

World grain market review

Crops

According to the International Grains Council (IGC) grain production in the current agricultural year (July, 2009 – June, 2010) is expected at 1748 million tons, up 15 million tons. Analysts forecast grain consumption in the new marketing year at 1741 million tons, up 5 million tons from the previous year. The forecast of grain endings stocks was also increased to 361 million tons.

According to September report of US Department of Agriculture (USDA) world wheat production in 2009/10 MY (marketing year) is expected at 663.7 million tons, up 4.4 million tons from August. Thus, the forecast of production has been increased in the EC-27 countries (+2.2 million tons), Russia (+1.0 million tons) and Ukraine (+0.5 million tons), due to improvement of weather conditions. However, the estimate of wheat production in Argentina has been decreased by 0.5 million tons due to torrid weather. The forecast index of wheat consumption in the current season was reviewed and adjusted to the increasing direction up to 646.1 million tons (+0.9 million tons). Thus, the volume of ending stocks of wheat in the world market in 2009/10 MY will increase to 186.6 million tons by 3.0 million tons from last month.

Updated reports on the crops yield and production, as well as large volumes of wheat ending stocks still considerably affect the prices dynamics in the number of countries. Thus, the prices for different varieties of wheat grains in the world market kept declining within the period since late August till early September. The same trend was observed in the corn and rice markets. However, sugar market like in the previous month was unstable.

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

Wheat

the USA

According to updated report of the USDA September forecasts for 2009/10 MY remained unchanged. Thus, the estimate of wheat production amounts to 59.4 million tons, consumption – 34.5 million tons, export – 26 million tons, import – 3,1 million tons. Ending stocks at the end of 2009/10 MY will amount to 20.2 million tons.

Sharp rise in prices within the range from \$158 to \$173 per ton was observed on September 15. The later was conditioned by the forecasts that light frosts were expected in the territories of some northern US states by September 23 which could negatively affect the crops. Currently, downward trend is observed in respect of the price for the US wheat. Thus, as of September 22 the price has reached the level of \$168. Compared to the prices of August there was observed decline which amounted to \$2.

Australia

According to News Agency “APK-info” based on the updated forecasts of the analysts from the Australian Bureau of Agricultural and Resource Economics (ABARE), in Australia the volume of wheat harvest in 2009/10 MY will amount to 22.7 million tons, this index will increase by 3 per cent from the previous estimate of the agency (22 million tons) and by 6 per cent – the index of the season 2008/09 (21.4 million tons). The main reason for increase in estimate has become growth in the level of wheat yield in Australia which has reached the level of 16.5 c/ha, while the sowing area was extended to 13.8 million ha.

As of September of the last year the USDA estimates wheat production in 2009/10 MY at the level of 23.0 million tons, consumption – 7.1 million tons, export – 14.5 million tons. The forecast of crops ending stocks remained unchanged and amounted to 6.0 million tons.

Within the period since August 24 till September 22 prices for the Australian wheat kept declining. Based of the results of the auctions (held on September 22, of the current year) price for wheat amounted to \$171 per ton, within the month it has decreased by 15 per cent.

EC-27

According to the USDA forecast the volume of wheat grains harvested in 2009/10 MY in the EC-27 countries is expected at 138.5 million tons, up 2.2 million

tons. The forecast of consumption for 2009/10 MY has increased to 127.0 million tons by 0.5 million tons. The estimate of the export and import volumes has remained unchanged at the level of 20.0 million tons and 6.5 million tons respectively. The volume of wheat ending stocks is expected at 17.2 million tons, up 1.8 million tons from the previous month.

The prices for different varieties of wheat on the European Exchange (Hungary) were retained at the level of August prices (\$149, September 22).

China

According to News Agency “Kazakh-zerno”, the China National Grain and Oils Information Center (CNGOIC) has decreased the forecast of the gross grain harvest in China from the current year. The volume of wheat production is expected at 115.0 million tons, decrease by 0.5 million tons from the previous forecast.

September forecast of the USDA for 2009/10 MY remained at the same level. Wheat production is expected at 114.5 million tons, consumption – 101.0 million tons, ending stocks – 61.0 million tons.

Within the period since August 24 till September 22 the prices on the exchanges of China were fluctuating within the range from \$299 to \$301 per ton, the later were characterized by the downward trend. Thus, within the reviewed period the price for the Chinese wheat has decreased by \$2.

Russia

The MOA of Russia reported that the volume of harvested grain as of September 16 of the current year has decreased by 25.5 per cent from the same date of 2008, to 77.4 million tons, while wheat production has amounted to 77.4 million tons. In the current year the average level of crops yield has decreased by 5.3 per cent from last year, to 24.6 c/ha. The estimate of the shortfall in grain production in the regions suffered from drought has been increased by 2 million tons from last month, to 13 million tons. Thus, the forecast of grain production has decreased to 85 million tons by 27 per cent from last year, .

The area under winter crops has made 10.8 million ha, the later has been extended by 3.4 million ha from last year.

Average price for the 3-d class* wheat in the domestic market of Russia as of September 22 has decreased to \$139 by \$13 per ton or 8.6 per cent from April. Decrease in price for the Russian wheat is conditioned by the high volume of ending stocks and lack of appropriate conditions for grain storage.

Kazakhstan

According to News Agency «Kazakhstan Today» with reference to the forecasts made by National Company Food Contract Corporation JSC the net volume of crops production in Kazakhstan in 2009 is expected to make 17-17.3 million tons. In 2009 the volume of grain export from Kazakhstan is reported to increase to 7 million tons by 1 million tons. While, the MOA of Kazakhstan reported that the volume of threshed grain made 10.5 million tons.

Kazagromarketing JSC reported that the purchase price for the 3-d class grain in the grain markets of Kazakhstan as of September 21 of the current year was fluctuating within the range from \$135 to \$170 per ton depending on the region. Thus, within the reviewed period decrease in prices has amounted to \$28-\$40.

Prices for the first grade flour as of September 15 of the current year were fluctuating within the range from KZT 43 to KZT 55 per kg, this index has decreased by KZT 2 from last month.

Kyrgyzstan

The Ministry of Agriculture, Water Resources and Processing Industry of the Kyrgyz Republic reported that the cereal crops harvesting area in the republic as of September 14 has increased to 410.2 thousand ha (77.6 per cent of harvesting area) by 0.7 thousand ha from 2008. Wheat harvesting area has increased to 310.3 thousand ha (76.9 per cent) by 14.6 thousand ha. The volume of gross harvest has increased to 1194.5 thousand tons by 330.4 thousand tons from September 14, 2008. While, the volume of gross wheat harvest has increased to 926.9 thousand tons by 260.4 thousand tons from last year. The level of crops yield has increased to 29.1 c/ha by 8.0 c/ha from last year. The level of wheat yield of this year has increased to 29.8 c/ha by 7.5 c/ha.

The State Agency on Antitrust Policy and Development of Competition under the Government of the Kyrgyz Republic reported that currently significant decrease of prices for crops was observed on the annual basis. Thus, the price for wheat as of early September, 2009 amounted to KGS 6.4 per kg. While, during the same period of 2008 the later was at the level of KGS15.2 per kg. Thus, the decrease has made 57.9 per cent and KGS 8.8 per kg. in absolute terms. The price for the high grade wheat in reported to have decreased to KGS 23.6 per kg by KGS 8.3 per kg (26.0 per cent) as of September 3, 2009 from 2008. The price for the first grade wheat has decreased to KGS 17.1 per kg by 35.2 per cent.

The Government of the Kyrgyz Republic was reported to have approved Order №495 as of September 4, 2009 on implementation of public purchases of the milling wheat grains harvested in 2009 meeting GOST (State Standard) requirements (gluten contents of the third grade wheat should amount to 23 per cent) at the price of KGS 1 per kg from the rural manufactures of the republic. Approval of the aforementioned Order will render assistance to the domestic manufacturers and become the reason for sowing areas extension in 2009/10 MY.

Large volumes of crops production both in the territory of the republic and in major importing countries have first of all affected import prices. The price for the 3-d grade wheat as of September 10 on the current year of DAF terms Lugovaya station (Kazakhstan-Kyrgyzstan) has decreased to \$179.9 by \$1.5 from last year.

Furthermore, it should be noted that forecast of wheat production amounting to 926.9 thousand tons is not sufficient in order to provide food supply security in the country as the safe volume of the food grain supply is defined based on 1 ton per capita ratio in accordance with the world practice. While in Kyrgyzstan this volume amounts to 172 kg per capita.

Corn

According to the forecasts of the USDA made in September the world corn production in 2009/10 MY at 794.1 million tons, decrease by 2.2 million tons from last month. The volume of consumption is expected at 799.6 million tons, up 0.6 million tons. The volume of the world corn trade is expected to increase as well (+1.8 million tons) to 86.3 million tons. Generally, the volume of ending stocks will decrease by 2.4 million tons to 139.1 million tons.

According to News Agency “APK-inform” based on the official customs data on China the volume of corn export from the country as of August of the current year has decreased to 11.9 thousand tons by 53 per cent from last year. According to the forecasts of the China National Grain and Oils Information Center (CHGOIC) analysts the volume of corn production is expected at 165.5 million tons, decrease by 1 million tons from August.

According to News Agency “Zerno-On Line” with reference to the Energy Information Administration under the US Ministry of Energy the volume of corn consumption used as a raw material for reference standard manufacturing will amount to 91.4 million tons in the current year.

Within the reviewed period the prices in the world corn market were characterized by downward trend. Thus, within the period from August 24 till September 22 of the current year the prices for corn in the European markets have decreased by \$6 or by \$138 per ton. Downward trend was observed as well in the markets of Asia: the price has decreased by \$3, from \$248 (August 24) to \$245 (September 22).

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

Rice

According to the updated review the USDA has preserved the forecast in the forthcoming marketing year at the level of 433.5 million per ton. The forecast of rice consumption has decreased to 438.0 million tons by 0.1 million tons from last month. The volume of ending stocks of such crops will decrease to 84.9 million tons by 0.9 million tons.

According to News Agency “Reuters” within the reviewed period prices for rice have decreased by \$1 and amounted to \$263 per ton.

According to the data submitted by the KR State Agency on Antitrust Policy and Development of Competition since the beginning of the current year the price for rice (without taking into account “Uzgen” rice) has increased by KGS 8.9 per kg or by 16.3 per cent. The current price for rice is 1.3 times the price for rice within the same period of the last year. Increase in price is reported to be conditioned by the fact that Kyrgyzstan is dependent on import which totals 58 percent of the consumption volume, as well as by introducing embargo on rice export in the number of countries exporting rice to Kyrgyzstan, such as China, Pakistan and India, due to shortage of supply in these countries. Seasonal factors and the USD exchange rate fluctuations had significant influence on increase in price for rice.

World sunflower oil review

According to the USDA revised forecast made in August the volume of oil world production in 2009/10 MY is expected at 136.7 million tons (decrease by 0.3 million tons). The forecast of the oil consumption has increased to 135.9 million tons by 0.2 million tons from last month. The volume of the sunflower oil world trade is expected at 55.8 million tons, decrease by 0.2 million tons. Ending stocks are expected at 9.7 million tons, up 0.2 million tons.

According to the USDA updated forecast the volume of palm and sunflower oil production will remain unchanged at the level of 45.1 million tons and 11.6 million tons respectively.

The prices for palm oil as of September 22 of the current year have decreased by 3 per cent or from \$720 to \$699 compared to the end of the last month.

Sunflower oil

According to the forecasts of Analytical Agency “Oil World” the volume of sunflower oil production in the world in 2009/10 MY (October-September) is expected at 12.1 million tons, decrease by 600 thousand tons from last year (12.7 million tons). The volume of sunflower oil world supplies to the foreign markets in 2009/10 is expected at 4.6 million tons, decrease by 0.7 million tons from last year. The general volume of sunflower oil world consumption in 2009/10 MY will amount to 12.3 million tons. As a result, the volume of sunflower oil ending stocks in the world will amount to 1.2 million tons.

The USDA reported that the volume of sunflower oil production in 2009/10 MY will amount to 11.6 million tons, consumption – 11.1 million tons. The volume of ending stocks will remain unchanged and amount to 0.7 million tons.

Within the reporting period world prices for this product have decreased by 5 per cent and amounted to \$358.

Generally, the prices within the “oils and fats” group in the Kyrgyz Republic as of September 16, 2009 have decreased by 0.4 per cent from August 19 of the current year.

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

Sugar

According to News Agency “APK-inform” the analysts of the International Sugar Organization (ISO) believe that the price for sugar will be supported by the current deficit in supplies. Within the period of one year to be ended in September, 2010 the volume of sugar imported on the part of India has amounted to 4.1 million tons, this value has increased by 3 per cent compared to the previous year. The volumes of the European Union import have increased to 4.5 million tons up 1.5 per cent, the USA – to 2.5 million tons by 0.1 per cent. In the current agricultural year the volume of sugar deficit over the whole world will reach highest level of 7.8 million tons. In the forthcoming 2009/10 MY the volume of deficit will amount to 5 million tons. Sugar deficit is extremely perceived within the period from October, 2009 till March, 2010 when the raw sugar processing starts in India and the sugarcane harvesting is coming to an end in one of the main sugar producing districts in Brazil. According to the analysts forecasts the volume of sugar production in this region of Brazil in 2009/10 is expected to decrease up to 30.3 million tons. According to earlier forecasts the volume of sugar production was expected to be within the range from 32 million tons to 33 million tons. Draught in India decreases the forecasts on the sugar production. The volume of sugar

production is expected to decrease up to 16 million tons compared to the volume of 17.5 million tons in the previous year.

Currently, the price for sugar on the London exchange has increased by \$23 compared to the index as of the end of the last month and amounts to \$573.

The price for the Russian sugar remains stable in spite of the world prices growth. Currently, the volume of sugar production in Russia amounts to 17.5 thousand tons per day, the later is more than enough to satisfy the demand for this product. Sugar production is expected to increase in October up to 38 thousand tons. The price for the Russian sugar as of September 21 of the current year amounts to RUB 24-24.2 Thousand per ton.

According to News Agency "Kazakh-zerno" the volume of the gross sugar beet harvest in Belorussia in 2009 is expected to be at the level of 4 million tons. Belorussia is reported to estimate the export potential for beet sugar manufactured from beet harvested in 2009 in the volume of 200 thousand tons. As of August 19, 2009 the price for the Belorussian sugar amounts to \$550 per ton.

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

Kyrgyzstan

The quotas on white sugar import in the volume of 80 thousand tons equally shared by Kaindy-Kant OJSC and Koshoi OJSC were introduced in accordance with the Resolution of the Government of the Kyrgyz Republic №221 approved on 07.04.2009. Within the period since April till August, 2009 Kaindy-Kant JSC and Koshoi JSC have imported 24.0 thousand tons of sugar to the territory of the republic. In accordance with the Order №325 approved by the State Agency on Antitrust Policy and Development of Competition under the Government of the Kyrgyz Republic on 26.08.2009 the wholesale release price shall be at the level of KGS 32300 per ton.

According to preliminary data submitted by the Administration of Financial Statistics and Review of the National Bank of the Kyrgyz Republic (AFSR NBKR) the volume of sugar imported from Belorussia to the territory of the Kyrgyz Republic within August, 2009 has totaled to 10.7 thousand tons, the later makes 95.7 per cent of the total volume of the imported goods of such kind. It should be noted that in July of the current year sugar was supplied from Azerbaijan and Ukraine, the volume of the later made 21.4 per cent and 11.1 per cent respectively. The price for sugar from Belorussia has decreased by \$7.1 compared to the same index of July and amounted to \$557.4.

NSC KR reported that the price for sugar in the domestic market as of September 16 has increased by 3.4 per cent compared to the index of the last month.

Meat

Kazakhstan

Generally, the amount of cattle stock in the Republic of Kazakhstan as of September 1, 2009 has decreased by 2.2 per cent and totaled 7046.5 thousand heads (within August, 2009). The amount of small cattle has decreased by 3.2 per cent and totaled 20779.3 thousand heads.

In Kazakhstan and, particularly, in the regions bordering with Kyrgyzstan (Almaty region) the amount of small cattle has decreased by 3.0 per cent within August, 2009 and totaled 3673.8 thousand heads, the amount of cattle has also decreased by 0.1 per cent and totaled 1001.2 thousand heads.

Kyrgyzstan

According to the data submitted by NSC KR the volume of major livestock production (cattle and poultry in the live weight intended for slaughter) within the period from January till August of the current year has increased by 29.0 thousand tons or by 13.7 per cent and amounted to 211.0 thousand tons.

NSC KR reported that the prices for meat as of September 16, 2009 were characterized by downward trend (by 0.1 per cent) compared to the last month.

Chart 1. Dynamics of world wheat prices, 02.01.09-18.09.09

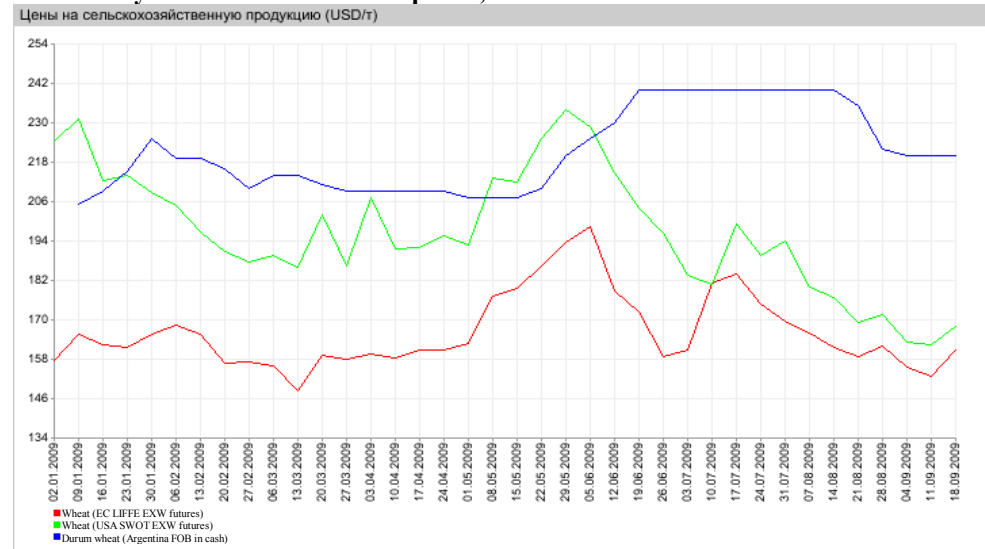


Chart 2. Dynamics of world wheat prices, 21.08.09-18.09.09

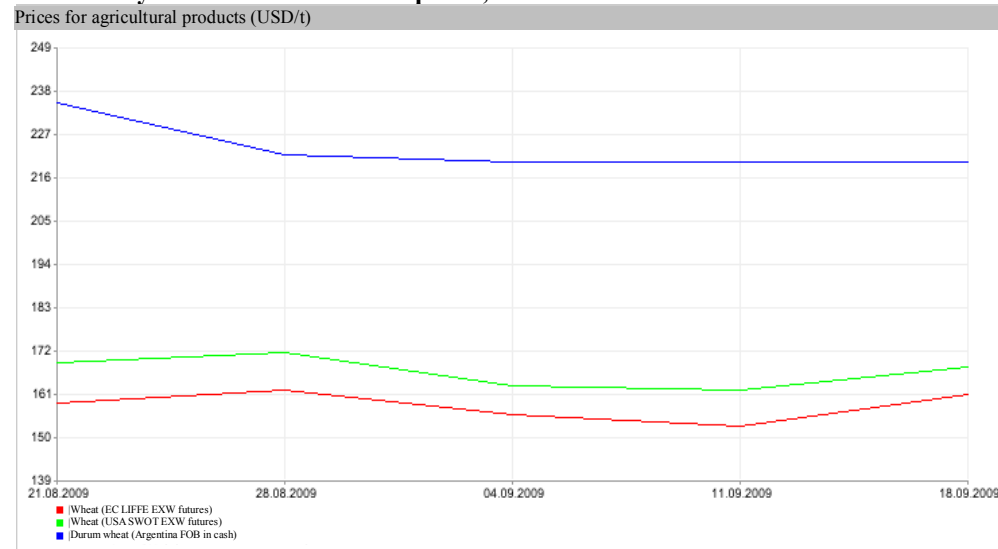


Chart 3. Dynamics of world corn prices, 02.01.09-18.09.09

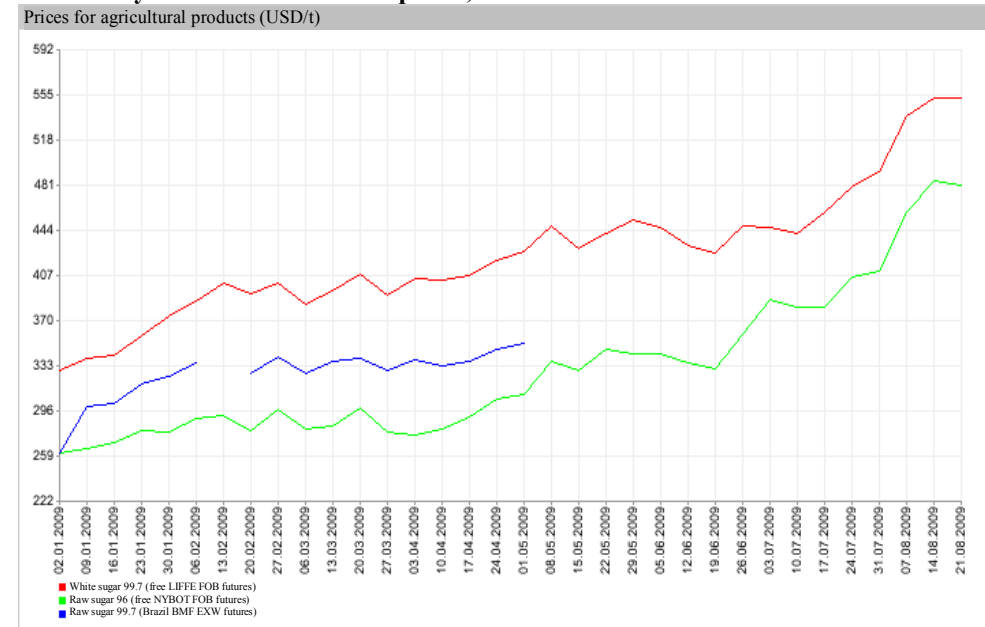


Chart 4. Dynamics of world corn prices, 21.08.09-18.09.09

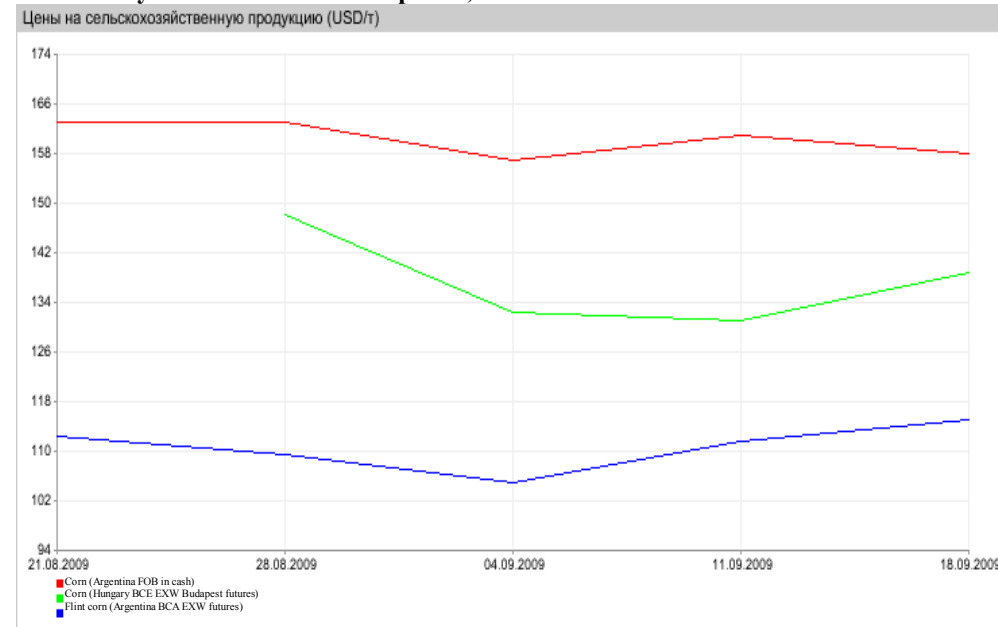


Chart 5. Dynamics of world sunflower oil prices, 02.01.09-18.09.09

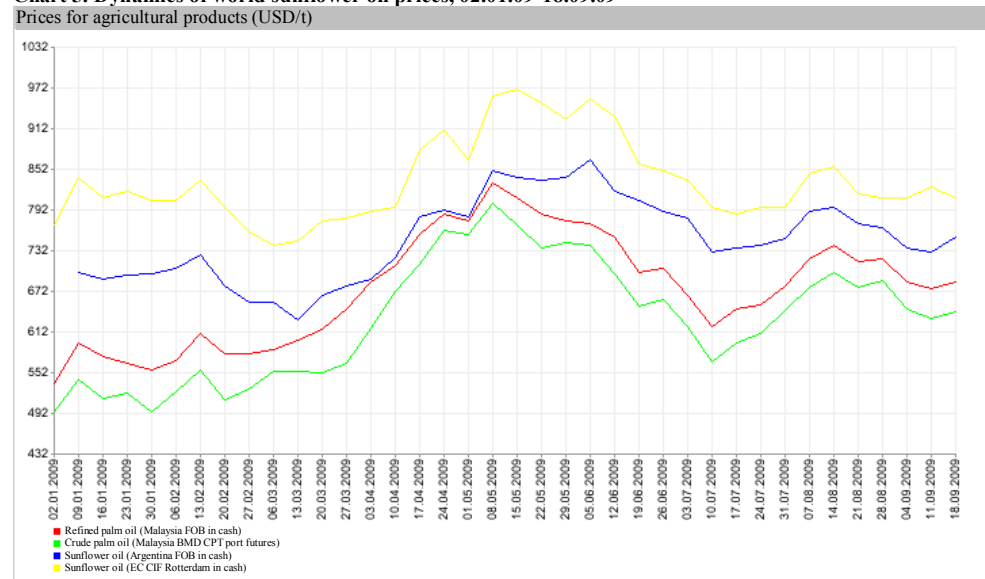


Chart 6. Dynamics of world sunflower oil prices, 21.08.09-18.09.09

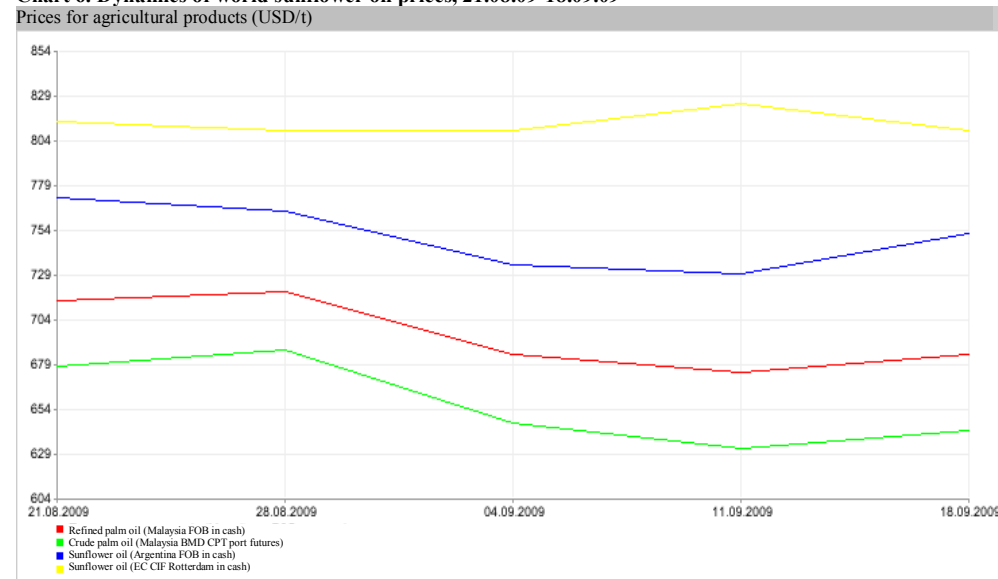


Chart 7. Dynamics of world white and raw sugar prices, 02.01.09-18.09.09

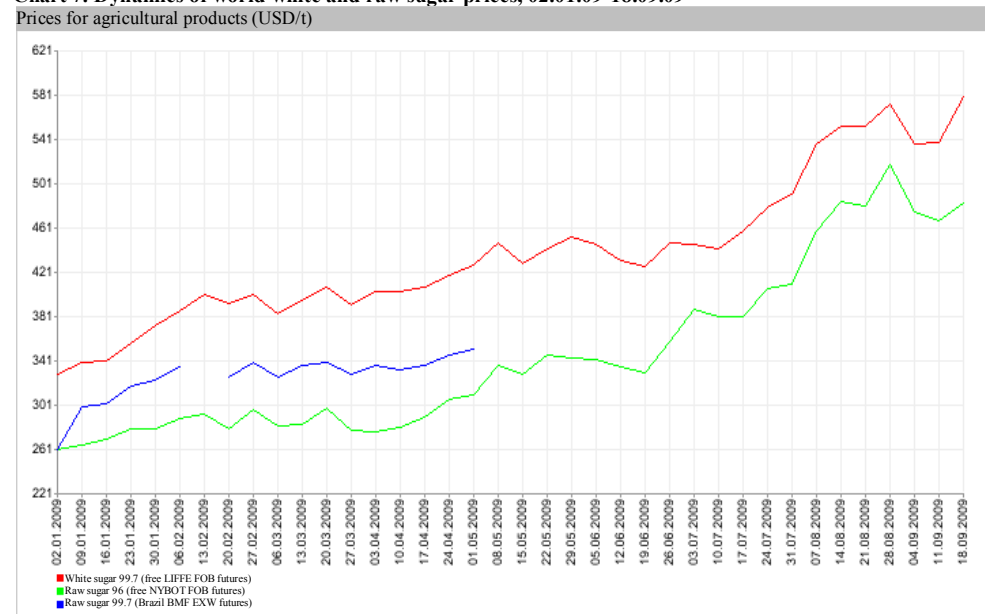
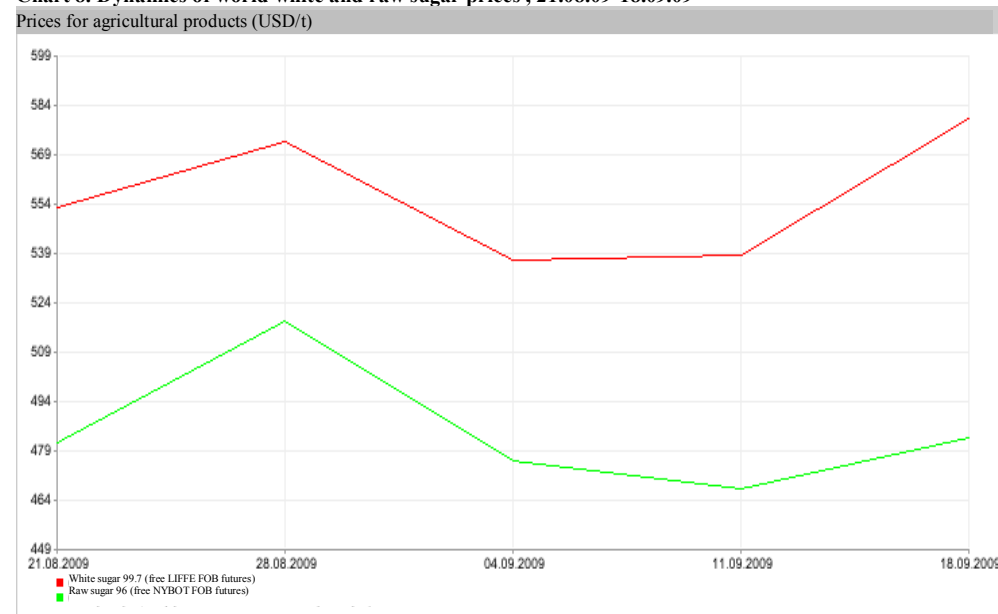


Chart 8. Dynamics of world white and raw sugar prices, 21.08.09-18.09.09



Source: New 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, MOA RF, US DA, International Grains Council (IGC), MOA RK, Statistics Agency of the Republic of Kazakhstan , Kazagromarketing JSC, Federal Service for State Statistics of the Russian Federation, Ministry of Economic Development and Trade of the Russian Federation, Internet resources: News Agency “AKIpress”, News Agency “24.kg”, New Agency “APK-inform, News Agency “Zerno On-Line”, News Agency “Soyuzrossahar”, RIA “Novosti”, News Agency “ITAR-TASS”, News Agency “RBK”, News Agency “Kazakhstan Today”, Analytical Agency “Oil World”, News Agency “Kazakh-zerno”, News Agency “Bloomberg”, ‘Ecowin’, News Agency “Reuters”.