Covid-19: Trade must flow
We need to ensure global food and feed value chains are not disrupted along the way

By June Arnold, Head of Policy, Gafta

Millions of people depend on international trade for their food security and livelihoods and this is particularly the case as the Covid-19 pandemic accelerates across the globe. Health is the top priority but measures to contain the pandemic are also crippling economies. Governments can build resilience in global food security by fostering trade and maintaining food supply, and we must strike a balance between keeping people safe and keeping production and trade flowing. Gafta urges governments to take the necessary temporary measures to keep people safe, but to also ensure that trade flows without restrictions and to coordinate responses globally.

It has been helpful that the European Food Safety Agency (EFSA) and other agencies in the US and elsewhere have confirmed that food is not the transmission source of Covid-19. As we publish this newsletter, Europe is the epicentre of this health crisis. Over the last weeks, Gafta has supported our EU association partners’ policy engagement with the EU authorities to take steps to ensure that food and feed are treated as “essential products” and to treat “workers” in food and feed business as essential, so ensuring the free flow of goods across the EU and avoiding food or raw material shortages in the supply chain. We have also supported the guidelines on “green lanes” to promote free circulation of much needed commodities across the EU. We have shared this information globally with governments not yet in the epicentre to encourage harmonisation of decisions.

Bulk protein imports from South America are critical to the EU where stocks and self-sufficiency is limited. Gafta has been monitoring developments closely with partner associations, CIARA-CEC (Argentina) and ANEC (Brazil) have actively engaged with their governments to find solutions to maintain a steady flow of exports and to put in place contingency measures to deal with logistical problems around shipping documents in situations with skeleton staff available, banks closed and postal services reduced or suspended. There have been some difficulties experienced but overall exports are continuing undisturbed in Argentina. Ports are operating normally with shipments fulfilled in a timely manner. Grain reception has been standardised in all ports and grain processing plants for export. It has been reported that truck arrivals in load port are reduced due to traffic restrictions and pressure from unions. In Brazil too, ports are working normally adopting the security measures to avoid the spread of Covid-19. Brazil’s National Plant Protection Organisation issued guidance on 30 March on electronic issuance and receival of phytosanitary certificates (see Gafta circular GN/2020/082). Please be aware you can access Brazilian phytosanitary certificates on line*.

Dispatch of documents inside Brazil is still working normally but may in time be decreased or subject to delays. The flexibility granted by importing countries (EU, India etc) to temporarily accept scanned copies of original documents has facilitated trade greatly. We encourage others to do the same.

Brazil’s soybeans are still being delivered to ports
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*https://sigvig3-homolog.agricultura.gov.br/qrcodefito/consulta/validar

Welcome to the online April issue of Gaftaworld. This is the only version available of this issue, as we took the decision not to print during the ongoing global pandemic currently causing upheaval to every aspect of our daily lives. At a time when it is reported that one-third of the world’s population is in lockdown, we send our very best wishes to all Gafta members at this difficult time. We hope you stay healthy and are coping in these difficult circumstances. More news inside this issue comes from the EU, Africa and Ukraine, and international updates on Gafta activities during the pandemic are included.

Gafta is continually updating members with news from around the world on food and feed transport issues. A regular update on all documents is also being published. Please visit Gafta’s website for all the latest news: www.gafta.com
Covid-19: Practical advice for Sellers and Buyers trading under Gafta Contracts

By Eurof Lloyd-Lewis and Benjamin Bryant, Clyde & Co LLP

This article seeks to explore key contractual considerations arising under Standard Form Gafta Contract Numbers 64 (effective as of 1 January 2020) (“Gafta 64”) and 100 (effective as of 1 January 2020) (“Gafta 100”) (each a “Contract”, and together the “Contracts”) following the outbreak of the novel coronavirus (“Covid-19”). It also provides advice to Sellers and Buyers for mitigating against the impact of Covid-19 upon their ability to perform under sales contracts.

1. Ability of Parties to discharge their obligations under the Contracts

a. Force Majeure

Both Gafta 64 and Gafta 100 are construed in accordance with English law, under which parties’ only recourse to Force Majeure as a means of suspending and/or cancelling their obligations is through the express incorporation of Force Majeure wording. Such wording is present in both Contracts.

i. Event of Force Majeure

Under each Contract, Sellers (only) may suspend performance of their obligations where their performance has been prevented “whether partially or otherwise” by an “Event of Force Majeure”. In order to rely upon this wording, Sellers will have to prove that the event falls within one of the twelve definitions of “Event of Force Majeure” (enumerated (a) – (l)). It should be noted that some Gafta standard form contracts, e.g. Gafta 49, enable both Sellers and Buyers to suspend performance irrespective of the origin of the goods.

(ii) Definition (j) (“Act of God”) – under English law the term Act of God generally denotes an event arising due to natural causes, without any human intervention, and which could not be prevented by any form of foresight, for example violent storms, floods and earthquakes. Whether the Covid-19 pandemic constitutes an Act of God is likely to be a question of interpretation; in this regard, Sellers should note that none of the definitions in either Contract expressly refer to an epidemic, pandemic or infectious disease.

(iii) Definition (k) (“unforeseeable and unavoidable impediments to transportation or navigation”) may apply in circumstances where the owner suddenly deviates owing to illness of crew members. Under English law, questions of whether an impediment is “unforeseeable” and “unavoidable” are generally viewed from the point at which the parties entered into the contract. It is therefore unlikely that Sellers will be able to rely on this definition, where contracts are entered into after the initial spread of and response to the Covid-19 pandemic.

b. Remoteness of loss

Sellers must prove that performance was prevented by reason of the Event of Force Majeure identified, that the Event preceded (and follow) it. Such term, may therefore serve to “sweep-up” any non-performance owing, for example, to a shortage of or illness of crew and/or port personnel and other events caused by the outbreak of Covid-19 and efforts to contain it, though Courts will often apply a narrow interpretation.

ii. Burden of Proof

Sellers must prove that they were prevented from performing. Under English law this requires Sellers to show that performance became physically or legally impossible (and not merely difficult or unprofitable), though the addition of the words “whether partially or otherwise” in the Contracts may serve to broaden the scope of scenarios caught, for example, where export quotas are imposed. Sellers must also prove that their performance was prevented by reason of the Event of Force Majeure identified, that the Event was beyond their control, and that there were no reasonable steps they could have taken to avoid or mitigate the event or its consequences. If Sellers (i) would have defaulted in any event; (ii) could have performed by adapting their plans (e.g. by sourcing goods from a different supplier, or by delivering (loading) at another nominated port) or (iii) are prevented only by commercial considerations, the causal link will likely not be satisfied. Further, the more that the Covid-19 pandemic is understood and brought under control, the less arguable it will be that an event caused by Covid-19 which prevents performance, is an event beyond the reasonable control of the parties.

iii. Remedies

Wrongfully seeking to invoke Force Majeure to excuse contractual non-performance will constitute a repudiatory breach of contract by Sellers, allowing Buyers (should they wish) to
terminate the contract and seek damages. Sellers should therefore obtain independent legal advice before asserting Force Majeure. In the event that Sellers can identify an Event of Force Majeure, and satisfy the above causal requirements, both Contracts set out the following mechanism:

(i) Sellers have the option to suspend performance, on the condition that they serve a notice of suspension on Buyers (in accordance with the Notice requirements stipulated in the Contracts) within the later of (i) 7 consecutive days after the occurrence of the Event, or (ii) not later than 21 consecutive days before commencement of the delivery (shipment) period.

(ii) If the Event of Force Majeure continues for 21 consecutive days after the end of the period of delivery (shipment), Buyers have the option to cancel the unfulfilled part of the contract, subject to serving a notice of cancellation not later than the first business day after expiry of the 21-day period.

(iii) If Buyers’ option to cancel is not exercised, the contract will remain in force for an additional 14 consecutive days, after which (if the Event of Force Majeure has not ceased) any unfulfilled part of the contract will be automatically cancelled.

(iv) If the Event of Force Majeure does cease, Sellers are obliged to notify Buyers “without delay”, upon which notification the Sellers will be allowed as much time as was left for delivery (shipment) under the contract, before the Event of Force Majeure occurred, and in any event not less than 14 consecutive days.

iv. Limitations
The Force Majeure wording in the Contracts does not cover circumstances in which Buyers are prevented from performing. Sellers wishing to rely on the doctrine of Frustration, as an alternative means of excusing non-performance, should be mindful that: (i) the Doctrine of Frustration has a narrow scope given the usual reluctance of English Courts to hold that a contract has been frustrated; and (ii) the presence of express Force Majeure wording, coupled with the lack of any express preservation of the Doctrine of Frustration, in either Contract, may serve to further narrow the scope of Sellers’ (though not Buyers’) ability to rely on the Doctrine, in as much as, if the express Force Majeure wording is deemed to already cater for the event, it is no longer (by definition) an unforeseen, supervening event, required in order to invoke the Doctrine of Frustration.

b. Delay
Sellers (in circumstances where they are unable to rely on Force Majeure) and Buyers should also ensure that they understand their position under the Contracts, where performance is delayed as a result of COVID-19 related-events. Below, two examples are considered:

i. Delivery (shipment)
Each Contract requires the nominating party to ensure arrival (and loading) of the nominated vessel within the agreed delivery (shipment) period. As a result of the Covid-19 pandemic, delay to delivery (shipment) may arise as a result of: (i) disputes as to the nominated vessel’s suitability to carry or fitness to receive the goods, where the vessel has called at affected ports or has recently carried infected crew (though neither Contract incorporates an express right to veto); (ii) personnel shortages at the load port; (iii) the inclusion of new owner-friendly Covid-19-specific clauses in the attendant charterparty, allowing owners to nominate alternative load ports; (iv) the refusal of ports to grant Free Pratique to vessels entering ports (not addressed for either CIF or FOB sales, in either Contract), and (v) the imposition of stringent health screening tests and quarantine periods.

In such cases both Contracts allow the nominating party to extend the period of delivery (shipment), subject to serving notice upon the other party no later than the next business day following the last day of the delivery period. If, however, delivery (shipment) does not occur within the extended period provided for, the non-nominating party has the option to declare the nominating party to be in default (triggering the default provisions for establishing damages) or to demand payment at the contract price plus additional premium or charges, in accordance with the specific provisions of each Contract.

ii. Documents
Both Contracts provide for payment in cash against documents. It is highly likely that, in the wake of Covid-19, the disruption to courier services and other means of document delivery will lead to delay in the presentation of shipping documents by Sellers, and consequently payment by Buyers. Sellers should further factor in Buyers’ implied right under English law to a reasonable amount of time to inspect the documents prior to deciding whether to accept them (as distinct from the goods). Gafta 100 alone provides (i) an alternative option of payment in exchange for documents on or before arrival of the vessel at destination (at the Buyers’ option); and (ii) Sellers are obliged to provide other documents or an indemnity entitling the Buyers to obtain delivery of the goods, in exchange for payment, failing which Buyers may take delivery under a self-provided indemnity (costs to be borne by the Sellers) and shall pay for the other documents when presented. In the absence of express provision, parties may wish to agree that the bills of lading and other documents are transported aboard the vessel, or otherwise agree to delivery / payment against a Letter of Indemnity.

2. Risk of contamination to cargo
On current evidence published by the World Health Organisation, it does not appear likely that Covid-19 can survive for long periods of time in bulk cargoes of feed and/or grain. Nonetheless, in order to ensure that Sellers meet their obligation to make delivery (shipment) in good condition, (and that the vessel is otherwise suitable to carry the goods), parties may wish to agree that: (i) any holds are subject to additional cleaning prior to loading; (ii) previous cargoes do not include livestock or animal product and/or (iii) cargoes are fumigated pursuant to Gafta Fumigation Rules No. 132. FOB Sellers under Gafta 64 should also be aware of their obligation to use reasonable endeavours to supply a phytosanitary certificate in circumstances where, after the date on which the contract has been entered into, the named country of import changes its phytosanitary requirements. Despite no overwhelming evidence to date that this is the case, Buyers should double-check any change in requirement with the country of import.

3. Insolvency
Parties should be prepared for the eventuality that they or their counterparties may become insolvent as a result of the impact of the Covid-19 outbreak on businesses’ cash-flow. Under the Contracts, should any of a number of acts, each defined as an “Act of Insolvency”, occur, the party in question is required (within two days of such Act) to serve notice of the occurrence of such Act of Insolvency upon the other party, upon proof of which the contract shall be closed out at the market price ruling on the business day following the service of the notice. If no such notice is served, the other party has the option to declare the contract closed out at either the market price on the first business day after the date when it first learnt of the occurrence of the Act, or at the market price ruling on the first business day after the date when the Act occurred.

4. Concluding thoughts
As well as affecting parties’ ability to perform contractually, the outbreak of Covid-19 is likely to cause parties to suffer commercially as supply chains are interrupted and counterparties default. As general action points, it is advisable that traders:

(i) Review contractual agreements to understand whether suspension or discharge of contractual obligations is possible in the event of non-performance, and their contractual exposure more generally;
(ii) Ensure that any new agreements entered into contain well-drafted, even-handed, Force Majeure clauses that expressly refer to events arising out of or in connection with the Covid-19 pandemic;
(iii) Assess when possible the impact of delay or non-performance on other connected contracts, and vice versa (e.g. marine cargo insurance and the charterparty, respectively).

If you require clarification or assistance on any of the points discussed in this article, at Clyde & Co, we have extensive experience in advising Sellers and Buyers with drafting well-structured, clear and balanced sale and purchase agreements, and will be happy to assist you.
Q & As with Phil Hogan, European Commissioner for Trade

Phil Hogan, who grew up on a farm in south-east Ireland, was appointed European Commissioner for Trade on 1 December 2019. He was previously European Commissioner for Agriculture and Rural Development, a post he took up in 2014. Gaftaworld put some questions to him as he begins his new and challenging role, and we are very grateful for his replies.

1. Where will your focus be to strengthen Europe’s global leadership in trade over the next five years? Will these trade deals take a more specific focus on sustainable development?

In the next five years, European trade policy will focus on four main priorities.

First, addressing the crisis in the rules-based international trading system to restore stability and predictability. We will lead an initiative to reform and modernise the World Trade Organisation (WTO).

Second, managing and diversifying the EU’s trade relationship around the world. We will sign new trade agreements and make a concerted effort to get maximum value from the ones we already have.

Third, ensuring that trade policy contributes to other policy areas, such as tackling the Covid crisis and boosting the post-Covid economic recovery; tackling climate change; development policy; industrial policy; and security.

Finally, protecting EU companies and workers by ensuring a level playing field. This means fully using our trade defence instruments, upgrading our enforcement regulation and further increasing our focus on implementation and enforcement of our trade agreements. The new Chief Trade Enforcement Officer will play an important role in this.

We will also use our trade agreements and unilateral measures like the Generalised Scheme of Preferences (GSP) to promote sustainable development.

This will naturally have an effect on EU trade policy, which will make a vital contribution to a successful and just transformation at home and abroad. We will help to build a carbon-neutral economy by supporting the spread of ‘green’ investment and technologies. We will promote EU standards and regulations by engaging with our trading partners in shaping production and investment patterns worldwide.

2. Green Deal: Will the EU’s Green Deal affect trade, and how important will this policy be in carrying out your role as Commissioner for Trade?

The Green Deal aims to make Europe the first climate-neutral continent by 2050. As a result, the EU’s economy will be profoundly transformed, with changes to our energy mix, mobility and transport, industrial processes and consumption. The Green Deal is one of the EU’s key priorities to combat climate change and achieve sustainability goals.

This will naturally have an effect on EU trade policy, which will make a vital contribution to a successful and just transformation at home and abroad. We will help to build a carbon-neutral economy by supporting the spread of ‘green’ investment and technologies. We will promote EU standards and regulations by engaging with our trading partners in shaping production and investment patterns worldwide.

3. WTO Appellate Body: Gafta and its members are very supportive of WTO processes and global trade needs this unique mechanism to resolve disputes between sovereign states. Ahead of 10 November, we issued a statement encouraging all WTO members to find an interim solution as with resurgence of unilateralism and protectionism it is critical to have a rules-based dispute settlement system in WTO. We note the EU has taken the lead in finding interim solutions and putting contingency measures in place with other governments. Do you see the WTO appeals process being resolved soon?

The WTO dispute settlement system is essential to a rules-based trading system. It provides businesses and industries with a secure and predictable trading environment. Without such a system, we will slip into a power-based system favouring unilateral and protectionist measures.

The EU is working hard to overcome the Appellate Body’s paralysis. Our priority is to find a solution with the US to restore a system that works for all WTO Members. Until we agree on such a solution, the EU is working on interim arrangements.

Together with other major WTO Members we are putting in place a multi-party interim appeal arbitration arrangement. This will ensure that trade disputes among these members can be resolved through adjudication.

I would add that a rules-based international trading system with a functioning WTO at its core will be more important than ever to help us recover from the Covid-19 crisis.

4. Future agriculture negotiations: Notably for our trade the issues of WTO reform, agricultural subsidies and public stockholding for food security purposes are key priorities to create a more level playing field and to strengthen the WTO’s role in global trade. What will be the EU priorities in the context of the agriculture negotiations?

Trade is increasingly important to EU farmers, processors and the food industry. The EU is working to tackle the increase in trade-distorting domestic support by many WTO members, both developed and developing. The EU would like to see other countries reform their agricultural policies towards similar support measures that do not distort trade.

Public stockholding policies can play a role in food security but they can be implemented in ways that do not distort markets. Such policies are part of the wider domestic support landscape.

Both issues will need to be tackled together if we are to have successful outcomes in these negotiations.

5. Role of Trade: The trade in our view keeps our food systems connected and has an important and positive role to play in nourishing the world in a safe, responsible and sustainable way. How important is the role of trade within the new EU Commission’s programme and under your leadership?

Trade is a European competence so of course it will continue to be a key priority for the EU. More than 35 million jobs in the EU depend on the EU’s exports to the world, and up to 85% of future global GDP growth is due to be generated outside Europe. It is therefore essential to maintain an active trade policy to maximise growth and jobs in the EU. This will be especially important in the coming months when Europe, and the rest of the world, will need to recover from the economic crisis generated by the coronavirus.

The EU also needs an active trade policy to defend its interests in the current geopolitical context.
6. MRLs: The international commodity trade faces many obstacles moving grain and feed from areas of surplus to deficit. The EU has been openly criticised by over 100 countries at WTO for its non-renewal of active substances sometimes necessary for use in third countries due to climate etc as well as its application of MRLs at very low limits. It has also been challenged on the scientific basis for setting these low limits, moving away from international norms, and the lack of clarity on import tolerance setting. Is DG Trade willing to support the private sector in finding trade enabling solutions with DG Sanitè to have more appropriate transitional measures and clarity on import tolerance setting so that third country exporters and operators can adjust supply chains and trade can continue unhindered to the EU? (Chlorpyrifos is one recent example of a proposed grace period of three months which does not give the trade or growers adequate time to meet new lower limits set at 0.01 when this substance is widely used world over and residues are likely to remain.)

The EU is an open market: our high standards have never been an impediment to importing agricultural commodities. The EU is the world's second largest importer of agri-food products and its largest exporter. 2019 proved to be a record year for EU agri-food trade. The export value of agri-food products came to a total of €270.5 billion. The trade surplus grew to €119.3 billion, while imports accounted for €151.2 billion, while imports accounted for €319.4 billion, bringing the overall value of trade for the year to €270.5 billion. The trade surplus grew to an all-time high of €31.9 billion.

EU legislation on pesticides applies equally to EU Member States and third countries, irrespective of the origin of the product. For substances which are not authorised for use in the EU but which pose no risk to health, there is the possibility to grant import tolerances.

The EU considers that it is a legitimate policy objective to ensure that foodstuffs do not contain residue levels of toxic substances that might represent a hazard to consumer health. If a substance was not renewed in the EU, such a decision was preceded by a scientific opinion of the European Food Safety Authority. In addition, the EU always ensures that it respects its international commitments and that its legislation is in line with the WTO SPS Agreement.

The setting of MRLs in the EU is a very transparent process. The EU notifies the WTO of any possible lowering of an MRL, systematically reviews the comments received from third countries and replies to them. The EU always provides transition periods to allow producers to adapt to the new measures. Although non-approval of chemical substances may have potential economic implications, we find it disconcerting that long transition periods are requested for genotoxic or carcinogenic substances.

The EU also provides technical assistance to developing countries and LDCs, directly or through other international organisations – such as the FAO – to support a smooth transition towards new products or production systems.

7. NPBts: Similarly, in the context of the interpretation of the ECJ ruling on new plant breeding techniques (NPBts), the trade is willing to engage with policy makers to promote constructive change in the EU to achieve practical and science-based rules for products from these techniques, to increase public confidence and trust and ultimately allowing European agriculture to flourish and remain competitive. This ruling will impact on European plant breeders and farmers who cannot use these innovative techniques. Our concerns lie in exporting commodities to the EU from those regions embracing this technology such as US, South America, India and China and for the EU's exports. How do you see the trade being able to comply with this ECJ ruling when the EU needs to import significant volumes of grain and feed and avoid the creation of unnecessary non-tariff barriers?

The ECJ ruling has neither amended nor extended the legislation on genetically modified organisms (GMOs) in force in the EU. In fact, the Court provided important clarifications on its scope of application by concluding that the provisions apply equally to organisms obtained by new mutagenesis techniques. The European Commission is working together with all EU Member States to ensure that the legislation, as interpreted by the Court, is properly implemented and enforced.

Furthermore, the EU Reference Laboratory is cooperating with the European Network of GMO laboratories on the challenges of detecting food and feed plant products obtained by gene editing techniques. The aim is to help businesses ensure that products placed on the market are safe and comply with the legislation. At the same time, we are engaged in regular dialogue with trade partners on issues related to biotech market access.

The EU adheres to science-based policies that encourage innovation while maintaining high safety standards. As noted in the European Green Deal Communication, we now need to examine the potential role of new innovative techniques in making the food system more sustainable, while making sure that they are safe. This debate should cover ethical, legal, societal and economic aspects.

On the request of the Council, the Commission is currently carrying out a study on these new techniques; it will be submitted by April 2021. Importantly, we consulted all Member States and targeted stakeholders and asked for their contributions.
Update from the ePhyto Industry Advisory Group (IAG)

By Alejandra Danielson Castillo, IAG Chair

In response to the Covid-19 pandemic, the International Plant Protection Convention (IPPC) has highlighted the need to maximise the IPPC ePhyto Solution for entirely “paperless” exchange of phytos in countries where this is in place. Now more than ever the support of national authorities is needed for timely conveyance and acceptance of phytosanitary certificates, as well as contingency planning for phytos exchange in the face of restrictions on air transport and courier services owing to Covid-19.

The IAG is continuing its work to bring together representatives from a range of trade flows in plant products such as grain, seeds, cut flowers, wood products and cotton, using industry expertise to support the development of the ePhyto Solution. At the time of going to press we understand that 11 countries are now fully in exchange mode (Argentina, Chile, Fiji, Ghana, Jamaica, Morocco, Netherlands, New Zealand, Western Samoa, Sri Lanka, USA). The most recent addition is Morocco, which has come online thanks to a project funded by the Global Alliance on Trade Facilitation and the World Economic Forum (WEF). The International Grain Trade Coalition (IGTC) is working with WEF and other partners to make progress elsewhere, with some key countries being China, Colombia, Peru and Indonesia.

In addition, the leaders of the ePhyto Solution have responded positively to requests from the grain trade and others to enable interface with other digital certification systems. A proposal for a “channel component” was discussed at a private meeting between government leaders and international organisations in November 2019. Work is now taking place in the broader context of plans to enable the ePhyto Solution to accommodate other certificate types in the future.

With just 11 countries in exchange mode, there is a need to think about extra contingency planning for the exchange of phytosanitary certificates. In this regard, the IPPC has urged its 184 governmental Contracting Parties to “be as flexible as possible,” given flight cancellations and subsequent port delays, leading to a situation where “the phytosanitary certificate (PC) for a consignment does not arrive in time for the inspection or in accordance with their internal time limits between inspection and issuance or inspection and export”. In concrete terms, suggested flexibility measures include making use of any activity that can ensure a consignment can be processed in a timely manner, for example physically sending certificates with consignments to avoid delays.

Gafta, IGTC and other members of the global grain trade community are also welcoming signals from national authorities about the acceptance of scanned certificates, with appropriate validation procedures (for example using a Sole Electronic Validation Code or QR code) and conveyance of original documentation as soon as feasible.

On behalf of the IAG, IGTC and all our members we wish that all remain safe and strong as we face this challenge together.

What happens if a phytosanitary certificate for a consignment is delayed?

Phytosanitary certificates for a consignment may not arrive on time due to the numerous cancellations of flights and subsequent port delays caused by COVID-19.

Countries should make maximum use of the IPPC ePhyto Solution to ensure the delivery of consignments in an efficient and timely manner.
Desert locust outbreak wreaking havoc across East Africa and several countries in Asia

By Cristina Coslet and Alessandro Costantino, Food and Agriculture Organisation (FAO), Rome

The worst desert locust outbreak in decades is spreading across East Africa and several countries in Asia, threatening the livelihoods and food security of millions of people. The desert locust is a species of grasshopper, but it differs in its ability to change from a solitary living form into gregarious, large and highly mobile swarms that can reach up to 150 million locusts per square kilometer and are able to travel up to 150 km in a day. If several months of favourable weather conditions support a sharp increase in the population, the desert locust becomes one of the most dangerous insect pests in the world. The affected areas may suffer total losses of fodder and crops, and a one km² swarm has the capacity to consume the amount of crops that feed about 35,000 people in a year.

The current outbreak began in 2018 when successive cyclones brought heavy rains in the Arabian Peninsula and facilitated sustained locust breeding. In early 2019, numerous swarms started moving to Yemen, where only limited control operations were possible due to the ongoing conflict. In January, swarms appeared in Iran. Moving eastward, locusts reached Pakistan in mid-March and India in June. In June 2019, the locusts present in the Arabian Peninsula moved westward, reaching northern Somalia, southern Eritrea and northern and eastern Ethiopia. From mid-2019 onwards, and especially between October and December, exceptionally heavy rainfall across East Africa created conducive conditions for sustained locust reproduction. As a result, despite the start of control operations, the number of insects increased significantly, also supported by tropical cyclone Pawan, which made landfall in northeastern Somalia in December 2019 and brought additional precipitation. The outbreak spread rapidly across East Africa, and as of late March 2020, swarms were present in large areas of Somalia, Kenya and Ethiopia – which are the most affected countries - and in Djibouti, northern United Republic of Tanzania, northern and eastern Uganda, southern South Sudan, northeastern Democratic Republic of the Congo, Eritrea, Oman, Yemen, Iran, Iraq and Pakistan.

Despite the massive scale of the infestation, losses of 2019 crops across East Africa have been limited since the main cropping areas were largely outside of the areas infested in 2019 and early 2020. Similarly, losses of pasture have not been severe, as rangelands entered the January-March dry season with well above-normal biomass conditions due to abundant precipitations. However, substantial crop and pasture losses are anticipated in 2020 as weather forecasts point to above-average March-May rains and favourable conditions for locust reproduction are expected until June 2020. Significant crop losses due to locusts are expected for the secondary “belg” season crops in central and eastern Ethiopia and the main “gu” season crops in southern Somalia, to be harvested in June/July. Although “belg” crops account for just about 10% of the aggregate cereal output in Ethiopia, they are critical for households’ food security in the areas where they are grown as they provide the bulk of annual food supplies. In Somalia, the output of the “gu” harvest, which accounts on average for about 60% of the yearly cereal production, is forecast at 15-25% below the average. In Asia, large-scale control operations have limited the spread and intensity of the infestation. However, in Pakistan, where the 2020 wheat harvest has started in April, abundant late season rains fostered locust reproduction. Warmer temperatures expected in April could further support locust breeding, and increased locust numbers could therefore lead to damage to wheat crops, particularly in the main producing provinces of Punjab and Sindh.

Serious concerns exist for the food security situation of the most vulnerable households in Ethiopia, Kenya and Somalia, where large segments of the population were already food insecure before the impact of the locust outbreak. In early 2020, approximately 12.7 million people were estimated to face severe food insecurity (8.5 million in Ethiopia, 3.1 million in Kenya and 1.1 million in Somalia) and the anticipated crop and pasture losses are expected to lead to a deterioration of the food security situation in 2020. In Somalia, for example, between February and September, the number of food insecure is projected to increase by around 40% to 1.6 million people.

To mitigate the impact of the desert locust outbreak, FAO is supporting the affected countries through a wide range of actions, in particular through continuous surveillance, early detection, and ground and aerial control measures aiming at containing intensity and diffusion of the infestation. FAO’s support includes the procurement of pesticides and equipment, contracting of aircraft, establishment of operational bases, intensive training for government staff on the safe administration of chemical pesticides and raising community awareness on issues related to the desert locust upsurge and control measures. FAO aims to provide affected households with cash interventions and farming re-engagement packages, which include diverse sets of seeds, agricultural equipment, harvest storage means and fertilisers. FAO is planning to provide livestock-based packages, in order to mitigate the negative impact of the locust outbreak on pastoralist households.
The grain sector in East Africa navigates uncharted waters with the Covid-19 pandemic

By Kimwaga Mhando, Gerald Masila and Samwel Rutto, Eastern Africa Grain Council

Like the rest of the world, East Africa is grappling with the Novel Coronavirus (Covid-19) pandemic which, at the time of writing, had claimed over 36,000 lives globally. The rapid spread of the disease has sent shockwaves across East Africa, with governments scrambling for a response to protect already fragile economies from the worst of the epidemic. East Africa is currently the least affected part of Africa, reporting far fewer cases of the disease compared to North, West and Southern Africa (mostly South Africa), but the impact of the outbreak is already being felt on the ground by millions of people.

East Africa is composed entirely of developing economies with average annual GDP per capita of less than US$1,000. Millions survive below the poverty line, earning their living through the informal sector, which raises as much concern about the disease as the impact of measures being instituted to control its spread. In all this, the grain sector, producing the most important staple foods, has come into sharp focus as both businesses and government attempt to secure commodity supplies for food security.

Some background is important before delving into details. Grain commodities, chiefly maize (corn), wheat, rice and pulses, are by far the most important food commodities in East Africa, with perhaps slight exception of Uganda where plantain is the most dominant staple. Production of these food staples varies greatly from one country to the other based on agro-ecological conditions and resource endowments, which also influence the costs of production of these commodities. These factors have created natural opportunities for trade between East African countries based on comparative advantages and crop seasons which largely inform the volume and direction of trade at any given time of the year. The region is self-sufficient for maize and dry beans but is a net importer of wheat and rice.

Impact of the pandemic

The late-2019 and early 2020 harvests in Uganda, Rwanda and parts of Kenya have fortunately not been disrupted by Covid-19. Plantings for the main harvests in Tanzania, Malawi and Zambia were completed in late 2019 and early 2020, and were thus undisrupted by the pandemic. However, with their harvests expected from mid-April to July, there are already concerns over Covid-19-related disruptions, particularly if tighter restrictions on movement of people are implemented, which may slow down the flow of supplies onto the market. There are also concerns over disruptions to planting of crops due for harvest in the second half of the year in Kenya and parts of Uganda. Farmers are already experiencing shortages of seeds, pesticides and fertilisers as their supply chains are disrupted by lockdowns. If these disruptions are not urgently resolved, there is a high risk of a failed season come September-October 2020, which will further increase pressure on already-strained regional commodity supplies, particularly in Kenya which is already a structurally-deficit country for all staple foods.

Traders and processors are perhaps most affected at the moment. The Covid-19 pandemic has exacerbated existing supply chain challenges endemic of East Africa such as inferior quality of grains and high logistical costs. Food prices have generally increased with maize prices in the region inflated by as much as 22% compared to twelve months prior. This has put increased pressure on governments to relax import restrictions from outside East Africa instituted by the Common External Tariff, particularly as the worst of the pandemic in the region is most likely still ahead of us. Such moves, however, are politically sensitive in a region where farmers carry significant political influence. Tighter border controls and lockdowns to combat the pandemic have unfortunately but predictably disrupted trade in goods. Queues of trucks extending up to 26km have been reported at borders between Uganda and Kenya while it is taking trucks entering Kenya from Tanzania up to five days to be cleared for entry. These challenges are severely restricting supply of commodities to millers, pointing to the very real threat of mills being shut down in the coming days and weeks if they cannot get enough supplies to their factories.

Further downstream, millers are reporting as much as 50% decline in business volume for both maize and wheat-based products as restaurants, hotels, eateries and retail food outlets cut down on their operations amidst ever-stricter social distancing measures. At the same time, consumers are already feeling the strain of Covid-...

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1 Millers are currently rejecting on average 50% of maize deliveries due to inferior quality and high levels of aflatoxin. One miller reportedly rejected 100% of maize deliveries in one day due to high levels of aflatoxin.

2 Referenced from the EAGC Regional Agricultural Trade and Intelligence Network, available at www.ratin.net.
19-induced price hikes. Prices of maize flour in Kenya – the most important staple food – have increased by at least 15% in the past month. Although last-mile distribution remains largely unaffected, increases in commodity prices and disruption in upstream logistics have pushed food prices upwards. Strict social distancing measures including lockdowns and night-time curfews are further restricting the ability of the urban poor, most of whom are employed in the informal sector, to earn a daily wage to feed their families, raising the prospects of rising malnutrition in the midst of Covid-19.

**Government actions**

Almost all countries in East Africa have pledged to keep borders open for trade in goods. In a region prone to export and import bans of food commodities, this comes as a welcome reprieve in the current pandemic. The Kenya government has gone further by instituting a raft of fiscal measures, ranging from tax breaks to salary cuts to the top leadership, in order to put money back into the economy hoping to keep the wheels moving amidst the pandemic. However, with lockdowns already in place in varying degrees in Kenya, Uganda and Rwanda, there are calls for governments to ramp up food relief rations to poor households unable to earn a living wage during this period. Kenya has taken a commendable measure in this respect by establishing a Covid-19 Government Coordination & Food Supply Working Group to help the Government of Kenya to develop strategies and guidelines that will ensure the general public continues to have access to safe and affordable food. The Working Group includes the private sector led by the Eastern Africa Grain Council (EAGC), the Cereal Growers Association and the Cereal Millers Association. Somewhat surprisingly, Tanzania has not yet instituted strict screening and social distancing measures for the population, meaning that it remains more or less business as usual, which despite keeping the economy moving presents a huge risk should the outbreak start spreading more rapidly in the population.

**What can be done differently?**

Of primary importance is instituting the least trade-restrictive measures for grain trade to ensure food supplies while maintaining sensitivity to the pandemic. This entails increasing capacity of border agencies to quickly screen and clear trucks with special priority to be given to those tallying food commodities, maintaining 24-hour border operations, and waiving fees typically charged on goods traded across borders. EAGC is taking several measures to keep grain trade moving by keeping tabs on policy developments, monitoring of border situations for real-time intervention and supporting its Members to source, transport and deliver grains both in-country and across borders while working with financial institutions to avail trade finance solutions that will address liquidity constraints.

**EAGC Trade Finance Solution:**

EAGC is partnering with financial institutions to offer working capital for grain trade. The trade finance solution is offered through a customised Collateral Management Service (CMS). The EAGC CMS involves the inspection and certification of a warehouse or silo facility owned or leased by interested grain traders or millers. The certified warehouse is attached to an EAGC collateral manager to guarantee the quality and quantity of the grain in the store and hold the grain on behalf of a financier. The grain trader or miller will source grain from suppliers including farmers, a process that entails signing of supply contracts, quality verification before grain intake, virtual and physical documentation of grain received and submission of verified and authenticated documents to financiers to directly pay the suppliers. The grain trade or millers will then pay the financier based on stocks requirements during trading or milling. At the moment EAGC is facilitating a $2 million inventory financing facility for an SME maize miller.

The current situation has brought into sharp focus the predominantly informal and unstructured nature of grain trade in the region. Structured commodity trading systems through spot and derivative markets that facilitate trade in large volumes of good quality grains, which are the norm in more developed economies, are still in their infancy in East Africa, leading to high transaction costs which are only exacerbated by the current pandemic. Looking at the situation positively, the current hardships are perhaps the clearest call in a long time for East Africa to finally reform the nature of grain trade. There is simply no better time to rethink grain trade and deliver greater prosperity and food security for the region.

To ensure that the grain supply is not disrupted by Covid-19, EAGC has intensified its usual grain trade facilitation through its Gsoko Trading System. This is a measure taken to mitigate the risk of food grain shortage in the markets.

**EAGC Gsoko System:**

Gsoko is a regional grain trading platform designed to facilitate grain trade in the Eastern Africa region. The system creates linkage between grain suppliers including farmers to grain buyers through an automated and structured market mechanism. It guarantees access to sufficient grain quantities of good quality through certification of warehouses and aggregation of grain, facilitates access to trade finance and other forms of credit and improves market access.

EAGC is also supporting farmers to procure farm inputs through the EAGC Grain Trade Business Hubs (G-Hubs), enabling farmers to plant in good time and continue supplying grains to the markets.

**EAGC Grain Hub System:**

The EAGC Grain Hub (G-Hub) System is a farmers’ operated system that enables smallholder farmers to build strong and sustainable long-term business relationships with private sector operators including agro-input companies, post-harvest handling companies, financial institutions and grain off-takers. The G-Hub system has a digital mechanism for aggregating the demand of farm inputs and services by farmers. The aggregated requirements create orders that are channelled to different agro-input dealers. Such business relationships not only help farmers to earn a better income by accessing better agro-services, but also by accessing remunerating markets and reducing the costs of production. Currently EAGC has established 171 G-Hubs in the region (Rwanda-20, Kenya-80, Uganda-28 and Tanzania-43). The G-Hubs serve a total of 87,336 farmers (Rwanda-18,946, Kenya-36,938, Uganda-7,579, Tanzania-23,873) in the region.

The system has demonstrated significant impact in improving the farmers’ access to inputs, finance and output markets. A total of 2,816.8 tonnes of fertiliser, 1,298.7 tonnes of seed and 14,223 litres of agrochemicals were recently procured by farmers through the G-Hubs and loans amounting to US$154,936 were issued to the farmers. The farmers also traded 3,080.3 tonnes of assorted grains, valued at $1,901,165.60 through the G-Hubs.

The Eastern Africa Grain Council is the apex grain industry business member organisation in Eastern Africa. It operates in 10 countries in Eastern Africa from its headquarters in Nairobi, Kenya. The Council supports efficient, structured, profitable and inclusive grain trade in the region. Read more about EAGC at: [www.eagc.org](http://www.eagc.org)
Since 2005, Gafta has enabled professionals within the agribusiness sector to access its comprehensive suite of training through the Distance Learning Programme (DLP). The DLP consists of six online modules accessed through the Agribility™ platform. These modules cover topics ranging from contracts and payment, shipping and technical services such as supervision, analysis and fumigation all the way through to exceptional circumstances and disputes. The aim is to leave learners with a complete understanding of the lifecycle of a trade and all their obligations when contracting under Gafta’s contracts and rules.

With content that is delivered through a mix of online reading, knowledge checks, online tutorials and group discussions as well as written assignments, the DLP encourages learning retention as much as possible. Each training module has a duration of 10-12 weeks and once a student has completed a module successfully, they are issued with a certificate which they can download. This means you could complete the DLP in two years or less. However, students have up to five years to complete the programme, allowing them to balance the learning programme with their other priorities.

The programme is also the alternative pathway to Gafta’s face-to-face learning route to become a Gafta qualified Arbitrator. As one of the essential criteria to be an eligible candidate to sit the Gafta Arbitrator Diploma exam, this programme is a must for those considering arbitration in agribusiness as a career choice.

If you are looking to discover the training options available to you or are interested in looking at arbitration as a next step in your career, further information on the Distance Learning Programme as well as the Gafta Arbitrator Diploma can be found at https://www.gafta.com/education-and-training
TOTAL PEACE OF MIND FOR THE GLOBAL AGRICULTURE INDUSTRY

Total Quality Assurance

Our service operates 24/7 at every stage of the agricultural supply chain. Our recognized experts are always customer-focused. They are fully knowledgeable of market conditions, trade flows and related regulations, as well as of the technical aspects of the product.

We inspect, measure and determine Quality and Quantity of all types of grains and feedstuffs, as per the latest commercial and industry standards.

Our services include an end-to-end approach covering every single stage of the cargoes’ journey.

We help you to mitigate the risk in your operations, allowing you to power ahead safely.
Gafta Approved Registers - keeping grain moving through the Covid-19 crisis

Gafta Standards – revised auditing requirements

Gafta’s key priority through the current crisis is to keep agricultural commodities, feedstuffs and general produce moving to ensure food security now and minimise any long-term effects.

Working with the certification body NSF International, Gafta has put in place alternative arrangements for members who would need an on-site audit to complete that audit remotely. NSF International uses a platform called BlueJeans, which is a Skype-type application enabling video conferencing and document sharing so the audit can be completed in any location. The auditor and the member can see each other to have detailed discussions about procedures and their implementation and are able to look at and discuss documents together. This technology also enables interviews with other staff members, even if they are not all in the same location.

Remote audits are not a new concept for NSF International and Gafta, with annual renewal audits being carried out remotely (around 40 have already been completed for Approved Fumigators). “Rolling out this process for initial audits was a challenge,” said Sophie Arguile, Gafta Schemes Manager at NSF International. “However, after carrying out a risk assessment, and careful consideration of our experience with fumigation renewals and remote auditing of other schemes at NSF, we felt this was the right course of action to take to enable members to continue to operate during this difficult time.”

One of the first companies to achieve approval through the remote process was AgriMin Control International SA in Switzerland. Deyan Rayleff, Internal Auditor, told us: “It was of paramount importance that we move forward with this Accreditation, first of all from a professional standpoint towards our fellow Superintendents, and also to establish management disciplines and objectives, thereby enhancing our services to our clients.”

Mr Rayleff continued “The remote audit by Skype on 20 March went very well, despite some online connectivity issues which did not disturb in any way the quality of the exchanges between all the participants. Along with my colleague Ms Moya Jehidy (Operations and Quality Manager) we were able to answer questions while submitting documents and activating screen sharing to support our explanations during the audit procedure.”

Members who are considering approval, or who have any concerns about an existing approval, are encouraged to contact us by email ApprovedRegisters@gafta.com.

ISO Accreditations

It is important that members who rely on ISO Accreditation for their entry on the Gafta Approved Registers keep their accreditation up to date and inform Gafta of any changes or issues. Last year Gafta introduced new requirements for the Approved Registers of Analysts and Superintendents. The deadline for compliance with these requirements is 31 May 2021. We are closely monitoring the situation and will inform members if an extension to this deadline becomes necessary.

Many Accreditation Bodies are putting in place alternative arrangements to conduct assessments. In a statement on its website, the International Accreditation Forum (IAF) says that “relevant Accreditation Bodies and Certification Bodies have introduced or are introducing alternative arrangements to conduct assessments. This may involve e.g. making arrangements to conduct assessments remotely or rescheduling activities if necessary.” (More information at www.iaf.nu)

It also advises Accreditation Bodies and certified organisations to refer to the guidance set out in ID3:2011 - IAF Informative Document For Management of Extraordinary Events or Circumstances Affecting ABS, CABS and Certified Organizations.

Members are recommended to contact their accreditation body to find out the specific arrangements in their region.

For the latest members who have achieved certification to the Gafta Standards, please go to page 17.

How is the crisis affecting our members?

Alexander Stock, Project Manager and Fumigation Engineer at Anticimex in Belgium, reports that the food and feed industry is categorised as vital. Entrance to terminals, factories and vessels has become stricter but workable. He explains “If social distancing can’t be guaranteed or respected then work has to be postponed, cancelled or working principles have to be adapted.” Alexander also states that his company carries out disinfections against coronavirus, adding that this service is being rolled out in affected countries.

Peter Woolley, Alpha Fumigation, UK expands on the additional measures put in place to respect social distancing: “Health and safety briefings with the ship’s crew are now being held on deck around a small table rather than in the Chief Officer’s quarters.”

Philippe Bastijns from SGS Oleoest, reports: “Laboratories involved in the food chain have to continue their activities taking in account a number of precautions in the lab such as social distancing, compartmentation, split teams of laboratory workers (different shifts), disinfection, tele-work for administration, no physical contact with delivery services (post, couriers), disinfection of lab equipment etc... Furthermore, SGS is taking additional measures in order to protect their cooperators as good as possible. This is asking a lot of effort of our cooperators and has some repercussion on turnaround times of the analysis. Nevertheless, we are trying to manage the situation as well as possible and we keep in mind that the difficulties we encounter are of minor importance compared with the suffering of the people in the hospitals all over the world.”

Vallis Group, an assurance services provider covering Africa and the Middle East, reported that outbreaks of the novel coronavirus in its area of operations appear less severe than in other global regions and local effects on the commodities trade are only just starting to become noticeable. Proactive measures taken by governments across the African continent appear to have been implemented earlier and are more comprehensive than those put in place in Europe at a similar stage of the outbreak.

In many countries, the circulation of goods, particularly feedstuffs, are not being restricted by the local authorities, however strict curfews on the general public have been put in place, as well as bans on communal transport to limit the transmission of the disease. This has caused major disruption to service providers in and around the grain and feed industry, such as surveyors, agents and warehousing staff, who are not entitled to the same exceptions to the movement restrictions as the goods transporters themselves. This has caused some backlog of goods being received as delivery windows are significantly reduced at storage locations to meet government enforced curfews. Transporters and port authorities are adjusting by updating their schedules and daily shift times to mitigate the effects of these new regulations. Border checks have also been extended and are delaying the movement of goods as vehicles are being searched for individuals who are not required to travel. This has been observed to be the case in both Senegal and Mozambique where travel between towns and cities has been widely discouraged, if not prohibited.

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Outlook for Ukraine’s 2020/21 crops

By Yelena Zamiatina, Marketing Director, Glencore Agriculture Ukraine and Chair of Gafta’s Ukrainian Regional Trade Committee

Winter crop
In Ukraine from August until mid-October 2019 weather conditions were unfavourable for winter plantings due to the deficit of precipitation. Winter crops in most areas were planted late in almost dry soil after normal deadlines. Conditions improved significantly after rains in the second half of October. Precipitation stopped drought in many areas and replenished soil moisture. At the end of 2019, 57% of winter crops were in good and excellent condition (56% in 2018), 31% were satisfactory (35% in 2018) and 12% were in poor condition (9% in 2018).

The 2019-20 winter was the warmest over the entire observation period in the world. The average air temperature during the winter exceeded the normal by 4.5-5.5°C. Freezing of the soil was either insignificant or was absent, and there was practically no stable snow cover. Ukrainian winter crops completed winter in a fairly good and satisfactory condition. Even crops planted after the sowing deadline, with sufficient nutrition and favourable weather conditions, had good yield potential. The winterkillings did not exceed 1-2%.

The early spring turned out to be warm and rainy. Farmers started field work in the last ten days of February. Low positive temperatures in combination with light frost at night, moderate rainfall and optimal soil moisture after winter gave plants the chance to germinate slowly and to develop root systems. This helps plants to become resistant to possible droughts, if they come, in spring-summer.

In January-March effective precipitation reached 115mm; average amount is 101mm. There is insufficient topsoil moisture in the extreme south however. In general, March 2020 weather conditions were similar to the same period in 2016, 2017 and 2019 when high yields of winter crops were observed.

The above gives a reason to forecast a good crop subject to technological crop care against diseases, weeds and pests developed during winter. It should be noted that farmers have been nourishing and fertilising crops and applying fungicides since February.

The weather forecast for April is favourable in terms of temperature. Day temperatures of +14-16°C and night temperatures of +3-5°C are expected. Predicted precipitation is in the range of long-term average values or slightly below normal.

Spring crop
Spring plantings commenced in early March. Weather conditions and soil moisture were favourable and optimal, apart from some areas in the south. Official statistics show a slower plantings pace compared to 2019 but it may be incomplete due to staff reduction and liquidation of the Ministry of Agrarian Policy and Food.

Farmers were going to slightly reduce the area under spring barley, due to the lack of reseedings required after the mild winter, and increase the area under peas, corn and sunflowerseed. Probably farmers in Kherson, Nikolaev and Zaporozhie regions will reseed some winter rapeseed with corn or sunflower. Total acreage under the spring crop is larger compared to 2019, mostly on account of fallow.

Despite the risk of Covid-19 the agricultural industry is not limited by government quarantine measures and we are observing full pace of spring plantings now. The April weather forecast is more or less favourable for the spring crops’ vegetation and we can predict a good average crop as of now. Corn and sunflower crops may increase on account of the larger planted area.

For yield potential, May and June weather is crucially important. Rains in May and temperatures below 30°C in June are preferable. This year harvesting may commence one or two weeks earlier than usual due to earlier plantings.

Crop forecast
Proceeding from the above forecast a total crop of 94-95M tonnes for 2020/2021, including wheat, barley, corn, peas, soybeans, rapeseed and sunflower against 96M tonnes in 2019/2020. Ukraine will probably sustain its export share on account of corn and sunflower oil exports in crop year 2020/21.

Natalia Pylyptseva – new Gafta Qualified Arbitrator

Congratulations to Natalia Pylyptseva, who has recently qualified as a Gafta Arbitrator, and is now listed as such on the Gafta website. She told Gaftaworld:

“It is a great honour for me to become a Gafta Qualified Arbitrator. I was lucky to start my career in one of the four largest agri traders and to continue it in another of the four, collectively known as the ABCDs. My deep dive into the diverse and dynamic world of agribusiness began with Cargill, where I spent nine intensive years exploring every inch of the trading world. Having a lot of practice with English law, I decided to increase my academic knowledge and skills, so I completed the Executive LLM (Master of Law) at the London School of Economics and Political Science. I have continued my practical experience working for Bunge, where I am responsible for two challenging markets – Ukraine and Russia. Since 2014 I have also been serving on the European Business Association as well as on the American Chamber of Commerce in Ukraine, for which I chair the agricultural committee, dealing with different trading issues in the agricultural sphere.

I am always happy to make my personal contribution towards the development of agribusiness, so apart from serving as head of various industrial committees, I decided to apply my knowledge and experience to Gafta arbitration. Further, I plan to master my skills in alternative dispute resolution as an arbitrator.

As a legal practitioner, I can say with certainty that Gafta arbitration is the best option for dispute resolution in international trade. The combination of its main advantages (time, cost and confidentiality) with the New York Convention, which ensures award recognition over the world, provides the agribusiness community a unique instrument of professional adjudication.”
Overview of mycotoxins in cereal crops

By Johny Boerjan, Vice-President, Global Technical Governance & Service Excellence, SGS

Cereals contaminated with mycotoxins can be a major threat to human health. The effects can be acute, causing liver cancer, immunosuppression, irritation and respiratory problems, among other health issues.

Mycotoxins are toxic chemical compounds produced by moulds (fungi). They are sometimes referred to as secondary fungal metabolites, because they are not necessary for the normal development or growth of the mould. Mycotoxins will only develop in certain circumstances; at other times, the same mould will produce no toxins.

Several hundred different mycotoxins have been identified but, currently, only very few of them are regulated. The most important regulated mycotoxins are the aflatoxins, ochratoxin A, the Fusarium toxins (e.g. deoxynivalenol, zearalenone, fumonisins, T2 & HT2) and the ergot alkaloids.

For mycotoxins to be present on cereals there needs to be a fungal infection. This can occur on the cereal in the field or during storage. The correct environmental conditions then need to be in place for the fungus to start producing the mycotoxins. Different fungi need different environmental conditions to start producing the mycotoxins.

Fusarium fungi require substrates with high water activity (Aw > 0.90) for their development. Therefore, Fusarium growth and mycotoxin production usually only occur when the grains still have high moisture content, i.e. in the field. Typical climatological conditions that support Fusarium infections are high humidity at the time of the grains’ flowering.

Aspergillus moulds, the main producers of aflatoxins and ochratoxin A, can develop on substrates with lower water activity (Aw = 0.78). This can correspond with the moisture content level of, for example, stored maize. Further increases in aflatoxins can therefore occur during transportation and/or storage. Aspergillus moulds usually infect maize when the crop has drought stress during the growing period, combined with high temperatures during the grainfill stages.

Since 2013, SGS has been running a mycotoxin monitoring programme for maize. This utilises satellite imaging to identify possible regions of occurrence; all backed by the actual testing of over 3,000 samples. Samples are collected from the Danube countries, Black Sea countries, and the Balkans, before they are tested for all regulated mycotoxins. The collection and usage of this data serves to make the global food and feed supply chains safer.

In the 2018 maize crop, we saw a significant risk of aflatoxins and ochratoxin A in certain regions of Ukraine, Russia and Serbia. The 2019 crop was cleaner, with only limited risk associated with a few regions of Russia. The big question is, what will the 2020 crop bring?

Most samples show the presence of several mycotoxins. The effect of combined toxicity is not clear. It is known that for some combinations of mycotoxins there is only an additive effect, but for other combinations there is a synergistic effect.

One of the big challenges we encounter with mycotoxins, especially with aflatoxins, is the major variances that can occur in analytical results. Due to the extreme heterogeneity of these toxins, because of their presence in ‘hotspots’, special sampling and sample preparation techniques may be required.

The Gafta 124 Sampling Rules state that in the case of maize the size of the sample for mycotoxin analysis shall not be less than 10 kilograms.

It is expected that mycotoxin issues may become more frequent in the future, as fungicide use is more restricted and the impact of climate change and global warming becomes more apparent.

Earlier flowering of the crops will coincide more frequently with high humidity seasons, resulting in a higher incidence of Fusarium toxins, and at higher levels. With temperatures also rising, Aspergillus toxins are also expected to become more frequent in temperate regions.

From a regulatory point of view, we may expect an increased interest from the regulators in masked mycotoxins. It should also be expected that additional mycotoxins will become regulated and receive maximum limits. Candidates for inclusion include Alternaria toxins, sterigmatocystin, beauvericin, enniatins, and moniliformin.

SGS’ email address is: agriculture@sgs.com

Warmest ever northern hemisphere winter

The US National Oceanic and Atmospheric Administration (NOAA) reports that the northern hemisphere winter that ended on 20 March was the second warmest since records began (1880) and the warmest ever on land. The largest anomalies were found in Europe and Asia where average Dec-Feb temperatures were 3.2°C and 3.1°C above the 1951-80 averages respectively. Copernicus, the European Union’s earth observation programme confirms that the past winter was by far the warmest on record for Europe, particularly in the north and east of the continent. Wetter conditions severely hampered winter sowings in France and UK, but spring sowings have picked up considerably in recent weeks.

The relative warmth of recent months is unusual in the fact that there was no El Niño bringing warmer ocean temperatures. The main factor contributing to the warm northern hemisphere winter, according to meteorologists, is the strong positive phase of the Arctic Oscillation. Scientists are also attributing the unusual temperatures to climate change.
China introduces stimulus package as economy restarts

By Alan Ding, Director, Gafta Beijing office

As economic activity in China picks up, the country’s scientists are proactively collaborating with the international community on vaccine research and development. Medics are sharing their diagnosis and treatment plans for Covid-19 with 180 countries, regions and international organisations, according to Zeng Yixin, Deputy Director of the National Health Commission. Previously, 79 countries and 10 international organisations had extended support to China to battle against the Covid-19 pandemic, said Luo Zhaohui, Vice Foreign Minister on 26 March.

Economy showing signs of recovery, but external factors remain of concern

In promising news for the economy, recent data showed that China’s electricity consumption and generation, a key barometer of economic activity, had rebounded in March. Analysts said the rise of generated and consumed energy reflected the strong resilience of China’s manufacturing sector and dynamism of the Chinese economy. Data from the National Bureau of Statistics showed that China’s manufacturing Purchasing Managers’ Index (PMI) for March recovered to 52, after slumping to a record low of 35.7 in February. More than 90% of the major industrial enterprises in China’s provincial-level regions, excluding certain areas like Hubei, have resumed work and production, according to the NDRC. “China’s economy is resilient and has room to unleash its potential. The impact of the epidemic on the economy is generally short-term and controllable,” said Hu Qimu, a senior fellow at the Sinosteel Economic Research Institute.

The worsening global pandemic and increasing imported cases however pose a major risk for China’s economic growth because the situation limits exports and may exert shocks on domestic industrial chains. But economists are confident that China can achieve this year’s development goals. “China may still set a goal for GDP growth for 2020, but it may be a reasonable range, considering the impact of the Covid-19,” said Cao Heping, an economist at Peking University, noting that “5 to 5.5 percent GDP growth is acceptable.”

On 31 March, it was reported that China may issue its third batch of special treasury bonds with a scale expected to reach 2 trillion yuan ($282 billion). This is 13 years after the second issuance in 2007 ($1.55 trillion yuan), and would be aimed at combating the negative economic impact of the coronavirus pandemic. “The total scale of the special treasury bonds may reach 2 trillion yuan, with 500-600-billion-yuan worth of the bonds expected to be launched within the year,” Ming Ming, chief macro and fixed-income analyst at CITIC Securities said. Ming Ming has also predicted that China’s total stimulus package may reach 10.7 trillion yuan ($1.5 trillion), or about 10.8% of GDP in 2019.

With a better credit quality, special treasury bonds could help the government to lead capital from the market to firms that may not have a good credit rating but need the help most amid the pandemic; this could also stabilise employment. Though Chinese enterprises have been gradually resuming production amid the easing epidemic situation in China, the escalating pandemic overseas may bring in a second round of problems for enterprises, meaning strong fiscal and monetary policies would be more efficient under such circumstances.

A meeting of the Political Bureau of the Communist Party of China (CPC) Central Committee held on 27 March stressed the damages caused by the epidemic should be held to a minimum, urging efforts to achieve this year’s economic and social development goals and tasks including building a moderately prosperous society in all aspects and eradicating poverty. At this time, domestic consumption and investment are expected to become the major drivers of China’s economic growth.

China could supply wheat and rice to world market

China may expand exports of grains like paddy rice over the coming months to meet global demand, following warnings of global food shortages in the wake of export bans by exporting nations. With the coronavirus being largely brought under control in China, the country’s farming patterns have mostly returned to normal. Farmers are able to start spring sowing on time, with soybean planting starting on 1 May and maize planting on 20 April. During the worst of the epidemic in the country, China’s exports of grains dropped 27.8% year-on-year to 350,000 tonnes in the first two months of this year, data from the General Administration of Customs showed. However, Ma Wenfeng, a senior analyst at Beijing Orient Agribusiness Consultancy, said recently that “China may expand exports of certain grains like paddy rice and wheat to help stabilise global food supply.” With regard to soybean imports, the government started to provide exemptions to the retaliatory tariffs imposed on US goods in early March. These exemptions, which must be applied for by importers, also apply to other grains and distillers dried grains.

China’s grain output is expected to remain above 650M tonnes in 2020 with its total grain-planting area exceeding 95M hectares, according to China’s Ministry of Agriculture. The possibility of insect and natural disaster was highlighted, but a bumper harvest of summer grain is currently expected. COFCO recently allocated 2,000 tonnes of emergency pork reserves for urgent transport to Wuhan central reserves. Following arrival, COSCO Shipping Lines arranged container trucks with experienced drivers and appropriate sanitisation equipment to deliver to final destinations. COFCO is similarly ensuring an adequate supply of rice, noodles grain and oil to Hubei Province as well as sufficient feedstuff supplies to breeding farms in isolated areas.

TRADE UPDATES
NEW MEMBERS

Full contact details for all members are available on the Gafta website Members Directory

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“Reshaping the globalisation of the grains, oilseeds and rice sectors”

IGC GRAINS CONFERENCE 2020

9 - 10 June | Congress Centre, 28 Great Russell Street, London

What is the IGC Grains Conference 2020?

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Experience our unique workshops on grains, oilseeds, rice and pulses!

Event Sponsors
Chlorpyrifos and chlorpyrifos methyl: EU MRLs to be lowered to 0.01 mg/kg

For more than 40 years, chlorpyrifos has been an invaluable tool that farmers have used to help protect their crops against harmful insects worldwide. Following its review in the EU last year, member states voted not to renew authorisation of chlorpyrifos and chlorpyrifos methyl on 6 December 2019. Member states referred to concerns for human health, which had been identified, and the fact that safe levels of exposure could not be determined based on the available data. The European Food Safety Authority (EFSA) concluded that the approval criteria for human health laid down in the EU legislation were not met.

With the non-renewal of the active substance, Gafta would like to remind members that the EU Maximum Residue Levels (MRLs) will be lowered to the limit of determination 0.01 mg/kg (level that can be measured by analytical laboratories) on food and feed. This is likely to have an impact on global trade of commodities, not only grains but citrus, banana and spices. The lower MRLs will apply to all imports around October 2020. Despite advocacy at WTO, EU and member state level, and our concerns raised during the regulatory committee meeting, a longer transitional phase was not accepted. The exceedingly short transition time of six months is of concern as it does not in our view give growing regions adequate time to adapt, especially as these chemicals are so widely used. Gafta is advising the trade to reach out to growers in regions which export to the EU and notify them of these new limits to avoid disruption in October.

Representatives of the spice export trade have already confirmed that, while they accept EU concerns and the lowering of the MRL, they are very concerned about the short transition period and the fact that products on the market are likely to be caught. Herbs and spices have long shelf lives and are used in such small quantities that the legislation does not justify the economic burden of removing products already on the store shelves from the market.

The measure still has to go through a two-month period of scrutiny by the European Parliament and Council. It is expected that the Regulation will be published in the Official Journal sometime in June or July 2020. The new MRLs would still apply as of October 2020.

Cyril Carr celebrates 50 years of Gafta membership

Congratulations to Cyril Carr, who has been a Gafta member for 50 years! Best known as Director and Company Secretary of Torc Grain for 37 years, Cyril was also a Gafta Arbitrator and represented Ireland on the ICPC before handing over to Rory Donnelly. Gafta’s current Deputy President, some years ago. Cyril was also active in the Irish Grain and Feed Association serving as President in 2005.

Cyril continues his long association with Gafta through individual membership. He may be contacted by email at: cyril.parc@gmail.com.

Gafta Approved Members

Congratulations to our latest members who have achieved certification to the Gafta Standards and are listed on the Gafta Approved Registers.

To find a Gafta Approved Analyst, Fumigator or Superintendent visit www.gafta.com/membership-directory

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<thead>
<tr>
<th>Member</th>
<th>Gafta Standard</th>
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<tr>
<td>Ecologica Serviços de Dedetizações LTDA</td>
<td>Fumigation</td>
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<tr>
<td>Intertek</td>
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<td>Agrimin Control International SA</td>
<td>Superintendent</td>
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<tr>
<td>Sea Spec International</td>
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EU discussing the reduction of MLs for cadmium in food

As discussed in the last issue of Gaftaworld (page 14), the EU is finalising maximum levels (MLs) for cadmium in food. Please note June Arnold if you have data available on durum wheat. Any concerns please advise June as soon as possible: JuneArnold@gafta.com

Cereal grains other than rye, barley, durum, wheat bran/gem for final consumer and quinoa 0.10mg/kg
Rye and barley 0.050mg/kg
Durum wheat 0.18mg/kg
Soybeans 0.15mg/kg
Quinoa 0.15mg/kg
Pulses 0.040mg/kg
Linseed/sunflower seeds 0.50mg/kg
Paprika seeds 1.0mg/kg
Other oilseeds 0.10mg/kg

OBITUARY

Sjoerd Hoekstra 1942-2020

We are very sorry to report that Sjoerd Hoekstra passed away in March. In previous years, Sjoerd was a Gafta Arbitrator and a regular contributor to Gafta’s International Contracts Policy Committee. Sjoerd joined Granaria, a Dutch grain company, in 1964, which later became Glencore Agriculture. He worked for Glencore until 2002 and retired from his Gafta activities in 2012.

USMCA ratified by all three countries

Following royal assent by Canada’s Governor General, finalising Canada’s ratification process, the United States-Mexico-Canada Agreement (USMCA) has now been ratified by all the countries involved. While regulations to implement the new provisions were being prepared with a view to implementing it on 1 June 2020, it is possible this may now be delayed due to the prioritisation by all governments of the Covid-19 crisis.