

# Monthly News Report on Grains

*MNR Issue 97 - October 2013*

## About the MNR:

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The main purpose of the MNR is to establish a communication vehicle for closer dialogue between the FAO Secretariat and the Members of the Intergovernmental Group (IGG) on Grains as well as the general public.

The MNRs are dispatched electronically on the last working day of the month except in July and December.

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## Market News:

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### Indian wheat exports seen at record on government price cut

30 October 2013

Bloomberg

Wheat shipments from India, the second-largest grower, may climb to a record as the government cuts the price for overseas sales, adding to supplies in a year when farmers are reaping the biggest global harvest ever.

Shipments are set to jump 32 percent to 7 million metric tons in the 12 months starting April 1 from 5.3 million tons a year earlier, according to Agropcorp International Pte, a Singapore-based trader. The food ministry has proposed that the government cut the minimum price to \$260 a ton from \$300 to reduce state reserves that are more than double normal needs and a decision may be made this week, officials said Oct. 24.

Futures in Chicago rebounded 7.9 percent since reaching a 14-month low in August on speculation dry weather in Argentina and rains in Russia would hurt crops, even as the U.S. government predicts the global harvest will jump 8.2 percent to 708.9 million tons. The rally could fade should India ship more wheat than expected, according to Rabobank International.

“Exports from India are likely to be bearish or put a cap on where wheat prices are able to rally to,” Graydon Chong, a grains and oilseeds analyst at Rabobank, said in a phone interview from Sydney yesterday. “It will relieve some of the pressure that we’re seeing build up in the wheat complex.”

Wheat declined 12 percent to \$6.86 a bushel on the Chicago Board of Trade this year and reached a low of \$6.355 on Aug. 14. Corn plunged 38 percent and the Standard & Poor’s GSCI index of eight agricultural commodities fell 18 percent.

“It’s a good time for India to increase sales,” said Vijay Iyengar, managing director at Agropcorp, who has traded commodities for more than two decades. “India should seize the opportunity to export in a big way.”

Supplies from India compete with Black Sea milling wheat that contains 11.5 percent protein, said Tejinder Narang, an adviser with Emmsons International Ltd. (EMSI), a New Delhi-based exporter. Prices of this variety increased about 11 percent to as much as \$277 a ton from \$250 in August, while grain with 12.5 percent protein climbed 9.6 percent to \$285, said Narang.

In Russia, planting of winter grain may be 4 million hectares (9.9 million acres) less than intended, with the most impact on wheat, Oil World said Oct. 15. The worst drought in 50 years in areas of Argentina, South America’s biggest exporter, resulted in “irreversible damage” to the crop, the Hamburg-based researcher said Oct. 22.

Wheat from India can fetch about \$275 a ton free on board ship in Middle East, African and Asian markets and has a “natural geographical advantage” because of lower freight costs to those buyers, said Narang.

Imports by China, the top consumer, may more than triple to 9.5 million tons and tie with Egypt as the world’s biggest, according to the U.S. Department of Agriculture. Buying by Brazil and China to replenish inventories helped spur a 3.7 percent advance in prices last month, the most since April.

The “bearish risk is if India tries to capture more market share by lowering the threshold for selling wheat,” Rabobank analysts including Luke Chandler wrote in a report e-mailed Oct. 25. Wheat will average \$7 this quarter and \$6.75 in the first three months of 2014, the bank estimates.

State stockpiles in India totaled 36.1 million tons at the start of this month compared with a normal

requirement of 14 million tons, according to Food Corp. of India. The government buys about 30 percent of rice and wheat production from farmers at prices set by the state.

The harvest is estimated at 92.5 million tons in the year ended June, near the record 94.9 million tons a year earlier, according to the farm ministry. Shipments totaled 2.65 million tons between April 1 and Sept. 20 including 1.3 million tons from state reserves, government data show.

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## **Argentine bread prices keep rising as grain scarcity kicks in**

29 October 2013

Seed Daily

Argentina's wheat and corn distribution chaos, caused by erratic supplies and now widespread scarcity, has finally reached bakeries that are charging exorbitant prices for bread despite government warnings of a crackdown.

Corn and wheat shortages began several months ago and weren't relieved despite what critics called the government's stopgap measures. The timing of the grain shortage and its direct impact on bakeries couldn't be worse, critics said as media furor over bread prices and shortages captured headlines days before Argentina's mid-term elections.

Gaps in supplies of corn were also reported across the country, Argentine media reported.

Traders said wholesale prices for both corn and wheat were double those on Chicago markets as profiteering set in. Bakeries said they couldn't avoid price hikes, forced as they were to pay ever higher rates for flour.

Weather vagaries would likely impact on the new wheat harvest as well and could push the prices even higher, analysts said. Some traders quoted wheat prices of \$500 a ton, compared to about half that in Chicago.

The Argentine harvest for the 2012-13 season was affected by drought and in some areas an early freeze.

Argentina's annual wheat consumption stands near 6.5 million tons. Local wheat production normally would be enough to meet the entire demand. But poor weather and low yields have combined with speculation in the grain markets to complicate matters for the consumer.

There has been no explanation offered by either agriculture ministry officials or traders about the discrepancy between the estimated demand and reported output and supplies. Argentina was reported to have produced more than 8 million tons of wheat in the last season. Likely yields in the coming season could top 10 million tons, government data indicated.

Neither officials nor traders can explain the huge gap between the reported yields, and supplies and national demand.

Industry sources and cereals exchange officials also disagreed about the true picture in the corn market. In the last season, Agriculture Ministry officials claimed yields in excess of 32 million tons, but the Commerce Ministry's data showed the output was just over 30 million tons. Industry data indicated it couldn't be more than 26 million to 28 million tons.

In a further complication poultry farmers complain they're having trouble sourcing corn amid warnings that poultry farming may become another casualty, aside from the bakeries, of the current shortages of both corn and wheat. Corn and soy producers' groups have challenged reports of shortages, maintaining sufficient supplies exist but may not be distributed.

Analysts said opportunistic hoarding of stocks may be one of the causes of the price hikes and shortages.

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## Philippines expects record corn harvest

29 October 2013

The Bioenergy Site

PHILIPPINES - The Department of Agriculture is expecting another record harvest of corn this year, estimated at 8.2 million metric tons (MMT), in spite of the damaged wrought by recent typhoons.

Agriculture Secretary Proceso J. Alcala said the 2013 corn harvest would be 10.8 per cent more than last year's output of 7.4 MMT, and 28 per cent more than in 2010.

He said the annual production of corn — the country's second most important crop next to rice, and serves as main staple of 14 million Filipinos — has been steadily increasing during the Aquino Administration.

“Likewise, the country's corn sufficiency level has improved, from 83 per cent in 2010 to 98 per cent in 2012, and we expect to hit 105 per cent sufficiency by year-end,” said the DA chief at a media briefing, October 22, 2013, as a prelude to the 9th Philippine National Corn Congress and 2013 National Quality Corn Achievers Awards, from October 23 to 25, in Tagaytay City.

With the estimated record harvest, the country is expecting a surplus of 150,000 MT to 200,000 MT, of which the private sector, particularly the Philippine Maize Federation, Inc. (PhilMaize) is planning to export 100,000 MT, said Assistant Secretary Edilberto de Luna, who serves as the DA national corn program coordinator.

PhilMaize president Roger Navarro said they are awaiting the approval of the National Food Authority (NFA) Council on their application to export quality corn to interested foreign buyers.

Early this year, the country exported its first-ever shipment of 24 MT of corn silage as cattle feed to South Korea. As of August, total shipment has reached 280 MT, which forms part of the 15,000 MT of corn feed and grains worth P75 million to be shipped by December 2013.

For 2014, the DA national corn program, with a proposed budget of P1.797 billion, targets to produce at least 8.4 MMT. A/Sec de Luna said the additional production would come from identified 300,000 hectares of coconut areas that could be intercropped with corn. He said the DA national corn program is partnering with the Philippine Coconut Authority (PCA) to implement said corn intercropping program.

More and more Filipinos have also been consuming white corn grits (or bigas-mais), as shown by increase in the per capita of 10.26 kilograms (kg) in 2012, from 7 kg in 2009.

Further, corn imports have been reduced by one-half, from an average of 171,000 MT yearly from 2001 to 2009, to only 91,000 MT from 2010 to 2012.

As a result of more investments in drying and processing facilities, corn postharvest losses were reduced to 12.9 per cent in 2012, from 15 per cent in 2011. The DA targets to reduce it further to nine per cent by 2014, said A/Sec de Luna.

For these milestones, Secretary Alcala said the DA extends its gratitude to and honors the country's corn farmers, the private sector like PhilMaize and National Corn Board, local government officials, provincial, city and municipal agriculturists and extension workers, and other industry stakeholders.

Finally, he said the DA will not waver in its commitment to bring prosperity to corn farmers and the industry, in general, by: Continuously investing in the establishment of postharvest facilities such as corn-in-a-cob dryers, and processing and trading centers; Teaching more farmers “Good Agricultural Practices” or GAP to make them at par with, if not better than, their counterparts in major corn-producing countries; and Sustaining efforts to provide farmers and traders on precise market price information, and link farmers directly to markets.

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## ADM, Valero warn over plans to cut US ethanol use

29 October 2013

Agrimoney

Archer Daniels Midland warned US officials against reforms which could cut US demand for ethanol, saying it would change rules which that encouraged it to make hefty investments, as rival Valero Energy termed the proposals "poor".

John Luciano, the ADM chief operating officer, said that he would be "highly disappointed" if the US enacted a proposal from the Environmental Protection Agency which would cut to 13bn gallons, from 14.4bn gallons, the mandated level of ethanol blended into gasoline.

"We have invested based on the policy, and we invested for the long-term," Mr Luciano told investors. The EPA says "no final decision" has been made on its proposals, which are being reviewed by the White House.

Separately, Valero Energy chief operating officer Joe Gorder termed as "poor" the EPA proposal, adding that it "should be repealed".

However, he added that it was "much more probable that it gets amended and becomes palatable", given the extent of work being done by industry groups and policymakers.

"There has been a lot of activity on the legislative front, and there are many bipartisan groups that are working on amendments," Mr Gorder said.

Valero, which mixes corn-based ethanol into gasoline as well as manufacturing it, had also taken some positive effects from the leaking of the EPA proposal, which had halved the price of so-called Rins – paper credits blenders can use as an alternative to ethanol to meet their mandate targets.

"It certainly has the effect of taking the pressure off of the Rins market," Mr Gorder said.

"EPA gives us a short-term release."

Valero, citing the drop in Rins prices, cut by \$100m, to \$500m, its cost of mandate compliance in 2014.

The comments came as Valero unveiled an operating profit of \$113m for its ethanol division, compared with a \$73m, reflecting higher margins - which have been boosted by low corn prices and demand for the biofuel and its byproducts – and higher output volumes.

Production levels were, at an average of 3.38m gallons a day over the quarter, up 1.0m gallons a day compared with the same period of last year.

ADM reported operating profits of \$71m for the quarter at its bioproducts division, which is focused on ethanol manufacture, compared with a loss of \$26m a year before.

Mr Luciano added that there was "growing" potential for US ethanol exports, which some "experts" were forecasting at "maybe even 1bn gallons for next year".

He also added that ADM would be protected from ethanol market headwinds by the "first quartile" efficiency of its operations, with high-cost producers more vulnerable.

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## US Corn ratings improve, dry weather in Russia increases grain sowings

25 October 2013

The Crop Site

US corn crop ratings have improved, supporting earlier anecdotal reports of larger yields, according to David Sheppard, Gleadell's Managing Director.

Winter wheat plantings are 79 per cent complete – crop condition is 65 per cent good/excellent.

Reports suggest the decline in the Ukrainian winter wheat area is smaller than thought – just 500k ha down from previous estimates of 1.5 million ha.

Dry weather in Russia has helped increase winter grain sowings, now reported at 80 per cent of planned area (13 million ha).

Global wheat markets have rallied, underpinned by new crop concerns and delays in winter plantings.

Prices of Black Sea and Russian wheat exports have risen as logistics and the front-loaded export programme exhaust immediate supplies.

The Argentine ministry shocked the market earlier this week by cutting the 2013 wheat crop estimate to 8.8mln t. But it later admitted this was an underestimate, leaving the market uncertain of the real figure.

Australia is forecast to experience hotter and drier conditions, a potential threat to wheat production.

Global grain markets continue to consolidate as a lower Argentine production estimate, weather concerns in Australia and Black Sea problems with old and new crop continue to support prices.

The USDA finally resumed work and starting re-issuing weekly crop reports, which showed a 5 per cent good/excellent improvement in the corn crop ratings, supporting the better-than-expected yields seen so far during the harvest (now 39 per cent complete). Winter wheat plantings are average but receiving beneficial rain.

Despite the talk of better US crops the market largely ignored the ratings, with US wheat prices reaching a four-month high due to a potential increase in exports to Brazil and declining global competition. US corn is unchanged on the week.

European markets continue to defy gravity, as even with a soaring euro:US dollar exchange rate the Nov MATIF has managed solid gains and is up €8/t on the week. The market remains supported by the strong export pace, although as previously reported, this is not French based. Delays in EU corn harvests are also increasing the demand for wheat in the short-term.

The UK market has firmed £2/t on the week, following the global trend. Spot demand remains tight although better values have increased farmer selling. Farmers continue drill crops as they dodge the showers; reports suggest the UK wheat area is set to recover to over 2mln ha.

In summary, this is a tough market to call. Most of the current rally has been attributed to the strong demand for wheat, and delays in winter wheat plantings. Demand is still there as are concerns over global supply for both old and new crop, but a record corn crop is being cut and current wheat/corn differentials are unsustainable.

The USDA is still playing 'catch-up' in issuing data, including the key World Agricultural Supply and Demand Estimates (WASDE) report which is next due for release on 8 November.

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## U.S. cancels October crop report, first miss in 147 years

18 October 2013

Drovers Cattle Network

The U.S. government canceled its monthly report on grain and cotton production on Thursday for the first time since reporting began in 1866 and said it will not estimate U.S. or world crop production until early November.

Cancellation of the October report means the first harvest-time estimate of U.S. crops will be Nov. 8. The production report and companion data on crops worldwide are the U.S. Agriculture Department's premiere reports.

They attract a worldwide audience and frequently move commodity prices - and with the gap of an additional month, potentially more so than usual.

The widely followed USDA reports were the biggest immediate casualties of the 17-day government shutdown. Officials were also deciding on Thursday whether to issue an overdue report on the U.S. inflation rate.

"It's a great shame. We lose the continuity of the series, the course correction that it provides," said Bill Nelson, analyst with Doane Advisory Services in St. Louis.

With the cancellation, the November report will be USDA's first harvest-time estimate of U.S. crops. By November, the corn and soybean harvests are usually in the final stretch and cotton is half harvested.

Users of corn and soybeans - from food companies to exporters - will be counting every bushel to determine if supplies recover after three years of declining production. As a result, markets have been highly sensitive to the USDA estimates.

"There is always the potential for a shock in each monthly report so I'd suggest there are twice the chances that we'll get a shock this time, or that the shock will be twice what it ordinarily would be," said a futures broker.

USDA's previous crop estimate was issued on Sept 12. It also on Thursday canceled or postponed a range of reports because it could not gather data during the shutdown due to lack of funding.

Agriculture Secretary Tom Vilsack greeted employees as they returned to the USDA complex on the national Mall. "Good to have you back," he said repeatedly, shaking hands with workers.

"We have never missed a report in the past," said a USDA spokesman, who said the cancellation of the crop report was "the first time ever."

USDA began crop reports in 1866, covering cotton and tobacco, a year after the end of the American Civil War.

The last time USDA delayed its premiere reports was September 2001, when they were held up for two days in the wake of the Sept. 11 terror attacks.

Besides the crop report and the companion World Agricultural Supply and Demand Estimates report, USDA said it canceled two weekly reports on crop conditions. It said a monthly Cattle on Feed report, due on Friday, would be postponed, along with a report on peanut prices.

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## Canada cautious on wheat exports despite huge crop

18 October 2013

Black Sea Grain

Canadian farm officials remained relatively cautious over the country's export potential even as they hiked their estimate for production, thanks to expectations of a record yield.

Canada's farm ministry, AAFC, lifted by 2.4m tonnes to a record 33.2m tonnes its forecast for the domestic wheat harvest, noting that "yields are a new record", as highlighted by an official report two weeks ago.

The ministry noted "extremely good growing conditions, despite late seeding".

However, it raised its forecast for exports by only 650,000 tonnes to 20.5m tonnes, despite acknowledging "growing world demand" highlighted in rapid starts to 2013-14 exports for the European Union and the US.

Supplies of quality wheat from the former Soviet Union have been constrained by poor harvesting conditions, while weather upsets have boosted import demand from the likes of Brazil and China.

Many commentators have urged caution over Canada's infrastructure, with Richard Feltes at broker RJ O'Brien, for instance, saying that "key going forward will be Canada's logistical ability to move these massive crops into export channels".

While Canada has shipped larger volumes of wheat before, with shipments hitting a record 23.5m tonnes in 1986-87, that was before the country was a major exporter of canola too, with volumes of non-farm commodities, such as potash, higher too.

Export hopes are being little helped by the prospect of a strike at Canadian National Railway, the country's top rail operator, after the breakdown of talks between management and union leaders over proposals to force staff to work longer hours with less rest time between trips.

"In the short-term, the increased [wheat] supply from Canada may not be available due to the threat of a strike by Canadian rail workers," Commerzbank noted.

The Canadian Wheat Board, the former grain export monopoly for Canada's Prairies, responsible for some 90% of national wheat output, said that thanks to the size of the harvest "many grain export companies are booked to capacity for months ahead".

This squeeze was being reflected in the elevators network too, prompting a widening discount of cash prices to futures values.

"One thing that we're seeing is widening basis levels," CWB pool manager Dave Przednowek said.

"Futures prices have been rallying lately for wheat, but most farmers are not seeing that at their elevators.

"Elevators are booked to capacity, and they're widening out their basis levels to discourage deliveries."

AAFC trimmed to Can\$230-260 a tonne, down Can\$5 a tonne from its mid-September figure, its forecast for the average cash wheat price in 2013-14 despite a rise of 6.0% in Minneapolis spring wheat futures over the period.

The ministry also noted the "wider spreads for grades" in this year's Canadian wheat crop, whose protein levels were coming in "lower than last year and lower than normal".

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## **Egypt's GASC has no financing woes over international wheat buys**

13 October 2013

Yahoo! News

Egypt's main state wheat-buying entity has no financing problems for global wheat purchases and all letters of credit to suppliers have been opened or are being processed, it said on Sunday.

European traders in France and Germany had been speculating that financial problems were causing delays to the opening of letters of credit and could be the reason Egypt's General Authority for Supply Commodities (GASC) has been absent from the market in recent weeks.

The economy of Egypt, the world's biggest wheat importer, has been crippled by social and political turmoil since Hosni Mubarak was ousted as president in early 2011 and it has been supported in recent months by funding from several Gulf Arab states.

"All the letters of credit have been opened and the remaining ones will be opened right after the Eid vacation," Mamdouh Abdel Fattah, the GASC vice chairman, told Reuters by telephone.

Most of the Arab world will be on holiday this week when the Eid al-Adha festival starts.

"There are no financing problems. The reason we were absent from the market the past few weeks is because the prices were too high," Abdel Fattah said.

"And the reason the tender was cancelled on Thursday is because we were surprised to find that the Russian and Romanian offers we got were \$10 per tonne higher than prices announced on the Russian and Romanian screens."

On Thursday GASC said it cancelled a tender in which it sought wheat for shipment between Nov. 21 and 30 because prices were too high. The cheapest offer was for 60,000 tonnes of Romanian wheat from Bunge at \$274.64 a tonne.

It would have been Egypt's eleventh international tender since February and the tenth since the removal of President Mohamed Mursi by a popular uprising backed by the army on July 3.

Cairo opened letter of credits for October 1-10 shipments only on Thursday, two traders said.

A senior trader also said that Egypt needs to import between one and one and a half million tonnes of wheat by the end the year, adding that this is not to build stocks but because the country is short of wheat.

Egypt usually buys about 10 million tonnes of wheat a year from international markets and uses a mixture of domestic and imported wheat for its subsidised bread programme, which feeds millions of people.

It reduced imports in the past year as Mursi's government bet on a higher domestic crop. However, industry experts said the policy has left the country at least 900,000 tonnes short of the wheat needed for its subsidy programme.

Egypt is now targeting imports of 5 million to 5.5 million tonnes in the year to June 30, 2014, and has enough stocks to last until mid-February, supplies minister Mohamed Abu Shady has said.

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## **Australian farmers take up alternative crops to catch on to growing gluten-free craze**

6 October 2013

Australian Broadcasting Corporation

More farmers are investing in niche or alternative crops to try and take advantage of the growing popularity of gluten-free food.

Over the last decade, gluten-free food has gone from being ridiculed for its lacklustre taste and texture to a way of life for hundreds of thousands of Australians.

What started as a dietary necessity for people with coeliac disease has gained much wider acceptance, with an estimated 10 to 15 per cent of the population avoiding gluten - a complex set of proteins found in wheat, rye, barley and oats.

Brett Ryan has been growing buckwheat near Blayney in the central west of New South Wales for 10 years.

Buckwheat is a gluten-free seed crop that despite its name is not related to wheat, but instead comes from the same family as rhubarb and sorrel.

He also grows wheat and canola, but says buckwheat has been his best performing crop and plans to make more room for it to take advantage of the gluten-free market.

"I think it's here to stay. I think people's diets will change and it's certainly going to be an issue as years go on," he told Landline.

Mr Ryan sends his crop to the major buckwheat processor in Australia, Geoff Brown, who dehulls, cleans and colour grades the seeds at his plant at Parkes in NSW.

He used to export pretty much all of it to Japan for the soba noodle market, but now the majority of his buyers are local gluten-free food manufacturers.

Despite competition from Chinese imports, he is confident the locally grown seed has a bright future in Australia.

"China is rapidly growing. They're producing other grain crops instead of buckwheat and they can't keep being the supplier of such cheap product forever," he said.

"We'll become more competitive and I guess in five years time maybe we'll be producing a lot more buckwheat for the Australian market."

When it comes to gluten-free grains or seeds, Tasmanian farmers are investing in their fair share, from quinoa - which has already gained a strong following in the domestic marketplace - to millet, which is often dismissed as bird seed.

"[Millet] hasn't been explored at all in Australia. There's a lot more interest in Europe and the United States," millet producer Bob Reid said.

"I think Australia is just on the verge. I think Australians are at the point where they realise there are other foods out there that they could be exploiting."

Bob Reid co-owns Tas Global Seeds, a business originally built around pasture production.

But the scientist, whose daughter has coeliac disease, is now focusing on improving more than livestock feed.

"We can grow gluten-free crops from probably the sub-tropics right through to the colder parts of Tasmania," he said.

"You'll find in the next 20 years there'll be quite a few companies specialising in exactly this."

Mr Reid has spent much of his career collecting plants from all corners of the globe and one gluten-free crop he sees a big future in is teff - a grain native to the highlands of Ethiopia.

After starting with just 20 seeds seven years ago, the company recently harvested its first commercial crop.

The tiny seed is often ground into flour and used to make a special Ethiopian flat-bread called injera.

Mr Reid believes it will find fans among more than the local Ethiopian community, despite the growing variety of gluten-free flours on sale.

"If you're a person who is a coeliac you'll want all six or seven on your kitchen shelf, all the time," he said.

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## Slow progress on WTO food stockholding talks

3 October 2013

International Centre for Trade and Sustainable Development

Trade negotiators have made slow progress in informal talks on amending WTO rules on food stockholding ahead of the global trade body's upcoming ninth ministerial conference in Bali, Indonesia, this December.

Delegates moved closer to agreement over how best to make information on subsidised food purchases for stockholding programmes more transparent to other WTO members, sources told Bridges.

The transparency conditions would apply to countries benefiting from an "interim mechanism" to provide greater flexibility to countries whose subsidised purchases for stockholding programmes could put them at risk of breaching current ceilings on trade-distorting support. (See Bridges Weekly, 14 November 2012) The mechanism could take the form of a "peace clause" that would temporarily shield developing country subsidy programmes from legal challenge, sources said.

Developing countries in the G-33 coalition have sought greater flexibility to subsidise food purchases when building public stocks or providing domestic food aid. Large countries in the coalition, such as India, have argued that current rules on calculating trade-distorting subsidies fail to take due account of how price inflation has affected markets since the rules were first devised.

While developed countries fear that the proposed changes could open a loophole for developing countries to provide unlimited amounts of trade-distorting support through their public stockholding programmes, other developing countries are also uneasy about the potential impact of the proposals on their own poor producers.

Informal talks convened by the chair of the agriculture negotiations, New Zealand ambassador John Adank, have led to convergence on possible transparency conditions, trade sources said.

"Members could easily reach consensus on transparency," one developing country delegate told Bridges.

A developed country official concurred. However, discussions over the scope of products to be covered by the arrangement and on possible safeguards to prevent trade-distorting effects were moving more slowly, the sources said.

Strengthening requirements for WTO members to submit their regular subsidy notifications to the Committee on Agriculture was one option under consideration, trade sources said. Countries' notifications to the committee have often been significantly delayed in recent years.

Another possibility would be for countries to use as a template a questionnaire prepared by the chair of the agriculture talks earlier this year.

Negotiators were still further apart in discussions over the scope of products that would be covered by the interim mechanism, one source said.

While some countries had proposed that the mechanism would cover a limited number of staple foods, such as rice and wheat, others argued that a broader basket of products should be covered.

“Different nations have different crops as staple foods,” one trade official observed.

Negotiators are also still trying to define what safeguards could be agreed to limit the trade-distorting effects of subsidised food purchases for stockholding programmes. While some suggested that countries should be required not to export stockpiled food that had been purchased at administered prices, others argued that this was neither practicable nor desirable.

Opponents of the idea said that existing safeguards, such as the WTO’s Agreement on Subsidies and Countervailing Measures, should instead prevent countries from causing domestic injury to producers in other countries.

A separate informal discussion last week on the margins of the WTO’s regular Committee on Agriculture also looked at how excessive inflation should be given due consideration when the committee reviews how countries are implementing their commitments under the organisation’s rules on farm trade.

Article 18.4 of the WTO’s Agreement on Agriculture, which was agreed almost two decades ago at the end of the Uruguay Round, requires countries to give due consideration to inflation, but does not specify in detail how this should be done.

An informal “room document” circulated by Canada observed that Iceland, Tunisia, and Ukraine had all noted the impact of inflation rates when reporting their farm subsidies to the committee. The paper suggested that information on national inflation rates, and an explanation of how these may have affected countries’ ability to abide by its commitments, could improve the functioning of the review process.

However, trade officials familiar with the talks told Bridges that developing countries were reluctant to engage in a discussion on the issue, while related negotiations were going on elsewhere.

“There was a refusal to discuss this,” one trade official said.

A separate informal submission from the US, aimed at improving transparency on agricultural export restrictions, was also given a cool reception, sources said.

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## Report

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### Global Food Price Monitor

October 2013

FAO

This short report describes current food prices at world, regional and country level with focusing on developing countries.

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