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EU Wheat: Production Estimates Rise with Harvest but Output Remains Below Average

The USDA's August estimate for wheat in the European Union (EU) is 133.5 million tons from 25.8 million hectares. Production is estimated up 1 percent or 1.4 million tons from last month while area is estimated down 1 percent or 0.2 million hectares. Compared to last year, the 2011/12 crop is estimated to be down 2 percent or 2.1 million tons, while production is 0.6 million tons below the 5-year-average. Yield is estimated at 5.18 tons per hectare (t/ha), edging up from the 5.10 t/ha last month. Yield remains below the 5.25 t/ha five-year-average, and is down considerably from the 5.67 t/ha record in 2008/09. The month-to-month revisions are based on initial harvest results and favorable wheat conditions observed during July crop travel in France. Severe spring drought prevailed in Northern Europe's four biggest wheat producers: France, Germany, United Kingdom (UK) and Poland.

France's harvest was well underway during July and the results were higher than earlier expected. Production is estimated at 34.5 million tons, up 3 percent or 1.2 million tons from last month, but 10 percent below last year. France's soft-wheat area is concentrated around Paris.

This area's heavy soils retained moisture better than expected and early June rainfall arrived to benefit later-developing wheat fields that were still in the grain-fill stage. Additional rainfall in July prolonged the harvest and created quality worries. Farther south in central France, where the durum wheat crop is concentrated, rainfall arrived too late. Durum, which comprises a small fraction of the wheat crop, was farther advanced and did not benefit from the June rainfall.

Germany, the EU's second-largest wheat producer, received precipitation amounts similar to northern France but its soils are sandier than France's soils, making retention and hence crop recovery more difficult. Soil moisture wasn't stored as well in the lighter sandy soils. Germany's wheat harvest typically begins in late July, but was delayed by persistent rains. The German crop is estimated to be unchanged from last month at 22.2 million tons, 6 percent below the five-year average.

Ukraine. Grain stocks 19% up against last year stocks

Grain stocks at agrarian enterprises of Ukraine (except for small enterprises) and enterprises engaged in its storage and processing, as of August 1 amounted to 20 million tons, which is 19% up against the same date of 2010, the State Statistics Service informs.

In particular, for the designated date, wheat stocks made up 14.2 million tons, barley stocks - 4.2 million tons, corn stocks - 0.7 million tons and rye - 0.3 million tons.

At agrarian enterprises, grain stocks amounted to 13.6 million tons (+25% against the last year index), including wheat - 9.6 million tons, barley - 2.9 million tons, corn - 0.4 million tons and rye - 0.2 million tons.

Internal consumption of grain in Ukraine is estimated approximately at 26 million tons a year.

Ukraine, by different estimates, will harvest 47-50 million tons of grain this year against 39.3 million tons in 2010.

Saudi Arabia Buys 660,000 Tons of U.S., European Hard Wheat

Saudi Arabia bought 660,000 metric tons of hard wheat from the U.S., Europe, Australia and Canada for delivery from November to February, the Grain Silos and Flour Mills Organization said.

The average price is \$346 per ton, including cost and freight, the government-run wheat importer said in an e-mailed statement. The kingdom will receive six shipments in the port of Jeddah and six in Dammam, according to the statement.

Saudi Arabia is raising grain imports as part of a plan to phase out water-intensive food crops by 2016. Food was the biggest import in May at the kingdom's eight ports, according to data on the website of the Saudi Ports Authority.

Domestic producers have supplied 800,000 tons of wheat this year, the official Saudi Press Agency reported today, citing Waleed Al-Khariji, the director general of the organizations. Domestic wheat production is forecast at 1.1 million tons this year, the news service said.

Syria Seeks to Export 500,000 Tons of Hard Wheat, Tishreen Says

Syria may export 500,000 metric tons of hard wheat produced locally this year and import an equal quantity of soft wheat after winning government approval, state-owned Tishreen newspaper reported, citing Suleiman Al Nasser, the head of state-run General Establishment for Cereal Processing and Trade.

The export of wheat will help supply the treasury with hard currency, according to the report. Syria sold 500,000 tons of hard wheat in 2009 and bought 1.2 million tons of soft wheat, Nassar said, according to Tishreen.

Syria Seeks Bids for 100,000 Tons of Wheat From All Origins

Syria is seeking to buy 100,000 metric tons of soft wheat from all origins, the Syrian General Establishment of Cereals Trade and Processing said.

The state agency will accept bids until Sept. 6, Bassam al Hammed, head of its foreign trade department, said in a telephone interview from the capital Damascus today.

A tender for 100,000 tons of soft wheat, which closed Aug. 15, was won by a Cypriot company and should deliver Romanian- produced wheat at 217 euros (\$314) per ton, he said.

Rice

Global Rice Production in 2011/12 Projected To Be the Highest on Record

The 2011/12 global rice production forecast was reduced by 73,000 tons this month to 456.3 million tons, with increases for Egypt and the United States nearly offsetting reductions for Indonesia and the Koreas. In spite of the reduction, global rice production in 2011/12 remains projected at a record, up more than 1 percent from 2010/11.

Egypt's production estimate was raised this month by 350,000 tons to 4.7 million tons. The U.S. Agricultural Officer in Cairo reports that in the wake of this spring's political upheaval, rice planting restrictions on the basis of water conservation were not strictly enforced, allowing more rice to be planted in lieu of corn and soybeans. As a result, plantings in Egypt are estimated at 760,000 hectares – nearly a 70-percent increase over 2010/11 when the planting restrictions were in place. This would be the largest crop on record for Egypt.

U.S. rice production for 2011/12 was also revised upward this month. The estimate was raised 40,000 tons to 6.04 million tons based on a higher yield estimate reported by the National Agricultural Statistics Service.

These increases were more than offset by several reductions. The largest of these was a 300,000-ton decrease for Indonesia, whose production for 2011/12 is now forecast at 37.3 million tons. The decrease in production was almost entirely due to an adjustment in the milling rate for 2011/12 from 64.0 to 63.5. Production on a rough basis was largely unchanged from last month. Despite this reduction, production in Indonesia is still forecast 240,000 tons higher than in 2010/11.

Extremely wet weather has harmed production prospects this season throughout the Korean peninsula. In North Korea, torrential rain fell in the country's main rice-growing areas throughout July, hindering crop development. Currently, production is estimated at 1.7 million tons, down 100,000 tons from last month's forecast based on a lower yield. In South Korea, production is estimated at 4.24 million tons, down 60,000 tons from last month's forecast. Similarly, the reduction is due to a slightly reduced yield estimate.

Global rice production for 2010/11 was raised by nearly 1.0 million tons this month to 451.2 million tons. The largest change for 2010/11 was an 800,000-ton increase in India's production estimate to 95.3 million tons. This increase was recommended by the U.S. Agricultural Officer in New Delhi and is consistent with the Indian Ministry of Agriculture's Fourth Advance Estimates report. Higher yields for the winter-planted rabi crop accounted for most of the increase.

Similarly, Indonesia's 2010/11 production estimate was increased 160,000 tons to 37.06 million tons following newly revised quarterly estimates released by the Indonesian Central Agency on Statistics, BPS. The U.S. Agricultural Officer in Jakarta reports that wet conditions in 2010/11 led to increased rice plantings at the expense of corn, soybeans, and other minor food crops. At the same time, poor conditions reduced expected field yields, and milling yields were also reportedly affected.

Global disappearance in 2011/12 is projected at a record 455.2 million tons, down 1.1 million tons from last month's forecast, but still nearly 7 million tons larger than 2010/11. Upward revisions for Bangladesh, Egypt, and Indonesia were more than offset by reductions for North Korea and Pakistan.

Global ending stocks for 2011/12 are projected at 97.9 million tons, up 1.7 million tons from last month and 1 percent larger than a year earlier. Upward revisions for China, Indonesia, and Thailand more than offset declines for Bangladesh, Egypt, Brazil, and

Pakistan. The global stocks-to-use ratio for 2011/12 is calculated at 21.5 percent compared with 21.6 percent in 2010/11.

Vietnam licenses foreign firms to export rice

Four foreign-invested enterprises have been given a licence to export rice, Vietnam's Industry and Trade Deputy Minister Nguyen Thanh Bien said on Aug. 9.

The foreign companies joined the list of 44 that met the criteria to export rice under Government Decree 109 on the management of rice exports.

Speaking in HCM City yesterday, Bien said five more businesses would receive licences within the next few days, bringing the total to 49, with a total capacity of 70 per cent of the nation's rice export turnover.

Bien also said Vietnamese exporters who had sufficient capabilities to join the market would be supported to sharpen their competitive edge.

According to the Vietnam Foods Association, about 70-80 of 200 enterprises had met the requirements regarding warehouse, drying machine systems and rice husking machines to export rice.

As soon as the new regulation was applied on October 1, the rice industry was expected to minimise post-harvest rice damage to 5 per cent from 15 per cent, the association said.

Drying regulations would be applied flexibly so as not to affect targeted rice exports for this year.

Vietnam's rice exported in the first seven months rose to a record 4.62 million tonnes and fetched US\$2.18 billion, the association said.

It represented an increase of 16.72 per cent in volume and 26.07 per cent in value compared with the same period last year.

Thai Rice Price Jumps 3.4% to \$582 Per Ton, Exporter Group Says

Thai rice export prices, the benchmark for Asia, rose 3.4 percent after floods damaged crops and because of a government plan to buy supplies at above-market rates, an industry group said.

The price of 100 percent grade-B white rice increased to \$582 per metric ton this week, according to the Thai Rice Exporters Association. The price of 25 percent broken rice rose to \$521 a ton, it said on its website today.

The association holds a meeting every week to set prices.

Sugar

Sugar Prices Seen Staying High as China, Indonesia Refill Inventories

World sugar prices may range between 23 cents and 28 cents a pound as China, the second-biggest user, and Indonesia increase imports, draining a global surplus of 4 million metric tons, the International Sugar Organization said.

The market may have a “a technical blip” to 30 cents, Executive Director Peter Baron said in an interview in the Philippines. The raw variety averaged 12.78 cents in New York over the past 10 years and ended at 27.84 cents on Aug. 12.

High prices may bring little relief for central bankers and policy makers struggling to cool global inflation. Sugar, corn and cooking oils helped push the United Nations World Food Price Index to a record in February, while in June the gauge stayed near an all-time high, potentially worsening the lives of the 1.1 billion the World Bank says live on less than \$1 per day.

“Even this surplus is probably not enough to be taken by importers to replenish their stocks, without increasing prices considerably,” Baron said in Cebu yesterday.

Indonesia may purchase 2.6 million tons, overtaking Russia as the third-largest buyer after the U.S. and the European Union, he said. China may purchase 2.5 million tons in the year from October, exceeding its usual import quota of 1.9 million tons.

“We already have corn and sugar with the best fundamentals,” Paul Deane, an agribusiness economist at Australia & New Zealand Banking Group Ltd. (ANZ), said from Melbourne on Aug. 12. They “will keep global food prices close to their highs,” he said in an interview.

Indonesian Demand

Indonesia’s purchases may be bigger than Baron’s forecast. The nation is forecast to buy 2.841 million tons, from 2.482 million tons a year ago, Faruk Bakrie, chairman of the Indonesian Sugar Association, said at a conference in Cebu today.

The raw variety has climbed 36 percent from this year's low in May on concern that production in Brazil, which represents about half of global exports, will decline more than forecast.

The crop in Brazil's Center South, the world's largest producing region, will total 31.6 million tons from a July 13 estimate of 32.4 million tons, Sao Paulo-based Unica, a sugar-cane industry association, said Aug. 11.

The ISO's 4 million-ton surplus included a drop in Brazil total output to 38.5 million tons from about 40 million tons, and increases in harvests in Thailand and India, which may help meet rising import demand of countries seeking to rebuild their stockpiles, Baron said.

Thai Output

Thailand's output may slip from a record 9.64 million tons to 9.5 million tons in the year from November after flooding and excessive rains in some parts of the country, and drier-than-normal weather in other parts, cut cane yields, Rangsit Hiangrat, director at the Office of the Cane and Sugar Board, said today.

The estimate of Thai exports will be formalized as cane harvesting progresses, he said. Still, the nation will remain a major supplier even with the dip in output, he said.

India, the world's second-largest producer, may boost output to 26 million tons in the 2011-2012 season, from 24.2 million tons a year earlier, Abinash Verma, director-general of the Indian Sugar Mills Association, said at the conference.

The nation may have a 4 million-ton surplus and "large quantities" may be exported as producers seek higher returns after local prices fell below international rates, Verma said. India has the world's second-lowest sugar price, he said.

The group is surveying cane acreage through satellite mapping and, if the result confirms their output forecast of 26 million tons, it will submit the finding to the government and ask officials to set an export target by December, Verma said.

Global Inventories

Global sugar inventories may take two years to be rebuilt after demand outpaced supplies in the past two seasons, Sergey Gudoshnikov, senior economist at the ISO, said July 26. Smaller crops in 2008-2009 and 2009-2010 left a deficit of 15 million tons, Gudoshnikov estimated.

The ISO forecast for the 2011-2012 surplus, which Baron said is the organization's first based on supply and demand from more than 150 countries, compares with predictions of 9.8 million tons from Rabobank International, 5 million tons from Macquarie Group Ltd. (MQG) and 10.3 million tons from Czarnikow Sugar Futures Ltd.

Kingsman SA, the Lausanne, Switzerland-based brokerage, said July 25 the surplus in 2011-2012 may be 2 million tons smaller than its May estimate of 10.575 million tons, as the crop in Brazil will be less than initially estimated.

Sugar to Climb 5.5% as Brazilian Crop Slides Amid China, Indonesia Demand

Sugar may advance 5.5 percent by December as China, the second-biggest user, and Indonesia replenish stockpiles and the crop declines in Brazil.

Futures in New York could gain to 29 cents a pound, according to the median in a Bloomberg News survey of eight exporters, importers and traders at a conference in Cebu, the Philippines. October-delivery ended at 27.48 cents yesterday.

More expensive sugar may bolster near-record global food costs and make it harder for central bankers and policy makers to curb inflation. Food prices are close to their peak in 2008, with corn and sugar helping fuel a 33 percent gain in the past year, according to the World Bank. That may worsen the lives of the 1.1 billion the bank says live on less than \$1 a day.

"The stocks-to-use is quite tight, which is keeping prices high," said Adam Tomlinson, Rabobank International's Food & Agribusiness Research and Advisory director, in an interview. "That's why you got countries like China managing their reserves, adding 1 million tons to their imports."

A surplus of about 4 million metric tons in the year starting October will probably not be enough to allow importers like China and Indonesia to replenish their inventories without a considerable increase in prices, said Peter Baron, executive director of the International Sugar Organization.

The market may have a "technical blip" to 30 cents, he said in an interview Aug. 14 and predicted prices will stay high. Futures averaged 12.81 cents in the past 10 years.

China, Brazil

China could purchase 2.5 million tons, exceeding its usual import quota of 1.9 million tons, Baron said. Indonesia may buy 2.84 million tons, up from 2.48 million tons the previous year, said Faruk Bakrie, chairman of the Indonesian Sugar Association.

The Asian region will have a 6 million ton shortage in the season starting in October even as the global market swings to surplus, said Rabobank's Tomlinson.

The harvest in Brazil's Center-South, the world's largest producing region, will fall short of previous estimates on lower-than-expected yields, the Unica industry association said. Output will be 31.6 million tons, down from a July 13 estimate of 32.4 million tons, Sao Paulo-based Unica said Aug. 11.

Sugar may exceed 29 cents if the Center-South crop is smaller, said Pedro Cortes, president of Energy Brazil. The yields may be 1.1 million tons below the latest estimate after drought, excessive rains and frost damaged crops, Cortes said.

Economy, India

Concerns that the global economy is slowing and a decline in managed-money investments in futures may limit gains, said Tomlinson. The bank forecast in July that prices may average 26 cents this quarter before slipping to 23 cents in the fourth.

Higher production in India, the second-largest grower, and Thailand will help make up for losses in Brazil, capping prices at 29 cents on a sustained basis, said Abinash Verma, director general of the Indian Sugar Mills Association, in an interview.

India may boost output to 26 million tons in 2011-2012 from 24.2 million tons a year earlier, said Verma.

The country could have a 4 million ton surplus in the coming season and large quantities may be exported as producers seek higher returns, Verma said. India has the world's second-lowest domestic price, he said.

While the Thai government expects the harvest to slip to 9.50 million tons in the year from November from a record 9.64 million tons this year, the nation will stay a major supplier, Rangsit Hiangrat, director at the Office of the Cane and Sugar Board, said in an interview.