

World grain market review

Crops

According to the International Grains Council (IGC) the world crops production in 2010/11 marketing year is expected to decrease by 4 million tons from the last month, to 1741 million tons. This is conditioned by the fact that the estimates of corn harvest in the USA and wheat harvest in the CIS countries are adjusted to the decreasing direction. According to updated forecasts grain consumption is expected at 1780 million tons, up 0.6 per cent. Taking into account the fact that the total grain consumption is expected to exceed its production for the first time within the period of the last three years, the volume of world ending stocks in 2010/11 marketing year will decrease by 39 million tons, to 353 million tons, generally due to decrease of their level in the major exporting countries, particularly in Russia and the USA.

The volume of world grain trade in 2010/11 marketing year is expected to decrease. Aggregate shipments of wheat and feed grain from Kazakhstan, Russia and Ukraine will decrease by 27 million tons from 2009/10 marketing year; half of this amount will be exported to the USA.

Thus, sharp decrease in the crops volume harvested in the CIS countries and Europe in the current year will condition the situation when the volume of demand for grain, wheat, corn, barley and rough crops will increase by 30 million tons compared to supply.

US Department of Agriculture (USDA) has adjusted the forecasts on wheat to the decreasing direction. According to October report USDA forecasts world wheat production in 2010/11 MY at 641.4 million tons, decrease by 0.2 per cent from last month. The forecast index of wheat consumption has slightly increased (+0.3 per cent) to 663.3 million tons from last month. Thus, ending stocks of wheat in the world market in 2010/11 MY will decrease by 1.8 per cent from last month to 174.7 million tons.

Thus, in 2010/11 marketing year the forecasts on wheat consumption exceed the forecasts on its production. However, this shortage shall be filled by means of significant ending stocks in the producing countries. Currently, the CIS countries have established the policy of increasing crops ending stocks (generally wheat) due to unstable situation in the crops market of the region.

Dynamics of world wheat prices are given in the Appendix, charts 1-2.

Wheat

the USA

According to updated report of the USDA October forecasts for 2010/11 MY on wheat production have been decreased by 1.8 per cent from the last month and amounted to 60.5 million tons. The forecast of wheat consumption has been increased by 0.8 per cent and amounted to 32.6 million tons. The volume of wheat export and import in the USA in 2010/11 marketing year is expected at 34.0 million tons and 2.7 million tons respectively. The volume of ending stocks at the end of 2010/11 MY will amount to 23.2 million tons (-5.6 per cent).

Within the period from September 23 till October 19, 2010, the futures for the American wheat was characterized by the downward trend, the later has reached the level of \$247 per ton. Thus, within the reviewed period decrease has reached 3.6 per cent.

Australia

In October, the USDA estimate of wheat production and consumption in Australia in 2010/11 MY has amounted to 23.0 million tons and 7.3 million tons respectively. The estimate of export has remained at the level of the last

month and amounted to 15.5 million tons. The volume of ending stocks is expected at 4.5 million tons, the later has increased by 1.4 per cent compared to the same index of last month.

The futures for the Australian wheat as of October 19, 2010, has remained the same and amounted to \$286 per ton.

EC-27

According to the USDA forecast the volume of wheat grains harvested in 2010/11 MY in the EC-27 countries is expected at 135.6 million tons (+0.4 per cent). The forecasts of consumption, export and import for 2010/11 MY have amounted to 123.5 million tons (+1.2 per cent), 21.0 million tons and 5.5 million tons (-8.3 per cent) respectively. The volume of wheat ending stocks by the end of 2010/11 MY is expected at 11.0 million tons (-18.1 per cent).

The prices for different varieties of wheat as of October 19, 2010 on the European Exchange (Hungary) have decreased by 0.5 per cent compared to the price as of September 23 of the current year and amounted to \$279 per ton.

China

Research agency under China Grain Reserves Corp forecasts decrease in the volume of wheat harvest in the current marketing year by 1 per cent, to 114 million tons. According to News Agency “APK-inform”, domestic consumption of wheat harvested in the current year will increase by 1.4 per cent, to 107.3 million tons.

According to News Agency “Kazakh-zerno”, the volume of grain imported to China in September of the current year amounts to 1 million tons. This volume three times exceeds the volume of grain imported within the same period in the last year. Several foreign analysts are reported to believe that a considerable part of the harvest died due to natural disasters which occurred in China last summer, currently the country suffers shortage of grain. However, some experts confirm that China purchases grain in order to benefit considerably from the forecasted growth in prices for grain in the nearest months.

Within the period since September 23 till October 19, 2010, the futures price for the China wheat has increased by 2.3 per cent.

Russia

Due to abnormally hot weather the shortage in the volume of grain harvested in Russia in the current year amounts to 30 per cent. Currently, 92 per cent of harvesting activities are completed in Russia. The volume of threshed grain as of October 12, 2010, has amounted to 61.4 million tons in the initially recorded weight, decrease by 34.3 per cent from the last year. New harvest and large volume of ending stocks will completely cover consumption; the later has the following structure: 22 million tons are intended for food supply, 40 million tons – forage, 12 million tons – seeds, 1.5-2 million tons – for processing purposes. According to Russian experts, decrease in the harvest volume in 2010 will not affect the prices for bread and macaroni products. According to the specialists of Analytical Agency “SovEcon”, the volume of wheat harvest is expected at 41 million tons compared to 62 million tons in 2009 (-33.9 per cent).

According to the MOA RF, sowing of winter crops was initiated later than ever. The peak of sowing activities fell on the second half of September (in 2009 – the first half of September). Acreage under cultivation will decrease by 4 million ha from the last year and amount to 15 million ha.

According to the Russian Grain Union (RGU) forecasts the volume of

ending stocks in the Russian Federation as of July 1, 2011, is expected at 16 million tons, decrease by 8 million tons or by 33.3 per cent from the last year.

On this background, average prices for the 3-d class wheat in the domestic market of Russia as of October 15 of the current year have decreased by 0.6 per cent compared to quotations of September and amounted to \$172.

Kazakhstan

According to information submitted by the MOA RK, crops harvesting has been completed in Kazakhstan. The volume of harvested grain in bunker weight amounts to 13.6 million tons, decrease by 40.1 per cent from the last year, the volume of harvested wheat amounts to 10.9 million tons (-35.9 per cent). In the current marketing year 8.0 million tons of crops are intended for export from Kazakhstan, 2.2 million tons of grain have already been exported.

According to the data submitted by the Statistics Agency of the Republic of Kazakhstan, the volume of the bread wheat stocks as of October 1 of the current year has increased by 73.3 per cent from last month, to 10.4 million tons.

Kyrgyzstan

According to the updated information submitted by the MOA KR, the total volume of cereal crops harvested in the Republic as of October 12 has amounted to 1.1 million tons, the volume of harvested wheat has decreased by 20 per cent from the last year to 0.8 million tons. The total volume of cereal crops has been harvested from the area which amounts to 96.1 per cent of the harvested acreage. The rates of crops harvesting outrun the indices of the last year. The average yield has decreased by 4.3 c/ha from 2009 to 23.3 c/ha. Kyrgyzstan needs 0.7 million tons of wheat (in accordance with the standards of physiological consumption) in order to provide food supply security.

In accordance with the program approved by the Government of the Kyrgyz Republic the volume of winter cereal crops intended for sowing and being harvested in 2011 will total 265.0 thousand tons, decrease by 4.0 per cent from 2010, the share of winter wheat amounts to 255.6 thousand tons. According to officials, the only disadvantage of the Kyrgyz wheat is low gluten content; the later should make 23 per cent. The problem consists in failure to observe process requirements and shortage of fertilizers. According to News Agency "24 kg", this explains the fact why the country purchases 30 per cent of produced wheat.

According to the preliminary data submitted by the State Customs Service of the Kyrgyz Republic (SCS) in September, 2010, the volume of wheat imported to Kyrgyzstan from the territory of Kazakhstan at the average price of \$206, this index has increased by \$45 or 28 per cent compared to the price of August, 2010, has amounted to 28.0 thousand tons.

According to News Agency "Kazakh-zerno" the average price for the 3-d grade wheat as of October 22, 2010 on DAF terms Lugovaya station (Kazakhstan-Kyrgyzstan) has increased to \$280, by 12.9 per cent from last month.

According to the NSC KR, the prices for "bakery products and cereals" group as of October 20, 2010, have increased by 1.3 per cent from the last month.

Corn

According to the forecasts of the USDA made in October the world corn production in 2010/11 MY will decrease to 819.7 million tons, by 0.8 per cent from last month. The estimates of consumption have decreased by 0.7 per cent, to 835.4 million tons. The forecast volume of the world corn trade is expected to increase to 93.6 million tons (+0.3 per cent). Generally, the volume of ending

stocks in 2010/11 MY will decrease to 132.4 million tons (-2.4 per cent).

Within the reviewed period the futures prices in the world corn market were characterized by the oppositely directed trend. Thus, within the period since September 23 till October 19, 2010, the prices for corn in the American Exchange have increased by 10.1 per cent, in the market of Asia – by 1.0 per cent.

Dynamics of world corn prices are given in the Appendix, charts 3-4.

Rice

USDA has decreased the estimates of the world rice production in 2010/11 to 452.5 million tons (-1.5 per cent). The forecast of rice consumption has been decreased to 452.7 million tons, by 0.4 per cent from last month. The volume of ending stocks of such crops variety will amount to 94.3 million tons (-3.0 per cent).

Decrease in the forecasts on production is conditioned by decrease in the rice yield in Thailand and Vietnam, two largest rice producers in the world. Moreover, floods in Pakistan have seriously damaged harvests. Pakistan is the third largest rice producer in the world.

In the world markets, according to News Agency “Reuters” the average prices of futures contracts for rice on the Chinese and American exchanges have increased by 5.8 per cent. Experts believe that the prices for rice will continue growing.

Kyrgyzstan

According to the preliminary data submitted by the SCS KR in September of the current year the volume of rice imported to Kyrgyzstan from China, at the average price of \$413 per ton, amounted to 2.6 thousand tons (+3.8 per cent).

World sunflower oil review

According to the USDA forecast the volume of oil world production in 2010/11 MY has increased to 145.1 million tons, by 0.3 million tons from last month. The forecast of oil consumption has increased to 144.2 million tons (+0.1 million tons). The volume of the oil world trade is expected at 60.1 million tons (+0.5 million tons). Ending stocks are expected at 10.3 million tons (+0.1 million tons).

According to the updated forecast of the USDA the volume of palm oil production is expected at 47.8 million tons, the volume of sunflower oil production is expected at 11.5 million tons (-0.1 million tons). According to the analysts of Malaysian Palm Oil Council, the volume of palm oil production in September of the current year will decrease to 1.6 million tons, by 2.7 per cent from the last month. Within the specified period export supplies of palm oil from Malaysia have increased by 21 per cent to 1.5 million tons. The current situation affected the prices for palm oil. Average futures prices for palm oil as of October 19 of the current year have increased by 15.6 per cent within a month.

Sunflower oil

According to the updated forecast of the USDA the volume of sunflower oil production in 2010/11 MY will amount to 11.5 million tons (-0.1 per cent), consumption – 11.0 million tons (-0.3 per cent). The estimate of ending stocks has not changed and amounted to 0.8 million tons.

Experts of Analytical Agency “Oil World” forecast considerable deficit in the oils and fats market in the current season partially due to continuing increase in the biodiesel production in the number of countries.

Kyrgyzstan

According to News Agency “Kazakh-zerno”, on October 5, 2010, the

Government of the Republic of Kazakhstan signed Resolution №1024 "On introducing embargo on export of some varieties of oil seeds, vegetable oils and buckwheat from the territory of Kazakhstan". The aforementioned Resolution was approved for preventing from shortage and prices growth in the domestic market of oil seeds and vegetable oils by means of providing the entrepreneurs working in the processing industry of Kazakhstan with sufficient volume of raw materials for vegetable oils and fat-and-oil products manufacturing as well as in order to prevent from deficit of the specified consumer goods. This Resolution will be efficient within the period of 6 months. Introduction of the aforementioned embargo in the current year is explained by unfavorable weather conditions in the world due to this decrease in the volume of gross oil bearing crops harvest is expected in many countries, the later is likely to affect decrease in oil bearing crops production; all aforementioned facts may result in prices growth.

Russia

According to Analytical Agency "Oilworld", in Russia, 0.7-1.0 thousand ha of sown area has been destroyed due to drought. Among other factors experts underline low oil content in the sunflower. As a result, the situation in the oil market of Russia remains rather tense. Since September, the prices for sunflower have reached their peak compared to the prices in November-December of the last year. Currently, the price for sunflower in the domestic market of Russia considerably exceeds the level of export prices the later conditions changes in the structure of consumer demand. The major consumers of sunflower are large holdings due to the fact that the current price level is incomparable with the price for raw sunflower oil. According to the latest forecasts, the volume of sunflower oil harvest in Russia is expected at 4.7 million tons, decrease by 25.4 per cent from the last year.

Ukraine

According to the Ministry of Agrarian Policy of Ukraine, the volume of oil production in Ukraine in 2010/11 marketing year is expected to increase by 5.4 per cent from the production of 2009, to 3.1 million tons. As high purchase prices encourage agricultural producers to increase the volume of oil seeds production. The later has become possible due to expansion of the area under cultivation for soybean and sunflower. Large volume of sunflower harvest and sunflower oil production is expected in Ukraine apart from Russia. Under favorable conditions, the volume of sunflower oil exported from Ukraine will increase by 3.8 per cent from the last year and amount to 2.7 million tons.

The specified fundamental factors cause increase in prices. Thus, within the reviewed period the futures for sunflower oil in the world exchanges as of October 19, 2010 have increased by 15.9 per cent and amounted to \$1263 per ton.

Dynamics of world sunflower oil prices are given in the Appendix, charts 5-6.

Kyrgyzstan

According to the MOA KR, the volume of gross oil crops harvest as of October 12, 2010, has amounted to 62.4 thousand tons, decrease by 3.7 thousand tons from the last month. The harvesting activities have been performed on the area which amounts to 95.7 per cent of the total harvesting acreage.

According to the preliminary data submitted by the State Customs Service of the Kyrgyz Republic, the volume of vegetable oil imported to Kyrgyzstan within September of the current year at the average price of \$1180 per ton has increased by 8.1 per cent from the last month and amounted to 3.0 thousand tons. It should be noted, that vegetable oils are generally imported to

Kyrgyzstan from Ukraine and Russia. Decrease in oil production in Kyrgyzstan and importing countries may have an adverse effect on domestic pricing environment, which is already observed to some extent.

Generally, the prices within the “oils and fats” group in the Kyrgyz Republic as of October 20, 2010 have increased by 3.5 per cent compared to the prices of the last month.

Sugar

According to the estimates of Analytical Agency “FO Licht”, the world sugar production in 2010-2011 is expected at 166.4 million tons, decrease by 2.3 per cent from the last month. In 2010, the volume of sugar beet harvested from 1 ha by the European agrarians is expected at 65.3 tons, decrease by 8.3 per cent from the last year. In the current season, the volume of sugar production in Australia, the third largest sugar exporting country in the world, will decrease by 4.5 per cent due to excessive amount of precipitations. The Ministry of Agrarian Policy of Ukraine has decreased as well its forecast on the volume of sugar produced from the sugar beet harvested in the current year from 2.2 million tons to 2.0 million tons (-0.9 per cent).

According to the forecasts of Indian Sugar Producers Association the volume of sugar production in India is expected at 26 million tons, as the yield of cane has increased due to long rain period.

Decrease in the sugar production forecast affected the price of the later on the London Exchange. Thus, within the reviewed period the futures for sugar was characterized by the upward trend, as of October 19 of the current year the later has increased by 16.2 per cent compared to the same index as of September 23 of the current year and amounted to \$718. According to News Agency “Reuters”, experts and specialists of the International Sugar Organization forecast decrease in prices for sugar by March, 2011, due to large volumes of raw sugar supply from the alternative producing countries.

Dynamics of world white and raw sugar prices are given in the Appendix, charts 7-8.

Kyrgyzstan

Sugar beet harvesting in the Chui region is still in progress. With the yield of 176.3 c/ha, the volume of gross sugar beet harvest amounts to 8.4 thousand tons. Alongside with it, harvesting activities have been performed on the area of 0.5 thousand ha, while the total harvesting area amounts to 7.4 thousand ha. According to MOA KR, sugar production has been currently commenced from the local sugar beet in the “Kaindy-Kant” sugar mill. Sugar beet with sugar content of 16 and more per cent is purchased from agricultural producers at the price of KGS 2500 per ton. As sugar content increases by 1 per cent, alongside with it purchase price increases by 0.1 per cent. In 2010, the volume of sugar production is expected at 22.0 thousand tons.

According to the preliminary data submitted by the SCS KR, 4.5 thousand tons of sugar has been imported, mainly from Byelorussia, within September of the current year at the average price of \$703 per ton (-2.4 per cent).

According to the data submitted by the NSC KR the price for sugar in the domestic market of the Republic has increased by 0.4 per cent compared to the prices of the last month.

Meat

Kazakhstan

Generally, the amount of cattle stock and small cattle in the Republic of Kazakhstan as of September, 2010 has decreased by 3.2 per cent and 3.8 per cent respectively.

In Kazakhstan and, particularly, in the regions bordering with Kyrgyzstan (Almaty region) the amount of small cattle has decreased to 3691.0 thousand heads (-4.3 per cent), the amount of cattle stock has slightly decreased to 993.9 thousand heads (-3.1 per cent).

Kyrgyzstan

According to the data submitted by the MOA KR within 9 months of 2010 the volume of meat production has increased by 4.7 thousand tons compared to the index of the last month and amounted to 245.5 thousand tons. Increase in the volume of meat production is conditioned by growth of farm livestock. The amount of cattle stock has increased by 50.3 thousand heads, the amount of small cattle – by 312.4 thousand heads.

The volume of meat imported to Kyrgyzstan within 9 months, 2010, amounts to 64 thousand tons. Since the beginning of the year the prices for imported goods have increased by 14.2 per cent. The volume of meat exported from the Kyrgyz Republic per annum is reported to make 67 tons. According to the NSC KR, the prices for meat as of October 20, 2010 have increased by 18.8 per cent since the beginning of the year.

Table 1. Food market (change in the estimates of production, consumption, ending stocks within a month and prices for consumer goods in 2010/11 marketing year)

	<i>Production estimate, million tons</i>	<i>change for a month, in %</i>	<i>Consumer estimate, million tons</i>	<i>change for a month, in %</i>	<i>Ending stocks estimate, million tons</i>	<i>change for a month, in %</i>	<i>Futures in USD per ton</i>	<i>change for a month, in %</i>
Crops (world)	1741	0.0	1780	0.0	353	0.0	256 ¹	5.1
Wheat	641.4	-0.2	663.3	0.3	174.7	-1.8	270 ²	0.9
<i>Kyrgyzstan</i>	0.8	-2.9	1.1	0.0	0.4	-9.2	–	–
<i>the USA</i>	60.5	-1.8	32.6	0.8	23.2	-5.6	247	-3.6
<i>Australia</i>	23.0	0.0	7.3	0.0	4.5	1.4	286	0.0
<i>EC-27</i>	135.6	0.4	123.5	1.2	11.0	-18.1	279	-0.5
<i>China</i>	114.0	-0.4	107.3	1.4	63.4	0.0	370	2.3
<i>Russia</i>	41.0	-3.5	48.0	0.0	4.9	-0.6	172	-0.6
<i>Kazakhstan</i>	10.9	-5.2	7.7	0.0	10.4	73.3	280	12.9
Corn	819.7	-0.8	835.4	0.7	132.4	-2.4	217	10.1
Rice	452.5	-0.5	452.7	-0.4	94.3	-0.3	281	5.8
Sunflower oil	11.5	-0.7	11.0	-2.8	0.8	12.0	1263	15.9
Sugar	166.4	-2.3	167.2	0.0	55.0	0.0	718	16.2

¹ Average futures price for the reviewed crops (wheat, corn, rice)² Average futures price for wheat in the reviewed countries

Chart 1. Dynamics of world wheat prices, 08.01.10-22.10.10

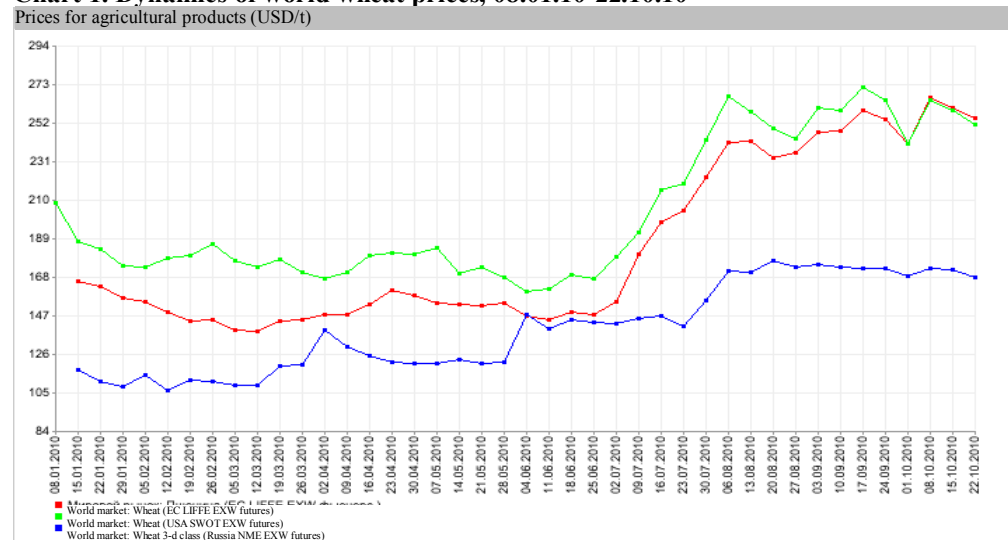


Chart 2. Dynamics of world wheat prices, 17.09.10-22.10.10

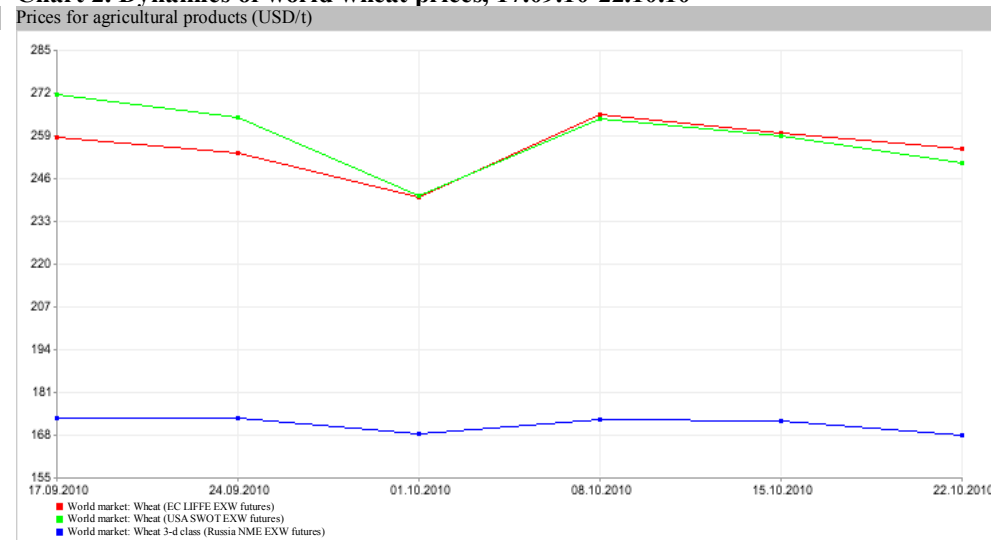


Chart 3. Dynamics of world corn prices, 08.01.10-22.10.10

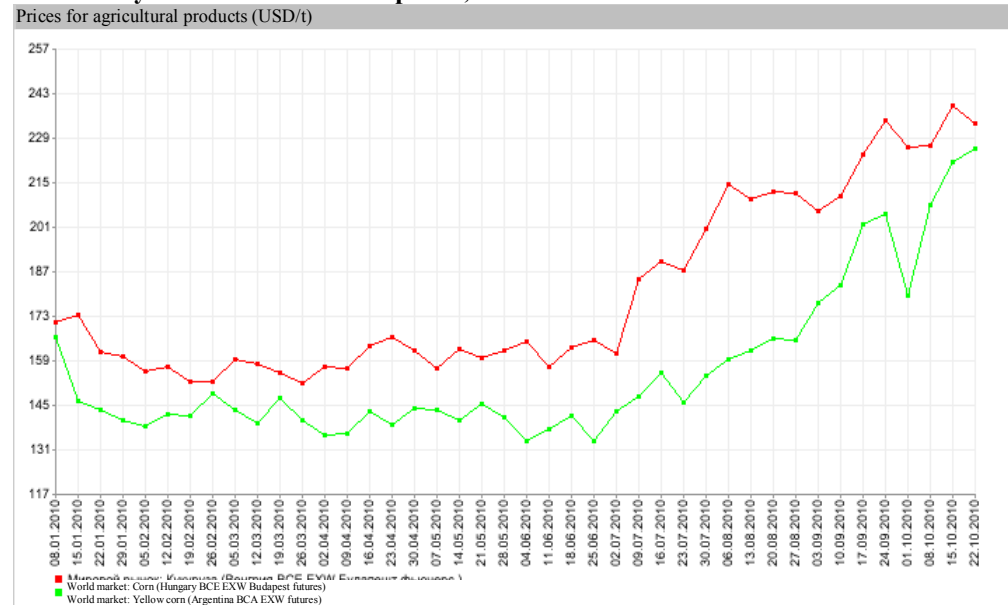


Chart 4. Dynamics of world corn prices, 17.09.10-22.10.10

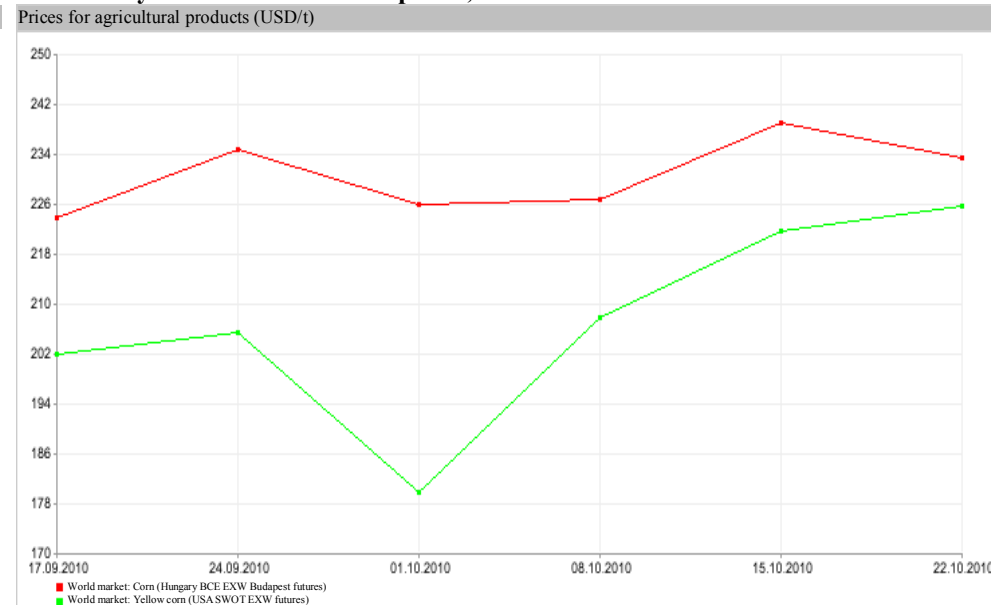


Chart 5. Dynamics of world sunflower oil prices, 08.01.10-22.10.10

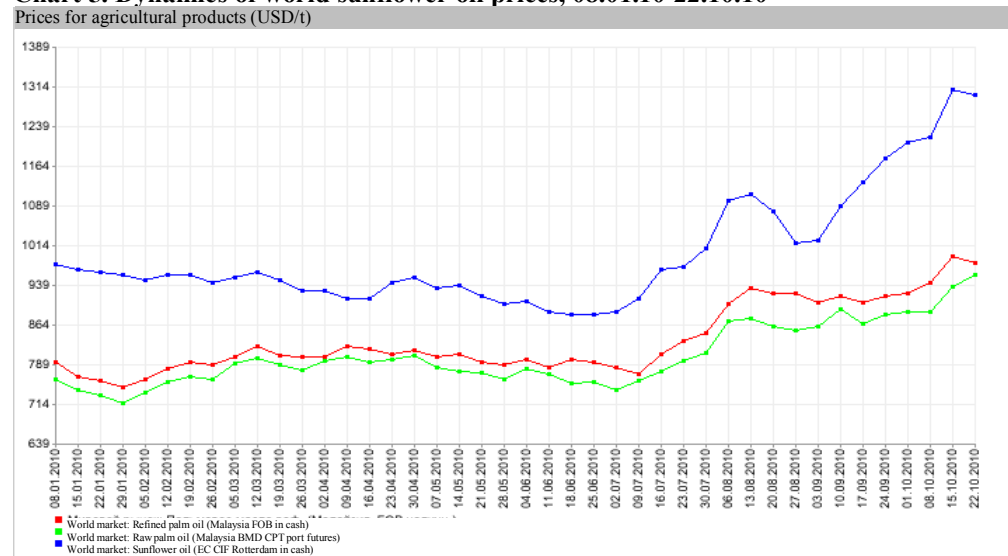


Chart 6. Dynamics of world sunflower oil prices, 17.09.10-22.10.10

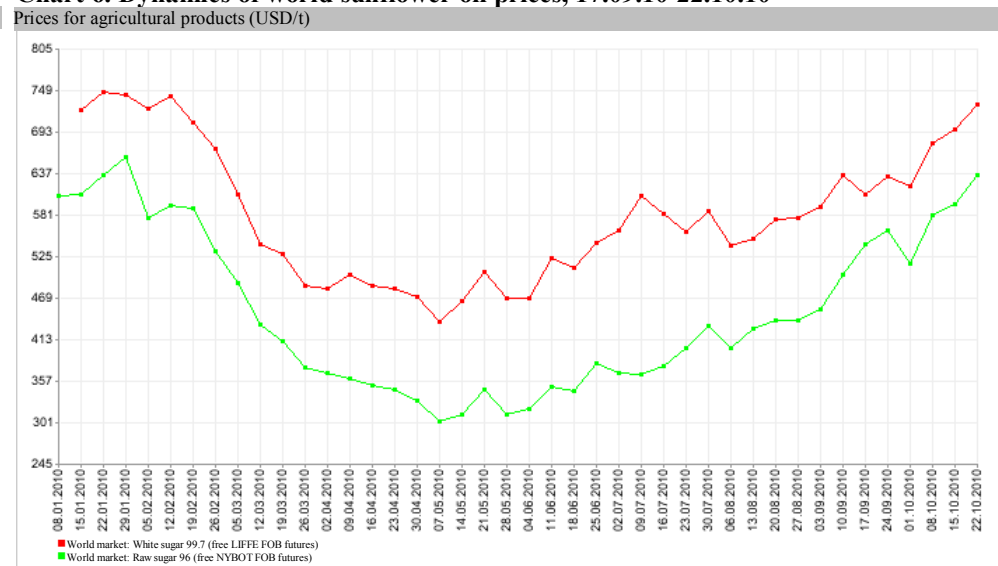


Chart 7. Dynamics of world white and raw sugar prices, 08.01.10-22.10.10

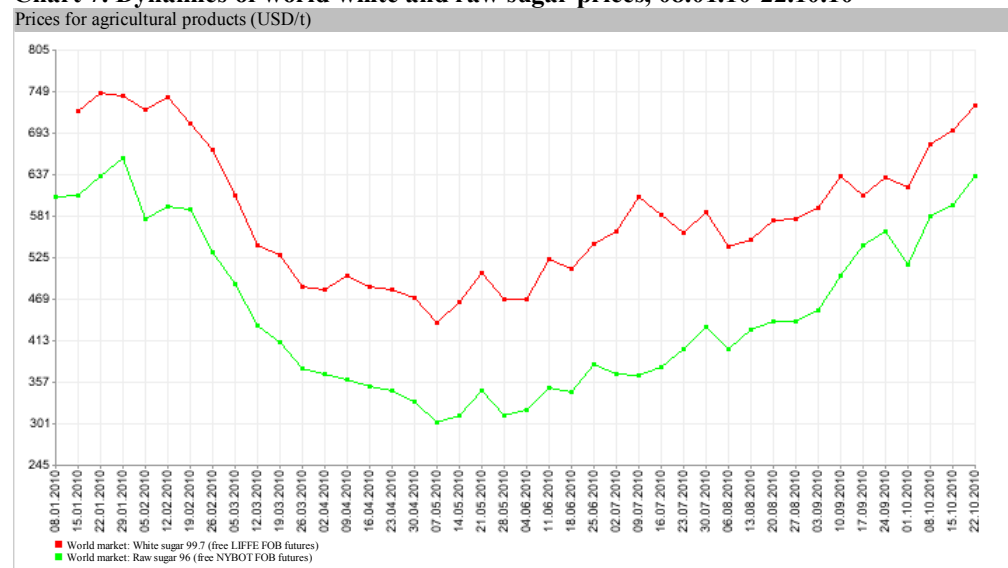
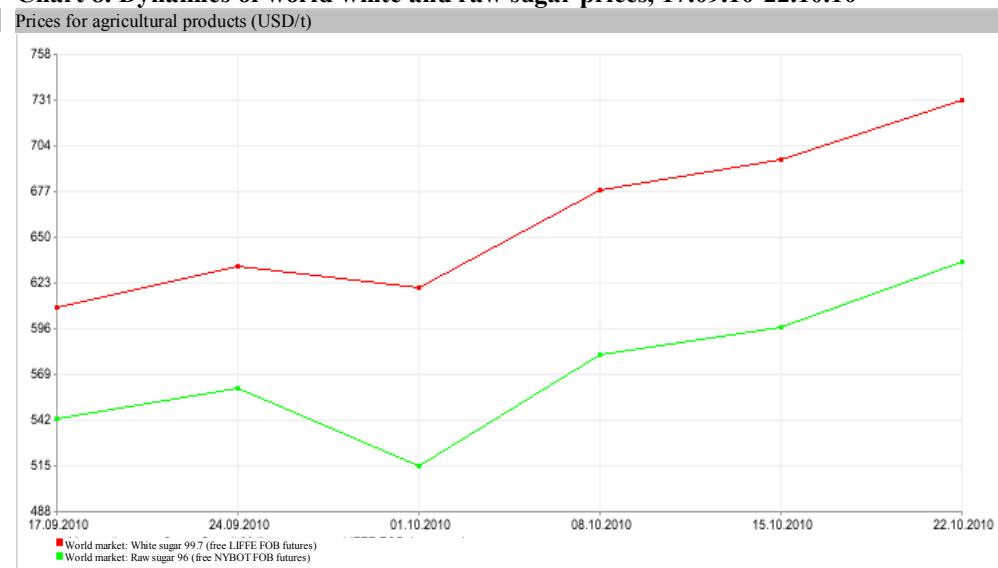


Chart 8. Dynamics of world white and raw sugar prices, 17.09.10-22.10.10



Source: News Agency "APK-inform"; www.apk-inform.ru

The review was prepared based on the data submitted by the National Statistical Committee of the Kyrgyz Republic (NSC KR), MOA KR, the State Agency on Antitrust Policy and Development of Competition under the Government of the Kyrgyz Republic, State Customs Service of the Kyrgyz Republic, International Grains Council (IGC), MOA RF, USDA, MOA RK, Statistics Agency of the Republic of Kazakhstan, Federal Service for State Statistics of the Russian Federation, Ministry of Economic Development and Trade of the Russian Federation, Ministry of Agrarian Policy of Ukraine, Internet resources: News Agency “AKIpress”, News Agency “24.kg”, News Agency “APK-inform, News Agency “Soyuzrossahar”, News Agency “IDK”, Analytical Agency “Oil World”, Analytical Agency “SovEcon”, News Agency “Kazakh-zerno”, “Ecowin”, News Agency “Reuters”.