

World grain market review

Crops

According to the October forecast of the Department of Agriculture of the United States of America (USDA), the world wheat production in 2011/12 MY will be 681.2 million tons, by 0.5 percent higher than the forecasts of the last month. The forecast of wheat consumption in 2011/12 MY was adjusted downwards to 674.4 million tons (-0.4 percent). Thus, the ending stocks of wheat in the world in 2011/12 MY will amount to 202.4 million tons, 4.0 percent higher as compared to forecasts of the last month.

According to the October "Food Review" of the UN FAO, the food prices in the medium and long term will increase against the background of a rapidly growing consumer demand, population growth and growth prospects in the biofuel sector. The report focuses on the intensive use of natural resources and, consequently, their depletion in some areas.

The UN FAO highlights the following factors of possible increase in food prices:

- abnormal climatic conditions, low investment in the agricultural sector leads to a reduction in the production of wheat, rice, corn and other food products, which in turn reduces the amount of carryover stocks;

- policy promoting the use of biofuels (tariffs, subsidies and mandates for the use of volume) creates additional demand for corn and vegetable oil;

- economic growth in some major developed countries increases the pressure on the price of oil and fertilizer on the background of intensive use of natural resources in connection with economic growth and increases the demand for meat due to changes in diet;

- transportation and production costs increase under the pressure of high oil and fertilizer prices;

- growing demand for food in the futures market as a result of speculation and portfolio diversification.

Dynamics of the world wheat prices is provided in the Annex, charts 1-2

Wheat

USA

According to the updated report of the USDA, the October forecast of wheat production in 2011/12 MY decreased and amounted to 54.7 million tons which is 3.3 percent lower than the estimates of the previous month. Consumption forecast decreased by 6.6 percent and amounted to 32.1 million tons. In 2011/12 MY, the United States of America is planning to export and import 26.0 (-7.1 percent) and 3.2 million tons (10.3 percent) of wheat, respectively. As per results of 2011/12 MY, the ending stocks will constitute 22.8 million tons (10.0 percent).

From September 20 to October 20, 2011 futures for American wheat continued a downward trend and reached 232 USD per a ton, having decreased by 6.4 percent.

Australia

The USDA October estimate of wheat production in Australia in 2011/12 MY increased by 4.0 percent and amounted to 26.0 million tons. Estimation of consumption constituted 8.0 million tons, carryover stocks – 7.9 million tons (+79.0 percent).

Futures for Australian wheat as of October 20, 2011 for the period under review decreased by 17.0 percent and amounted to 225 USD per a ton.

EU-27

The volume of harvested wheat in 2011/12 MY, in the EU-27 countries, according to the USDA forecasts, will be 136.3 million tons (+0.4 percent). Consumption forecast for 2011/12 MY amounted to 126.5 million tons. It is expected that the volume of the ending stocks of wheat at the end of 2011/12 MY

will be 13.0 million tons (+4.1 percent).

During the period from September 20 to October 20, 2011, the prices for wheat on the London Stock Exchange (LIFFE) decreased by 10.8 percent and constituted 231 USD per a ton.

China

The USDA October forecast of production and consumption in 2011/12 MY will constitute 117.0 million tons, consumption – 113.0 million tons. Evaluation of the wheat ending stocks in China is set at 64.1 million tons.

During the period from September 20 to October 20, 2011 the futures price for the Chinese wheat decreased by 7.6 percent and constituted 371 USD per a ton.

Russia

According to the Ministry of Agriculture of Russian Federation October forecast in 2011 the grain harvest in Russia is expected to reach about 95 million tons (weight after processing) which 5.6 percent higher than the estimates of the previous month. To ensure the domestic demand Russia needs 72 million tons of grain and by July 1, 2012 carryover stocks should constitute 15-16 million tons. In this case, the real volume of exports should not exceed 23-24 million tons.

First Deputy Prime Minister reported that since the abolition of the grain embargo from July 1 to October 11, 2011, Russia exported 10.7 million tons of grain. According to Russian analysts, at the prevailing rate of export of grain to the end of 2011, exports will amount to 18-19 million tons. In this case, if the supply of grain abroad exceed 23-24 million tons, there will be introduced a sliding export taxes on grains in order to achieve price stability in the domestic market and meet the needs of grain.

The average price for wheat of the third class on the Russian domestic market as of October 20 of this year amounted to 179 USD per a ton, which is by 2.2 percent lower against the September quotes, while in the external market price is 232 USD per a ton.

Kazakhstan

According to the Ministry of Agriculture of the Republic of Kazakhstan, as of October 19, 2011 it is harvested 98.6 percent of the crops, milled 27.9 million tons of grain, which is two times higher than in 2010. At the reporting date the yield constituted 17.6 c/ha which is 97.8 percent more than in 2010.

According to the results 2011 in Kazakhstan gross grain harvest is projected in net weight at the level of 22-23 million tons which is 12.5 percent higher than the previous estimates. Export potential is estimated at more than 10 million tons.

According to the Statistics Agency of the Republic of Kazakhstan, as of October 1 of this year the ending stocks of wheat constitute 14.1 million tons which 3.2 times higher than in September 2011.

Kyrgyzstan

According to the Kyrgyz News Agency “Tazabek” by October 4, 2011 it is harvested 1.1 million tons of grain which is 10 percent more of the corresponding index of 2010. The volume of the grain harvest amounted to 98.1 percent (492.2 thousand hectares) of the total harvested acreage (501.8 thousand hectares). Wheat has been harvested 877.4 thousand tons which is 33.3 thousand tons more than last year (844.1 tons). The average yield decreased by 0.8 percent, reaching 23.7 c/ha against 23.9 c/ha in 2010. The Ministry of Agriculture of the Kyrgyz Republic called a spring-summer drought in the south as the causes of reduced wheat yields and fertilization decrease of winter wheat by 10 percent, which were due to a sharp rise in price of fertilizer. In the course of bilateral negotiations, Russia and Kyrgyzstan agreed on all deliveries of fuel in excess of 1 million tons for 2011-2012 to duty-free.

It also reported that the European Bank for Reconstruction and Development has allocated the agricultural sector of Kyrgyzstan 90 million USD to

support domestic farmers and food security in Kyrgyzstan.

According to the Program for the sowing of winter crops for the harvest of 2012, approved by the Kyrgyz Government Decree No 606 dated September 27, 2011, next agricultural year winter wheat will be sown on 280.0 thousand hectares of sown area, which is 9.6 percent higher than last year.

According to news agency “Kazakh-zerno”, as of October 15, 2011 the average price of wheat of the third class on DAF terms in the Lugovaya Station (Kazakhstan-Kyrgyzstan) was 160 USD, which is by 2.4 percent lower as compared to September 2011.

According to the NSC KR, as of October 19, 2011 the prices for the group “bakery products and cereals” decreased by 2.7 percent against the prices of the previous month.

Corn

According to the USDA October forecast, the world corn production in 2011/12 MY will be 860.1 million tons, which is by 0.6 percent higher as compared to the corresponding index of the previous month. Estimation of consumption increased by 0.6 percent and constituted 866.7 million tons. The forecast of the world trade increased to 93.3 million tons (+1.3 percent). Totally, in 2011/12 MY, the ending stocks will constitute 123.2 million tons (+4.9 million tons).

Within the reviewed period the futures prices in the world corn market were characterized by the downward trend. Thus, the price for corn in the American Stock Exchange from September 20 to October 20, 2011 decreased by 6.3 percent, in the Asian market – 3.6 percent. One of the factors in reducing prices was the increase of USDA forecast corn ending stocks.

Dynamics of the world corn prices is provided in the Appendix, charts 3-4.

Rice

The USDA has increased the estimate of the world rice production in 2011/12 MY to 0.7 percent which constituted 461.4 million tons. Also the forecast of rice consumption was increased relative to the estimates the previous month by 0.4 percent and constituted 457.8 million tons. Ending stocks of rice will constitute 101.4 million tons (+2.8 percent). On world markets, according to news agency “Reuters”, the average cost of rice futures on the Chinese stock exchange decreased by 2.7 percent, on the American Stock Exchange – 5.3 percent.

Review of the world sunflower oil market

According to the USDA forecast the volume of oil world production in 2011/12 MY has decreased to 151.6 million tons (-0.1 percent). The forecast of oil consumption has decreased to 150.0 million tons (-0.2 percent). The volume of the sunflower oil world trade is expected at 63.0 million tons. Ending stocks has decreased by 5.1 percent and constituted 10.8 million tons.

According to the updated forecast of USDA the volume of palm oil production will constitute 50.3 million tons, the volume of sunflower oil production – 12.8 million tons (+0.3 percent).

The experts predict that in 2010/11 MY, the ending stocks of palm oil in Malaysia will amount to 1.9 million tons, which is more than the level of the previous season by 9 percent. According to the recent data, for the first fifteen days of October 2011, exports of palm oil in Malaysia decreased by 10 percent as opposed to indicators in September 2011, reports the news agency “Kazakh-zerno”. Average futures prices for palm oil as of October 20 of the current year have decreased by 5.9 percent.

Sunflower oil

According to the USDA in 2011/12 MY, the sunflower oil production will constitute 12.8 million tons (+0.3 percent), consumption – 12.2 million tons (-0.1 percent). Ending stocks has decreased by 2.4 percent and constituted 1.3 million tons.

During the reporting period, the average futures price for sunflower oil on world markets as of October 20, 2011 decreased by 9.7 percent and amounted to 1164 USD per a ton.

Dynamics of the world prices for vegetable oil is provided in the Annex, charts 5-6.

Kyrgyzstan

According to the Ministry of Agriculture of the Kyrgyz Republic, the Government of the Republic of Kazakhstan imposed embargo for the export of vegetable oil until January 29, 2012. According to the NSC KR, share of imports of oil from Kazakhstan is about 14 percent (the bulk goes to Russia and Ukraine). Therefore, the more likely it can be assumed that the stated above does not cause the price spike for this product in the domestic market.

According to the NSC KR as of October 19, 2011, the prices within the “oils and fats” group in the Kyrgyz Republic have increased by 0.3 percent compared to the prices of the last month.

Sugar

According to September report of the VM Group, production of sugar is estimated to increase by 174.0 million tons (+3.6 percent), while consumption is estimated at 167.6 million tons (+3.5 percent). Thus, by the end of 2012, the overall surplus sugar will be 6.4 million tons. However, the analysts warn about the possible occurrence of a sharp rise in consumption in the market in the second and third quarters of 2012, which may lead to a shortage of 7.6 million tons and 5.2 million tons, respectively. In the medium term it is expected that the world prices for sugar will be in a downtrend, especially in the period between October 2011 and March 2012, but in many respects the changes will depend on weather conditions and prospects of increased sugar imports by such countries as China.

In the current season Russia plans to produce a record harvest of sugar beets in the volume of 40 million tons which allows exporting sugar. Belarus also schedules to receive a record in the volume of 550 thousand tons of sugar which is 22.2 percent more of the correspondent index of last year. This amount will fully meet the needs of the domestic market, as well as certain share of sugar exporting.

Brazil, which occupies a leading position in production and export of sugar, plans to make up the current season about 588.9 million tons of sugarcane, which is 5.6 percent lower of the corresponding index of last year. Floods in Thailand have caused difficulties in the production of sugarcane and sugar, which was one reason for rising prices for goods.

The future prices for sugar on the London Stock Exchange over the period as of October 20 of this year amounted to 683 USD per a ton, which is 0.7 percent higher of the correspondent index of September 20, 2011. At the moment, the world price of sugar is characterized by an upward dynamics. However, experts predict a decline in sugar prices by 39 percent by the end of this year, referring to the supply of sugar from India.

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

Kyrgyzstan

In recent years the country has been a tendency to a sharp reduction in acreage occupied by the sugar beet, which in turn inevitably affects the provision of domestic sugar market.

According to the Ministry of Agriculture of the Kyrgyz Republic, Kyrgyzstan in 2011 plans to collect about 162 tons of sugar beets. As of October 12, 2011 the regions began cleaning root crops, they handled 2.7 percent of total sown area. It is noted that there was a complicated situation with the seeds of sugar beet for the sowing in 2012. It is planned to receive 24 tons of seeds for the needs of domestic production of demand of 60 tons.

In order to support domestic producers there had been considered the introduction of customs duty on imported white sugar amounting to 30 percent. At that, in the current year, many countries expect a large harvest of sugar beet (Russia, Belarus), which will export the products at an affordable price. Therefore, it is suitable more flexible marketing policy to meet the needs of the domestic market.

Meat

Kazakhstan

Generally, the amount of cattle stock and small cattle in the Republic of Kazakhstan in September has decreased by 2.7 and 4.1 percent respectively. In particular, in the regions bordering with Kyrgyzstan (Almaty region) in September 2011 there was the decrease in cattle amount by 2.4 percent and small cattle amount – by 4.9 percent.

According to the news agency “24.kg”, Kazakhstan has imposed restrictions on meat imports from Kyrgyzstan because of the outbreak of FMD (foot and mouth disease). Limits are only for meat and dairy cattle. The ban does not apply to meat from animals that are not susceptible to FMD, poultry, fish and bee products. Barriers will be removed after the suppression of foci of infection.

According to the National Statistics Committee of the Republic of Kazakhstan, the prices for meat products on the market of Kazakhstan for September 2011 increased by 1.4 percent.

Kyrgyzstan

The NSC KR reported that the prices for meat as of September 2011 have increased by 3.5 percent and amounted to 31.1 thousand tons, which is higher as compared to August of 2011. Thus, as of October 19, 2011, the prices for meat decreased for the first time since November 2009 by 1.0 percent as compared with the prices of previous month.

Table 1. Food market (change in the estimates of production, consumption, ending stocks within a month and prices for consumer goods in 2011/12 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>Price in USD per ton</i>	<i>change for a month, in %</i>
Crops (world)	1806	-0.1	1820	0.1	345	3.3	283 ¹	-6.5
Wheat	681.2	0.5	674.4	-0.4	202.4	4.0	233 ²	-8.4
<i>Kyrgyzstan</i>	1.0	0.0	1.3	0.0	0.8	0.0	–	–
<i>the USA</i>	54.7	-3.3	32.1	-6.6	22.8	10.0	232	-6.4
<i>Australia</i>	26.0	4.0	8.0	0.0	7.9	79.0	225	-17.0
<i>EC-27</i>	136.3	0.4	126.5	0.0	13.0	4.1	231	-10.8
<i>China</i>	117.0	0.0	113.0	0.0	64.1	0.0	371	-7.6
<i>Russia</i>	56.0	0.0	38.6	-4.9	13.1	-0.1	179	-2.2
<i>Kazakhstan</i>	19.0	18.8	7.5	0.0	14.1	327.3	160	-2.4
Corn	860.1	0.6	866.7	0.6	123.2	4.9	256	-6.3
Rice	461.4	0.7	457.8	0.4	101.4	2.8	359	-5.3
Sunflower oil	12.8	0.3	12.2	-0.1	1.3	2.4	1164	-9.7
Sugar	174.0	3.6	167.6	3.5	29.0	0.0	683	0.7

Table 2. Level of supply of the domestic food market with basic foodstuffs (*in percentage*)

	<i>a ratio of actual consumption from own production</i>	<i>a ratio of physiological norm at the expense of domestic production</i>
Cereal products	181.5	256.7
Potato	341.1	342.3
Milk	126.6	136.9
Meat	92.7	55.4
Vegetables	166.3	208.0
Vegetable oil	20.8	25.1
Sugar	0.0	0.0
Poultry egg	117.0	49.0
Fruits and berries	144.3	33.8

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

Table 3. Dynamics of average prices for food products in oblast centers of the republic and capitals of Kyrgyzstan, Kazakhstan and Russia (according to the data of the NSC KR)

September 2011 / September 2010								
Dynamics of average prices, %								
	Beef	Mutton	Butter	Milk (Liter)	Eggs 10 eggs	1st grade flour	1st grade bread	Potato
Bishkek	50.24	43.89	-1.05	-9.10	19.13	19.37	23.88	19.98
Astana*	41.38	48.17	17.19	-26.42	24.74	-3.42	-0.34	-19.45
Almaty*	43.42	44.17	13.25	-12.55	11.77	30.81	-0.34	13.68
Moscow**	12.43	8.13	17.18	8.20	-1.93	1.43	1.35	-48.40
Batken	49.24	64.04	115.38	0.25	59.30	30.96	22.90	41.26
Jalal-Abad	57.12	65.63	0.68	-36.70	36.00	16.30	40.56	75.10
Karakol	59.02	56.29	33.64	43.10	10.58	20.86	7.28	8.41
Naryn	64.47	41.29	-18.10	-41.97	26.04	23.20	3.05	30.16
Osh	49.95	68.93	57.28	28.85	11.01	69.89	21.13	26.11
Talas	48.99	7.95	0.26	14.70	19.13	-8.21	49.63	-20.82
Tokmok	84.67	31.77	-15.63	0.71	-1.18	23.01	11.28	31.61

September 2011								
Ratio of prices in Bishkek against average prices in other cities, %								
	Beef	Mutton	Butter	Milk (Liter)	Eggs 10 eggs	1st grade flour	1st grade bread	Potato
Bishkek	100	100	100	100	100	100	100	100
Astana*	129.7	144.5	98.3	130.7	80.9	89.2	65.7	129.1
Almaty*	112.7	124.9	119.5	180.4	128.4	99.6	75.3	130.5
Moscow**	126.2	152.2	151.3	258.4	106.6	127.3	123.5	130.6
Batken	86.3	97.7	125.7	117.9	151.6	92.5	105.1	79.7
Jalal-Abad	92.9	96.1	74.6	85.7	106.2	82.8	103.7	72.1
Karakol	99.2	90.6	89.0	75.0	103.1	95.6	95.9	55.6
Naryn	99.6	91.2	7.2	72.9	112.7	86.3	95.4	90.4
Osh	92.9	96.1	91.7	80.4	112.7	96.4	98.5	67.4
Talas	96.3	91.6	65.6	85.7	121.3	70.0	115.6	50.4
Tokmok	107.4	84.7	82.5	93.8	111.6	97.4	95.5	72.0

* - Average consumer prices as of September 15 of the corresponding year

** - Average consumer prices for wheat flour and wheat bread (flour 1st and 2nd grades)

Chart 1. Dynamics of world wheat prices, 07.01.11-21.10.11

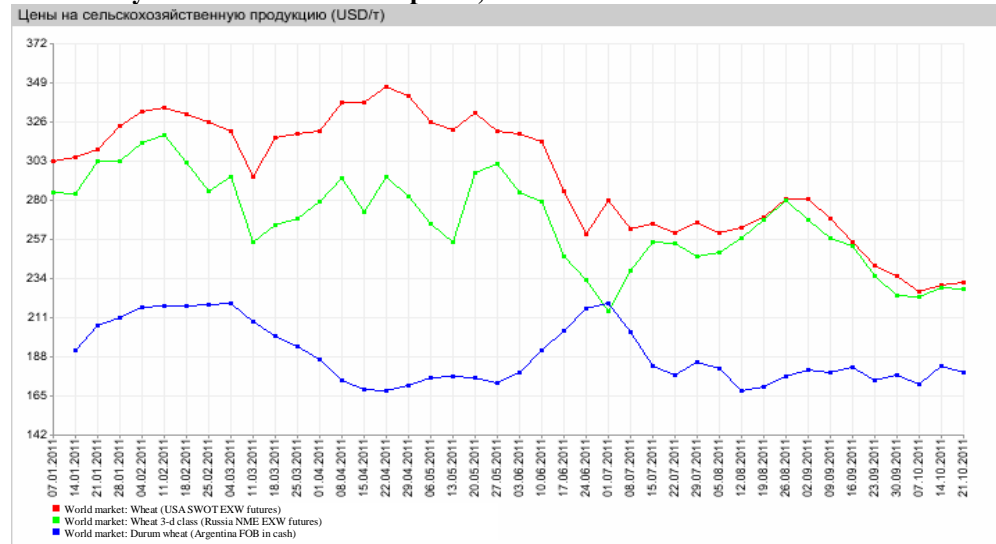


Chart 2. Dynamics of world wheat prices, 16.09.11-21.10.11

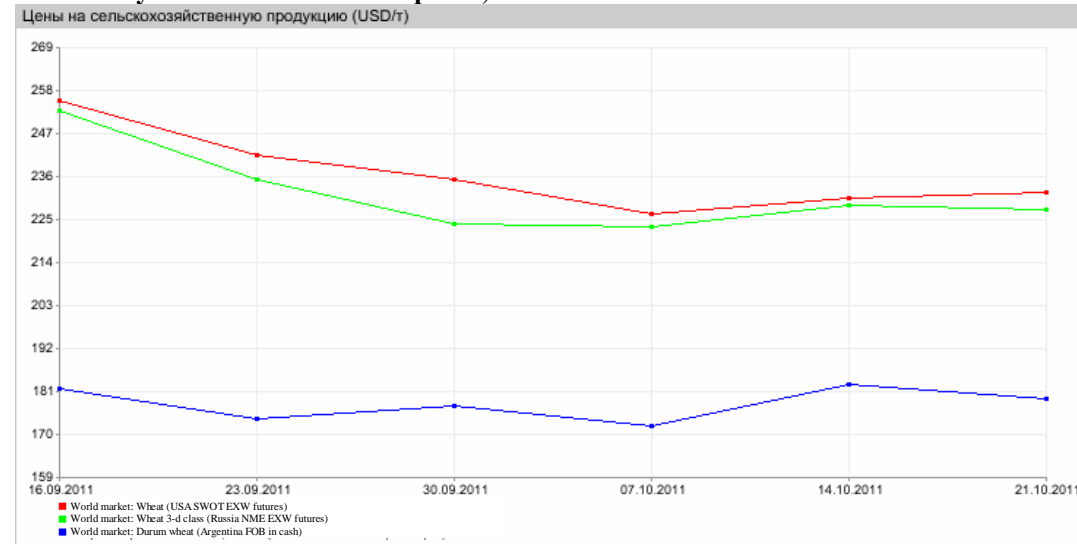


Chart 3. Dynamics of world corn prices, 07.01.11-21.10.11

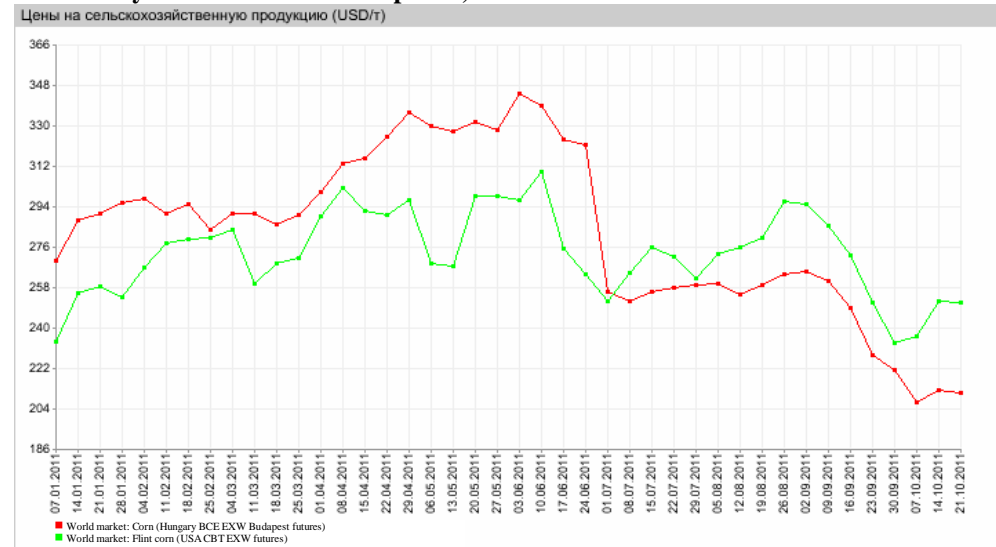


Chart 4. Dynamics of world corn prices, 16.09.11-21.10.11

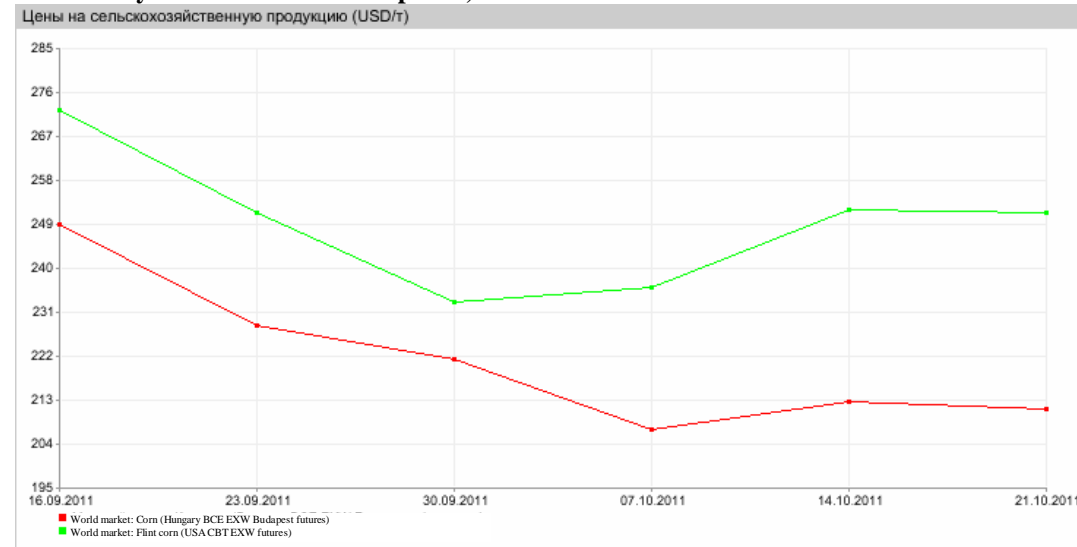


Chart 5. Dynamics of world sunflower oil prices, 07.01.11-21.10.11

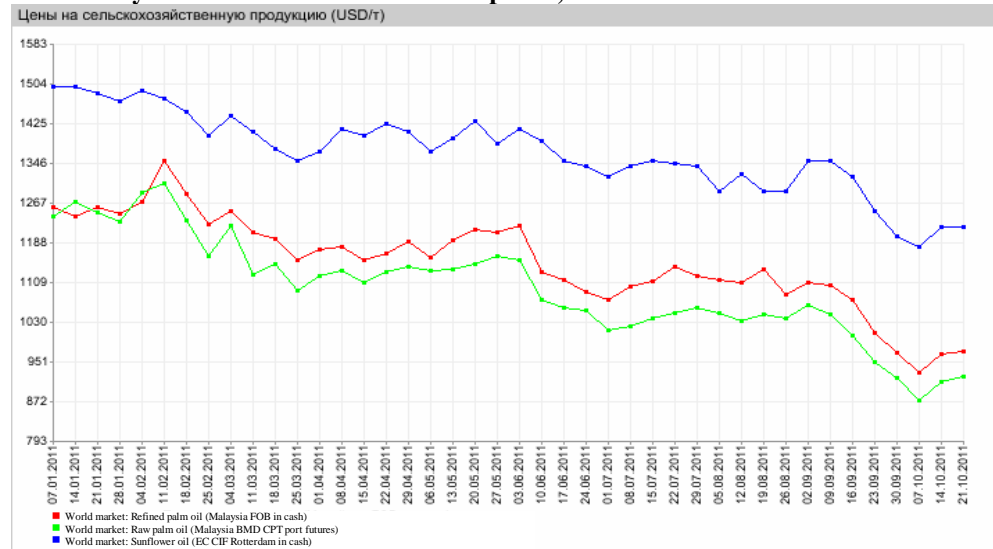


Chart 6. Dynamics of world sunflower oil prices, 16.09.11-21.10.11

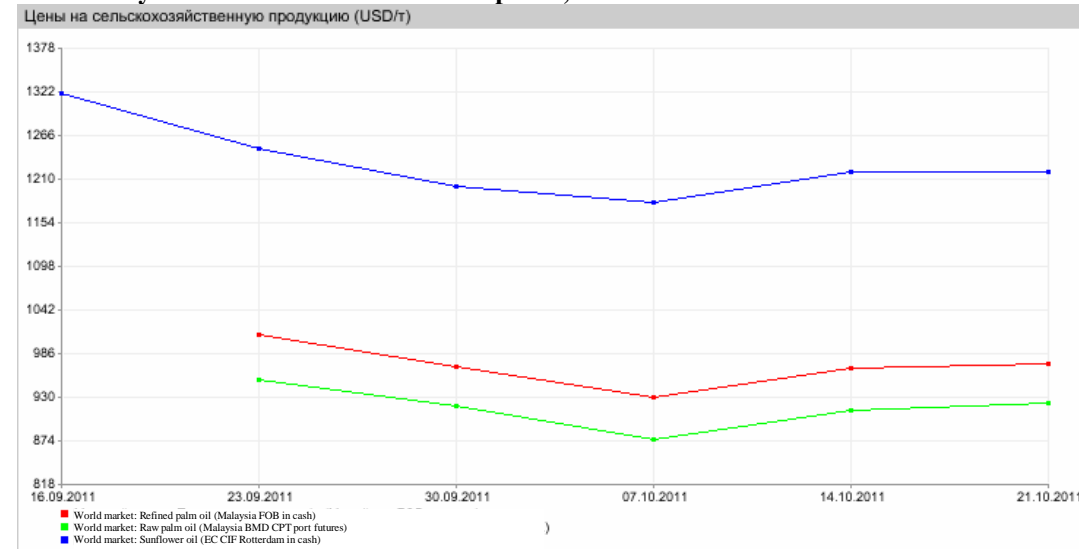


Chart 7. Dynamics of world white and raw sugar prices, 07.01.11-21.10.11

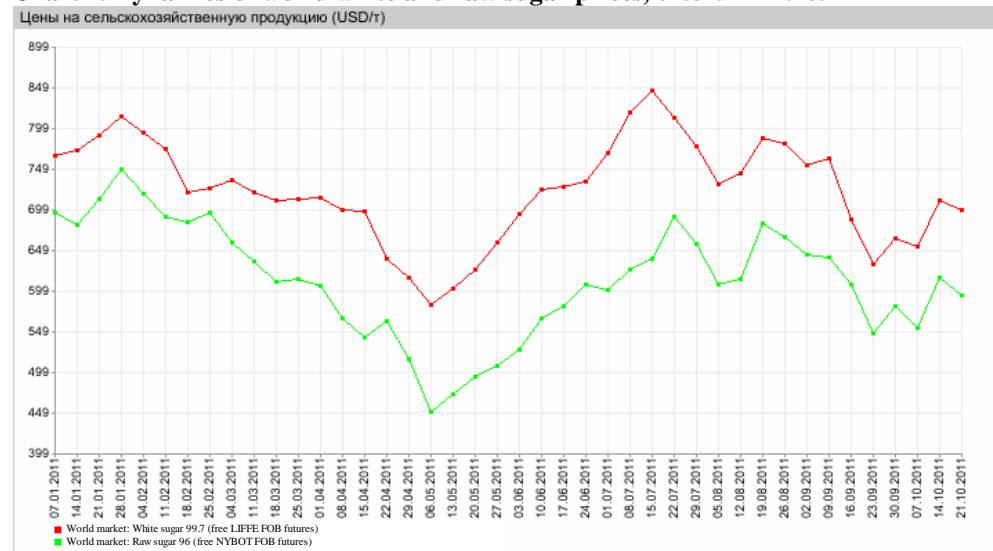
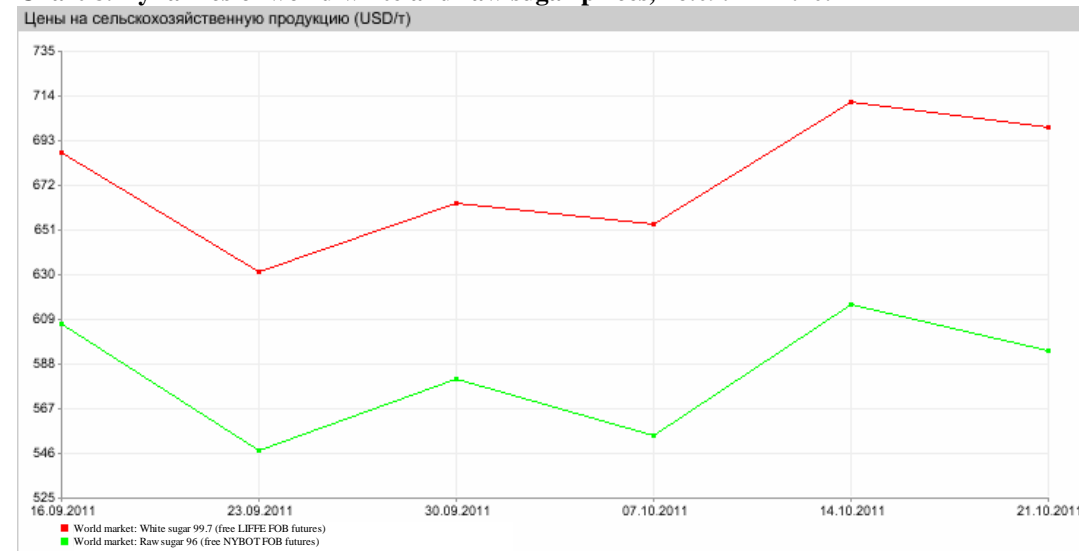


Chart 8. Dynamics of world white and raw sugar prices, 16.09.11-21.10.11



The review is prepared based on the data submitted by the National Statistical Committee of the Kyrgyz Republic (NSC KR), Ministry of Agriculture of the Kyrgyz Republic (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), Ministry of Agriculture of the Russian Federation (MoA RF), USDA, Ministry of Agriculture of the Republic of Kazakhstan, Statistics Agency of the Republic of Kazakhstan, Federal Service for State Statistics of the Russian Federation, Internet resources: News Agency “AKIpress”, News Agency “24.kg”, News Agency “APK-inform”, News Agency “Soyuzrossahar”, News Agency “Newsru”, Analytical Agency “Oil World”, News Agency “Kazakh-zerno” and News Agency “Reuters”.