

## Wheat

### **Russia's grain harvest expected to reach 93 million tons**

Russia's grain harvest in 2011 is expected to reach 93 million tons, if the weather is favourable, head of Russia's Grain Union Arkady Zlochevsky said on Monday.

"The most optimistic forecast is 93 million tons, although it is obvious already now that 90 million tons are a guaranteed harvest," he told journalists, adding that 83 million tons have already been harvested. "This is bunker weight," he noted.

According to Zlochevsky, final harvesting figures will be available by December. At the same time, he admitted that weather may influence the harvest. Thus, in his words, "there were too many rains" in the Volga region.

According to Zlochevsky's forecasts, Russia's wheat harvest is expected to be at 50-55 million tons, and barley harvest – at 16-17 million tons. "It will be enough to ensure exports although the quality of wheat has somewhat deteriorated as compared with the last year's harvest," he said.

Apart from that, rice harvest is expected to reach 1.2 million tons, maize harvest – six million tons, sunflower harvest – nine to ten million tons, and soy beans harvest – from 900,000 to one million tons.

He also spoke about plans for winter crops. Thus, he said, "It was initially planned to sow winter crops on an overall area of 17.8 million hectares but time has been lost in some regions, so the plans reduced to 17 million hectares."

"We will have to compensate what we have lost in terms of winter crops in the spring sowing campaign, virtually as we did last year," he added.

### **Russia could export 200,000 tonnes of white sugar in 2011/12**

Russia might export up to 200,000 tonnes of white beet sugar between July 1, 2011 and June 30, 2012, Yelena Skrynnik, agriculture minister, told Interfax news agency on Friday.

Ms Skrynnik did not say who might be the buyers of Russian sugar.

## **Russian grain prices keep falling despite ban threat**

Russian domestic grain prices continued a decline as harvesting approached its finish last week in spite of an announcement that grain exports may be curtailed if they exceed 23-24 million tonnes in the current season, analysts said on Monday. However, some cereals dollar-denominated prices rose and some remained stable on a stronger rouble, they said.

"The government announcement about potential export restrictions after reaching 23 million tonnes threshold did not produce much impression on the market players," the Institute for Agricultural Market Studies (IKAR) said in a weekly note. The average EXW third-grade milling wheat price fell 125 roubles (\$4.05) to 5,925 roubles per tonne in European Russia, fourth-grade by 150 roubles to 5,075 roubles and feed wheat by 50 roubles to 5,075 roubles per tonne, SovEcon agricultural analysts said in a separate note.

It said the feed barley price declined by 100 roubles to 5,250 roubles and feed maize by 350 roubles to 6,250 roubles per tonne. The FOB prices for wheat with 11.5 percent protein content hovered within the range of \$230-\$235 per tonne in Novorossiisk, and in Azov sea and Don river shallow water terminals they lost about \$3 to \$197 per tonne, IKAR said.

IKAR said prices of standard fourth-grade wheat including delivery (CPT) to Novorossiisk fell to 7,300 roubles per tonne from 7,500, while SovEcon believes that the price fell even further to 7,200 roubles per tonne from 7,300-7,400. "Traders say that exporters have accumulated large stocks of cereals," SovEcon said. IKAR said that EXW wheat prices in southern Russia declined in roubles, but strengthened in dollars. Third-grade wheat rose by \$6 to \$196 per tonne, fourth-grade and fifth-grade by \$5 to \$188 per tonne and \$175 per tonne, respectively. Maize prices also declined in roubles, but in dollar terms they remained unchanged at \$175 per tonne in dollars, IKAR said.

"The strengthening of the rouble is a negative factor for the domestic market," SovEcon said. The Russian rouble recorded last week its biggest weekly gain since late 2009, propped up by tight liquidity before tax payments and by higher oil prices thanks to the global improvement in risk perception. Average sunseed prices fell by 550 roubles to 10,675 roubles per tonne in the European part of Russia on expectations of a new record crop, SovEcon said.

However, some major processors in the Central Black Soil region raised bid prices to 9,500 roubles per tonne from 9,000, it said. SovEcon believes that current price levels

will soon prompt demand for sunseeds from exporters even with an existing export duty of 20 percent of the customs value.

And IKAR said that there were reports of sunseed shipments to Belarus, which is part of a customs union with Russia and may import sunseeds without the duty. IKAR said average sunseed prices in Russia declined in roubles, but remained stable in dollars - at \$313 per tonne.

"The price declined substantially in the Volga Valley, which experiences an oversupply, and it was much higher in southern Russia, oriented at lucrative sunoil export markets," it said in the note. Sunoil prices strengthened slightly in dollar terms to \$1,072 per tonne from \$1,046, IKAR said. FOB Black Sea prices rose to \$1,070-\$1,100 per tonne from \$1,000-\$1,050 a week before, SovEcon said.

## **Russia collected 94.6 million tons of grain**

Russia collected 94.6 million tons of grain from 41 million hectares, 95.3% of all harvesting area by October 21. Average yield for wheat is 23.1 centner per hectare. 58.6 million tons of wheat were harvested with an average yield of 24 centners per hectare, barley – 17.5 million tons with average yield of 22.8 centners per hectare, corn – 3.4 million tons with average yield of 44 centners per hectare, RIA Novosti reports.

Over 14.8 million hectares of winter crops were planted, 82.7% of planned.

Prices for the third and fourth class wheat continue dropping in the Southern and North Caucasian Federal Districts. third class wheat dropped by 150 rubles per to 6,100 rubles per ton, fourth class by 150 rubles to 5,900 rubles per ton.

The price at the Ural Federal District for third-class wheat dropped by 250 rubles per to 4,050 rubles per ton, fourth class by 150 rubles to 3,850 rubles per ton. Prices dropped for rye at the Central Federal District by 150 rubles to 4,200 rubles per ton. Forage wheat prices at the Southern and North Caucasian Federal Districts dropped by 100 rubles to 5,550 rubles per ton, at the Privolzhsky Federal District by 150 rubles to 4,550 rubles per ton, at the Ural Federal District by 200 rubles to 3,650 rubles per ton.

Russian Vice-Premier Victor Zubkov said on Friday that grain harvests should reach 90-92 million tons, compared with 61 million tons in 2010.

## **Quality cloud over fresh Ukraine-Egypt wheat trade**

Regaining access to Egyptian wheat tenders may not, for now, improve Ukraine's grain export fortunes thanks to poor quality which have left little milling wheat to spare.

The Ukrainian Agrarian Confederation on Monday raised hopes that Egypt, the world's biggest wheat importer, would restore Ukraine to its list of approved suppliers, after a three-year ban introduced after quality disputes.

Nomani Nomani, vice-chairman of Egypt's state grain importer, the General Authority for Supply Commodities, said the authority "is ready to return Ukraine in the list of its official suppliers if... a state-run body guarantees quality of Ukrainian grain", the UAC said.

The statement followed a meeting between Gasc and Ukrainian industry representatives.

### **Feed vs milling**

However, while a thawing of relations would be "good news" for Ukraine, allowing it to compete for wheat tenders totalling some 5m-6m tonnes a year, the country's ability to make an immediate impact looked limited, Pierre Begoc, executive director at Agritel's Kiev office, said.

With the level of this year's wheat crop fit for food as low as 30%, thanks to harvest rains, the country may only have about 6m tonnes of milling wheat available.

"That's roughly the same as domestic consumption," Mr Begoc

"The export availability of milling quality wheat looks rather narrow."

In a normal year, some 40% of Ukrainian wheat was of milling quality, reaching 45% in the best years.

Separately, Gasc was on Monday said by traders to be raising its requirements for protein content in wheat, reversing changes made last year when a series of poor harvests handed market power to sellers.

### **Exports lag**

The comments follow an offer by Venus, the merchant, two weeks ago to Gasc of 60,000 tonnes of Ukrainian wheat at \$260 a tonne, then below prices of Russian supplies, but which was disqualified because of its origin.

Some observers viewed this offer as part of the exercise of lobbying Gasc to get Ukrainian wheat accepted again.

Meanwhile, the UAC said separately that Ukraine's 2011-12 grain exports continued to lag those of a year ago despite a better harvest, with the shortfall blamed on the imposition of grain export duties.

Grain exports rose to 1.48m tonnes last month from 1.4m tonnes in August, but the total for the July-to-September period, of 3.5m tonnes, was 200,000 tonnes below the figure a year before.

## **Ukraine To Participate In Egypt's Wheat Import Tender**

Ukrainian reliable market source says that GASC(Egypt's general authority to supply commodities) will allow Ukraine to participate in Egypt's wheat import tenders .Ukraine has been a traditional supplier of wheat to the middle east and north Africa.

Due to quality issues it has been excluded from participating in tenders. Now situation has changed and after assurance over quality,Egyptian authority may allow Ukraine to participate in incoming tenders.

## **Egypt's wheat stocks enough for four months**

Egypt, the world's biggest wheat importer, has 2.8 million tonnes of wheat in storage that would last for four months, cabinet spokesman Mohamed Hagazy told reporters on Tuesday after a ministerial meeting at the cabinet's headquarters.

Hagazy further said that the state will import 1.9 million tonnes of wheat until December 2011, the amount which will keep the state covered until March 2012.

Since the start of the 2011/12 fiscal year on 1 July, Egypt's state-owned wheat buyer, the General Authority for Supply Commodities (GASC), has purchased 2.34 million tonnes of Russian wheat, 180,000 tonnes of Romanian wheat and 120,000 tonnes of Kazakh wheat.

Egypt has also said it intends to double the amount of corn in subsidized bread to cut costs. It would raise the quantity of corn to 20 per cent from the current 10 per cent.

Egypt consumes around 14 million tonnes of wheat annually and imports half of its needs. It spent 33 billion Egyptian pounds on food subsidies in the fiscal year ended on 30 June, including wheat, oils, sugar and rice.

## **Egypt says to grow 3 mln acres of wheat in 2011/12**

Egypt, the world's largest wheat importer, expects to grow 3 million acres of wheat in the 2011/12 season, the chairman of the country's National Seed Council said, about the same acreage as last year while it offers to pay farmers a higher price.

The planting area will be "around 3 million acres, plus or minus ... nearly like last year's area," Fawzi Mahrous told reporters on the sidelines of a Russian grain conference in Egypt on Wednesday.

Egypt raised the price it will pay local farmers for their wheat next season to 380 Egyptian pounds per ardeb (140 kg) from 350 pounds during the last season to give them an incentive.

The new price works out to about \$454 per tonne, far above the \$250 per tonne Egypt paid for foreign wheat at a tender this month.

"We are trying to increase the area, but it is not that easy as the other areas are planted with other crops," Mahrous said.

Egyptian wheat yields rose from 5.35 tonnes per hectare (2.47 acres) in 2010 to 7.14 tonnes per hectare in 2011 due to the use of improved seeds and improved weather conditions, a report issued by the U.S. Department of Agriculture attache said in May.

Local procurement increased in 2011 to 2.6 million tonnes from 2.1 million tonnes a year earlier due to better prices.

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Egypt spent 33 billion Egyptian pounds on food subsidies in the fiscal year which ended June 30, including wheat, oil, sugar and rice.

State finances have come under pressure from a sharp drop in economic growth after a popular uprising unseated the country's president in February.

Egyptian wheat is planted in October and November and harvested in April and May.

## **Iraq to Reissue Tender for 50,000 Tons of Wheat, Ministry Says**

Iraq is tendering for 50,000 metric tons of wheat for a second time, with bids due by Oct. 10, according to a notice on the website of the ministry of trade.



The wheat can be from all origins, it said today.

The original tender was issued Aug. 24, with a bid deadline of Sept. 6, and was later canceled, Amer Abdel Aziz, spokesman for the country's Grain Board, said Sept. 14. He didn't give a reason for the cancellation.

## **Tunisia Buys 75,000 Tons of Soft Wheat in Tender, Agritel Says**

Tunisia bought 75,000 metric tons of soft wheat for between \$263.50 and \$265 a ton on a cost-and- freight basis as part of a tender for 92,000 tons of the grain, French farm adviser Agritel said.

The country also got offers for feed barley at \$285.38 a ton on a cost-and-freight basis, Paris-based Agritel said in a daily comment on its website today. The higher asking price for barley compared to wheat "is a good illustration of the tension in the market," the company said.

## **Tunisia purchases 50,000 tonnes of feed barley in tender**

Tunisia's state grains agency bought 50,000 tonnes of feed barley in a tender this week, European traders said on Friday.

The agency purchased one 25,000-tonne cargo at \$285.38 a tonne c&f from Viterra and another 25,000 tonnes at \$289.79 a tonne c&f from Bunge, they said.

## **Jordan tender to buy 100,000 tonnes of feed Barley**

Jordanian Ministry of Industry and Trade tenders to buy 100,000 tonnes of feed Barley, Today October 11, 2011.

The deadline for offers is October 27, 2011.

## Rice

### US rice farmers have high hopes for China

After years of effort, U.S. farmers believe they are close to getting permission to sell rice in China, a potentially huge boost for an industry that has seen prices stagnate recently.

If China opens its markets to U.S. rice, it could cause a spike in demand that drives up prices and encourages farmers to grow more, industry observers said. The fast-growing Asian nation is the world's largest producer of rice, but it consumes nearly everything it grows and already imports some rice from Thailand and Vietnam to feed its 1.3 billion people.

The U.S. is the world's fourth-largest rice exporter, shipping to more than 100 countries. But China has resisted opening its markets, saying its inspection agencies have not certified that U.S. rice is safe from disease, bugs and other pests.

To help move things along, the U.S. Rice Producers Association invited Chinese inspectors to tour farms in Arkansas, California and Louisiana.

China has long had a policy of self-sufficiency in grains, stockpiling crops such as corn, wheat and rice to cope with shortages and avoid having to rely on other countries for essentials.

As more migrants move to cities and incomes rise, China's demand for staples has often outstripped its domestic production. It has had to import "significant quantities" of corn in some years and has grown into the largest importer of soybeans in the world, according to the U.S. Department of Agriculture. That's contributed to a spike in demand that's driven up prices for both of those items.

The great hope is that as China's middle class becomes wealthier, its members will want to buy high-quality rice from the U.S. even if it's more expensive.

"You think of rice as just rice, but I'm always surprised by how sophisticated rice palettes are," said Andy Hewes, partner in a Texas rice marketing firm and publisher of The Rice Market Letter. "Sometimes even the slightest variations can put people off."

Greg Yielding, an official with the U.S. Rice Producers Association, has conducted taste tests where he had shoppers try different varieties of American rice \_ the short- and medium-grain grown in California and the medium- and long-grain rice grown in Arkansas and elsewhere in the South.

But Milo Hamilton, publisher of Firstgrain.com, a rice industry news service, said breaking into China could be tricky.

"You have to be very careful with the protocol," he said. "You've got to get it down right, and you've got to have the demand and you have to have the people to accept it."

At a Walmart in Beijing, Yu Xiaoli, a 30-year-old housewife shopping for her monthly supply of rice, chose Chinese rice to the Thai alternative. She said she doesn't choose based on price but prefers Chinese rice for its flavor and texture.

Asked if she might be interested in trying American rice, Yu looked surprised.

"I've never tried it," Yu said. "I haven't even heard anything about it."

## **India. Rice output may cross target on rains and higher sowing**

Rice output in India, the world's second-largest grower, is likely to cross the record target of 102 million tonne in the crop year through June 2012, aided by higher planting and plentiful monsoon showers, driving overall grain supplies to a record, although pulses production may lag last year's level, government and industry sources said Tuesday.

The country expects to produce 87.10 million tonne of rice during the summer. It produced 95.3 million tonne of rice in 2010-11.

"Area under paddy has gone up significantly this year and this will have a salutary effect on production. Monsoon rains, too, have been better than expected in most parts of the country. These apart, there have been less instances of floods and droughts this year. All these things will contribute to production overshooting the target," an official source said.

In contrast, as much as 69% of the country received normal rainfall until September 28 this season that started in June, while 23% witnessed excess rainfall. Good showers brightened summer paddy planting, with the crop coverage surging by 9.5% to 38.36 million hectare as of September 30 since sowing started in June from a year earlier.

A senior industry executive said with the paddy area rising significantly this summer, even if all natural calamities of 2010-11 are repeated this year, rice output will still exceed the target.

India's rice production hit a peak of just over 99 million tonne in 2008-09 but output fell short of targets in 2009-10 and 2010-11 due to crippling droughts as well as floods

in some parts, which had forced the government to maintain more-than-three-year-old curbs on the export of non-basmati rice until recently to keep domestic supplies steady.

Higher rice output will push up overall grain production to a new high in 2011-12, initially estimated at around 245 million tonne, and extend almost stable grain prices for another year, helping the government in its battler against food inflation.

Moreover, India needs over 60 million tonne of rice and wheat stocks a year to meet its obligation under the proposed Food Security Act, and an increase in output will help the government in one of its biggest populist drives, especially when it is struggling to prevent an erosion of its image in the public glare.

Higher rice output will also encourage the government to announce favourable export policies after curbing the shipments for more than three year now. However, pulses output may fall from the last year's record level of 18.29 million tonne due to a dip in planting, the sources said. Pulses sowing fell by 9% to 11.01 million hectares until September 30 from a year earlier as farmers shifted to paddy and cotton in many regions anticipating higher returns. "Although bulk of the pulses are produced in the rabi season, it's difficult to offset completely the huge kharif deficit as the sowing during the rabi season last year was also very good," another industry executive said. However, pulses supply will still be adequate as the country has piled up adequate stocks due to the bumper output last year as well as some imports, he added.

"So I expect pulse rates not to go up very sharply in 2011-12 although some price increases are inevitable. But if output falls next year, then we will have to import in large volumes and domestic prices will be affected accordingly," he said.

India meets around one-fifth of its annual requirements through overseas purchases. Domestic pulse prices have remained subdued for almost a year now due to a record production in 2010-11.

## **Thai rice plan could hit global market**

Thailand's new rice policy that aims to pay farmers hefty premium could cost it customers, while making Asia's staple food costlier, say experts.

Speculation ahead of the government intervention scheme has already pushed the benchmark rice export price up 30 percent since the end of May to \$650 a tonne. It could go far higher, adding to the worries of Asian policymakers already grappling with slower economic growth and rapid inflation.

From Friday, Thailand's new government will fulfill a promise that helped Prime Minister Yingluck Shinawatra win the rural vote and pay millions of its farmers 15,000 baht (\$480) a tonne for paddy rice, double the price before the July election.

That could translate into an export price of \$850 a tonne for the benchmark 100 percent B grade white rice, which would be an increase of 64 percent on last year's average of \$517.

'Prices might stay around current levels or edge up to \$700 a tonne, let's say for around a month,' said Chookiat Ophaswongse, honorary president of the Thai Rice Exporters Association.

'After that, prices could jump above \$800 a tonne due to the higher cost of paddy.'

Chookiat said exporters would not try to compete with the government. 'That means a lot of rice could be left in the market, waiting for the government to buy. I expect it would need to buy up to 9-10 million tonnes of paddy this crop.'

The main crop could total 25.1 million tonnes this year. Naturally, the plan is going down well in the provinces.

'I'll be growing more rice next crop as I'll get a good price of 15,000 baht a tonne. I've never got that from anyone and I've been working as a farmer for more than 10 years,' said Sayan Muanglee, 39, in Suphanburi, a village about 100 km (60 miles) northwest of Bangkok.

Rival rice-exporting countries are watching closely. Prices in Vietnam, the world's second-biggest exporter, have been pulled higher but it can still nibble away at Thai market share.

Its prices had risen 5-7 percent by September from the end of 2010, depending on the export grade, and around 19 percent from a year before.

A jump in the price of rice, a staple for half the world's population, could be inflationary across parts of Asia and squeeze the budgets of millions living near the poverty line. Even though the prices of other commodities such as corn and oil are falling because of the deteriorating world economy, the trend in rice will worry governments struggling to contain inflation.

Thailand's central bank, which aims to hold core inflation below 3 percent, has already expressed alarm at the potential inflationary impact of the rice scheme and other new policies.

Economist Ramya Suryanarayanan at DBS Bank in Singapore said uncooked rice had a weighting of nearly 3 percent in Thailand's consumer price index (CPI) and cooked rice about 1 percent.

'Assuming a 30 percent increase in local rice prices from October to February as a result of the policy, ... this would push headline inflation higher to 4.4 percent in the next couple of months and core inflation well above 3 percent,' she said.

In the Philippines, rice accounts for about 9 percent of the CPI basket and imports supply 17 percent of the rice consumed by its 95 million people.

Two strong typhoons have recently damaged 760,000 tonnes of unmilled rice. The country has no immediate need to import more but it may be forced to do so eventually.

'We may face a double whammy,' said Angelito Banayo, head of the state grain procurement agency, the National Food Authority (NFA), referring to the prospect of higher prices and the possible need to replenish reserves.

'But we will wait for the opportune time to buy,' he said. 'Whether they (Thailand) can sustain that political decision, we'll have to wait and see.'

One wild card is the return of India as an exporter after it relaxed a ban in place since 2008, although it is currently only permitting shipments of 2 million tonnes.

Pawan Kumar, a Singapore-based analyst at Rabobank, said India would probably sell some rice to Indonesia, at far lower prices than Thai rice commands. 'But it still cannot satisfy the whole market, at a global level, which Thai rice goes for,' he warned.

Thailand's intervention price was bound to add to regional inflation, he added, even if some governments adjusted import duties and relaxed other rules to offset the impact.

The rise in Thai prices has already sparked a row between Indonesia and Thailand. The new government refused to go ahead with the sale of 300,000 tonnes tentatively agreed between Indonesia and the outgoing administration in August. Bangkok wanted a higher price. Jakarta insisted it would not renegotiate.

That could be a taste of things to come. Some exporters forecast that uncompetitive prices could cut in half Thailand's normal annual exports of 9 million to 10 million tonnes.

Vietnam is already catching up: its Agriculture Ministry forecast on Wednesday that exports this year could hit a record 7.5 million tonnes.

## **Thai flooding buoys rice and sugar prices**

Rice prices hit a three-year high in Vietnam, and recovered from a two-month low in Chicago, as fears grew for damage in Thailand from the worst floods in 50 years, which threaten sugar output too.

The export price of broken rice from Vietnam, the second-ranked shipper of the grain, hit \$580-590 a tonne on Monday, excluding freight, up from \$575-580 a tonne and the highest price since September 2008.

Rough rice for November delivery added 0.8% to \$15.745 a hundredweight in Chicago.

Meanwhile, raw sugar futures for March added 2.1% to 25.68 cents a pound in New York.

The increases came amid worsening damage in Thailand - the top rice exporter and second-ranked sugar shipper - from floods now threatening the capital Bangkok, which is bracing for the Chao Phraya river which flows through the city to break its banks, after already spilling over dams further upstream.

### **'Bullish factor'**

Thailand's government on Friday, blaming flooding, ditched hopes of a rise in its main rice crop to 25m tonnes, downgrading the crop to 21m tonnes, representing a 3m-tonne drop year on year.

Some 3.4m acres (1.4m hectares) of land, an area the size of Montenegro, and nearly as big as Connecticut, is under water, a factor which Abah Ofon at Standard Chartered also highlighted "will adversely impact rice yields".

"Flooding could keep near-term sentiment bullish" in rice markets, he added, with prices in Thailand also being supported by a scheme of intervention buying which began on Friday, and is set to run until the end of February.

"Domestic prices have soared in anticipation of the start of the scheme, although the market dipped temporarily in mid-September."

Separately, South Korea looks set for its worst rice crop in 31 years, according to official data which pegged the harvest at 4.21m tonnes, down 1.9% year on year.

Besides poor weather, including a series of summer typhoons, the slip has been attributed to the conversion of farmland to urban and infrastructure development.



## **Cane at risk?**

Thailand's rains also threaten cane production, the government acknowledged on Monday, after previously estimating that crops would be spared significant damage by its resilience, and by being generally grown on higher land less prone to flooding.

Indeed, up to now, damage to cane has only looked "minor", Commonwealth Bank of Australia analyst Luke Mathews said.

"We are collecting information every week and we expect to have a more definite number later, in about two weeks," Prasert Tapaneeyangkul, secretary-general of the Ministry's Industry's office of cane and sugar, said.

"Cane is very tough in water compared to other crops but we don't know how long the water will remain."

Thailand, the world's second-largest sugar exporter after Brazil, has estimated its cane output at 99.4m tonnes in the 2011-12 season, which starts next month, a rise of 4.0m tonnes year on year.