

# MONTHLY NEWS REPORT ON GRAINS

FAO Markets and Trade Division

MNR ISSUE 176 – September 2021

## Market News

- UK milling wheat premiums continue to soar
- US – warm and dry weather pushes along both maize maturity and harvest
- Strong demand for Australian wheat
- India's summer grains output seen at a record 150.5 million tonnes in 2021/22
- American drought creates barley opportunities
- Ukraine expects US to open market for Ukrainian maize and wheat
- Russian harvest winds down as planting program accelerates
- Russia resumes wheat exports to Algeria after 5 years break
- Italy braces for pasta inflation amid soaring durum wheat
- Brazil imports record volumes of Argentine maize to feed poultry and pork

## Reports

- Crops prospects and food situation- 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

## **UK milling wheat premiums continue to soar**

28 September – AHDB.org.uk

For the UK, quality wheat remains a major concern. It is well known that the milling wheat picture is particularly tight and premiums have continued to soar. Delivered milling wheat into Northamptonshire (October delivery) was quoted £36.50/t over feed wheat futures.

That is £19.86/t higher than the 2015/16-2019/20 average for the same week.

This is on the back of supply concerns; not only is quality wheat tight but freight availability is also supporting domestic prices. With freight difficult to price and obtain, traders are having to sift through the more variable quality domestic crop to fulfil requirements. While logistics and quality remain difficult, continued support could remain in the domestic milling wheat market.

In international markets, Paris milling wheat futures (Dec-21) closed yesterday at €253.25/t, almost a contract high, but flat from Friday. Other key wheat futures contracts generally drifted too. US maize (Dec-21) gained \$5.02/t yesterday to close at \$212.40/t though.

Last night's crop progress report stated US maize harvest was 18% complete, as of Sunday 26 September. This is almost inline with trade expectation.

Maize has been a leader in grain markets recently with progress generally weighing on prices. However, maize harvest in other regions is progressing with less haste. In France, the maize harvest was just 1% complete to September 20, 14 percentage points behind last year, according to a report released on Friday. Also, in Ukraine, harvest has not got off to the best start with early yields well below expectation.

US winter wheat planting is also ahead of average at 34% planted. Dry conditions are benefiting both harvest and planting progress. This said, it is one to keep an eye on, as much of the winter wheat growing region currently has limited to insufficient soil moisture.

Although not unusual for the time of year, will need to be monitored.

[back to top](#)

## **US – warm and dry weather pushes along both maize maturity and harvest**

27 September – Agriculture.com

As maize harvest commences in the U.S., a warm and dry end to September should help to advance maize maturity and harvest across the Maize Belt.

Recent wet weather has resulted in drought improvements in the drought-stricken areas of the Northern Plains and Upper Midwest. Unfortunately, a flash drought has developed in the Southern Plains where winter wheat is going in the ground.

As September winds down and harvest ramps up in the United States, the final week of the month (week-ending October 2) will bring summer-like heat and dry weather to the Maize Belt. According to data from WeatherTrends360, this will be the second warmest and third driest end to September in more than 30 years for the Maize Belt.

Warmer weather will help to push maize crops to maturity. As of the September 20 USDA Crop Progress report, the percentage of maize that had reached maturity was 57%, which is ahead of the five-year average of 47% and in line with last year's maize maturity percentage. This is due, in part, to the warmer-than-normal weather that's been dominant throughout much of the summer season.

Although drought continues to be an issue, there were some improvements in recent weeks across the hardest hit droughts areas of the Upper Midwest and Northern Plains. Still, the rains have arrived a little too late to improve the maize crop, which was battered by dryness

during critical development periods in the growing season. Going forward, drier weather is favorable for harvest, therefore, a drier end to September is generally viewed as a positive. While drier weather may push along maize harvest, a flash drought that has developed in the Southern Plains could negatively affect the winter wheat crop. Major winter wheat crop areas of the Texas Panhandle, Oklahoma, far southwestern Missouri, and southern Kansas have seen drought conditions emerge as planting continues. Soil moisture will need to be replenished in the weeks ahead to allow for healthy establishment of the crop. The final week of September may bring some wetter weather to parts of the region based on forecasts from WeatherTrends360.

[back to top](#)

### **Strong demand for Australian wheat**

25 September – Queenslandcountrylife.com

Shrinking global wheat production is expected to see robust export demand for Australian wheat through the 2021-2022 season.

Global forecasters have been ratcheting production estimates lower through the season on the back of unfavourable weather. The full extent of wheat production losses in the northern hemisphere is only being realised as the harvests in North America, Europe and the Black Sea near completion.

Further cuts to world wheat production are expected to see world wheat export supplies shrink to the lowest level seen in close to a decade and push more demand to Australia. Local grain exporters are reporting strong buying interest from global buyers and they expect this to continue into next year.

Statistics Canada made larger than expected cuts to Canada's wheat crop last week when they cut it by a further 1.2 million tonnes to 21.7mt. This is sharply below last year's bumper harvest of 35.2mt.

Private forecasters are lowering projections in Europe and Russia as the harvest data is tallied.

Floods and excessive rain have reduced the size and lowered the quality of the European Union wheat harvest. Respected European grain analysts Strategie Grains cut its EU-27 soft wheat production estimate by a further 2.4mt to 129.1mt, sharply below early season forecasts. The wet harvest has also adversely affected grain quality with a significant proportion of the crop downgraded to feed wheat.

Russia's wheat yields are also coming in lower than expected, prompting further reductions in production estimates. Private forecasters are saying the wheat crop will fall short of 75mt, more than 10mt less than last year's record crop.

Expectations of Australia's upcoming harvest are starting to slip after a dry start to spring in WA and SA. Severe frosts and the dry start to spring triggered the Grain Industry Association of WA to cut its wheat production estimate for the state by 700,000 tonnes to 10.6mt last week. The revised estimate still points to a record large winter crop harvest for the state, although not as big as was expected in late winter.

New crop farmer selling in Australia remains slow with many growers anxious for another rain to finish crops.

Southern Queensland grain prices were few dollars lower last week as buyers wait for harvest selling next month.

[back to top](#)

## **India's summer grains output seen at a record 150.5 million tonnes in 2021/22**

23 September – Reuters.com

Indian farmers are expected to harvest a record 150.50 million tonnes of grains from summer-sown crops in the crop year to June 2022, the government said on Tuesday, against 149.56 million tonnes gathered in the previous year.

In 2021/22, the output of summer-sown rice is estimated at a record 107.04 million tonnes, up from 104.41 million tonnes in 2020/21, the Ministry of Agriculture and Farmers' Welfare said in a statement.

Higher rice output will help India, the world's biggest exporter of the grain, boost the staple's shipments.

India looks likely to account for as much as 45% of global rice exports in 2021 as expanded port-handling capacity allows the world's biggest rice grower after China to ship record volumes to buyers across Africa and Asia.

Indian farmers are likely to harvest 21.24 million tonnes of maize, unchanged from the previous year.

Oilseed output, however, is expected to drop to 23.4 million tonnes against 24 million tonnes.

Production of peanuts is expected at 8.2 million tonnes against 8.5 million tonnes produced in the previous year.

Soybean output is seen at 12.7 million tonnes, down from 12.9 million tonnes in the 2020/21 crop year.

Lower oilseeds output raise cut India's dependence on expensive vegetable oil imports.

India is the world's biggest importer of edible oils, one of the top five imported goods.

New Delhi, which spends \$8-\$10 billion a year on edible oils imports, buys palm oil from Indonesia and Malaysia and other oils, such as soybean oil and sunflower oil, from Argentina, Brazil, Ukraine and Russia.

Production of protein-rich pulse, or lentils, is estimated at 9.45 million tonnes, up from 8.69 million tonnes.

Cotton output could rise to 36.2 million bales of 170 kg each from 35.3 million.

Cane production in the world's biggest consumer of sugar is estimated at 419.2 million tonnes, up from 399.2 million tonnes.

[back to top](#)

## **American drought creates barley opportunities**

23 September – Mercado.com.au

As the world continues to exit from the pandemic, beer sales are expected to rebound, and in turn, demand for malting barley is expected to increase also. However, drought conditions in Canada and the USA have savagely slashed yields, and reduced quality, so an opportunity to cover the shortfall may open up for Australia.

A dry start, and ongoing drought in Canada and the USA have resulted in large decreases in barley production, and may impact upon malting barley supplies, through reductions in the quantity & quality of the 2021/22 crop.

The USDA estimates that US total barley production will be slashed by 1.3mmt (36%) to 2.3mmt. According to the Montana Department of Commerce, over 57% (2mmt) of US barley production is used for malt, suggesting that the US may experience a malt barley shortfall in excess of 1mmt this year.

Yueshu Li, director of the Canadian Malting Barley Technical centre (CMBTC) stated that drought has elevated protein levels above malting barley specifications, and slashed yields, tightening supply, and creating huge production challenges for malting companies. Canada's barley crop this year was also a disaster due to the drought, with production dropping 2mmt(20%), to a forecast 8mmt for the year. Canada exported 2.8mmt of barley in 2020. Key customers were China (2mmt), Japan (530kt) and the USA (150kt). The International grains Council (IGC) is forecasting a 1mmt fall in Canadian exports to only 1.8mmt in 2021/22.

The latest September 2021 ABARES forecast for the total Australian barley crop currently sits at 12.5mmt for 2021/22, slightly less than 2020's total.

AGEIC and the GRDC indicate that, typically, around 30-40% of Australian Barley production meets malting grade specifications each season, with around 75% of that exported.

According to barley Australia, our domestic brewing industry's consumption is minimal, at only 230kt grain equivalent.

If we assume that 25% of the forecast 12.5mmt barley crop for 2021/22 will be exported as malting grade, that equates to 3.1mmt, with the remaining 3.4mmt of the IGC export forecast expected to be feed grade.

On average, malting grade barley ex Kwinana had fetched a 10% premium to feed grade barely in Australia from 2016-2018, but since 2019, premiums have been largely negligible, with occasional spikes to the 5-7% range.

[back to top](#)

## **Ukraine expects US to open market for Ukrainian maize and wheat**

22 September – Ukrinform.net

Approval procedures needed for the opening of the U.S. market for Ukrainian maize and wheat are currently at the final stage, according to Head of the State Service of Ukraine for Food Safety and Consumer Protection Vladyslava Mahaletska.

"Ukraine and the United States are working to open the U.S. market for Ukrainian maize and wheat (including organic). Yes, currently approval procedures are at the final stage," Mahaletska said at a meeting with representatives of the U.S.-Ukraine Business Council (USUBC), according to the press service of the State Food Service.

It is noted that U.S. experts project that Ukraine will export a record 23.5 million tonnes of wheat in the 2021/22 marketing year (MY). In addition, according to the forecasts of the U.S. Department of Agriculture, in the current MY, exports of Ukrainian maize may increase to 32 million tonnes.

"We are very much looking forward to the opening of the U.S. market for Ukrainian maize and wheat, because it will create new prospects for business development and economic growth of our country," said Mahaletska.

As reported, the State Service of Ukraine for Food Safety and Consumer Protection and the Ministry of Foreign Affairs of Ukraine are cooperating to open new markets for Ukrainian exports, providing support to producers and removing technical barriers to trade, as well as providing state guarantees for compliance with partner countries.

[back to top](#)

## **Russian harvest winds down as planting program accelerates**

21 September – graincentral.com

A high level of conjecture remains around the final size of this year's wheat harvest in Russia, with some widely varying forecasts released in recent weeks. Dry weather throughout the growing season has had a dramatic impact on yields following record production last year.

Last Thursday Russian agricultural consultancy IKAR reduced its 2021-22 season wheat crop forecast to 74-75 million tonnes (Mt). Lower-than-expected yields in several regions compelled IKAR to revise its August crop forecast of 77Mt. IKAR singled out the country's Central, Volga and Ural regions as the worst hit by below-average rainfall that has seen production plummet from 85.9Mt in 2020. IKAR pegged the Russian barley harvest in the 17.5-18Mt range, suggesting their production bias for barley was also lower after forecasting an 18Mt crop last month. The consultancy's corn production forecast is 14-14.5Mt, with total Russian grain output expected to fall in the 117.5-120Mt range. Russian grain exports will be 39.5-40.5Mt, including 31-31.5Mt of wheat, according to IKAR. Leading consultancy and Black Sea market analyst Sovecon has Russian wheat production slightly higher than IKAR at 75.4Mt. At 33.9Mt, its wheat export estimate is also higher, although the export tax continues to play havoc with Russia competitiveness into some traditional high-volume markets. As a result, Sovecon expects an extended export program, stretching well into the second half of the 2021-22 marketing year which commenced on July 1.

The USDA is setting the low mark this year with its current wheat-production forecast at 72.5Mt, 15 per cent lower than its final 2020-21 output of 85.35Mt. The USDA has exports at 35Mt, which seems high considering domestic consumption is around 40Mt. This pushes ending stocks down to just under 10Mt, but still slightly higher than the average of the last four years at 9.75Mt. At the high end of wheat production estimates is the Russian Grain Union. It has reportedly raised its harvest forecast last week from 76Mt to 78-78.5Mt, indicating the yield gap compared to last season was not as high as expected. It expects more favourable production outcomes as the harvest moves into the Siberian spring wheat regions, contrary to market reports suggesting additional abandonment of spring wheat areas due to meagre yields.

As a result of the production upgrade, RGU is now calling wheat exports for the 2021-22 marketing year in the 35.5-36Mt range, higher than its previous forecast of 34Mt. The Union has the total Russian crop pegged at 119.5Mt, up from 118Mt in its last update.

The Russian winter and spring crop harvests are now around 90pc complete, with around 24.4 million hectares (Mha) covered thus far. The Russian Ag Ministry says there is 97.2Mt of grain in the bin, including 70.7Mt of wheat and 17.3Mt of barley.

According to Russian Federation Customs Service Statistics, wheat exports in the first seven months of 2021 were 14.1Mt, down 6.2pc year on year. However, the value of those exports rose by 12.3pc to US\$3.6 billion, a reflection of the higher global grain values in 2021.

In July, the first month of the new marketing year, Russia exported 1.8Mt of wheat, down 20.9pc year on year and down 20.7pc compared to June. This highlights the impact of the export tax on shipments in June, as the trade scrambled to move as much wheat as possible before the new tax formula came into effect in July.

[\\_ back to top](#)



## **Russia resumes wheat exports to Algeria after 5 years break**

20 September – Hellenicshipping.com

Algeria has allowed Russian grain imports for the first time in more than five years. The first shipment of 30,000 tons of wheat is on its way to the North African nation.

According to Russian watchdog Rosselkhoznadzor, a second ship is currently being loaded in the Black Sea port of Taman, and will set sail in the near future.

The world's largest wheat exporter has been lobbying for access to the Algerian market, and is planning to send two vessels with a total of 60,000 tons of wheat in September.

The shipments mark the first major supply of Russian wheat to Algeria since 2016, excluding a cargo of 28,500 tons shipped in June.

The Russian agriculture safety watchdog also said that Algeria's export potential exceeds seven million tons.

"The quality characteristics of the grain, which fully meet the country's requirements for imported products, were confirmed by specialists," the regulator added.

Russian wheat producers had no access to Algeria, the world's sixth-biggest wheat importer, until October last year. Back then, the North African country eased the sanitary terms regarding grains, which made it possible to offer wheat from the Black Sea with higher protein.

In total, Russia exported 79,000 tons of grain and its processed products to Algeria in the agricultural year 2020-2021. The shipments included wheat, chickpeas, flax seeds, oat and buckwheat flakes, and millet.

[back to top](#)

## **Italy braces for pasta inflation amid soaring durum wheat prices**

10 September – Bloomberg.com

Italians may soon reckon with higher pasta prices amid a fall in durum wheat production.

"Our family has been in this business for 110 years, but we have never experienced a situation like this", Giuseppe Ferro, chief executive officer of La Molisana SpA, one of the country's biggest pasta producers, said in an interview with Il Sole 24 Ore on Friday.

According to Ferro, big pasta producers are already rushing to stock grain, which can be stored for up to two years. Still, he says, wheat semolina, which is essential for pasta making, cannot last longer than a month.

The shortage is already having an impact on production costs and will lead to retail price increases before Christmas, Ferro added. Durum wheat is used to make pasta.

Drought and heat continued to hurt the wheat harvest in July in Canada, the world's biggest supplier of durum wheat, months after a harsh winter hit the Russian crop. Grain shipments from Western Canadian port terminal elevators tumbled 41% in the third week of August from a year-ago, according to a Quorum Corp. report.

European crop quality was also hurt by heavy rains over the summer.

[back to top](#)

## **Brazil imports record volumes of Argentine maize to feed poultry and pork**

9 September – Mercopress.com

While Brazil is complying with the last shipments of maize contracted earlier and at a lesser rhythm and volume than a year earlier, imports of the grain compared to 2020, have more than doubled this year, mainly from Argentina.

So far Brazil has purchased 1,3 million tons of maize, and in the first three days of September it already has unloaded 65.700 tons against 147,000 tons for the whole same month in 2020, points out Secex, the country's Foreign Trade Secretariat.

And this is only the beginning according to companies that have purchased Argentine maize and are to be delivered in coming weeks. The scarcity of the grain needed to feed poultry, pork and feedlots has forced to appeal to Mercosur associates supplies.

This is expected to have a consequent impact on the price of the grain, even when the US dollar in Brazil has experienced some strengthening. Brazil is a global leading supplier of chicken, pork and beef.

To help with the situation and the agribusiness, the Brazilian government a few months ago reduced the maize import tariff to 8% for countries outside Mercosur, to ensure Brazil remains a first class exporter of animal protein.

[back to top](#)

## Reports

### **Crops prospects and food situation – FAO**

This report is published four times a year and provides a forward-looking analysis of the food situation by geographic region, focusing on the cereal production outlook, market situation and food security conditions, with a particular attention on Low-Income Food-Deficit Countries (LIFDCs). The report also includes a list of countries requiring external assistance for food, highlighting the main drivers of food insecurity. It also includes a global cereal supply and demand overview to complement the biannual analysis in the Food Outlook publication.

[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](http://www.fao.org/economic/est)