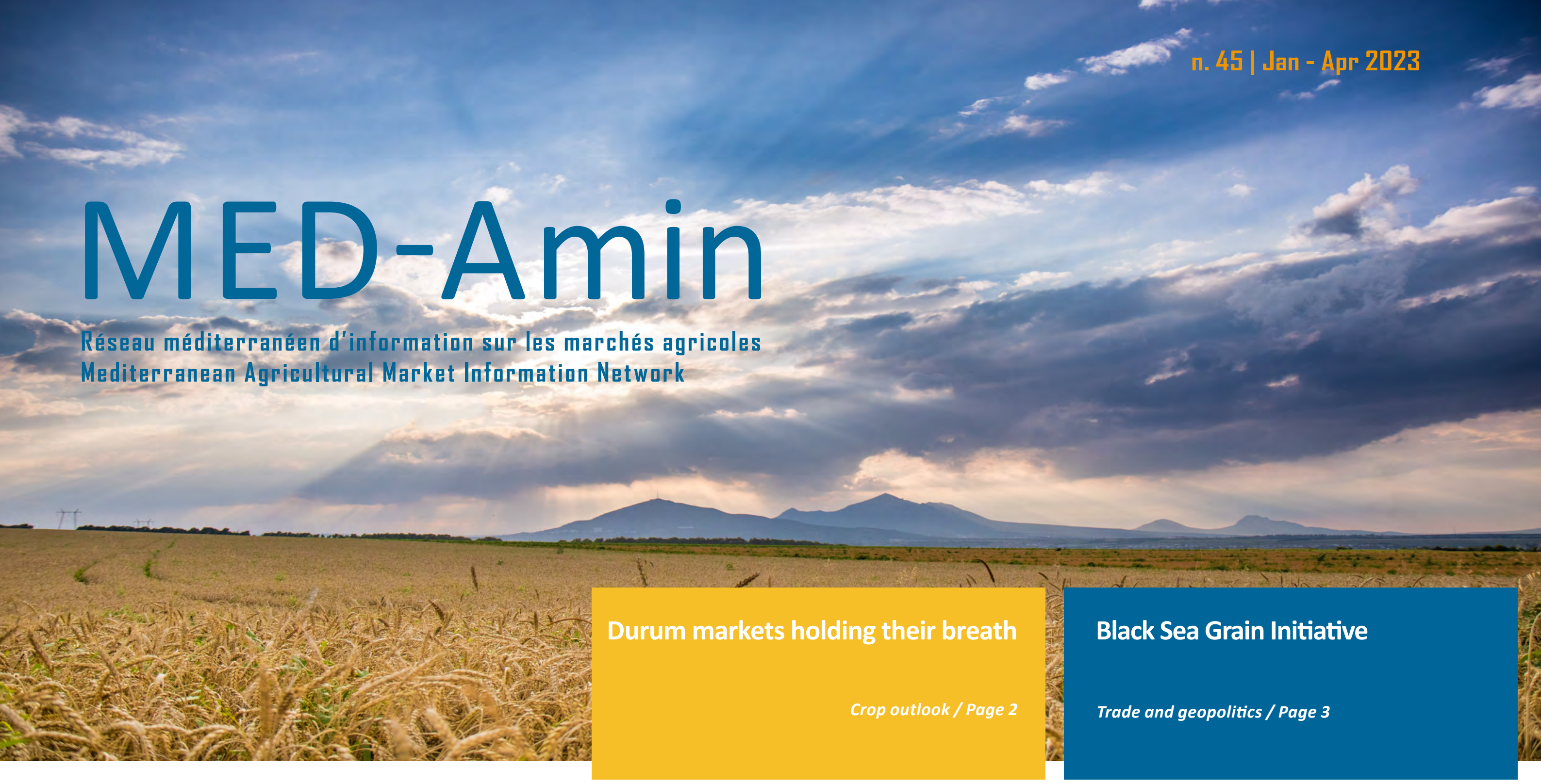
n. 45 | Jan - Apr 2023

MED-Amin

Réseau méditerranéen d'information sur les marchés agricoles
Mediterranean Agricultural Market Information Network



Durum markets holding their breath

Crop outlook / Page 2

Black Sea Grain Initiative

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Edito

The outlook for 2023 winter crops production has been deteriorating rapidly in western Mediterranean countries since the publication of the [first MED-Amin Early Harvest Forecasting Bulletin] at the end of March.

The seasonal drought is hampering crops in most of the Maghreb area, in particular in Tunisia with crop failure potentials. In Spain and Portugal, the situation has critically deteriorated, with entire regions suffering from lack of rainfalls and soil moisture (with temperatures significantly warmer than seasonal average). All this will be closely monitored by JRC MARS and MED-Amin and updated in the May Bulletin. In this issue, you will find also the reports of the latest JRC MARS Bulletins on Europe and Türkiye.

Focus on Greece: So far, winter crops are developing fairly. The sowing of winter cereals started 20 days before the average season (beginning in November in several regions) under mild conditions and progressed well throughout the sowing campaign on most of the territory. In January, crop benefitted from colder-than-usual conditions and favourable rain events. In February, crops slightly slowed down in biomass accumulation due to a cold spell occurring in 5-12 February. Winter crops are in fair to good conditions, except in *Eastern Macedonia* and *Thraki* (particularly *Evros*) where sowing started on time under optimal conditions, but a prolonged drought resulted in delayed growth and non-utilization of nitrogen fertilization. In *Central Macedonia* (*Pieria*) seed quality has improved and fertilizer use has been sufficient (motivated by the highest producer prices) despite high input costs. In *Western Macedonia* (*Grevena*), winter has been mild, without snow or low temperatures, which triggered an early vegetative growth, accompanied by an increase in fungal and insect infestation (*Zabrus tenebrionides*), currently managed with the use of fungicides and the application of spring fertilizers. In *Drama*, conditions are more favourable than 5-y average despite fungal attacks and stress due to frost. In *Xanthi* (*Eastern Macedonia and Thraki*) an increase of 20% in areas winter cereal cultivated area is noted, with good weather conditions and seeds quality. In *Thessaly* (*Larissa*), the main issue is associated with high costs of production (energy, fertilization, crop protection products, etc.). In *Karditsa* (*Thessaly*) no extreme weather events or damage to production were observed. In *Central Greece* (*Fthiotida*), conditions are very favourable, with grain harvest likely to be ahead of normal dates, and production above average. However, crop development will depend on spring weather conditions (in particular in *Drama* and *Xanthi, Eastern Macedonia and Thraki*) and the occurence of late events like during the last 2 years where significant rainfall during the harvest season impacted the harvest quality in *Central Macedonia*.

Regarding the market situation, there is a drop in the price of durum wheat, since the end of February, at a rate of 13% and continues until today (mid-April), reaching a rate of decrease of 33.6% vs same date in 2022. Prices of other grains are also decreasing compared to 2022, at a rate of 7% to max 20.6% for feed barley. The only exception to the price trend is malting barley, with an increase of 35-40% in March 2023 vs 2022. So far, there is no issue of shortages in the country and the supply from the main suppliers is sufficient and continues unhindered. At the same time, the Hellenic authorities have decided to intensify controls to deal with unfair commercial practices and speculation phenomena.

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SPAIN

Generalized Drought

(Campo CyL, 13/04)

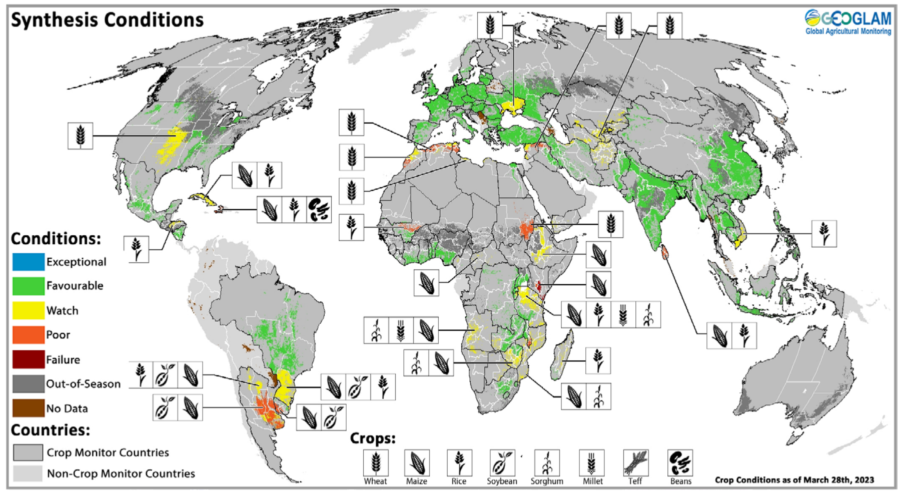
The drought is suffocating 60% of the Spanish countryside and is causing "irreversible losses" on 3.5 Mha. A study carried out by the Coordination of Farmers' Organisations (COAG) has shown that wheat and barley crops in Andalusia, Extremadura, Castilla-La Mancha and Murcia, as well as in the most arid areas of other agrarian regions are practically lost. The "worrying and generalised" situation of drought that is occurring is seriously compromising various types of crops especially cereal rainfed crops. Based on the information received from the permanent commission for climatic adversities (COPAC), no significant rainfall is forecast for the next few days.

TUNISIA

Drought and Water Ban

(The Guardian, 05/04; RFI, 13/04)

According to the farming and fishing union UTAP, the severe drought in North Africa has left Tunisian farmers bracing for a catastrophically poor harvest, likely a third of last year's, imperilling food security in the cash-strapped country. Beyond disruptions induced by the Ukraine war, Tunisia's domestic grain production has also withered under a lack of rainfall that has killed off crops. Even before the roasting summer months, the soil is dry and dusty, whose water resources are steadily depleting as climate change intensifies: maybe the worst situation in the Maghreb region. UTAP have called on the government to urgently announce a drought and state of water "emergency", and define a "clear strategy" to boost Tunisia's water reserves, calling for new desalination plants and quotas for at least some farm irrigation, with this last absorbing 80% of water supply to irrigating just 8% of Tunisian farmland. Tunisia has just introduced water rationing, including the use of water for irrigation.



Crop conditions as of March 28th, 2023 (AMIS & Early Warning latest synthesis map)

Durum 2023: Moisture's there, but how long until it melts?

Extract of article from World Grain, 31 March 2023

Acreage in US and Canada: Durum wheat production in two of the major exporters is under scrutiny. Producers intended to plant more in 2022 but were dealt a tough hand with April snowstorms, pushing plantings out into June. A lot of intended durum acres couldn't get planted. That could be a real issue again this year since both the US and Canada just had very cold late February-early March periods according to James Peterson, policy and marketing director, North Dakota Wheat Commission, Mandan, North Dakota, US. "If we see a normal spring warm-up, starting moisture will be beneficial for the crop. If spring remains cold and wet, then expect delays across the region, which could limit acres again. Intentions on durum acres could quickly change." according to Peterson.

In addition, yield drag is becoming a more concerning issue. US and Canadian durum has had a **significant yield drag to spring wheat** in recent years. Part of that is where it's grown since the durum region has been drier although there are some pretty high yield potentials on some of the new releases. Durum values need to be at a premium over spring wheat in both the US and Canada because yields have trended lower on durum in the past 10 years, whereas spring wheat yields have been relatively flat.

Production costs for all crops have jumped from 2022's historic levels, with interest costs on operating lines of credit, fuel, machinery, chemicals and land all higher. Despite profit margins squeezed due to the decline in commodity prices, durum looks profitable enough to compete in the US, despite the yield drag to spring wheat and **significantly more harvest quality risk**. In this context, crop insurance is undoubtedly part of growers' planting calculations.

Current estimates: In Canada, the major durum wheat exporter, the early 2023 projections indicated a 6% decline in plantings in favor of other crops offering better returns, Statistics Canada said. Drought conditions are still present in the Saskatchewan prairies, though not to the severity of spring 2022. "Even with fewer plantings, the recovery in Canada's durum production is expected to continue in 2023 due to rebounding yields", according to Statistics Canada.

Global market: Markets are seen easing as EU and North African harvests approach, but they're still underpinned by the fact that **world durum inventories are at 15-year lows** with the EU and Canada extremely tight. For 2023/24, some markets, including MENA region, may like to buy more durum but are constrained by dollar. Energy costs and the ability to finance purchases due to the strong US dollar may still hinder pasta's rebound and durum demand, but overall, expect growth in world pasta demand in 2023. Whereas durum wheat outlook is rather pessimistic in the Mediterranean region (e.g. Algeria, Morocco, Spain, Tunisia), Türkiye could play an active role in providing the international pasta market as it has recently incentivized the expansion of durum acres relative to soft wheat.

↪ Read the full article.

Renewal of the Black Sea Grain Initiative: Stakes and Challenges Beyond May

Extract of the Feature article of AMIS Market Monitor N°107, FAO, April 2023.

Since being established in July 2022, the Black Sea Grain Initiative has been instrumental in moderating world agricultural commodity and fertilizer prices from the record highs that were reached following the outbreak of the war in Ukraine. The initiative has furthermore been a lifeline for Ukrainian farmers and consumers dependent on Ukraine's agricultural exports. The renewal of the grain deal on 18 March was thus welcome news for agricultural markets. However, much remains to be done to restore the proper functioning of markets to pre-war conditions.

Similar to previous expiration deadlines, markets showed some instability in the days before 18 March, with a slight upward trend in prices. The renewal of the agreement for another 120 days proved sufficient in cooling the situation, but prices remain at relatively high levels compared to the past. It is clear that further measures need to be taken to ensure that net food importing developing countries receive sufficient supplies in food at affordable prices.

While the renewal was celebrated, the Russian Federation's explicit statement that the initiative would end in 60 days unless a series of requests were addressed still adds a degree of uncertainty to markets. Russia claims its future stance will be determined by progress in the normalization of its exports, through the lifting of a set of sanctions including restrictions on access to international banking systems, facilitation of logistics, and the reopening of a key ammonia pipeline among other measures.

Insurance and inspections matters are hindering the potential of the deal

Furthermore, Ukraine has complained about the limitations of the existing deal, accusing Russia of slowing ship inspections and thereby reducing the supply of Ukrainian grains to international markets. The current waiting time is around three weeks and represents an additional costs for importers, which are currently estimated at around USD 9 per tonne per week of delay. While Russia has denied causing any slowdowns, independent observers agree that inspection teams are frequently understaffed. Also, a better preparation of the crew for the tripartite inspections would help to speed up the process and reduce any additional costs.

The cost of insurance remains another major bottleneck. Since 1 January, when insurance policies are typically renewed, reinsurers that provide financial protection for maritime insurance companies have raised rates and in some cases added exclusions for vessels shipping from Belarus, Russia, and Ukraine. This has meant insurers must cover a larger share of the total risks faced by shipments with respect to the pre-war period, increasing Black Sea shipping rates.

Trade flows not covered by the grain deal should not be understated

In addition, Ukraine is exploring ways to get ships stranded by the war and not covered by the deal moving in the Black Sea again, with the help of the International Maritime Organization (IMO). The IMO confirmed that work is underway to try and facilitate the release of more than 60 commercial ships. Russian claims that sanctions have adversely affected grain and fertilizer exports are difficult to assess as Russia has stopped sharing export figures since February last year. Yet, data from Russia's trading partners suggests that 2022 may have been a record year for Russian exports of wheat and barley as the country benefited from a large crop. In addition, some reports suggest that overseas fertilizer sales from Russia fell only little in volume in 2022 and increased substantially in value given the sharp spike in fertilizer prices.

What will happen after May?

The grain deal is needed for both Russia and Ukraine, but also for the rest of the world. The stakes and challenges beyond May are significant, and the nodal issues that need to be addressed include the limitations of the existing deal caused by inspection quandaries and the high cost of insurance. In addition, trade flows not covered by the grain deal also need to be recognized as a key challenge.

↪ See the complete AMIS Report.

FAO Food Index ↘

(FAO, 07/04/2023)

The ***FAO Food Price Index*** 126.9 points in March 2023, -2.1 % from February, marking it the 12th consecutive monthly decline vs. its peak one year ago. The ***FAO Cereal Price Index*** averaged 138.6 points in March, -5.6% from February and -18.6% vs one year ago. This month's decrease reflects a fall in international prices of all major cereals. International wheat prices fell the most, by 7.1%, driven by ample global supplies and strong competition among exporters. The extension of the Black Sea Grain Initiative, allowing Ukraine to continue to export, also contributed to the decline. Higher estimates for Australia's production, along with improved crop conditions in the EU this month, boosted the global supply outlook further. Strong competition from Russia, where high supplies continue to support competitive prices, also sustained the downward pressure on markets. World maize prices also fell, by 4.6%, in March, pressured by seasonal availability from harvests in South America, and the extension of the Black Sea Grain Initiative. Coarse grain world prices declined for barley and rice, by 6.7% and 3.2%, respectively, influenced by bearish maize and wheat markets and imminent rice harvests in major exporting countries.

European Union

Ukrainian grain ban

(Euractiv, 18/04)

EU struggles to contain defiant pushback on Ukrainian grain following Poland, Hungary, Slovakia and Bulgaria's decision to ban the import of agricultural goods from Ukraine. The escalating subject will be included on the agenda of EU agriculture ministers on 25 April.

SCOOPS

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↪ http://www.med-amin.org

Six decades of warming and drought in the world's top wheat-producing countries offset the benefits of rising CO_2 to yield (2022)

Helman, D., Bonfil, D.J. . Nature/ Sci Rep 12, 7921 (2022).

Future atmospheric carbon-dioxide concentration (CO_2) rise is expected to increase the grain yield of C3 crops like wheat even higher under drought. This expectation is based on small-scale experiments and model simulations based on such observations. However, this combined effect has never been confirmed through actual observations at the nationwide or regional scale. We present the first evidence that warming and drought in the world's leading wheat-producing countries offset the benefits of increasing CO_2 to wheat yield in the last six decades. Using country-level wheat yield census observations, CO_2 records, and gridded climate data in a statistical model based on a well-established methodology, we show that a [CO2] rise of~98 μmol mol–1 increased the yield by 7% in the area of the top-twelve wheat-producing countries, while warming of 1.2 °C and water depletion of~29 mm m–2 reduced the wheat grain yield by~3% and~1%, respectively, in the last six decades (1961–2019). Our statistical model corroborated the beneficial effect of CO_2 but contrasted the expected increase of grain yield under drought. Moreover, the increase in CO_2 barely offsets the adverse impacts of warming and drought in countries like Germany and France, with a net yield loss of 3.1% and no gain, respectively, at the end of the sampling period vs the 1961–1965 baseline. In China, Russia and Ukraine—three major wheat-producers—yields were~5.5% less than expected from current CO_2 concentration levels. Our results suggest shifting our efforts towards more experimental studies set in currently warm and dry areas and combining these with statistical and numerical modelling to improve our understanding of future impacts of a warmer and drier world with higher CO_2 concentration.

↪ Read the full article here.

Défis environnementaux, économiques et sociaux de la sécurité alimentaire européenne à long terme (2022)

Martinez, M., Centre d'études et de prospective, 2023

La Commission européenne a publié en janvier 2023 un document de travail sur les moteurs de la sécurité alimentaire de l'Union européenne (UE) à l'horizon 2030. Sept catégories de facteurs sont intégrées à un cadre conceptuel inspiré de celui élaboré par le panel d'experts sur la sécurité alimentaire et la nutrition des Nations unies, et complété par des consultations des parties prenantes.

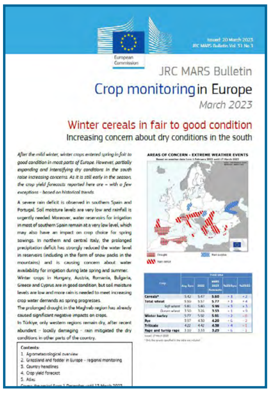
Si la disponibilité des denrées dans l'UE est bonne, l'accès à l'alimentation est une préoccupation croissante, en particulier pour les foyers les plus modestes. En reprenant le concept de « limites planétaires » pour alerter sur les risques, la sécurité alimentaire pourrait, à terme, être menacée et révéler des vulnérabilités du système alimentaire européen. Déjà, en 2020, les seuils de viabilité ont souvent été dépassés, comme par exemple 3,5 fois en matière de changement climatique et 5 fois en matière d'écotoxicité de l'eau douce. Les conséquences de l'invasion russe de l'Ukraine ont un effet disruptif à court terme sur la production alimentaire, les chaînes de valeur, les marchés et le commerce (inflation alimentaire, augmentation du coût de l'énergie et des engrais). À long terme, des chocs climatiques extrêmes et simultanés risquent d'affecter les productions agricoles, notamment en raison du manque d'eau. La dégradation des sols (érosion, perte de carbone organique) devrait se poursuivre.

Le rapport désigne la recherche-innovation sur le gaspillage alimentaire, les déchets, les protéines alternatives et les technologies, ainsi que l'action réglementaire des pouvoirs publics comme facteurs clés pour une adaptation aux défis de court et long termes. Ces réflexions devraient alimenter la proposition de Règlement sur la durabilité du système alimentaire de l'UE prévue fin 2023.

↪ Voir le Document de travail ici.

JRC MARS Bulletins: Crop Monitoring in Europe and Türkiye

EC-JRC-MARS Unit, April 2023



According to the April 2023 issue of the JRC MARS Bulletin - Crop monitoring in Europe, large parts of Europe experienced substantial rainfall during the review period (1 March to 17 April 2023), which was **beneficial for the restoration of soil moisture** and ground water levels, but in some cases caused substantial delay to sowing and other field operations. Drought conditions continued in northern *Italy*, and worsened in the Iberian Peninsula. In northern *Italy* and *Spain*, the sowing campaign of summer crops started with strong **concerns about future water availability for irrigation**, given the low capacity of water reservoirs. This has led to a substantial reduction in the extent of planted area and/or shifts from rice or maize to more drought-tolerant crops. Part of the rain-fed areas might not be sown at all. Winter crops and spring barley are negatively impacted by the drought in *Spain* and *Portugal*, but are still in fair condition in *Italy*.

Another report from JRC MARS pointed favourable conditions for winter crops in *Türkiye*. Initial delays in crop development were recovered, and the risk posed by the **dry weather of late winter and early spring has substantially diminished thanks to abundant rainfall** since 15 March. South-eastern production regions suffered damage from the earthquake and floods, but crops have recovered quickly.

↪ Download the April 2023 issue of the JRC MARS Crop Monitoring Bulletin on Europe and Bulletin on Türkiye.

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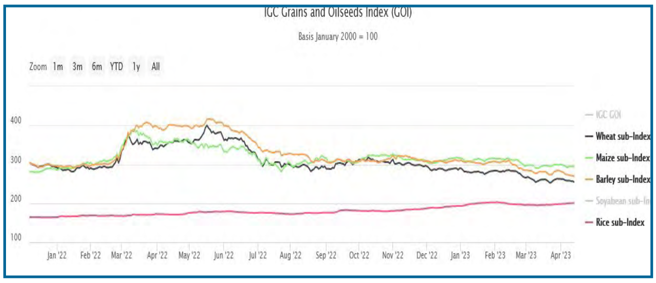
Trends on Global Markets

	Global Price Index [1] (Apr. 2023)		Supply & Demand in Mar. 2023 [1]: From previous forecast (M/M)	Supply & Demand in Mar. 2023 [1]: From previous season (Y/Y)
Blé/Wheat	260	↘	▲	▲
Maïs/Maize	296	↔	↔	▼
Riz/Rice	196	↗	↔	▼
Orge/Barley	280	↘	n/a	▼

[1]: *Monthly* average in USD, base 100=year 2000, ↗↘↔vs last month (▲ : Easing ; ▼ : Tightening ; ↔ : Neutral, n/a : not applicable)

Sources : AMIS Outlook - http://www.amis-outlook.org and International Grains Council (for the Barley) and the graph below.



Events

26-28 | 04 | 2023

EuroGrainHub Exchange & Forum (Bucharest, Romania)

Agri business in the Central and Eastern European countries is confirming its leading position in the world grain and oilseeds trade. The war in Ukraine initiated great changes in the regional grain flows affecting the global commodity trade. Grain exports from the region are in the spotlight to fill the gap and offer new market opportunities.

↪*visit the page web*

12-13 | 06 | 2023

IGC Grains Conference 2023 (London, UK)

The Conference provides a global platform for dialogue between the policy makers and operators across the entire value chain. The event is held over two full days, with day two devoted to commodity-specific workshops, covering topical issues affecting markets for grains, rice, oilseeds, pulses and related sectors.

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