Contents

AMIS

MARKET MONITOR

No. 62 – October 2018

The release of unexpectedly high forecasts for US production of soybeans and maize in early September added to the bearish tone in both markets and resulted in steep price declines, especially for maize. Wheat markets were also under downward pressure, although a combination of robust buying activity, reduced export availabilities of high quality wheat, and poorer crop prospects in Australia lent some support towards the end of the month. Meanwhile, currency movements and a lacklustre pace of sales kept rice quotations under downward pressure ahead of harvests in Asia, where crop prospects have improved further.

Markets at a glance

	From previous forecast	From previous season
Wheat	▲	▼
Maize	▲	▼
Rice	▲	▲
Soybeans	▲	▲

▲ Easing ▬ Neutral ▼ Tightening

The **Market Monitor** is a product of the Agricultural Market Information System (AMIS). It covers international markets for wheat, maize, rice and soybeans, giving a synopsis of major market developments and the policy and other market drivers behind them. The analysis is a collective assessment of the market situation and outlook by ten international organizations and entities that form the AMIS Secretariat.
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The Upside Down World of Soybeans: A Trader's Perspective

For fifteen years, US farmers have responded to China's inexorable demand for soybeans by nearly doubling their output of the oilseed, even as other countries eagerly joined the soybean production race. While the flow of US soybean sales to China reached about 36 million tonnes in 2016/17, today it has nearly halted.

In a retaliatory measure to US tariffs on a host of Chinese products, China imposed an additional 25 percent tariff on soybeans coming from the US in July 2018. Previously unthinkable distortions to trade flows and prices have emerged as a result. Compounded by a bumper soybean crop in the US, owing to favourable weather and near record soybean acreage, US producers now face a triple price disadvantage: the soybean futures price plummeted to a ten-year low; the cash basis quotes in multiple growing areas dropped to historically low levels; and the carrying charge from this November to next has reached a record wide number. In other words, US producers selling soybeans during this fall period are certain to make distressed sales.

China's hog and chicken producers (China today is the largest hog producer and pork consumer in the world) have also sustained economic burdens. Tariffs on US soybeans have caused soybean cargo prices originating from South American countries such as Brazil to rise to historic premiums over US cargo prices of around USD 90 per tonne. This premium is roughly equivalent to Chinese buyers paying the 25 percent tariff on US soybeans and is occurring while pork prices in China have turned down. Even at these elevated South American prices, however, China cannot secure its projected imports of over 90 million tonnes and will have to find new suppliers and indeed has recently agreed to import soy products from India for the first time. Alternatively, it can buy larger quantities from the Americas – excluding the US – as Canada, Mexico and Argentina are taking increased quantities of US soybeans. These countries, in turn, can take advantage of the abnormally wide arbitrage between US and non-US prices to satisfy domestic needs and boost exports. Finally, buyers in China could purchase US cargoes and pay the tariff, which anecdotally some have started to do. According to the United States Department of Agriculture (USDA), around 1.3 million tonnes (about 20 cargoes) are on the books to be shipped to China this year. This decision is not without risks, however, since some industry insiders consider the tariff a *de facto* ban on US shipments.

USDA's most recent balance sheet, which projects a modest 1.2 percent drop in total US soybean usage, including crush and exports, might suggest only minor structural adjustments to prices and trade flows. From a trader's perspective, however, the real world of global soybean shipping is unrecognizable. With no resolution in sight, the economic tolls on the two countries engaging in a trade spat have reached historic levels, likely not projected in worst case scenarios, while other countries have gained the upper hand.

World supply-demand outlook

- **Wheat** production in 2018 raised slightly but still well below last year's record.
- Utilization in 2018/19 to expand despite a reduction in feed use of wheat.
- Trade in 2018/19 (July/June) heading for a small decline though US exports are expected to increase, compensating for lower shipments by other major exporters.
- Stocks (ending in 2019) revised upwards on higher inventories in Australia and the Russian Federation, but still well below their record high opening levels.

in million tonnes

WHEAT	FAO-AMIS 2017/18 est.	FAO-AMIS 2018/19 f'cast 6-Sep	FAO-AMIS 2018/19 f'cast 4-Oct	USDA 2017/18 est.	USDA 2018/19 f'cast 12-Sep	IGC 2017/18 est.	IGC 2018/19 f'cast 27-Sep
Production	756.9	721.8	722.4	758.3	733.0	758.1	716.7
Supply	1,012.0	995.4	995.5	1,015.4	1,007.4	1,002.0	983.5
Utilization	737.6	740.9	741.0	741.0	746.1	735.1	733.8
Trade	176.7	173.6	174.0	181.4	181.4	176.0	173.1
Stocks	273.1	252.3	255.5	274.4	261.3	266.9	249.8

- **Maize** production forecast for 2018 lifted reflecting record yield prospects in the US.
- Utilization in 2018/19 lowered slightly but still pointing to a modest expansion from 2017/18 driven by stronger demand for feed.
- Trade in 2018/19 (July/June) raised, reflecting larger anticipated purchases by several countries; the export forecast for the US lifted.
- Stocks (ending in 2019) increased, following upward adjustments for the EU and the US.

in million tonnes

MAIZE	FAO-AMIS 2017/18 est.	FAO-AMIS 2018/19 f'cast 6-Sep	FAO-AMIS 2018/19 f'cast 4-Oct	USDA 2017/18 est	USDA 2018/19 f'cast 12-Sep	IGC 2017/18 est.	IGC 2018/19 f'cast 27-Sep
Production	1,092.8	1,065.5	1,066.4	1,033.6	1,069.0	1,047.2	1,074.3
Supply	1,393.2	1,374.7	1,374.0	1,261.5	1,263.2	1,377.3	1,373.9
Utilization	1,075.7	1,105.6	1,104.1	1,067.3	1,106.1	1,077.7	1,112.8
Trade	154.3	152.5	155.7	146.2	161.7	151.5	156.7
Stocks	307.6	267.1	268.8	194.2	157.0	299.6	261.1

- **Rice** production in 2018 upgraded, as improved prospects for the US and especially India outweighed reductions for Mali, Pakistan and the Philippines.
- Utilization in 2018/19 still expected at an all-time record, despite a slight downward adjustment to non-food use forecasts.
- Trade in 2019 raised marginally, on higher anticipated imports by Brazil, the Philippines and Saudi Arabia.
- Stocks (ending in 2019) now seen expanding by 2.6 percent, mainly due to an upward revision to carryovers in India.

in million tonnes

RICE *(milled)*	FAO-AMIS 2017/18 est.	FAO-AMIS 2018/19 f'cast 6-Sep	FAO-AMIS 2018/19 f'cast 4-Oct	USDA 2017/18 est.	USDA 2018/19 f'cast 12-Sep	IGC 2017/18 est.	IGC 2018/19 f'cast 27-Sep
Production	506.3	511.8	513.0	491.6	487.2	489.8	490.8
Supply	674.2	682.2	685.0	628.6	632.8	613.0	616.5
Utilization	503.8	509.6	509.2	482.9	488.4	487.3	492.1
Trade	48.4	47.3	47.7	48.1	49.5	48.1	48.8
Stocks	172.0	173.4	176.5	145.6	144.4	125.7	124.4

- **Soybean** production forecast for 2018/19 raised on higher than anticipated US soybean yields and expectations of another record-breaking crop in Brazil.
- Utilization in 2018/19 revised downward, reflecting subdued growth in soymeal demand in China and lower than earlier expected crush levels in Brazil and Argentina.
- Trade lowered as imports by China are now forecast to post a decline from 2017/18. Shipment forecasts for the major exporters lowered accordingly.
- Stocks (2018/19 carry-out) again revised sharply upwards, underpinned by higher forecasts for Argentina and the US.

in million tonnes

SOYBEANS	FAO-AMIS 2017/18 est.	FAO-AMIS 2018/19 f'cast 6-Sep	FAO-AMIS 2018/19 f'cast 4-Oct	USDA 2017/18 est.	USDA 2018/19 f'cast 12-Sep	IGC 2017/18 est.	IGC 2018/19 f'cast 27-Sep
Production	340.6	366.8	370.5	336.8	369.3	339.1	369.8
Supply	389.5	406.7	410.6	433.5	464.1	385.3	410.3
Utilization	346.8	359.9	355.7	337.0	353.0	344.8	358.0
Trade	150.9	154.9	151.0	153.6	156.9	153.6	154.8
Stocks	40.2	47.4	53.9	94.7	108.3	40.5	52.2

FAO-AMIS monthly forecast

To review and compare data, by country and commodity, across the three main sources, go to:
http://statistics.amis-outlook.org/data/index.html#COMPARE

Summary of revisions to FAO-AMIS monthly forecasts for 2018/19

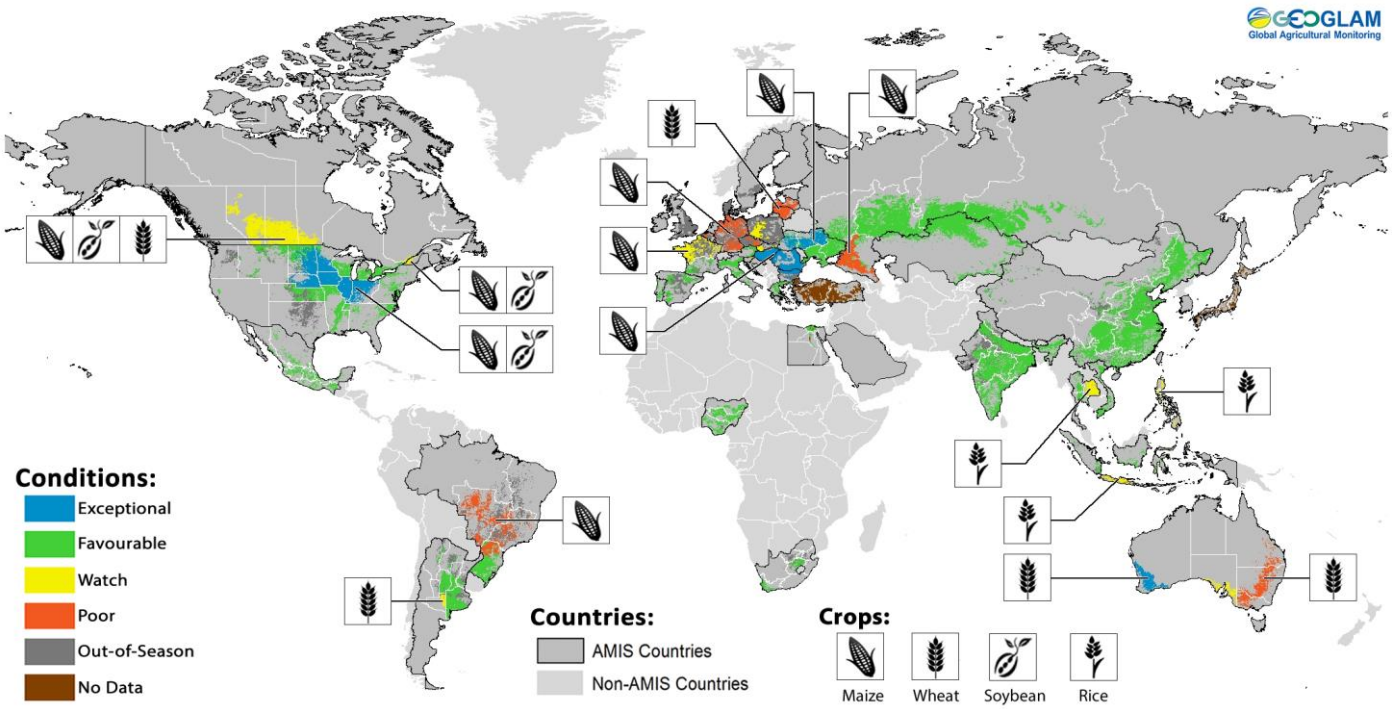
in thousand tonnes

	WHEAT					MAIZE				
	Production	Imports	Utilization	Exports	Stocks	Production	Imports	Utilization	Exports	Stocks
WORLD	***587***	***370***	***93***	***370***	***3190***	***874***	***3162***	***-1471***	***3170***	***1646***
Total AMIS	***340***	***-260***	***-173***	***595***	***4165***	***2046***	***3128***	***-150***	***2980***	***3094***
Argentina	-	-	-	1000	-	-	-	-	-	-
Australia	-1404	-	533	-1035	1430	9	-	9	-	-
Brazil	97	-200	-153	-	50	-781	-	-781	-	-
Canada	-1313	10	-628	-	-500	-511	600	89	-	-200
China Mainland	-	-	-	-	-	-	500	-	-	-
Egypt	-	-	-	-	-	-	-	-	-	-
EU	-	-	-	-	-	-1000	1500	-	-	500
India	-	-	-	-	-	-	-	-	-	-
Indonesia	-	-	-	-	-	-	-	-	-	-
Japan	-	-	-	-	-	-	-	-	-	-
Kazakhstan	300	-	-	-	100	-	-	-	-20	37
Mexico	-	-	-	-	-	-	-	-	500	-
Nigeria	-	-	-	-	-	-	-	-	-	-
Philippines	-	-	-	-	-	-	-	-	-	-
Rep. of Korea	-	-70	-	-	-	-	-	-	-	-
Russian Fed.	2000	-	-	-	2300	-1600	-	-1600	-	-
Saudi Arabia	-	-	-	-	-	-	500	500	-	-
South Africa	-	-	-	-	-	-275	-	-275	-	-
Thailand	-	-	-	-	-	103	-	103	-	-
Turkey	-	-	-	-	-	-	-	-	-	-
Ukraine	660	-	75	100	785	-	28	-100	-	466
US	-	-	-	530	-	6101	-	1905	2500	2291
Viet Nam	-	-	-	-	-	-	-	-	-	-

	RICE					SOYBEANS				
	Production	Imports	Utilization	Exports	Stocks	Production	Imports	Utilization	Exports	Stocks
WORLD	***1192***	***423***	***-412***	***424***	***3078***	***3686***	***-3910***	***-4233***	***-3914***	***6542***
Total AMIS	***1894***	***485***	***-84***	***290***	***2799***	***3686***	***-4160***	***-4248***	***-3414***	***5947***
Argentina	-	-	-	40	-	-1000	-	-1800	-1000	4600
Australia	-	-	-	-	-	-4	-	-3	-1	-
Brazil	-	180	-	-50	-	1400	-	-851	-300	300
Canada	-	-	-	-	-	-90	-	705	-700	-95
China Mainland	-	-	-	-	-	460	-4500	-2740	-200	-1100
Egypt	-	-	-	-	-	-	-	-	-	-
EU	33	-20	50	-	-10	-	100	-104	-	104
India	1809	-	39	300	2700	-	-	-	-	-
Indonesia	-	-	-	-	-	-	-	-	-	-
Japan	-	-	-	-	-	-	-	-	-	-
Kazakhstan	-	-	-	-	-	-	-	-	-	-
Mexico	-	-	-	-	-	-	-	-	-	-
Nigeria	-	-	-	-	-	-	-	-	-	-
Philippines	-222	175	-22	-	50	-	50	15	-	25
Rep. of Korea	-	-	30	-	-	-	100	40	-	60
Russian Fed.	-	-	-	-	-	-	-	-	-	-
Saudi Arabia	-	150	50	-	-	-	-	-	-	-
South Africa	-	-	-	-	-	-	-10	113	4	-127
Thailand	-	-	-300	-	-	-	-	-	-	-
Turkey	-	-	5	-	20	-	100	57	83	30
Ukraine	-	-	-	-	-	-	-	-	-	-
US	274	-	64	-	39	2920	-	320	-1300	2150
Viet Nam	-	-	-	-	-	-	-	-	-	-

Crop monitor

Crop conditions in AMIS countries (as of 28 September)



Crop condition map synthesizing information for all four AMIS crops as of 28 September. Crop conditions over the main growing areas for wheat, maize, rice, and soybean are based on a combination of national and regional crop analyst inputs along with earth observation data. ***Only crops that are in other-than-favourable conditions are displayed on the map with their crop symbol.***

Conditions at a glance

Wheat - In the northern hemisphere, spring wheat harvest is ongoing under generally favourable conditions. Yields are around average albeit below last year's numbers. Sowing of winter wheat has begun in northern regions. In the southern hemisphere, winter wheat conditions are mixed with considerable yield variability in Australia.

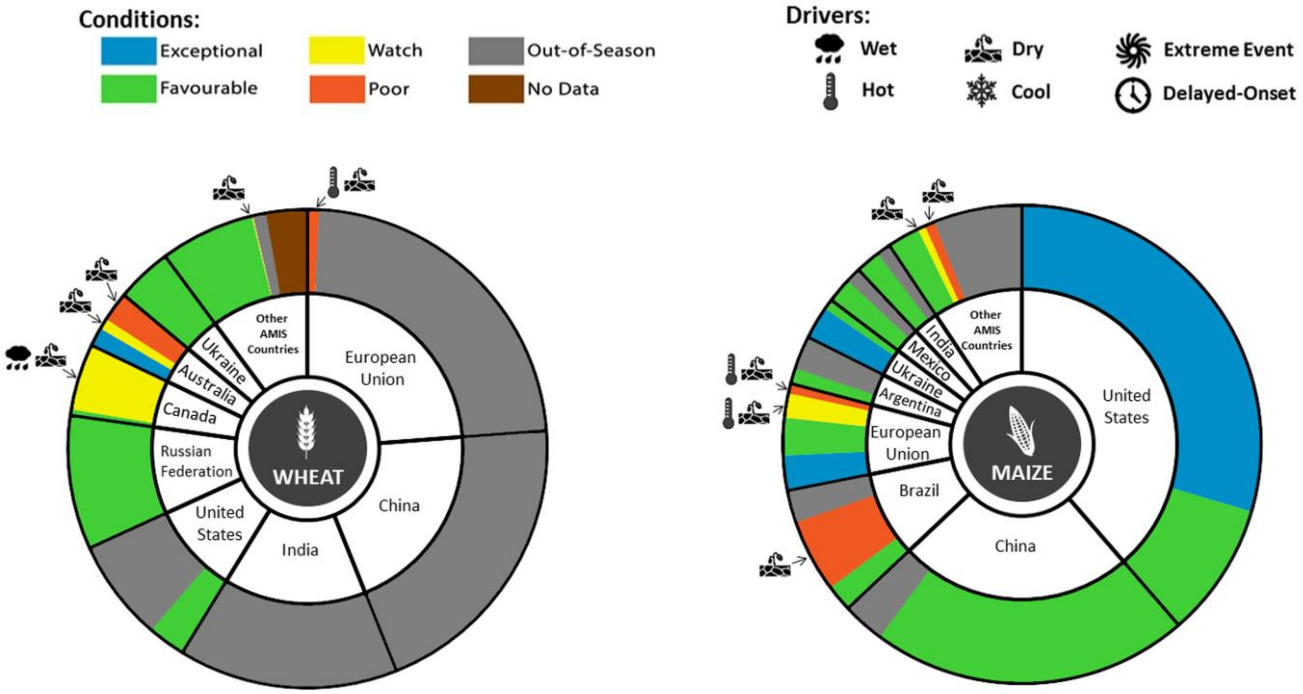
Maize - In the northern hemisphere, the US and southern Europe are experiencing exceptional conditions with bumper crops expected. However, dry conditions are impacting yield prospects in northern Europe and the Russian Federation. In the southern hemisphere, harvest of Brazil's summer-planted crop (larger) has completed under poor conditions and sowing of the spring-planted crop has begun in both Brazil and Argentina.

Rice – In China, conditions are favourable for all three rice seasons. In India, Kharif rice conditions are favourable. In Southeast Asia, the wet-season is ongoing with mixed conditions in the Philippines due to adverse weather, and in parts of northeast Thailand, due to floods. In Indonesia, dry-season rice harvest is ongoing with favourable yields.

Soybean - In the northern hemisphere, US harvest has begun under exceptional conditions, with record yields forecast. Conditions are favourable across China, India and Ukraine, while prospects have improved for Canada. In the southern hemisphere, sowing has begun in Brazil.

El Niño and IOD Update

El Niño Southern Oscillation (ENSO) conditions are currently neutral. Since August, models have reduced the amount of warming forecast during 2018. The latest outlook is for a 50-55 percent chance of El Niño development for October to November and a 65-70 percentage chance for development during December to February. The most likely scenario is a weak El Niño during late northern hemisphere fall and winter. Should El Niño materialize, normal, to above-normal, rains could occur in Central Asia, southern North America, southeastern South America, and eastern East Africa. Normal to drier than normal conditions could occur in Central America, the Caribbean, northern South America, Southern Africa, the Maritime Continent, and Australia. Forecasts indicate a weak to moderate strength positive Indian Ocean Dipole (IOD) between October and December, and September observations trended in this direction. A positive IOD could reinforce El Niño conditions, increasing the chances of heavy rain in the eastern Horn of Africa and reduced rainfall in parts of Australia.



Wheat

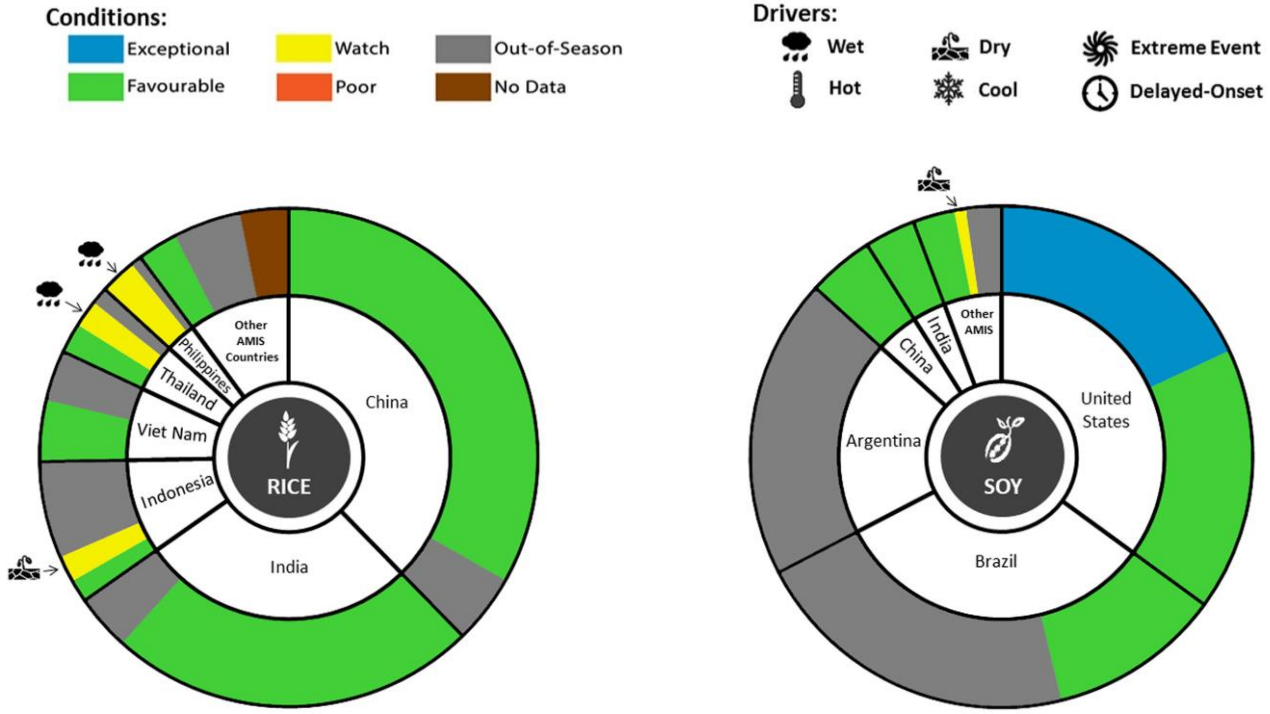
In **Ukraine**, winter wheat sowing has begun under favourable conditions owing to recent improvements in soil moisture. In the **Russian Federation**, spring wheat harvest continues with yields expected to be near average. Winter wheat sowing is complete in northern regions and is underway in the southern regions under favourable conditions. In **Kazakhstan**, spring wheat harvest is proceeding under favourable conditions with average yields expected. In the **US**, spring wheat harvest is complete with favourable production prospects. In **Canada**, winter wheat harvest is complete with slightly lower yields relative to last year. Spring wheat harvest continues with variable yields and some concern across the Prairies due to dry conditions during the growing season and early snow cover in some regions. Harvest continues with variable yields for spring wheat due to soil moisture deficits in some regions over the past several months. In **Australia**, yields vary considerably across the country with exceptional conditions in Western Australia and parts of South Australia. While in the east, conditions are poor due to a lack of rainfall, most notably in Queensland and New South Wales. In **Argentina**, conditions are generally favourable with some concern in areas of low soil moisture.

Maize

In the **US**, a bumper crop is expected as harvest progresses. In **Canada**, conditions remain mixed heading into harvest. There is some concern due to the dry weather experienced in Manitoba, and Quebec, while the crop in the main producing province Ontario is under favourable conditions. In **Mexico**, conditions are favourable for the spring-summer crop with an increase in total sown area compared to last year. In **China**, conditions are favourable with harvest beginning early in some regions of central and northeast China. In **India**, conditions are favourable with the crop in the grain filling stage and there is an increase in sown area compared to last year. In the **EU**, harvest is ongoing with overall EU yields expected to remain above the five-year average. The persistent drought in northern and central Europe significantly reduced yield prospects in those regions, however exceptional prospects in southern Europe are expected to help compensate. In **Ukraine**, harvest begun with record yields expected in the central and western regions. In **Brazil**, harvest of the summer-planted crop (larger) is complete with reduced yields and area due to lack of rainfall over the course of the season. Sowing of the spring-planted crop has begun in the south under favourable conditions. In **Argentina**, sowing is commencing under favourable conditions for the spring-planted crop.

Pie chart description: *Each slice represents a country's share of total AMIS production (5-year average), with the main producing countries (90 percent of production) shown individually and the remaining 10 percent grouped into the "Other AMIS Countries" category. Sections within each country are weighted by the sub-national production statistics (5-year average) of the respective country and accounts for multiple cropping seasons (i.e. spring and winter wheat).*

The late vegetative through to reproductive crop growth stages are generally the most sensitive periods for crop development.



Rice

In **China**, conditions are favourable for single rice and semi-late rice in the maturation stage. Late rice in the south is under favourable conditions in the heading stage. In **India**, Kharif rice is under favourable conditions while in the maturity stage in the north and tillering stage in the south. An increase in total sown area is reported. In **Indonesia**, sowing of dry-season rice is complete with total sown area down due to dry conditions earlier this season. Harvest of the earlier sown rice continues with yields remaining above last year's yields. In **Viet Nam**, conditions are favourable for the summer-autumn rice (wet-season rice) with a slight reduction in national total sown area. Harvest has begun in the south with some delays due to a late start of the season. In **Thailand**, conditions of wet-season rice are generally favourable owing to continuous rain and good weather. However, flooding due to heavy rains in the northeastern region is expected to reduce yields. In the **Philippines**, wet-season rice conditions are mixed due to adverse weather conditions over the course of the season. Harvest of the April-May sown crop is ongoing and a reduction in final yields compared to last year is expected. A typhoon in mid-September affected heavily the northern region, but details are currently under investigation. In the **US**, conditions are favourable.

Soybeans

In the **US**, harvest has begun and record yields are expected in many areas owing to exceptional growing conditions across most of the country. In **Canada**, harvest is ongoing in the prairies with yields varying according to rainfall received over the past few months. An increase in yield is expected at the national level compared to last year, however overall production will be down due to a reduction in harvested area this year. In **China**, conditions are favourable with the crop in the maturing and harvesting stages. Early harvesting has begun in some regions of central and northeast China compared to last year. In **India**, the crop is in the pod filling stage under favourable conditions. In **Ukraine**, harvest has begun under favourable conditions. In **Brazil**, sowing is just beginning under favourable conditions.

Information on crop conditions in non-AMIS countries can be found in the GEOGLAM Early Warning Crop Monitor, published 4 October 2018

Sources and Disclaimers: The Crop Monitor assessment is conducted by GEOGLAM with inputs from the following partners (in alphabetical order): Argentina (Buenos Aires Grains Exchange, INTA), Asia Rice Countries (AFSIS, ASEAN+3 & Asia RiCE), Australia (ABARES & CSIRO), Brazil (CONAB & INPE), Canada (AAFC), China (CAS), EU (EC JRC MARS), Indonesia (LAPAN & MOA), International (CIMMYT, FAO, IFPRI & IRRI), Japan (JAXA), Mexico (SIAP), Russian Federation (IKI), South Africa (ARC & GeoTerraImage & SANSA), Thailand (GISTDA & OAE), Ukraine (NASU-NSAU & UHMC), USA (NASA, UMD, USGS – FEWS NET, USDA (FAS, NASS)), Viet Nam (VAST & VIMHE-MARD). The findings and conclusions in this joint multiagency report are consensual statements from the GEOGLAM experts, and do not necessarily reflect those of the individual agencies represented by these experts.
More detailed information on the GEOGLAM crop assessments is available at www.geoglam-crop-monitor.org

Policy developments

Wheat

- On 31 August, the **Indonesia**-**Australia** Comprehensive Economic Partnership Agreement was concluded. The agreement enables Australia to export 500 000 tonnes of feed grains including wheat to Indonesia. The exports would be free of duty in the first year, with 5 percent of annual growth in volume thereafter. In return, Australia would immediately eliminate all remaining tariffs on Indonesian imports. The Agreement would be brought into effect by 2020.
- On 28 September, **South Africa** lowered wheat import tariff from ZAR 640.5 to ZAR 294.46 (USD 44.7 to USD 20.6) per tonne.
- Faced with a sharp devaluation of the Turkish Lira and expensive input costs, on 6 September, the Ministry of Trade in **Turkey** temporarily limited flour exports produced from domestically grown grain to one percent of the total shipments, in order to stabilize domestic prices.

Rice

- The Government of **Egypt** has set new procurement prices for rice at EGY 4 400 to EGY 4 700 (USD 245.6 to USD 262.3) per tonne and has announced that only 820 000 feddans (340 000 hectares) will be allowed for rice cultivation, compared to 1 000 000 feddans last year.

- On 16 September, the Ministry of Agriculture from the **Republic of Korea** announced market price support to rice farmers worth KRW 717 billion (USD 640 million) in 2018. The subsidy would cover the difference between the target rice price and the actual market price.

Soybeans

- On 3 September, **Argentina** reduced the tax applying on export shipments of soybeans from 25.5 to 18 percent. Taxes on soyoil and soymeal exports, which currently stand at 23 percent, were also cut to the same level.

Biofuels

- On 3 September, the Ministry of Energy in **Argentina** announced an increase in prices for biodiesel along with maize- and sugarcane-based ethanol for oil companies, starting 1 September 2018. The prices were set at ARS 22 589 (USD 610.51) per tonne for biodiesel (higher by 3.2 percent), ARS 21 097 (USD 0.57) per litre for cane-based ethanol (higher by 4 percent) and ARS 17 216 (USD 0.46) cents per litre for maize-based ethanol (higher by 5.7 percent).
- On 6 September, in a move to promote alternative fuel sources and eco-friendly vehicles, the Ministry of Road Transport and Highways in **India** announced that 'green fuel vehicles' including vehicles using electricity, ethanol, biodiesel, CNG, methanol and biofuel, would be exempted from the government permit requirements such as contract carriage bus permits, goods carrier permits and cab permits.
- On 12 September, **India** raised sugarcane-based ethanol prices by 25 percent for blending in fuel, to reduce surplus sugar production and oil imports.

Across the board

- On 3 September, faced with a sharp devaluation of its national currency against the US dollar, **Argentina** introduced a tax until 31 December of 2020, on export shipments of all agricultural products of 12 percent, up to ARS 4 per USD exported (for all AMIS crops, and also biofuels).
- On 11 September, the Ministry of Agriculture in **Canada** announced a federal investment of up to CAD 11.1 million (USD 8.58 million) under the Canadian Agricultural Partnership, AgriScience Clusters. The investment would target improving productivity of new pulse crops, addressing threats to the value chain, exploring the health benefits of pulses and developing innovations in pulse ingredient processing and food product development.
- On 17 September, the **US** announced a list of Chinese goods including wheat, rice, soybean and maize products that would be subject to an additional tariff of 10 percent, effective from 24 September 2018. The additional tariff is expected to increase to 25 percent by the end of the year.

Logistics/Infrastructure/Trade Junctures

- On 14 September, to reduce logistics costs and increase harvest profitability, the Ministry of Transportation in **Argentina** implemented a digital system to facilitate cargo unloading from trucks in the ports of Gran Rosario and the Province of Buenos Aires.

- On 5 September, the transit authority in **Brazil** increased minimum freight rates by 5 percent. Brazil's policy of setting minimum freight rates is reducing cargo at the ports due to higher associated costs for farmers and exporters. In May, The Federal Government also provisionally introduced a Road Cargo Transportation Minimum Price Policy (see AMIS Market Monitor: June 2018).

AMIS Policy database

Visit the AMIS Policy database at: http://statistics.amis-outlook.org/policy/

*The **AMIS Policy database** gathers information on trade measures and domestic measures related to the four AMIS crops (wheat, maize, rice, and soybeans) as well as biofuels. The design of this database allows comparisons across countries, across commodities and across policies for selected periods of time.*

International prices

International Grains Council (IGC) Grains and Oilseeds Index (GOI) and GOI sub-Indices

	Sep 2018 Average*	% Change M/M	% Change Y/Y
GOI	197	- 2.5%	+1.5%
Wheat	196	- 2.9%	+11.3%
Maize	174	- 5.5%	+6.4%
Rice	164	-0.8%	+1.8%
Soybeans	184	- 2.0%	- 4.6%

*Jan 2000=100, derived from daily export quotations

Wheat

World wheat export prices retreated from the strong gains of the previous month. Ample nearby availabilities generally weighed on sentiment, with much of the focus on record early season exports by the Russian Federation which dampened buying interest from other origins. While the Russian Federation government officials continued to rebuff market talk of export restrictions, some price underpinning came from ideas that demand would shift to other suppliers as Russia's availabilities tighten. There were some signs that shipments from the Russian Federation were starting to slow, with currency movements contributing to firmer export prices at that origin. A firmer price tone in global markets towards the end of the month came from deteriorating production prospects in Australia, harvest delays and concerns about possible quality problems in the Russian Federation and Canada, an acceleration of international buying interest as well as sub-optimal planting conditions for 2019/20 crops in parts of Europe and the CIS.

Maize

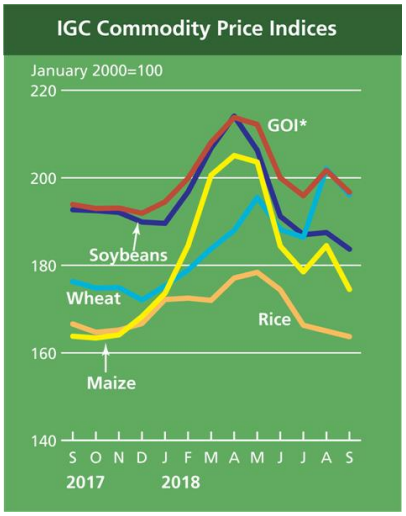
A weak tone prevailed across global maize export markets in September, with IGC GOI Maize sub-Index dropping by an average of 6 percent, to levels last seen at the start of the year. The steepest declines were recorded in Ukraine, where prices receded on confirmation of very good results from the first stages of the harvest. A squeeze on available storage space at port silos was also a negative factor. While US FOB quotations also weakened on excellent yield prospects, overall losses were pared by solid overseas demand and more recent worries about possible rain-related fieldwork delays. South American values dipped as well, most notably in Argentina, with traders generally keen to maintain competitiveness.

Rice

Average international rice prices mildly weakened m/m, led by falls in Pakistan where new crop harvesting weighed. Quotes in the US also declined on seasonal pressure, while dollar denominated fob values in India fell on a weaker currency and subdued nearby demand. In contrast, anticipated sales to the Philippines, where the government announced plans to import up to 750 000 tonnes before the end of the year, underpinned gains in Viet Nam and Thailand.

Soybeans

Average global soybean values posted 2 percent net losses during September, although there were contrasting trends at key origins. Against the backdrop of an anticipated record crop, harvesting of which got underway, and an ongoing trade dispute with China, US Gulf export values retreated. In contrast, South American markets were firmer. Despite light pressure from a weaker currency and the onset of the 2018/19 planting campaign, quotations in Brazil moved higher on the strength of underlying demand and prospects for sustained buying interest from China, reflected in historically elevated basis levels. In Argentina, FOB prices were a touch higher as support from tight availabilities and fresh export interest countered the influence of currency movements.

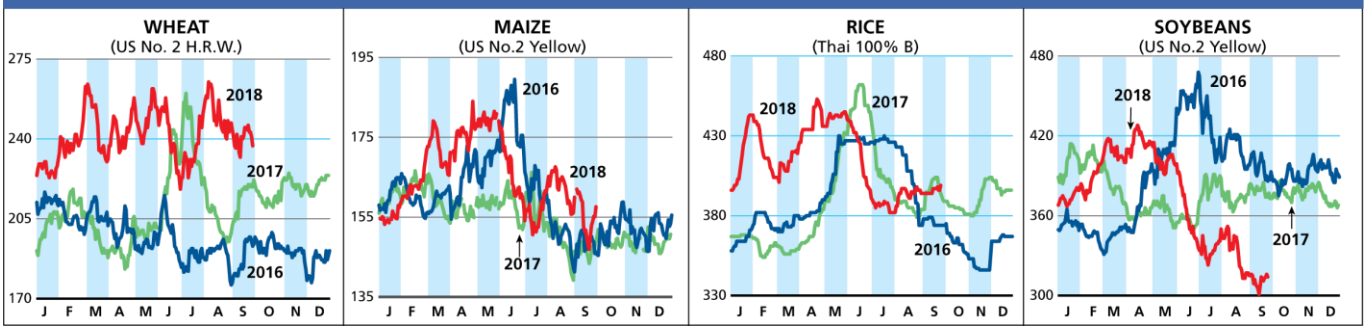


IGC commodity price indices

		GOI*	Wheat	Maize	Rice	Soybeans
		(.....January 2000 = 100.....)				
2017	September	**193.9**	176.3	163.8	166.6	192.7
	October	**193.0**	174.8	163.4	164.7	192.5
	November	**193.1**	174.9	164.1	165.2	192.1
	December	**191.9**	172.1	168.3	166.7	189.9
2018	January	**194.5**	175.3	173.6	172.2	189.6
	February	**199.9**	178.9	184.5	172.5	196.8
	March	**208.1**	183.8	200.6	172.0	206.8
	April	**213.8**	188.0	205.1	177.1	214.1
	May	**212.2**	195.5	203.6	178.4	206.3
	June	**200.0**	188.2	184.4	174.4	191.2
	July	**195.9**	186.4	178.5	166.3	187.0
	August	**201.7**	202.1	184.5	165.0	187.5
	September	**196.7**	196.1	174.3	163.7	183.8

Selected export prices, currencies and indices

Daily quotations of selected export prices (USD/tonne, 2016-2018)



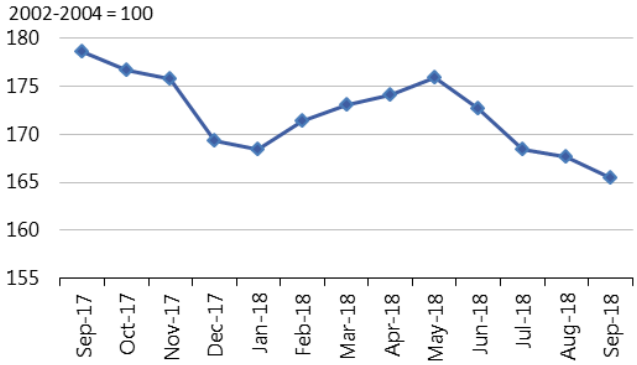
Daily quotations of selected export prices

	Effective Date	Quotation (1)	Week ago (2)	Month ago (3)	Year ago (4)	% change (1) over (2)	% change (1) over (4)
	(.....USD/tonne.....)						
Wheat (US No. 2, HRW)	28-Sep	237	244	240	218	-2.9%	8.7%
Maize (US No. 2, Yellow)	27-Sep	158	153	156	152	3.1%	3.8%
Rice (Thai 100% B)	28-Sep	399	397	397	392	0.5%	1.8%
Soybeans (US No.2, Yellow)	28-Sep	314	311	313	377	1.0%	-16.7%

AMIS Countries' Currencies Against US Dollar

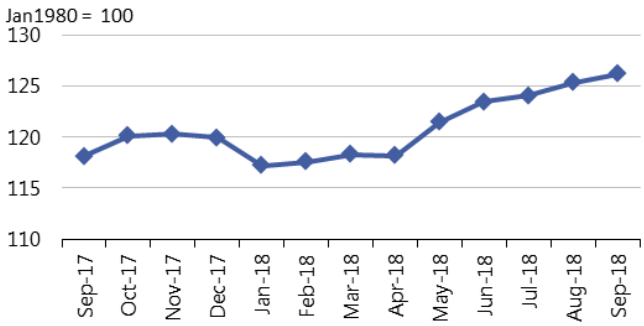
AMIS Countries	Currency	Sep 2018 Average	Monthly Change	Annual Change
Argentina	**ARS**	38.4	-27.5%	-122.9%
Australia	**AUD**	1.4	-1.7%	-10.6%
Brazil	**BRL**	4.1	-4.5%	-31.1%
Canada	**CAD**	1.3	0.0%	-6.0%
China	**CNY**	6.9	-0.1%	-4.4%
Egypt	**EGP**	17.9	-0.1%	-1.4%
EU	**EUR**	0.9	1.0%	-2.1%
India	**INR**	72.2	-3.7%	-12.0%
Indonesia	**IDR**	14,863.1	-2.1%	-11.7%
Japan	**JPY**	112.0	-0.9%	-1.1%
Kazakhstan	**KZT**	367.5	-2.6%	-8.2%
Rep. Korea	**KRW**	1,119.0	0.1%	1.2%
Mexico	**MXN**	19.0	-0.9%	-6.5%
Nigeria	**NGN**	305.2	0.0%	1.2%
Philippines	**PHP**	54.0	-1.3%	-5.9%
Russian Fed.	**RUB**	67.6	-1.8%	-17.2%
Saudi Arabia	**SAR**	3.8	0.0%	0.0%
South Africa	**ZAR**	14.8	-4.7%	-12.1%
Thailand	**THB**	32.6	1.3%	1.7%
Turkey	**TRY**	6.3	-6.4%	-81.4%
UK	**GBP**	0.8	1.4%	-2.0%
Ukraine	**UAH**	28.2	-2.3%	-7.7%
Viet Nam	**VND**	23,307.9	-0.1%	-2.6%

FAO Food Price Index
Sep 2017-Sep 2018



Source: FAO

Nominal Broad Dollar Index
Sep 2017-Sep 2018



Source: US Federal Reserve

Futures markets

Futures Prices – nearby

	Sep-18 Average	% Change	
		M/M	Y/Y
Wheat	185	- 6.4%	+15.3%
Maize	139	- 1.7%	+ 1.3%
Rice	227	- 4.3%	- 17.3%
Soybeans	306	- 3.2%	- 13.4%

Source: CME

Historical Volatility – 30 Days, nearby

	Monthly Averages		
	Sep-18	Aug-18	Sep-17
Wheat	35.8	36.4	27.2
Maize	22.1	23.7	22.6
Rice	24.6	23.7	16.2
Soybeans	22.6	25.7	16.3

Futures Prices

Prices for wheat, maize, soybeans and rice declined m/m as US crops burgeoned under favourable weather conditions while US and China remained at odds over trade issues, particularly with regard to soybeans. The USDA raised global supplies for all four commodities m/m even as dry weather negatively impacted crops in Canada, Australia and northern Europe. The largest m/m price decline occurred in wheat, as speculation dissipated over whether the Russian Federation would impose export restrictions. Also, recent rains in the Black Sea region aided in winter wheat sowing, further dampening market sentiment. Maize prices seemed to find some support from rising crude oil values, while soybeans tumbled to a ten-year low and reached a record discount to Brazilian values of USD 90 per tonne – roughly equal to the 25 percent import tariff set by China. A weaker USD and firm energy prices, deemed supportive of commodity prices, may have kept prices from declining further. Wheat, maize, soybeans and rice were lower m/m by 6.4, 1.7, 4.3 and 3.2 percent respectively. On a y/y basis, wheat was higher by about 15.3 percent, maize was 1.3, while soybeans and rice were lower by 17.3 and 13.4 percent respectively.

Volumes and volatility

Trade volumes for wheat, maize and soybeans declined m/m, reflecting the typical pre-harvest pattern of reduced trading. Implied volatility and historical volatility were little changed for all three commodities m/m, maintaining levels in the medium low range, mostly above last year's levels.

Basis levels and transport

Domestic basis levels for maize and soybeans continued below seasonal norms m/m reflecting ample year-end carry-out stocks and the commencement of large-scale harvests. In Illinois, the interior bids to local elevators were quoted at minus USD 21 per tonne for maize and minus USD 25 for soybeans, both under the respective new-crop December and November futures prices. In Iowa, the bids were similarly weak at minus USD 25 for maize and minus USD 38 for soybeans (under the respective futures). Gulf export delivery basis levels were weak with maize quoted at USD 12 per tonne while soybeans were quoted at about USD 2 per tonne below the November futures, an aberrantly low basis level for gulf delivery. Soft red wheat values delivered into the northern mills and gulf were weak - quoted at about minus USD 4 per tonne and plus USD 14 per tonne, respectively (both with respect to December futures). Barge freight (lower Illinois River quotations) rose moderately m/m to around USD 26 per tonne in anticipation of harvest season, trading about 23 percent higher than the three year average. In the export market, outstanding commitments in maize exhibited a robust start for 2018/19 (crop year began September 1), surpassing last year's level by 50 percent and indicating another record year for the feed grain. Soybeans, however, showed a 6 percent slump in commitments, as expected in the near absence of Chinese purchases, partially recouped by other buyers including South American competitors. Exports and outstanding commitments in wheat, the crop year for which began on 1 June, continued to lag behind last year by about 20 percent.

Forward curves

Forward curves exhibited some relaxation in wheat, maize and soybeans m/m, reflecting large looming harvests and low cash basis levels. The wheat curve, which displayed an inversion between May and July 2019 contracts during August returned to a carry configuration as talk over Russian Federation export issues faded. The maize curve, namely the y/y spread between December 18 and December 19 widened a few USD per tonne from USD 10 to USD 12 - a modest upward slope (contango) possibly reflecting a balance between supply and demand. The comparable soybean spread between November 2018 and November 2019 also widened m/m, from USD 22 to USD 24 per tonne, which represented a record large contango for that y/y spread - in keeping with a record large ending stocks figure projected for 2019.

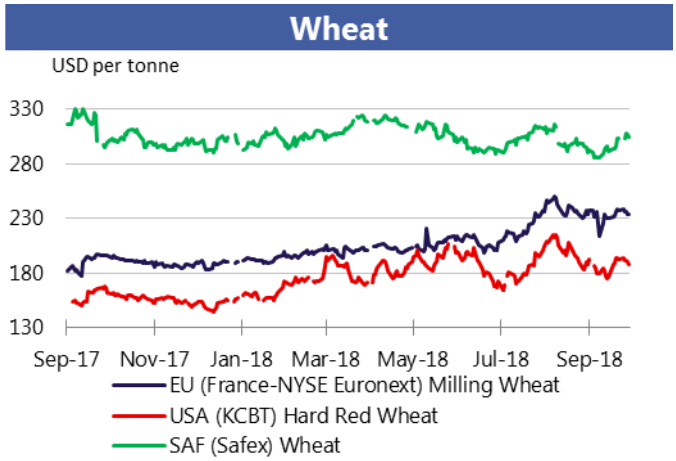
Investment flows

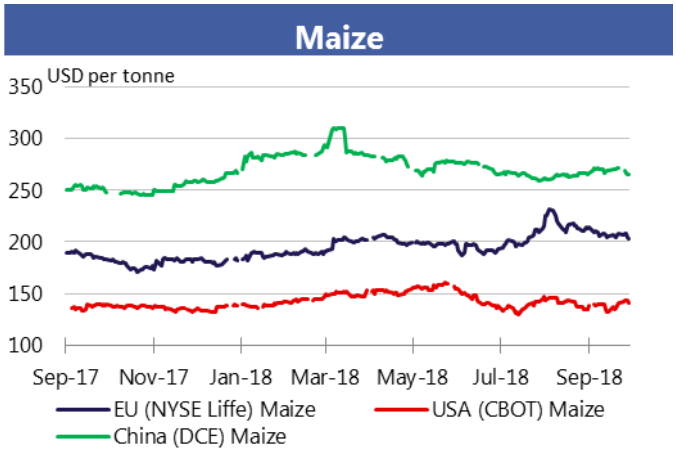
Managed money reversed its net long position in wheat to establish a small net short. It added to its net short positions in maize and soybeans but at lower levels than ones recorded in previous years. Commercials remained short in anticipation of cash purchases to offset their harvest-time hedges. Swaps dealers as well as the category of "other reportables" (large proprietary speculators) were on the net long side of the market. Spread totals for the three commodities, rose slightly m/m and were about twice as high as last year. Open interest was higher y/y but not at the record levels recorded this past July.

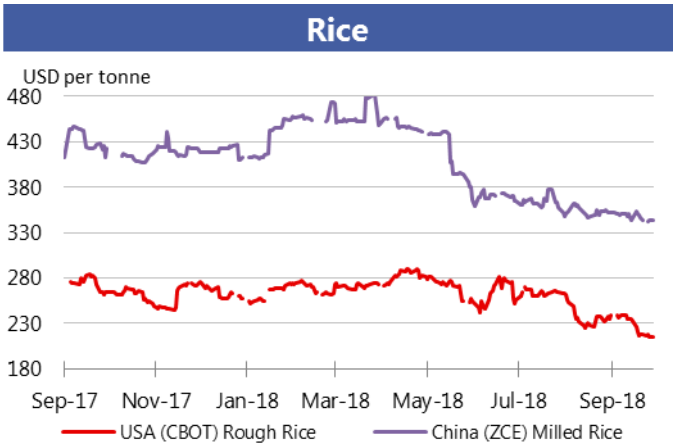
For information on technical terms please view the Glossary at the following link:
http://www.amis-outlook.org/fileadmin/user_upload/amis/docs/Market_monitor/Glossary.pdf

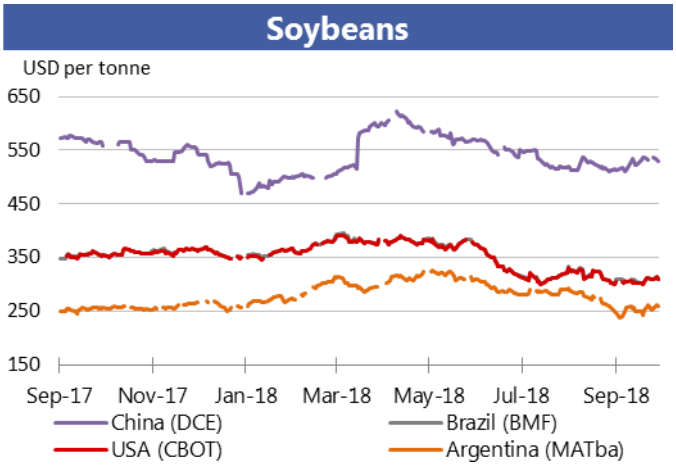
Market indicators

Daily quotations from leading exchanges - nearby futures

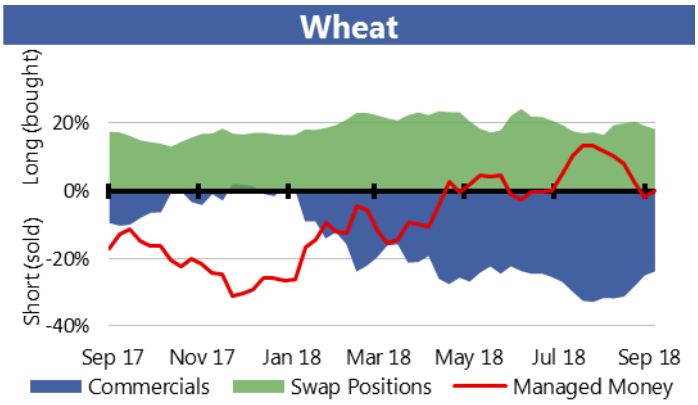


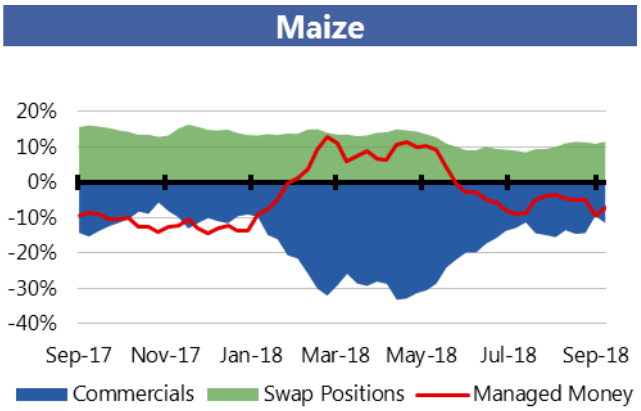


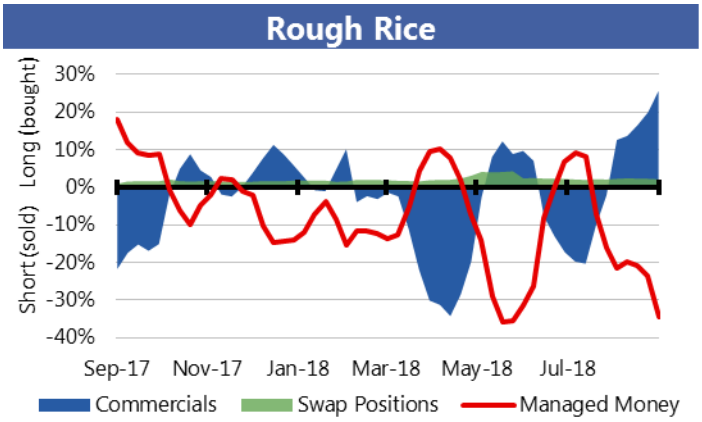


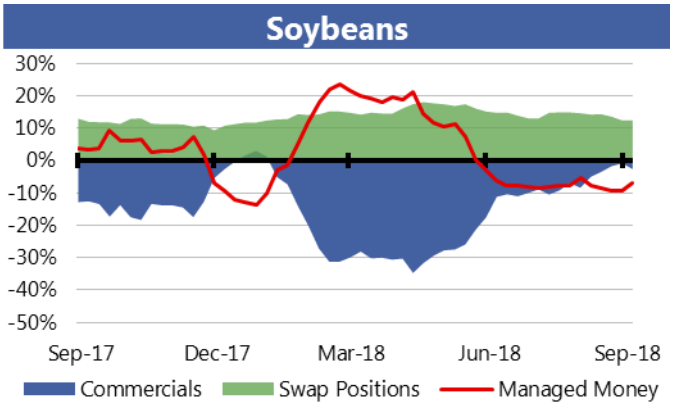


CFTC Commitments of Traders - Major Categories Net Length as percentage of Open Interest*



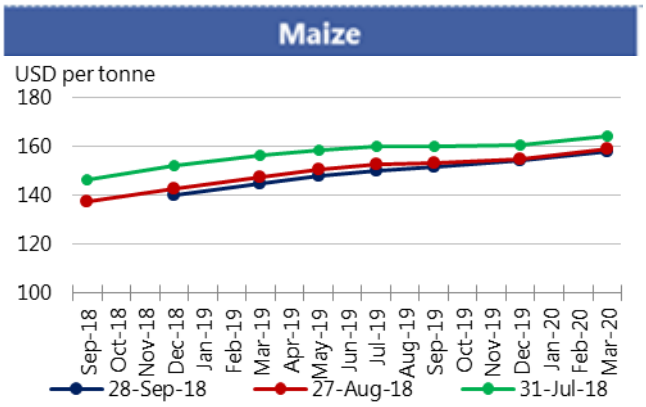


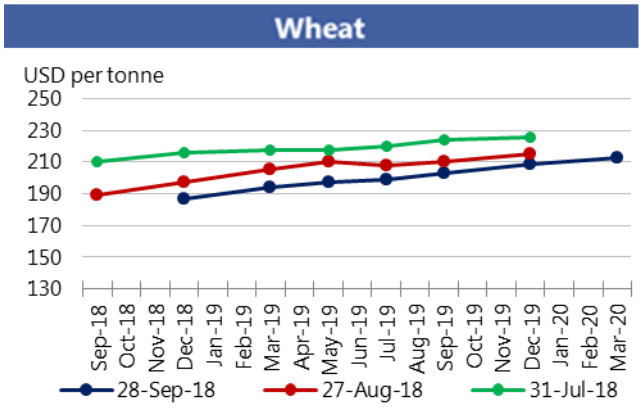


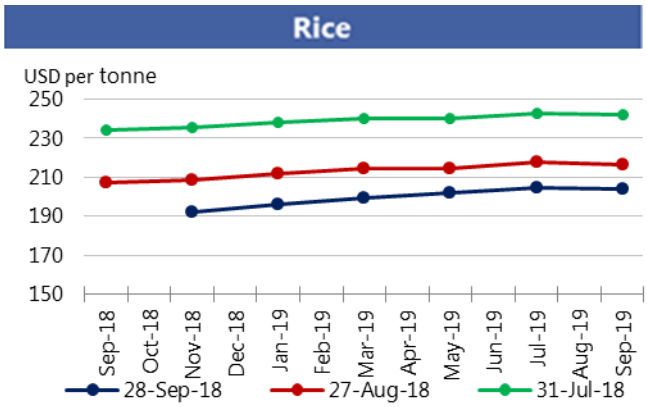


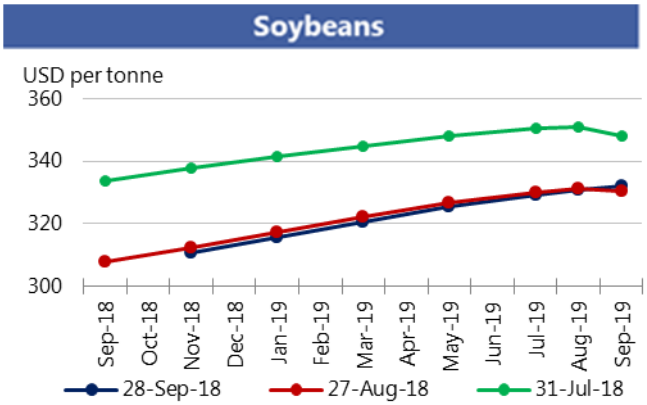
*Disaggregated Futures Only. Though not all positions are reflected in the charts, total long positions always equal total short positions.

Forward Curves

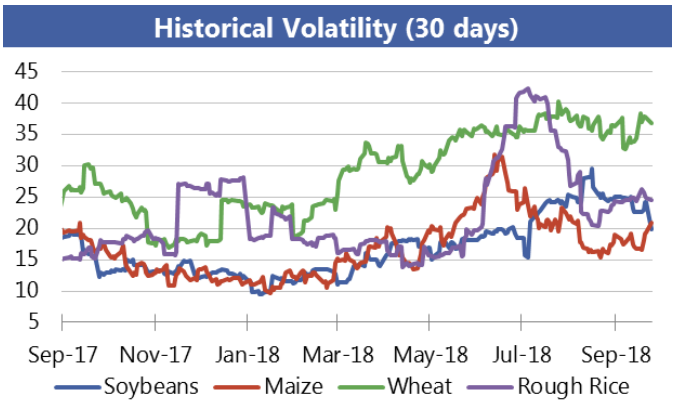


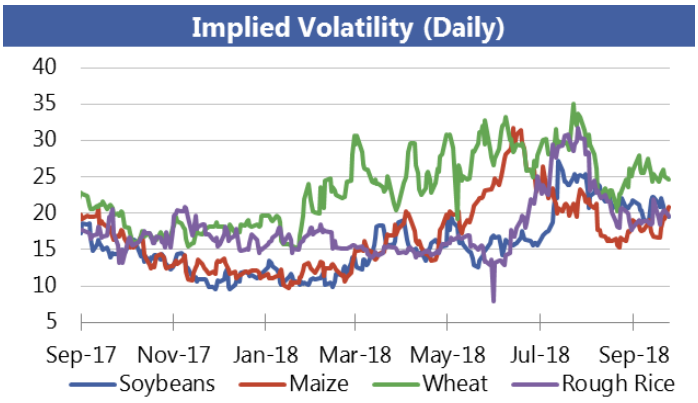






Historical and Implied Volatilities





AMIS Market indicators

Some of the indicators covered in this report are updated regularly on the AMIS website. These, as well as other market indicators, can be found at:
http://www.amis-outlook.org/amis-monitoring/indicators/

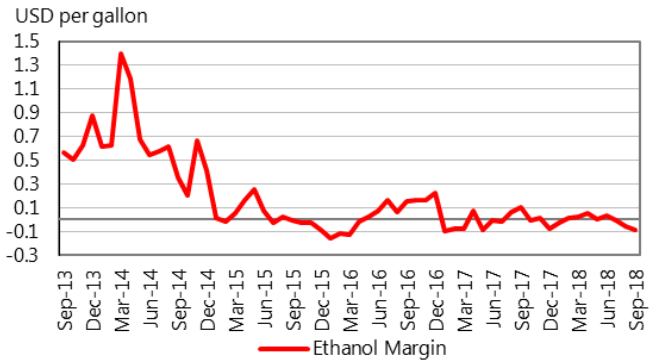
Monthly US ethanol update

- **Ethanol production** in September fell below an annual production pace of 16 billion gallons for the first time since May after setting a record production pace of over 16.6 billion gallons (annually) in August.
- **Ethanol production margins** in September remained negative for the second month in a row.
- **Ethanol prices** fell sharply, which more than offset falling maize prices and rising DDGs receipts.
- **Ethanol futures prices** fell below energy equivalence relative to RBOB gasoline, hitting 63.6 percent, the lowest ratio since the recorded series began in 2007.

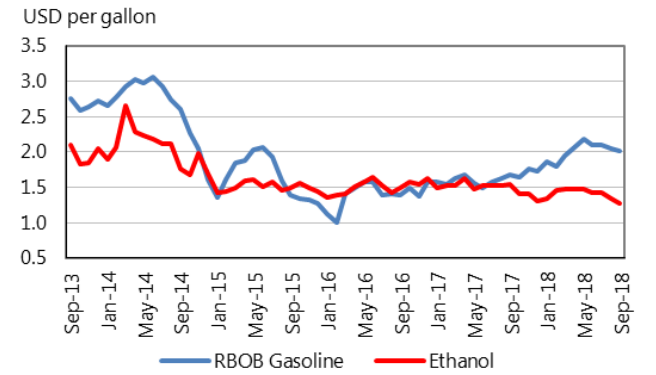
Spot prices IA, NE and IL/eastern *corn belt* average	**Sep 2018***	**Aug 2018**	**Sep 2017**
Maize price (USD per tonne)	126.33	133.51	127.97
DDGs (USD per tonne)	134.97	131.02	107.66
Ethanol price (USD per gallon)	1.22	1.32	1.51
Nearby futures prices CME, NYSE			
Ethanol (USD per gallon)	1.28	1.34	1.54
RBOB Gasoline (USD per gallon)	2.01	2.05	1.67
Ethanol/RBOB price ratio	63.6%	65.2%	92.0%
Ethanol margins IA, NE and IL/eastern *corn belt* Average (USD per gallon)			
Ethanol receipts	1.22	1.32	1.51
DDGs receipts	0.42	0.40	0.33
Maize costs	1.17	1.23	1.18
Other costs	0.55	0.55	0.55
Production margin	-0.08	-0.06	0.11
Ethanol production (million gallons)			
Monthly production total	1 315	1 414	1 284
Annualized production pace	15 996	16 647	15 627

Based on USDA data and private sources
* Estimated using available weekly data to date.

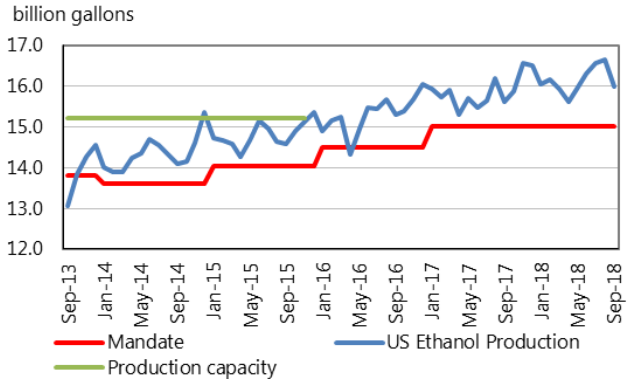
Ethanol Production Margin
(IA, NE, IL/eastern corn belt average)



Ethanol and RBOB gasoline
(nearby futures prices, CME, NYSE)



Ethanol production pace, capacity and annual mandate



Ethanol price vs. maize price
(Spot prices)

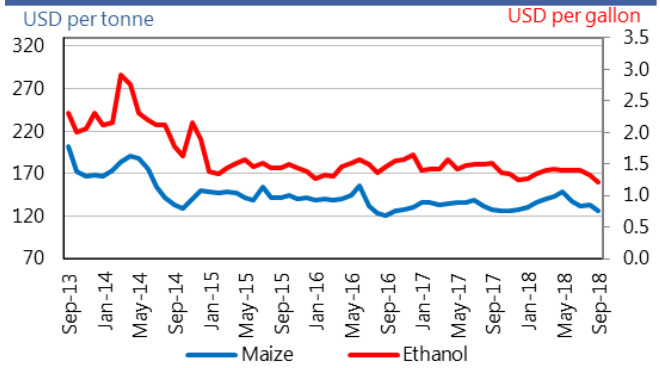


Chart and tables description

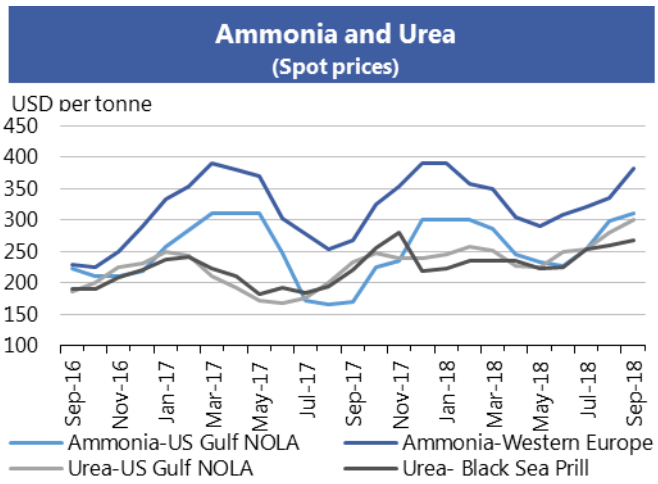
Ethanol Production Margins: The ethanol margin gives an indication of the profitability of maize-based ethanol production in the United States. It uses current market prices for maize, Dried Distillers Grains (DDGs) and ethanol, with an additional USD 0.55 per gallon of production costs

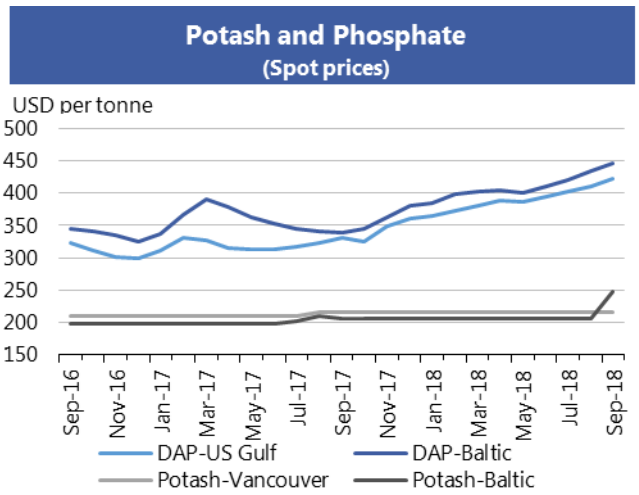
Ethanol Production Pace, Capacity and Mandate: Overview of the volume of maize-based ethanol production in the United States; it also highlights overall production capacity and the production volume that is mandated by public legislation. Name-plate (i.e. nominal) ethanol production capacity in the US is roughly 14.9 billion gallons per annum, but plants can exceed this level, so the actual capacity is assumed to be 15.2 billion gallons.

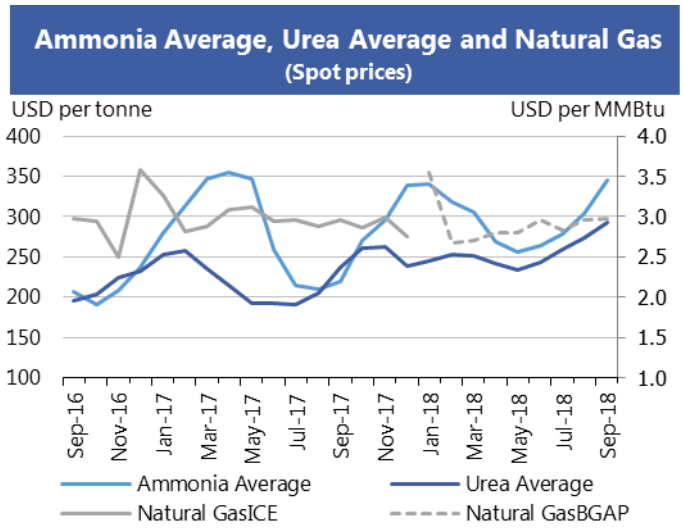
DDGs: By-product of maize-based biofuel production, commonly used as feedstuff.

RBOB: Reformulated Blendstock for Oxygenate Blending, gasoline nearby futures (NYSE).

Fertilizer outlook







- **Ammonia** prices continued the increase for a fourth month in a row; supply shortages in Indonesia in view of steady global demand contributed to the rise.
- **Urea** prices surged on promising conditions for winter wheat plantings in the US, combined with lagging supply-side adjustments..
- **DAP** prices rose m/m in response to higher nitrogen quotations, which drove up input costs.
- **Potash** prices rose on expectation of stronger global demand during the fall season.
- **Natural gas** prices showed a marginal increase, resulting from warmer temperatures in the northern hemisphere that increased demand for cooling.

	September average	September std. dev	% change last month*	% change last year*	12-month high	12-month low
Ammonia-US Gulf NOLA	311.0	-	4.0%	82.9%	311.0	224.0
Ammonia-Western Europe	381.7	40.7	13.9%	42.4%	390.0	289.0
Urea-US Gulf	299.7	2.5	7.4%	29.2%	299.7	224.0
Urea-Black Sea	266.7	5.8	2.6%	21.0%	280.0	217.5
DAP-US Gulf	423.3	2.9	3.0%	28.1%	423.3	326.0
DAP-Baltic	446.7	2.9	2.7%	31.8%	447.0	345.0
Potash-Baltic	247.3	4.0	20.1%	20.1%	247.3	206.0
Potash-Vancouver	216.0	-	0.0%	0.0%	216.0	216.0
Ammonia	346.1	20.2	13.9%	57.5%	346.1	256.3
Urea	292.9	3.9	6.7%	23.3%	292.9	234.0
Natural Gas*	3.0	0.1	0.1%	0.3%	3.5	2.7

All prices shown are in US dollars.
*Natural Gas is a new Henry Hub Index (BGAP), replacing the one used before, which has been discontinued.
Source: Own elaboration based on Bloomberg

Chart and tables description

Ammonia and Urea: Overview of nitrogen-based fertilizer prices in the US Gulf, Western Europe and Black Sea. Prices are weekly prices averaged by month.
Potash and Phosphate: Overview of phosphate and potassium-based fertilizer prices in the US Gulf, Baltic and Vancouver. Prices are weekly prices averaged by month.
Ammonia Average and Urea Average: Monthly average prices from Ammonia's US Gulf NOLA, Middle East, Black Sea and Western Europe were averaged to obtain Ammonia Average prices; monthly average prices from Urea's US Gulf NOLA, US GUlf Prill, Middle East Prill, Black Sea Prill and Mediterranean were averaged to obtain Urea Average prices. Natural Gas: Henry Hub Natural Gas Spot Price from ICE up to December 2017 and from Bloomberg (BGAP) from January 2018 onwards. Prices are intraday prices averaged by month. Natural gas is used as major input to produce nitrogen-based fertilizers.DAP: Diammonium Phosphate.

Monthly ocean freight market update

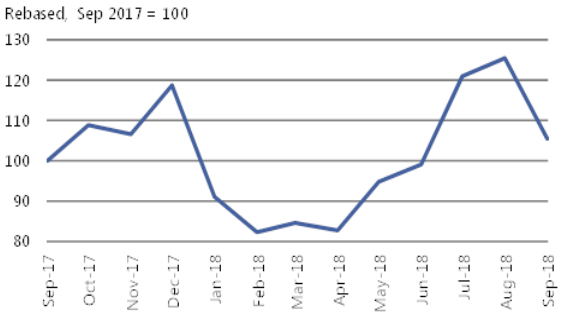
Dry bulk freight market developments

	Sep 2018 Average*	% Change M/M	% Change Y/Y
Baltic Dry Index (BDI) *	**1 438**	**- 15.9%**	**+ 5.5%**
sub-Indices:			
Capesize	2 102	-37.7%	- 22.9%
Panamax	1 553	- 4.6%	+ 10.0%
Supramax	1 150	+ 8.2%	+ 19.1%
Baltic Handysize Index (BHSI)**	589	+ 7.8%	+ 7.7%

Source: Baltic Exchange.
Note: *4 January 1985 = 1000 **23 May 2006 = 1000. Baltic Handysize sub-Index excluded from the BDI from 1 March 2018

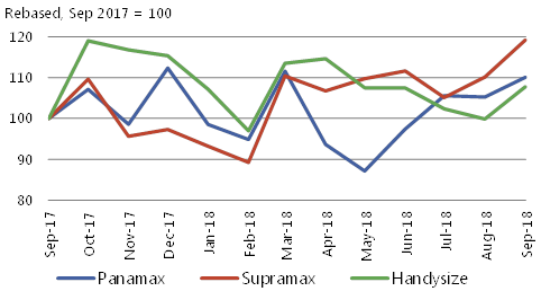
- After four successive monthly increases, the dry bulk freight market weakened in September, with average **Baltic Dry Index** (BDI) values retreating by 16 percent m/m, to be up just 5 percent y/y. Weakness for the largest vessels was only partly offset by mild gains for smaller-sized carriers.
- The Baltic **Capesize** sub-Index plummeted by more than one-third from August, sliding well below the year ago level. Unseasonably thin demand and excess tonnage availability in both Basins exerted downward pressure in the earlier half of the month, but improvements on some Asian routes and firmer bunker prices underpinned more recently.
- **Panamax** earnings averaged 5 percent higher m/m, although trends were two-sided. Buoyant fixing in South America, which drew tonnage from the US Gulf, provided steady support to the Atlantic market, while positive sentiment in the Pacific, tied to sustained coal and minerals business in Indonesia and Australia, added to gains. However, spillover from the Capesize sector and changeable demand on transatlantic routes pressured at times. Among recent fixtures, a grains/oilseeds cargo from Brazil to China was booked at 34 USD per tonne, for November shipment.
- **Supramax** and **Handysize** markets recorded relatively larger advances, as average rates improved by around 8 percent in each segment. Aside from robust grains and minerals enquiries at the US Gulf and in South America, support stemmed from active grains dispatches from the Black Sea, which also buoyed values in the Mediterranean.

Baltic Dry Index*

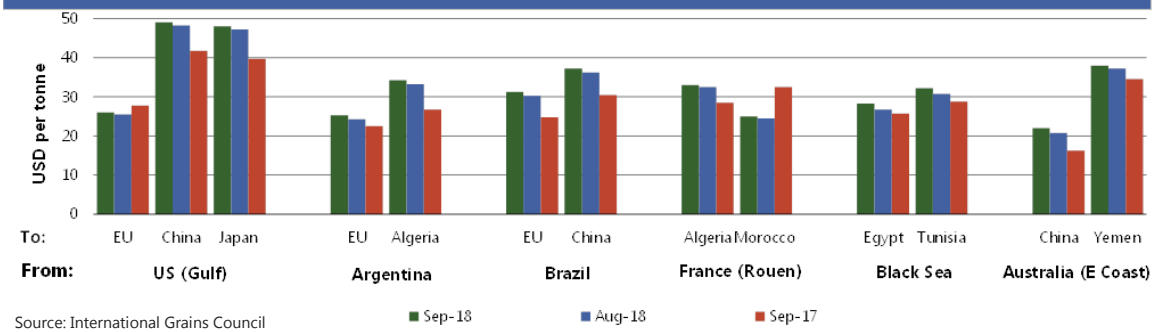


*monthly average

Grains and oilseeds carrying sectors: Panamax and Supramax sub-Indices and Handysize Index*



Average nominal freight rates on selected grains and oilseeds routes



Source: International Grains Council

Notes:

Baltic Dry Index (BDI): A global benchmark indicator issued daily by the London-based Baltic Exchange, providing an assessment of the costs of moving major raw materials on ocean going vessels. The BDI is a composite measure, comprising sub-indices for four carrying segments, representing different vessel sizes: Capesize, Panamax, Supramax and Handysize.
Capesize: The largest vessels included in the BDI with deadweight tonnage (DWT) above 80 000 DWT, primarily transporting coal, iron ore and other heavy raw materials on long-haul routes.
Panamax: Vessels with capacity of 60 000 to 80 000 DWT, which are mostly geared to transporting coal, grains, oilseeds and other bulks, including sugar and cement.
Supramax/Handysize: Vessels with capacity below 60 000 DWT, which account for the majority of the world's ocean going vessels. They can transport a wide variety of cargos, including grains and oilseeds.

The notions of **tightening** and **easing** used in the summary table of **"Markets at a glance"** reflect judgmental views which take into account market fundamentals, inter-alia price developments and short term trends in demand and supply, especially changes in stocks.

All totals (aggregates) are computed from unrounded data. World supply and demand estimates/forecasts in this report are based on the latest data published by FAO, IGC and USDA; for the former, they also take into account information received from AMIS countries (hence the notion **"FAO-AMIS"**). World estimates and forecasts may vary due to several reasons. Apart from different release dates, the three main sources may apply different methodologies to construct the elements of the balances. Specifically:

Production: For wheat, production data refer to the first year of the marketing season shown (e.g. the 2016 production is allocated to the 2016/17 marketing season). For maize and rice, FAO-AMIS production data refer to the season corresponding to the first year shown, as for wheat. However, in the case of rice, 2016 production also includes secondary crops gathered in 2017. By contrast, for rice and maize, USDA and IGC aggregate production of the northern hemisphere of the first year (e.g. 2016) with production of the southern hemisphere of the second year (2017 production) in the corresponding 2016/17 global marketing season. For soybeans, this latter method is used by all three sources.

Supply: Defined as production plus opening stocks. No major differences across sources.

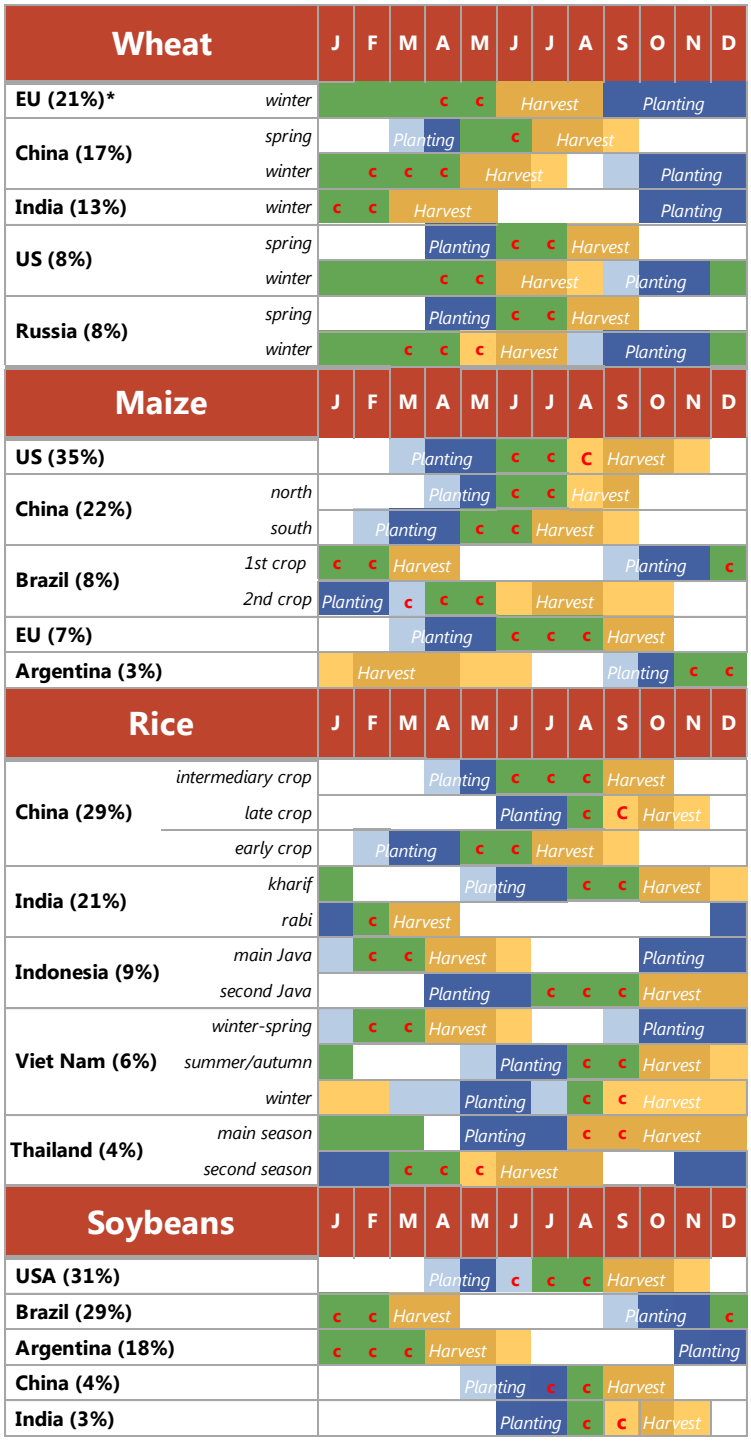
Utilization: For wheat, maize and rice, utilization includes food, feed and other uses ("other uses" comprise seeds, industrial utilization and post-harvest losses). For soybeans, it comprises crush, food and other uses. No major differences across sources.

Trade: Data refer to exports. For wheat and maize, trade is reported on a July/June marketing year basis, except for the USDA maize trade estimates, which are reported on an October/September basis. FAO-AMIS and IGC wheat trade data includes wheat flour in wheat grain equivalent. USDA wheat trade data also includes wheat products. For rice, trade covers flows from January to December of the second year shown, and for soybeans from October to September. Trade between European Union member states is excluded.

Stocks: In general, stocks refer to the sum of carry-overs at the close of each country's national marketing year. In the case of maize and rice, in southern hemisphere countries the definition of the national marketing year is not the same across the three sources as it depends on the methodology chosen to allocate production. For Soybeans, the USDA world stock level is based on an aggregate of stock levels as of 31 August for all countries, coinciding with the end of the US marketing season. By contrast, the IGC and FAO-AMIS measure of world stocks is the sum of carry-overs at the close of each country's national marketing year.

AMIS - GEOGLAM Crop Calendar

Selected leading poducers



** Percentages refer to the global share of production (average 2013-15).*

Planting (peak) | Harvest (peak)

Planting | Harvest

c Weather conditions in this period are critical for yields. | Growing period

Main sources

Bloomberg, CFTC, CME Group, FAO, GEOGLAM, IFPRI, IGC, Reuters, USDA, US Federal Reserve

2018 AMIS Market Monitor Release Dates

February 1, March 1, April 5, May 3, June 7, July 5, September 6, October 4, November 1, December 6

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