, weakness in the Ukrainian hryvnia and Russian rouble will make Ukrainian and Russian grain exports even more competitive. For US farmers, it will mean their products' will continue to be uncompetitive compared with rival growers in Latin America and eastern Europe. Sustained grain and oilseed price weakness will continue to encourage on-farm storage in the US.

"The strong US dollar will continue to limit the US market share of global agricultural exports, while internal stocks increase," said the bank. Meanwhile, the potential for further devaluations of the renminbi could affect import demand from China, one of the leading buyers of agricultural commodities.

The country also has large inventories of several agricultural commodities, including grains and cotton. In some markets like sugar, China's consumption is expected to decline more than 3 per cent year on year, as cheaper alternatives such as high-fructose corn syrup are increasingly used as substitutes, Rabobank said. - FT

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China plans to cut domestic corn prices in bid to shrink massive stockpiles - sources

26 November 2015 Reuters

Beijing plans to cut local corn prices for a second year as it pushes to reignite stalled demand from its crisis-hit grain processors and whittle down the world's biggest corn stockpile, industry sources said.

In its latest move to boost a sector that has struggled with the world's most expensive domestic corn, the government is preparing to slash state support prices by another 10 percent to 1,800 yuan ($282) per tonne for 2016/17, according to three sources. That would follow previously announced cuts for the crop year that began in October.

Cheaper local prices could sap appetite for imports from processors in the world's No.2 corn consumer behind the United States, a move that could weigh on world prices and <0#C:> hurt corn exporters from the Americas to Ukraine.Grain processors make products ranging from animal feed to sweeteners and ethanol.

A cut in prices could also stifle demand for corn substitutes such as sorghum, distillers grains (DDGS) and barley, which saw record Chinese imports of over 30 million tonnes in 2014/15.

"The government has to reduce the price, given its massive stocks and as domestic corn prices are still much more expensive than imports," said Qian Jianjun, an analyst with Beijing Orient Agri-business Consultant Co. Ltd.

Beijing could also offer freight subsidies to animal feed mills in the south of the country that ship corn from the northeastern growing belt, two of the sources said. They did not specify when this could happen.

The finance ministry as well as the National Development and Reform Commission did not respond to requests for comment.

The three sources, who have direct knowledge of the matter, said Beijing may announce the new corn price cuts early next year before planting starts in March.

"Imports of corn and corn substitutes could fall more than we earlier expected, dropping 50 percent or even more from last year," said an analyst with an official think-tank.

Beijing has been forced to gradually pull away from its controversial policy of supporting farmers through buying corn for national reserves, as stocks are expected to have ballooned to 200 million tonnes by April next year - equivalent to over a year of the country's consumption.

Higher local prices driven by the stockpiling mean that mills and refiners have lost cash and racked up debt, with as much as 60 percent of China's processing capacity shut over the past three years, according to refinery sources.

In an earlier step to offer refiners a lifeline, Beijing in September cut state support prices for the first time since 2008. Corn refineries in the northeast have also been offered subsidies for buying local grain.

Those steps helped narrow the gap between domestic and imported grain prices to a difference of around 20 percent, but have not been enough to erode stocks or encourage broad investment from the animal feedstock or sweetener sectors.

Although at least one company has taken advantage of cheaper raw material prices: Global Bio-chem Technology Group Co, Asia's largest corn refiner, restarted its idled corn sweetener and lysine plants last week, an official told Reuters.

The lysine plant in the northeast province of Jilin will reach full capacity of 500,000 tonnes per year by the end of November, said the official, who declined to be identified as he was not authorized to speak with media. Lysine is an animal feed ingredient.

However, tepid demand for animal feed will stymie efforts to boost many corn processors. Some poultry farmers' flocks are recovering from bird flu and China's culling of its hog herds has depleted stocks.

Meng Jinhui, an analyst with COFCO Futures Co. Ltd, said corn demand would not return to the record highs seen in 2012 of 120 million tonnes "any time soon".

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South Africans pray for rain as corn price hits 20-month high

26 November 2015 Agrimoney

Corn futures hit a fresh 20-month high in South Africa as the country prepared for a day of prayer for rain, whose sparse levels have provoked fears of a further fall in yields, which dropped 15% for the 2015 harvest.

Yellow maize futures for December touched 3,294.60 rand a tonne in Johannesburg on Thursday, the highest for a spot contract since March last year, and taking gains so far in 2015 to 54%.

The contract later eased to 3,282 rand a tonne, a gain of 0.7% on the day.

The latest rise came as South Africans prepared for a day of prayer "for our country and for rain" to end a drought billed by local reports as the worst in more than 20 years.

South Africa often suffers dryness in in El Nino periods, with occurrences of the weather phenomenon since the 1980s causing yield drops of up to 61%, according to US Department of Agriculture research.

Indeed, a rainfall deficit was blamed for a 15% drop in corn yields in the 2015 harvest.

However, this year's "strong El Nino… could reduce yields by even more," the USDA said in a report.

Drought which has delayed South African corn sowings in eastern corn belt states such as KwaZulu-Natal and Free State "by 40 days or more" could persist until well into 2016, historical comparison suggests.

"The drought in the early part of this growing season may be the beginning of a severe drought induced by a strong El Niño which is forecast to persist until late March next year," the USDA briefing said.

Yields are under particular threat "if the drought extends into the critical pollination phase in late January and early February".

In fact, meteorologists do see chances for rain, with industry group Grain SA noting "possibilities of 20mm-40mm of rainfall across the summer crop growing areas" in the two weeks to December 3.

"It is however important to note that different weather forecasters have been showing likelihoods of rainfall across the country, but in many areas that has not yet materialised," the group added.

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Argentine farmers set to unleash $8 billion of stored crops

23 November 2015 AgWeb

Argentine farmers will swiftly boost exports, increasing global supplies of wheat, corn and soybeans, as Sunday's election of Mauricio Macri as president heralds the end of punitive export taxes and government regulations, according to growers and analysts.

The country's farmers are ready to ship an estimated $8 billion in stored crops as soon as export taxes are lifted or reduced as Macri promised, according to five farmers, analysts and exporters interviewed after the election. Macri has also vowed to lift currency controls as soon as he takes office Dec. 10, a move that investors see leading to a devaluation of as much as 35 percent for the peso, which would further help farmers trying to sell abroad.

"I can't wait to start sending to the port what I have stored," Dante Garcia, a farmer in the town of Carlos Tejedor, 428 kilometers (265 miles) west of Buenos Aires, said by telephone before the election result. "Freedom has arrived to end so many years of government interference in the market, which devastated us."

Farmers have stored about $8 billion of soybeans, according to Leonardo Sarquis, one of Macri's agriculture advisers. They are hoarding as many as 22 million metric tons of the commodity, about one-third of last season's record crop, according to Miguel Bein, the main economic adviser to presidential candidate Daniel Scioli, who conceded to Macri Sunday following a runoff vote between the two.

Macri is considering a 90-day window of no export taxes on soybeans in a bid to spur sales from stockpiled crops, two people with knowledge of the plan said Monday. The 90-day window is one of the proposals being discussed, said the second person aware of the plan. It is being discussed by Macri's financial team and lacks backing from the agriculture team, as it may hurt oil crushers and exporters while benefiting producers and the Central Bank.

Argentine farmers have been holding back some of their crops in protest at the taxes and also the laborious process of obtaining export permits. The country has shipped $17.6 billion of grains and oilseeds abroad so far this year, the lowest for the period since 2009, according to exporters' consortium data.

"Farmers have been saving crops in silo bags since 2014, when the last devaluation happened, as a way of protecting their capital," said Gustavo Lopez, a crop analyst at Agritrend SA. "With a peso always threatened by over 20 percent inflation, grains and soybeans have become a currency for them and are only sold when they need capital."

Argentina devalued its currency by 17 percent in a two-day period in January 2014 in a bid to make farmers sell their crops. Argentine farmers store grains to hedge against inflation as they are paid in pesos at a dollar value by exporters such as Bunge Ltd. and Cargill Inc. A further depreciation means farmers would get even more pesos for crops valued in U.S. dollars.

Export sales will bolster Argentina's central bank reserves, which tumbled to a nine-year low of about $26 billion before the election runoff.

The wheat tax was implemented in 2006 by then-President Nestor Kirchner. His successor and wife, Cristina Fernandez de Kirchner, increased the government's grip on farmers by raising levies to 23 percent and 25 percent on wheat and corn, respectively. The soybean tax was set even higher at 35 percent. Restrictions on export permits followed.

"We hope the new administration eliminates the hurdles imposed to free trade," Alberto Rodriguez, president of CIARA-CEC, an exporters group, said in an e-mailed statement.

Soybean futures on the Chicago Board of Trade slumped to $8.45 1/4 a bushel on Monday, the lowest since March 2009, amid a broad retreat among commodities. The Bloomberg Commodity Index, a measure of returns on 22 raw materials, slid to the lowest since June 1999.

Since 2007, many farmers switched to unregulated crops such as barley to avoid the taxes. The 2015-16 wheat crop currently being harvested may be the smallest in three years, down 16 percent from a year earlier at 9.5 million metric tons, according to Argentina's biggest grain bourse.

This season, farmers have planted 3.7 million hectares (9.1 million acres) of wheat, 31 percent less than the average in the years preceding the taxes, according to the INAI Institute. Lost wheat acreage will be recovered rapidly, according to Esteban Copati, chief analyst at the Buenos Aires Grain Exchange.

"I can see farmers harvesting a crop close to Argentina's record of 16 million metric tons if Macri keeps his promises," he said in a telephone interview.

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Ukraine to cap wheat exports at 16.6 mln T in 2015/16

21 November 2015 Hellenic Shipping News

The Ukrainian agriculture ministry and traders have agreed to cap wheat exports at 16.6 million tonnes this season, leaving enough stock to meet domestic demand, Minister Oleksiy Pavlenko said.

State forecasters have said severe drought across half of Ukraine hit winter sowing and could sharply reduce the 2016 wheat harvest. Analysts and traders see the 2016 harvest at between 14 and 17 million tonnes.

According to ministry estimates, Ukraine may lose about 12 million tonnes of wheat next year in the worst case scenario.

But Pavlenko said the government was unlikely to cut the volume of wheat available for exports this season.

"We allow the market to complete this season with the agreed figure," Pavlenko told Reuters.

"And next season we will put in the memorandum a new and fair volume," he said, referring to an annual memorandum that the government signs with traders on how much they can export

Ukraine is likely to harvest 60 million tonnes of grain this year, including 27-28 million tonnes of wheat and 22-23 million tonnes of maize, according to ministry estimates.

Pavlenko said total exports could hit a record 36 million tonnes in the 2015/16 July-June season compared with 34.9 million tonnes in 2014/15.

Earlier on Thursday a source in the ministry said the wheat export limit could be reviewed depending on the outlook for next year's winter harvest, which may fall sharply due to unfavourable weather during the autumn sowing.

A senior agriculture ministry source said this week that Ukrainian wheat exports in 2016/17 could fall to about 3.5 million tonnes due to poor weather, from expected sales of 16.5 million tonnes in 2015/16.

The government has increased the minimum level of wheat stocks to 2.5 million tonnes from 1.6 million tonnes last year.

"I think we have enough wheat in stocks to ensure our food security," Pavlenko said.

The ministry and traders also agreed a wheat export cap in the third and fourth quarters of this season.

The limit is set at 1.5 million tonnes of milling wheat in October-December 2015, 1.5 million tonnes in January-March 2016 and 1.4 million tonnes in April-June 2016.

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EU farmers sticking with wheat for 2016 - Strategie Grains

20 November 2015 Black Sea Grain

Favourable conditions prompted European Union farmers to stick with wheat in sowings schemes despite the weaker prices, Strategie Grains said, adding that lower values of the grain were at least supporting export prospects.

Strategie Grains trimmed its forecast for EU soft wheat sowings by 100,000 hectares to 23.9m hectares.

However, that represents a decline of just 1% year on year, despite the weakened returns from growing the grain.

"Soft wheat maintains a good acreage despite losing competitiveness," the influential Paris-based consultancy said.

"This is because of the good conditions for wheat sowings, and poor conditions for rapeseed," Strategie Grains said.

Plantings of durum wheat, the hard variety used in making pasta, have were seen as particularly popular, hitting 2.7m hectares, an upgrade of 200,000 hectares from last month's estimate and up from 2.4m hectares last season.

Strategie Grains forecast the EU's total planted grain area at 9.3m hectares, steady from last year but lagging the five-year average of 9.5 million

The estimates follow a series of other indications of the relative unpopularity of rapeseed, the top oilseed grown in the EU, with data from the AHDB crop bureau showing a 14% tumble in plantings in the UK, historically the bloc's third-ranked producer of the oilseed.

The bureau cited "profitability challenges" and a ban on neonicotinoid insecticides as likely causes for the decline - which was not reflected in wheat, for which sowings for the 2016 harvest were seen as flat year on year.

EU-wide, the International Grains Council has estimated sowings of rapeseed at 6.5m hectares - "in line with last year's suppressed level".

A mild autumn in Western Europe has been good for plantings, but also leaves crops vulnerable to pests and disease – and with the neonicotinoid ban a particular issue for rapeseed on this score.

Last week the oilseed technical center Terres Inovia flagged uneven early repressed development in the key north-western oilseed growing region of France.

"We can see (in the region) plots whose growth has been constrained from the start and which will have a hard time going through winter," said Terres Inovia, citing "several reasons for this - herbicide, flea beetles, pigeons and cool temperatures".

While sagging wheat prices have not deterred sowings of the grain, they have helped export prospects, with Strategie Grains also upping its forecast for the EU soft wheat shipments over 2015-16, pegging them at 26.8m tonnes.

This is up 300,000 tonnes from last month's estimates, but still well behind the 32.5m tonnes exported last season.

"This upward revision in exports is modest, but the current forecast implies a sharp speeding up of sales compared with last year for the remainder of the crop year," said Strategie Grains.

Strategie Grains noted that this calculation was based on the increased competitive of EU wheat compared to last month, as the euro devalued against global currencies.

As of Thursday, the EU has granted export licences for 7.5m tonnes of soft wheat so far this season, which started on July 1 – a drop of 31% year on year.

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Egypt's new wheat subsidy could cut future wheat harvests

19 November 2015 Egypt Commercial News

Egypt's decision to slash wheat subsidies, which has infuriated farmers, threatens to cut future harvests and force the country to burn scarce dollars on more imports during a foreign currency crisis, traders and experts say.

Earlier this month Egypt said it would no longer pay a fixed, and highly subsidised, price to procure local wheat in what traders and agricultural experts say is a drive to end corruption involving wheat purchases from farmers being mixed with imports.

Egypt said the new subsidy is designed to encourage wheat cultivation. But farmers say the new system, based on average global prices, will instead decimate their profits.

"We are being forced to cultivate something for almost no money," said head of Kafr al-Sheikh farming syndicate Ali Rageb.

Though it's too late for farmers to change the crop for the coming year's harvest, they are already talking about other crops for next season.

Egypt, already the world's largest wheat importer, could be faced with an even steeper wheat import bill at a time when dwindling foreign currency has hit manufacturing.

Egypt will import about 11.5 million tonnes of wheat during the 2015/2016 fiscal year, according to U.S. Department of Agriculture estimates.

Wheat has always been a politically sensitive issue in Egypt, the most populous Arab state.

President Anwar Sadat triggered riots when he cut the bread subsidy in 1977. When Egyptians rose up against autocrat Hosni Mubarak's rule nearly five years ago, one of their signature chants was: "Bread, freedom and social justice."

The government said it would now directly pay farmers a smaller subsidy and then buy the wheat at global prices.

The change in the subsidy system was intended to end chronic smuggling of wheat.

Traders say as much as 1 million tonnes of last year's announced harvest of 5.3 million could actually be foreign wheat, but the supplies ministry has repeatedly denied this.

The new system exposes farmers to plummeting global prices that they say will make growing wheat nearly unprofitable.

"If you compare the new system and the old one you'll see no one will cultivate wheat. He can make money if he cultivates anything else other than wheat," said Hesham Soliman, president of Med Star for Trading.

If the area of farmed wheat drops in future seasons it would force the country to import even more.

"How are you going to import everything when you are facing a hard currency problem?," said Soliman.

Egypt's foreign currency reserves stood at $16.415 billion at the end of October, enough for only three months of imports and down from about $36 billion before the 2011 revolt.

Under the new structure, farmers will lose between 1,500 and 1,800 Egyptian pounds ($191.57 - $229.89) per feddan compared to the previous five years, estimates former adviser to the ministry of supplies Nader Nour El-Din.

"We borrow money and repay our debts from season to season. We don't get monthly salaries as others do. We will sweat, work, and fight for our production to make us money at the end of the season, but what if there is nothing? How can we survive?" said Damietta farmer Ahmed Sabry.

The subsidy change came after the farmers had begun their planting season and purchased all their seeds, farmers say.

The ministry of supplies spokesperson said the decision was not made intentionally late, without elaborating.

A future decline in Egypt's own output could also drive up global prices, costing the country even more to import, said Nour El-Din.

"The ministry keeps taking bad decisions without consulting us, and it's going to lead to disastrous implications," said a farmer from Daqahlia.

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Brazil, EU propose tighter WTO rules on agricultural export competition

19 November 2015 Bridges Weekly

The EU has joined forces with Brazil and five other farm exporting countries to propose tighter WTO rules on export subsidies and similar measures, one month ahead of the global trade body's ministerial conference in Nairobi, Kenya.

Trade sources told Bridges that the proposal, which was presented at an informal negotiating meeting on Wednesday afternoon, raises the pressure on the US to make concessions on export credits and food aid – two areas where Washington has indicated it might have problems in accepting stronger WTO disciplines.

"How the US responds will be critical," one negotiator said.

Agricultural exporting countries Argentina, New Zealand, Paraguay, Peru, and Uruguay also co-sponsored the proposal, a copy of which was seen by Bridges.

The paper calls for developed countries to eliminate their export subsidies in 2018 – in other words, five years later than a 2013 deadline that was missed by WTO members – and for developing countries to do the same by 2021.

Under the proposal, developing countries would also be allowed to provide export subsidies that cover transport and marketing costs until 2026, by extending article 9.4 of the WTO Agreement on Agriculture. This clause had previously authorised developing countries to use these payments until the agreement's implementation period ended in 2004.

However, Australia – another farm exporting country that has long sought more stringent rules on export subsidies – circulated a separate communication arguing that developing countries should not be granted this additional flexibility.

"Australia sees no development policy rationale for the formal reactivation of a legal entitlement to use Article 9.4 export subsidies," the Australian paper argues.

Some developing countries such as India have emphasised that the WTO's Hong Kong ministerial declaration, which was agreed in 2005, would have allowed article 9.4 payments to continue for five years after the original 2013 end-date for eliminating all forms of export subsidies. Other countries underscore that the declaration does not have the same legal force as the Agreement on Agriculture, and that the authorisation to provide these payments has therefore expired.

The Australian paper, a copy of which has also been seen by Bridges, finds that India has applied an export subsidy for exports of up to four million tonnes of raw sugar. It concludes that it would "be difficult to export significant volumes without a subsidy" given the difference between domestic and international sugar prices.

The co-sponsors of the EU-Brazil paper call for export credits, export credit guarantees, or insurance programmes to be subject to new rules, basing their proposal on draft text that was originally prepared in 2008 by the then-chair of the WTO agriculture negotiations, New Zealand Ambassador Crawford Falconer.

Although the US has indicated it would have difficulty accepting the 180-day maximum repayment term for export financing that was proposed in the 2008 draft, the co-sponsors have maintained this term – but added a footnote that may provide some additional flexibility that sources said could make it less difficult for Washington to accept.

The new footnote allows for longer repayment terms, up to a maximum of 270 days, subject to additional conditions. These include using "minimum premium rates" as defined by the Organisation for Economic Co-operation and Development (OECD) and country risk categories as a benchmark for calculating risk based fees.

A similar arrangement formed the basis for the US and Brazil to reach an agreement in 2014 on their long-running dispute over cotton subsidies.

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U.S. sorghum use on rise in food, ethanol as prices fall

13 November 2015 AgWeek

A steep fall in prices of U.S. sorghum, used in breakfast cereals and as an alternative to corn for animal feed, has spurred domestic demand, which could prompt farmers to boost acres despite waning interest from top importer China.

The biggest sorghum harvest in the United States this century, at 594 million bushels, has pushed prices to their lowest in about 2-1/2 years. In southwest Kansas, sorghum was trading for $2.98 per bushel while corn fetched $3.61.

In February, sorghum was traded at as much as a 50 cents premium to corn, ramped up by record demand from China. But China's pace of buying has slowed in the wake of Beijing's cut in the Chinese corn price in September, to promote corn use.

The U.S. Department of Agriculture slashed its export forecast for sorghum by 105 million bushels this week and boosted estimates for its use in ethanol production and for feed, citing "large price discounts" to corn.

"Our sales are doubling every six months," said Earl Roemer, president of Nu Life Market, which makes sorghum flour that is stocked at some Costco stores.

Sorghum, a non-genetically modified grain also known as milo, has a bland, neutral taste. Food-grade sorghum is used in Kellogg's gluten-free Special K cereal and in some varieties of General Mills' multi-grain Cheerios.

Several ethanol plants in the southern Plains are switching to sorghum from corn for the first time in a year, according to the USDA.

Hog producers are feeding their swine sorghum in the Plains and cattle feedlots could soon switch from corn to sorghum, too. "The price has to come down a little bit more due to the loss of feed efficiency," a Texas cattle feeder said of sorghum.

Oklahoma farmer Jerod McDaniel said he plans to increase his sorghum acres by 200, or about 20 percent next year, at the expense of wheat.

"If China dries up, there's at least something else to pick up the slack," McDaniel said of local demand for feed and ethanol.

Ken Morrison, a trader and author of analyst note Morrison on the Markets, said that unless China steps up its buying, acreage would likely decline from the nearly 9 million planted this year.

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Grain traders eye business in Iran as sanctions set to ease

Iran is about to open for business, and the world's grain traders are lining up.

Food wasn't subject to sanctions, but the rules created enough difficulty to keep out many grain suppliers. Now, with world powers expected to lift restrictions as early as next year, new companies are entering the market. One example: BayWa AG, a German firm that recently shipped Russian grain and South American soybean meal to Iran. While the biggest traders, such as Bunge Ltd. and Cargill Inc., kept operating in the country, the end of sanctions is a chance to expand operations.

"When the sanctions came in, you started to see some people shying off and not willing to take the risk anymore," Michel Dumoulin, a trader at Rotterdam-based Nidera BV, said by phone on Thursday. "In the past six to eight months, we've seen a lot of new, small players in the Caspian Sea. Russian and Ukrainian companies, all entering the market in Iran."

Iran, known for its savory flatbreads such as lavash, barbari and taftan, is a hot market for grain traders because citizens rely on bread as a staple food and domestic wheat production often falls short of demand. As traders gather in Geneva for the annual Global Grain conference this week, Iran, tied with Turkey as the Middle East's second-biggest wheat consumer, will be a key point of conversation and the new business couldn't come at a better time.

Wheat prices have fallen for three years after record harvests sent grain stockpiles to a 29-year high. Prices in Chicago, the international benchmark, dropped 15 percent in 2015 at $5.03 a bushel. Milling wheat, used to make bread, is down 9.2 percent to 182.75 euros ($196.29) a ton in Paris.

World powers are getting ready to lift the sanctions they imposed to deter the nation's nuclear program. In July, the nation agreed to accept limits on its nuclear work in return for access to oil and financial markets.

Iran's wheat imports can vary widely from year to year, but they've been trending higher. The nation will bring in 4 million tons of the grain this season, roughly 10 times more than a decade ago, according to estimates from the U.S. Department of Agriculture. Imports could eventually rise to 6 million to 7 million tons, according to BayWa's Chief Executive Officer Klaus Lutz.

BayWa sent an executive to Tehran a week ago as part of a German trade delegation of 100. The Munich-based company plans to ship 250,000 metric tons of grains and oilseeds to the country this quarter.

Nidera executives will travel to Iran this week to visit customers, according to Dumoulin. He said the end of sanctions doesn't necessarily mean grain imports will rise and predicted more competition for business and lower profit margins. Nidera, majority owned by China's largest food company Cofco Corp., already ships as much as 3 million tons of grain and vegetable oils to Iran a year.

Hakan Agro DMCC, which already supplies dairy products to Iran, is planning to expand its business in the country to grains, Scott Wellcome, a trader at the Dubai-based company, said in an interview in Geneva. Iran could become a "big hub" for the Middle East and North Africa region and has the land to expand storage facilities, he said.

Most of Iran's wheat imports have come from the European Union, Russia, Australia and Kazakhstan. They stand to benefit the most from easing of sanctions and there's a chance demand for grain will increase over time, said Amy Reynolds, a senior economist at the International Grains Council in London. It may be cheaper for Russia and Kazakhstan to send grain to Iran because all three countries border the Caspian Sea.

"We hope that, if sanctions are eased or lifted, trade in food and agricultural commodities will increase," Elissa Bertot, a spokeswoman for Chicago-based Archer-Daniels-Midland Co., the world's largest corn processor, said in a statement Nov. 5.

The government has taken some steps to make trading easier, ending a $50 a ton wheat import duty in August and lifting a rice import ban this month, according to Ali Ghanbari, chief executive officer of Iran's state grain buyer. The country is a big player in other grain markets, ranking third globally for barley imports and fourth for rice.

Iran is also a major buyer of corn, with imports forecast to match those of wheat. Bunge shipped almost a million tons of corn from Brazil to Iran last year, the most of all exporters, according to data from shipping agency SA Commodities. Cargill exported about 269,000 tons in 2014.

"The termination of these sanctions would have a clearly positive impact," BayWa's Lutz said. "Iran is one of the most essential import markets for grain and oilseeds in the world and has great significance for the agricultural trade."

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