

MED-Amin

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

Input Costs and Induced Margins

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Edito

The MED-Amin network continues its development with a very rich end of the year 2021. We organized the [8th MED-Amin meeting of the network](#) on 23 November 2021 again online. This came just after a webinar co-organised with FranceAgriMer on the monitoring and analysis of agricultural markets for forecasting on 23 September and an experts roundtable at the Montpellier Global Days for Africa on food systems on 4-5 October.

During this plenary meeting, experts discussed recent market developments related to the surge in international prices (energy, freight, and inputs) and early warning challenges for the Mediterranean region. This **annual meeting of the Mediterranean Agricultural Market Information Network** also provided room to discuss the activities implemented in 2021 and those planned for 2022 on the basis of the MED-Amin 2021-2023 Action Plan.

Many activities are already planned for 2022, of which the **CIAP project** (2021-2022): Innovative cooperation for early warning on Mediterranean cereal markets, co-financed by the Agence Universitaire de la Francophonie (AUF). Two innovative studies will be launched in 2022 and calls for applicants for [Master 2 internships](#) are circulated.

Consulted in 2020, the CIHEAM Member countries wished to strengthen the **early**

warning system in/for the Mediterranean region. Discussions on this topic were the focus of the roundtable at the 8th MED-Amin Meeting. We are strengthening and enlarging the scope of existing activities and products with the aim to anticipate future needs and potential crises in this region, particularly vulnerable to climate shocks and fluctuations in international markets.

To strengthen the capacity to produce short-term outlooks, such an early warning system would require: (1) robust forecasts of the coming harvest during the production season; (2) sufficiently accurate information on cereal use (cereal balances) and the state of stocks; and (3) a better understanding of strategic market development factors at national, regional and global levels: climatic conditions, agricultural and trade policies, commodity prices, freight costs, exchange rates, etc. To layout the practical conditions for strengthening early warning, the MED-Amin Secretariat will build on and set up a group of international experts in early 2022.

2022 will be a special year for the CIHEAM as it will be the **60th anniversary** of its creation. We will

celebrate it, not by "looking in the rear view mirror" but at the future. In this respect, and as recalled in his speech at the 8th MED-Amin Meeting, the CIHEAM Secretary General, Plácido Plaza, underlined that "mechanisms such as MED-Amin can contribute effectively and on a documented basis to anticipating food crises such as those of 2007-2008", being part of a more sustainable and equitable future.

Recently, the CIHEAM co-organized the [third independent Food Systems Summit Dialogue for the Mediterranean Region](#) on 9 December. At this occasion, Mr. Plaza announced the organization in Bari, the 28-30 September 2022, of the third World Conference on the Mediterranean Diet "A Change of Route: Towards More Sustainable and Resilient Food Systems in Mediterranean Countries". No doubt to see the contribution of the MED-Amin network to improving market information transparency and the regional food security in the arena.

Happy Holidays and see you in 2022!

TUNISIE

Nouvelle plateforme de suivi

(OSS, 30 Nov)

Dans le cadre du projet AfriCultuReS, l'Observatoire National de l'Agriculture (ONAGRI), en collaboration avec l'Observatoire du Sahara et du Sahel (OSS), a mis en place une plateforme géospatiale répondant au besoin en informations et qui permet la visualisation interactive, l'interrogation des données et la génération d'informations (statistiques et graphiques) en rapport avec le secteur agricole tunisien.

RUSSIA

Grains harvest cuts and more export restrictions

(World Grain, 06/12)

Russia is considering setting an **export quota of 9 Mt on wheat** that is shipped from mid-February through June 30 in 2022 (13 Mt on total grains) as reported on Dec. 3. If implemented, the quota for that period in 2022 would be lower than the 17.5 Mt quota imposed vs same period in 2021. Food inflation is at a 5-year high and Russia already has a formula-based tax on grain exports implemented since last June. The Russian government on Oct. 28 **cut its official wheat harvest estimate to 75 Mt** (vs 85 Mt in 2020).

AUSTRALIA

Historical harvest but...

(Bloomberg, 23/11; World Grain, 30/11)

The issue on quality of wheat became of concern as heavy rains at the wrong time in Australia, one of the world's biggest exporters of the grain in 2021/22, raised the risk of hefty downgrades. Just as farmers were set to head into the fields, heavy rains have battered crops across major growing regions in the country's east. This event linked to La Niña is likely **to worsen a worldwide shortage of milling wheat**. However, Australian wheat production is forecast to a record 34.4 Mt according to ABARES on Nov. 30.

Figure 1. Monthly Global Input Price Index versus the FFPI (2014–16 = 100), August 2005 to August 2021



Monthly Global Input Price Index versus the FFPI (2014–16 = 100), August 2005 to August 2021

Rising input prices add pressure on the already fragile global food economy

Extract from the Special Feature article to FAO Food Outlook, [Nov 2021](#)

The recent upsurge in agricultural input prices has triggered considerable alarm about rising costs of food production, which in a free market economy will be typically passed onto consumers through higher food prices. Already, the impacts on prices are captured by the rising FAO Food Price Index (FFPI), which reached a ten-year high in August 2021. This appears to be supported by developments in input prices, as evidenced by the **newly constructed Global Input Price Index (GIPI)**, see Figure above).

A number of fundamental features of agricultural markets emerge from this representation. **Firstly**, the rapid rise and the current multiyear high in international food prices are accompanied by an equally rapid rise and a multiyear high in (variable) production costs. The near synchronous change in revenues and costs keeps overall farm profitability in check. **Secondly**, this co-movement between agricultural product prices and agricultural input prices is a general feature that has characterized international markets for the past decades (partly explained by the relatively high weight of feeds in the GIPI). **Thirdly**, the difference between the food price and the input price indices should not be construed as absolute (gross) margins; it can merely capture changes in gross margins. As such, its evolution over time suggests that all other things being equal, producer benefits from rising farm and food prices are swiftly offset by

rapidly rising costs/input prices. **Fourthly**, while changes in production costs generally lead the changes in output prices, a closer inspection of the two series suggests that input costs can also follow output prices. To gain better insights into "causality" between input and output price, a deeper econometric analysis will be required. **Fifthly**, the aggregate, global picture is likely to mask large regional and sectorspecific differences within agriculture. For instance, most soybean producers are presently operating at relatively large positive gross margins, facing lower needs of currently expensive (nitrogen) N-fertilizer and, at the same time, enjoying high product prices. Pig producers, by contrast, face low meat prices and high feed costs, often resulting in low gross margins and even negative net margins.

Finally, it needs to be emphasized that the GIPI only captures variable costs, such that the movement in the difference between the two lines only captures changes in gross margins, not in the net margins themselves.

While FAO produces regular updates of the evolution of food and agricultural prices, no such information is currently available for agricultural inputs. The Global Input Price Index (GIPI) aims to fill this gap. See how it is calculated in the box of the [Special Feature article](#).

Has global agricultural trade been resilient under COVID-19? Findings from an econometric assessment of 2020 (2022)

S. Arita, et al., *Food Policy*, Volume 107, 2022.

Global agricultural trade, which increased at the end of 2020, has been described as "resilient" to the impacts of the COVID-19 pandemic; however, the size and channels of its quantitative impacts are not clear. Using a reduced-form, gravity-based econometric model for monthly trade, we estimate the effects of COVID-19 incidence rates, policy restrictions imposed by governments to curb the outbreak, and the reduction in human mobility effect on global trade through the end

of 2020. We find that while agricultural trade remained quite stable through the pandemic, the sector did not go unscathed. First, we estimate that COVID-19 reduced agricultural trade by the approximate range of 5 to 10% at the aggregate sector level; a quantified impact two to three times smaller in magnitude than our estimated impact on trade occurring in the non-agricultural sector. Second, we find sharp differences across individual commodities. In particular, we find that non-food items, meat and seafood products, and

higher value agri-food products were most severely impacted by the pandemic; however, the COVID-19 trade effect for the majority of food and bulk agricultural commodity sectors were found to be insignificant, or in a few cases, positive. Finally, we also examine the effects across low vs high income countries, the changing dynamics on trade flows, and the effects along the extensive product margins of trade.

↳ Download the [paper](#)

Le CIHEAM dresse plusieurs constats préoccupants, dont l'abandon progressif de l'agriculture familiale et le faible renouvellement générationnel.



Pasta makers fret over durum wheat supply crunch: Worst to come

Extract from article by Gus Trompiz and Giancarlo Navach, [Reuters, 10 Nov.](#)

Italian pasta makers are **fearful of a substantial supply squeeze** in the coming months after this summer's durum wheat price shock, as the market runs out of ways to offset a dire harvest in top exporter Canada. Extreme heat and drought this year in the North American country, which usually accounts for about two-thirds of global durum trade, are expected to cut output there by about 3 Mt to nearly 50% below 2020 levels.

Canada's output wilted just as world durum stocks were already at a six-year low, partly due to at-home hoarding of pasta during pandemic lockdowns. Like Canada, the US is set to see **production drop by about half this year** after suffering similar torrid weather since spring. France's rain-hit harvest meanwhile has curbed European supply.

That has sent **durum quotations to 13-year highs**, stoking concerns about food inflation at a time when many economies are struggling to recover from COVID-19.

The FAO index of food prices is at a 10-year high, with the cost of bread also climbing as European wheat prices hit a 13-year peak this month.

With forecasts for Italy's domestic durum crop, which typically covers most of pasta makers' needs, also recently cut, the country's food producers are particularly **exposed to turmoil in the wider market** for the niche wheat variety.

Some Italian processors risk being caught short when the local crop runs out and may see production stoppages in the coming months,

Strategie Grains said. "In terms of prices and scarcity of durum, the worst is perhaps still to come." Italy's durum crop had been expected to surpass 2020 levels this year, but the last EU official estimate is now cut to 3.8 Mt (-7% vs 5Y average), leaving **pasta makers fretting about availability in the first half of 2022**.

Buyers have adjusted to some extent with non-Canadian supply. Australia has become the EU's second-largest durum supplier this season after Canada, while Mexico was expected to fill most of a large import purchase by Algeria in September.

Adjusting to low stocks will partly come from **paying more for durum-based staples** (like pasta) and **switching to less costly common wheat**.

Price rises are not expected to dampen pasta demand in wealthy European countries despite double-digit percentage increases by some manufacturers that are being passed on partly to shoppers as it is seen for budget pasta brands in France. Even in wealthy economies, **households may feel the pinch**. And consumption patterns may shift more in emerging economies.

North African households face an increase of around a quarter in the price of durum-based semolina bread, which is expected to **reinforce the prevalence of soft wheat bread**. Turkey, a major pasta exporter, relaxed rules to increase the maximum share of common wheat allowed in pasta exports from 30% to 100% in response to dwindling durum supply.

FAO Food Index ↗

(FAO, 02/12/2021)

The **FAO Cereal Price Index** averaged 141.5 points in Nov., +3.1 % vs October and +23.2 % vs one year ago. Strong demand amid tight supplies, especially of higher quality wheat among major exporters, continued to lift wheat prices for a fifth consecutive month, to their highest level since May 2011. Potentially reduced quality of the ongoing harvest in Australia, following untimely rains, and uncertainty regarding potential changes to export measures in Russia also provided support. Among coarse grains, international barley prices continued to rise on tight supplies and spillovers from wheat markets. Maize export prices rose slightly in November, receiving support from strong pace in sales from Argentina, Brazil and Ukraine, while seasonal supply pressure capped export prices from the United States of America. By contrast, international rice prices remained broadly steady in November, reined in by harvest progress in various Asian suppliers and scattered import demand.

CHINA

Feed imports high

(Grain Central, 29 Nov)

China Customs data show October 2020 to September 2021 imports of coarse grains, that is, corn, sorghum, and barley totalled 50.2 Mt, **doubling the previous record** set in 2014/15. The growth can be attributed to the recovery in the swine sector from ASF favouring the use of corn in feed and drove domestic corn prices higher.

SCOOPS

Pour plus de news sur les marchés céréaliers, suivez le **Scoop.It MED-Amin !**

↳ www.scoop.it/t/med-amin

et le site web de MED -Amin :

↳ <http://www.med-amin.org>

Mapping the role of agricultural insurance in climate change adaptation and mitigation (2021)

S. Vyas, et al., *Environ. Res. Lett.* 16 103003, 2021.

With a global market of 30 billion USD, agricultural insurance plays a key role in risk finance and contributes to climate change adaptation by achieving SDGs including no poverty, zero hunger, and climate action. The existing evidence in agricultural insurance is scattered across regions, topics and risks, and a structured synthesis is unavailable. To address this gap, we conducted a systematic review of 796 peer-reviewed papers on agricultural insurance published between 2000 and 2019. The goal of this review was twofold:

(a) categorizing agricultural insurance literature by agricultural product insured, research theme, geographical study area, insurance type and hazards covered, and (b) mapping country-wise research intensity of these indicators vis-à-vis historical and projected risk and extreme weather disasters, projected temperature increase under SSP5 scenario and livestock epidemics.

We find that insurance research is focused on high-income countries, led by the US and China, on grain production (24.7% of the papers) and livestock (5.7%). Large producers in production systems like

fruits and vegetables (South America), or fisheries and aquaculture (South-east Asia) are not focused upon in the literature. There is also limited evidence on the role of insurance to scale adaptation and mitigation measures to de-risk farming.

Authors recommend governments, insurances and researchers to better tune their interest to risk-prone areas and include novel developments in agriculture which will require major investments, and, hence, insurability, in the coming years.

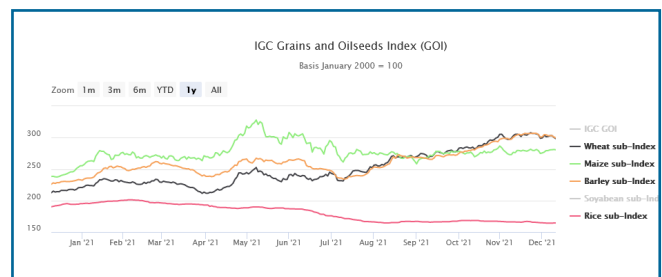
↳ Download the [paper](#).

Global Markets: What is the Trend?

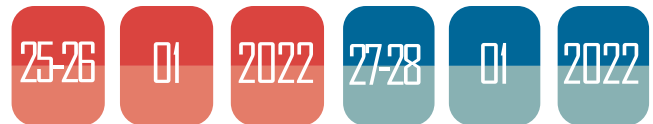
	Global Index ¹ (2 Dec.)	From previous forecast (M/M)	From previous season (Y/Y)
Blé/Wheat	304 ↔	▲	▼
Maïs/Maize	277 ↔	▲	▲
Riz/Rice	164 ↔	↔	▲
Orge/Barley	305 ↔	n/a	▼

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 (08/10/21) and the graph below.



Events



Phloeme 2022 : Biennale de l'innovation des systèmes céréaliers

Partager les connaissances les plus récentes, les nouvelles références techniques et les dernières innovations technologiques pour améliorer la multi-performance des systèmes céréaliers, et plus largement des grandes cultures et de leurs filières.

↪ More information [site Internet](#)

Paris Grain Day

This iconic event will provide, in a hybrid format, a platform to connect with industry participants and keep up-to-date with the latest market trends. This year's agenda will also explore bright spots in the grains market that offer opportunities for growth.

↪ More information on [website](#)

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The State of Food and Agriculture (SOFA) 2021 - Making agrifood systems more resilient to shocks and stresses FAO, 2021.



The COVID-19 pandemic exposed the vulnerability of agrifood systems to shocks and stresses and led to increased global food insecurity and malnutrition. Action is needed to make agrifood systems more resilient, efficient, sustainable and inclusive.

The State of Food and Agriculture 2021 presents country-level indicators of the resilience of agrifood systems. The indicators measure the robustness of primary production and food availability, as well as physical and economic access to food. They can thus help assess the capacity of national agrifood systems to absorb shocks and stresses, a key aspect of resilience. The report analyses the vulnerabilities of food supply chains and how rural households cope with risks and shocks. It discusses options to minimize trade-offs that building resilience may have with efficiency and inclusivity. The aim is to offer guidance on policies to enhance food supply chain resilience, support livelihoods in the agrifood system and, in the face of disruption, ensure sustainable access to sufficient, safe and nutritious food to all.

↪ Read the [report here](#).



CIHEAM

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