

## World grain market review

### Crops

According to International Grains Council (IGC) grain production in the current agricultural year (July, 2009 – June, 2010) is expected at 1753 million tons up 5 million tons. According to the analysts forecasts grain consumption in the new marketing year is expected at 1743 million tons up 2 million tons from the previous year. The forecast of grain endings stocks was also increased to 363 million tons.

According to October report US Department of Agriculture (USDA) world wheat production in 2009/10 MY (marketing year) is expected at 668.1 million tons up 4.4 million tons from August. Thus, the forecast of production has been increased in the EC-27 countries (+0.6 million. tons), Russia (+1.0 million. tons) and Kazakhstan (+0.5 million. tons), due to improvement of weather conditions. However, the estimate of the product 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, ending stocks of wheat in the world market in 2009/10 MY will increase to 186.6 million tons, up 3.0 million tons from last month.

In the reviewed period growth in prices was observed in respect of all crops. Analysts believe that growth in quotations is conditioned by increase in demand due to the world economy revival. Expectations of the sowing areas reduction due to low market prices in the current year have a significant effect on the market. Harvest problems in the USA where negative weather conditions prevent from onset of harvesting activities create the risks of increase in prices for grain both in the short-term and in the mid-term prospects.

*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 2009/10 MY on wheat production have been increased to 60.4 million tons, up 1.0 million tons. While, wheat consumption has been decreased to 33.3 million by 1.2 million tons, export – by 1 million tons. The forecast index of import has been retained at the level of 3.1 million tons. Ending stocks at the end of 2009/10 MY will amount to 23.5 million tons (+3.3 million tons).

In late September, 2009 the prices for the American wheat were characterized by the upward trend which lasted in October of the current year. Within the reviewed period the price for wheat has increased by \$39 or 18.8 per cent. Growth in prices were mainly conditioned by unfavorable weather which slows down harvesting process and increases the risk of delay in terms of the winter wheat sowing.

#### *Australia*

According to News Agency “APK-inform” abundant rainfalls in the territory of the grain zone in Australia in September conditioned increase in the estimate of the gross wheat harvest in the current season. Particularly, according to the experts’ forecasts from the National Bank of Australia the volume of the crops production is expected at 23 million tons up 2.2 per cent (500 thousand tons) compared to September forecast. According to the Australian Bureau on Statistics the volume of the carryover wheat reserves in Australia as of late September of the current year has amounted to 3.4 million tons, the later is two times the volume 2008. For reference only: the volume of domestic wheat consumption amount to 6-7 million tons.

In September, the USDA increased the estimate of wheat production in Australia in 2009/10 MY up to 23.5 million tons. The consumption and export forecasts have not been changed and amounted to 7.1 million tons and 14.5 million tons respectively. The forecast of ending stocks has been increased by 0.5 million tons, up to 6.5 million tons.

Within the period since September 22 till October 23 prices for the Australian wheat were characterized by the upward trend, the later have increased by \$30 or 17.5 per cent compared to the same index of last month and amounted to \$201.

#### ***EC-27***

According to the USDA forecast the volume of wheat grains harvested in 2009/10 MY in the EC-27 countries will increase to 139.1 million tons up 0.6 million tons. The forecast of consumption for 2009/10 MY has increased to 128.0 million tons, up 1.0 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 by the end of 2009/10 MY is expected at 16.3 million tons, decrease by 0.9 million tons from previous month.

The prices of different varieties of wheat as of October 23, 2009 on the European Exchange (Hungary) have increased by \$21 (+14.1 per cent) compared to the price of September and amounted to \$170 per ton.

#### ***China***

October forecast of the USDA for 2009/10 MY on wheat production remained the same. However, the estimate of consumption has been increased to 102.0 million tons up 0.2 million tons. The later has caused decrease in the volume of wheat ending stocks by 1.0 million tons, up to 60.0 million tons.

Within the period since September 22 till October 23 the prices on the exchanges of China were fluctuating within the range from \$303 to \$3061 per ton. Thus, within the reviewed period the price for the Chinese wheat has increased by \$4-5.

#### ***Russia***

The RF MOA reported that the volume of grain and pulse crops produced in the Russian Federation as of October 20 of the current year has decreased to 98.8 million tons, by 13.4 million tons from last year. The yield has decreased to 23.8 c/ha by 1.3 c/ha from last year. The volume of threshed wheat has totaled 62 million tons (in 2008 – 65.9 million tons).

The area under winter crops has been extended by 1.4 million ha from last year and made 17.1 million ha (96 per cent of the plan).

According to News Agency “Prime-TASS” with reference to the data submitted by the Government of the Russian Federation the volume of grain production in Russia in 2009 is expected to make 95-97 million tons. This index has increased by 10-12 million tons from last month due to the large harvest volumes in Siberia.

According to the forecast of the Ministry of Economic Development and Trade of the Russian Federation the volume of grain export in the current agricultural year is expected to exceed 19 million tons taking into account possible deterioration in competitiveness of the Russian grain in the external markets.

Average prices for the 3-d class wheat in the domestic market of Russia as of October 23 have decreased by \$20 per ton or 16 per cent compared to the

quotations in September and amounted to \$119<sup>1</sup>. Decrease in prices for the Russian wheat is conditioned by increase in the forecast index of the production volume in the current marketing year.

### **Kazakhstan**

The MOA RK reported that the volume of grain production as of October 20, 2009 has increased to 22.7 million tons in bunker weight up 5.7 million tons or 34 per cent from last year. The volume of grain export potential in the current marketing year is reported to amount to 9-10 million tons.

Kazagromarketing JSC reported that the price for the first grade flour as of October 20 was fluctuating within the range from KZT 39 to KZT 56 per kg compared to KZT 43 – KZT 55 as of September 15, 2009. The RK Agency on Statistics reported that prices for wheat have decreased by 4.5 per cent in the domestic market of Kazakhstan.

Large volume of grain produced within the period of the current year decreases purchase prices thus the agricultural producers will not receive expected profit the later is likely to condition wheat growing areas reduction in the next season.

### **Kyrgyzstan**

The MOA KR reported that the gross wheat harvest in Kyrgyzstan as of October 22 has increased to 1.1 million tons up 317.7 thousand tons from last month (825.7 thousand tons). Thus, the net volume of wheat will amount to 1.0 million tons at the end on 2009. The volume of demand for wheat in Kyrgyzstan will amount to 1.2 million tons. Volume deficiency is reported to be imported from Kazakhstan both in the form of grain and flour.

According to News Agency “Kazakh-zerno” the price for the 3-d grade wheat as of October 20, 2009 on DAF terms Lugovaya station (Kazakhstan-Kyrgyzstan) has decreased by \$35 from last month and amounted to \$145.

### **Corn**

According to October report of the USDA the world corn production in 2009/10 MY is expected at 792.5 million tons, decrease by 1.6 million tons from last month. The volume of consumption is expected at 803.1 million tons, up 3.5 million tons. The volume of the world corn trade is expected to decrease (-1.5 million. tons) up to 84.8 million tons. Generally, the volume of ending stocks will decrease to 136.3 million tons by 2.8 million tons.

News Agency “ChinaPRO” reported that according to the forecasts of the US Grains Council (USGC) the Chinese corn harvest in the current year will be affected by the draught in several provinces of the grain zone of China and the index of the later is expected to decrease to 148.8 million tons by 10 per cent.

According to News Agency “APK-inform” Argentina, one of the largest corn exporters in the world, is expected to produce 16 million tons in the current season, export potential of the later is expected to amount to 8 million tons.

Within the reviewed period the prices in the world corn market were characterized by rising trend. Thus, within the period from September 22 till October 23 of the current year the prices for corn in the European markets have increased by \$30 or by \$168 per ton. Upward trend was observed as well in the markets of Asia: the price has increased by \$9, from \$245 (September 22) to \$254 (October 23).

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<sup>1</sup> Prices are calculated based on MFMAD ED (USD 1 = RUB 28.98)

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

## **Rice**

The USDA has increased the estimate of the world rice production to 433.7 million tons in the forthcoming marketing year. The forecast of rice consumption has been increased to 438.5 million tons, up 0.5 million tons from last month. The rice ending stocks are expected at 85.9 million tons, up 1.0 million tons.

According to News Agency “Reuters” within the period since September 22 till October 14 the prices for rice were characterized by upward trend, afterwards the later started declining. However, the price has not reached the level of September and amounted to \$268 per ton (October 23).

According to News Agency “Kazakh-zerno” reduce in the volumes of rice reserves and bad harvest in India will condition growth in prices for rice. According to the data submitted by the Food and Agriculture Organization of the United Nations (FAO) the volume of rice reserves with the five largest rice producers as of the end of 2009/10 MY are expected to decrease by one third to the minimum level within the period of five years. The volume of rice reserves are expected to decrease up to 20 million. tons compared to 30 million. tons in the last year in Thailand, Vietnam, the USA, Pakistan and India by September 30, 2010 when the current marketing year ends. The later was partly conditioned by bad harvest in India where the level of rainfalls at the height of the season was extremely low. The amount of grown rice in India will decrease by 18 per cent in the new marketing year.

## **World sunflower oil review**

According to the USDA revised forecast made in September the volume of oil world production in 2009/10 MY in expected at 136.9 million tons (decrease by 0.2 million tons). The forecast of the oil consumption has decreased to 134.7 million tons by 1.2 million tons from last month. The volume of the sunflower oil world trade is expected at 56.8 million tons, up 1.0 million tons. Ending stocks are expected at 10.7 million tons, up 1.0 million tons.

According to the USDA updated forecast the volume of palm oil production is expected to decrease up to 45.0 million tons, the volume of sunflower oil production is expected to increase up to 11.7 million tons.

The prices for palm oil as of October 23 of the current year have increased by \$3 or from \$699 to \$702 compared to the end of 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 to remain at the level of the forecasts made in the last year (12.1 million. tons). However, the later has increased the estimate index of the sunflower oil world supplies volume to the external markets in 2009/10 by 1 million tons. According to the analysts of News Agency “APK-inform” increase in volumes of the sunflower oil trade is conditioned by growth in demand due to improvement in price difference between sunflower and other varieties of oil. The later contributed to import stimulation on the part of such large world oil market players as India and Iran.

The USDA reported that the volume of sunflower oil production in 2009/10 MY will amount to 11.7 million tons (+0.1 million. tons), consumption – 11.1 million tons. The volume of ending stocks will remain unchanged and amount to 0.7 million tons.

According to News Agency “Kazakhstan Today” the RK MOA reports

about record amounts of oil crops to be harvested. Thus, the volume of oil seeds production in Kazakhstan is expected at 700 thousand tons, up 70 per cent from last year. Increase in the harvest volumes is mainly conditioned by that fact that sowing areas are 1.5 times extended to 1 million ha.

According to Analytical Agency "Oil World" the volume of gross oil crops harvest in Ukraine in 2009 is expected to make 9 million tons, the volume of the gross sunflower harvest is expected to make 6.1 million tons. The forecast of sunflower production in Russia is expected to reach 6.7 million tons.

Within the reporting period world prices for the sunflower oil have increased by 8.4 per cent and amounted to \$388.

Generally, the prices within the "oils and fats" group in the Kyrgyz Republic as of October 14, 2009 have decreased by 1.0 per cent from September 16 of the current year.

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

## **Sugar**

According to News Agency "Soyuzrossahar" the Government of India has revised the forecast index of the domestic sugar production and changed the later from 16 million tons to 17-18 million tons. Thus, the later has decreased the volume of raw sugar purchase in the world market by 2 million tons. Such statement on the part of the Government of India was conditioned by changed weather conditions. The matter is that the rainfalls, which are expected to secure the sugarcane, started in the dry region where the harvest was nearly destroyed by drought.

According to experts' forecasts sugar deficit is expected in Ukraine in 2009. The later is likely to be conditioned by sugar beet acreage reducing and decrease of the production volumes in the current marketing year.

Purchase prices for sugar beet are reported to remain high due to the current price situation in the sugar market. Thus, the current situation contributes to increase of the agricultural producers' interest in sugar beet acreage extension. The later in expected to be extended by 10-15 per cent, this will result in stabilizing the situation in the sugar market.

As of October 21 the average wholesale release prices in Russia (with VAT) have increased to RUB 24600 per ton (or \$849), by RUB 493 (or by \$15) from last month.

The price for sugar on the London exchange was fluctuating within the range from \$550 to \$618 and by the end of the reporting period the later has increased to \$583 per ton by \$10 from last month. Decrease in price up to the level of \$618 was conditioned by the information about revision of data on sugar purchase and production of the part of the Governments of India and Pakistan.

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

***Kyrgyzstan***

The State Agency on Antitrust Policy and Development of Competition under the Government of the Kyrgyz Republic established the wholesale release price for the regular lot of sugar sold by Kaindy-Kant OJSC. The price for sugar totaled 8166.4 tons sold ex storehouse Bishkek was preserved at the level of KGS 32300 per ton inclusive of VAT and sales tax. The price for sugar sold ex storehouse Osh totaled 2041.6 tons will make KGS 32300 per ton inclusive of VAT and sales tax.

NSC KR reported that the price for sugar in the domestic market as of October 14 has increased by 1.7 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 October 1, 2009 has decreased by 3.1 per cent and totaled 6827.4 thousand heads (within September, 2009). The amount of small cattle has decreased by 3.8 per cent and totaled 19999.0 thousand heads.

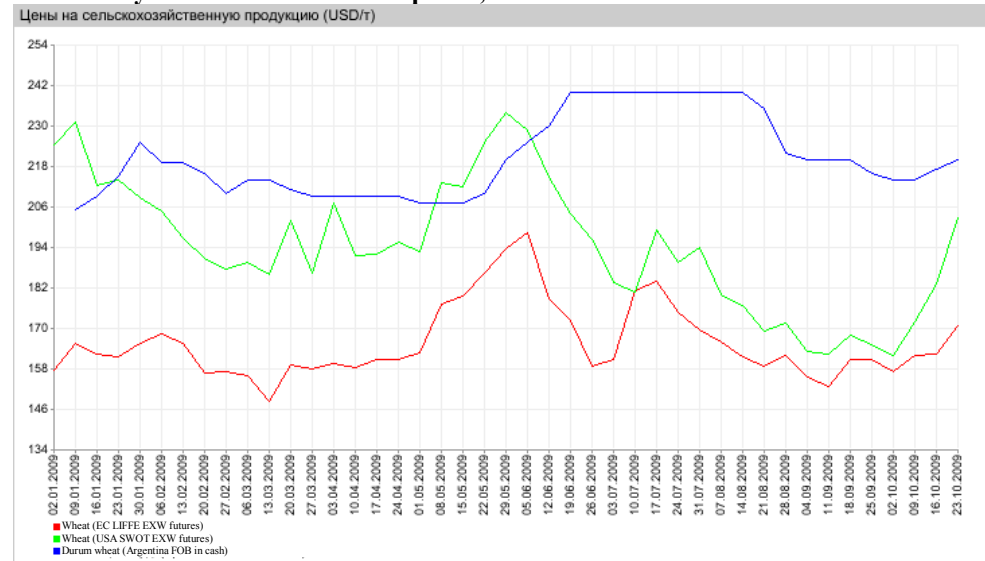
In Kazakhstan and, particularly, in the regions bordering with Kyrgyzstan (Almaty region) the amount of small cattle has decreased by 4.5 per cent within September, 2009 and totaled 3578.0 thousand heads, the amount of cattle has also decreased by 3.5 per cent and totaled 965,9 thousand heads.

***Kyrgyzstan***

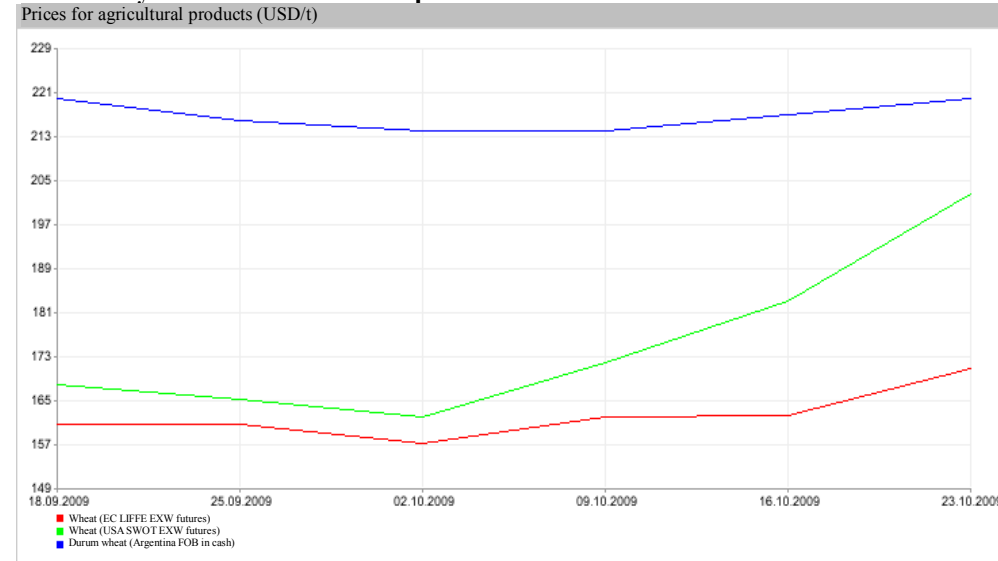
According to the data submitted by NSC KR the volume of major livestock production (cattle and poultry in the live weight intended for slaughter) within the period from January till September of the current year has increased by 29.8 thousand tons compared to the same index of January-August of the current year and amounted to 240.8 thousand tons.

NSC KR reported that the prices for meat as of October 14, 2009 were characterized by upward trend. Thus, the price for meat products has increased by 0.3 per cent compared to the price of the last month.

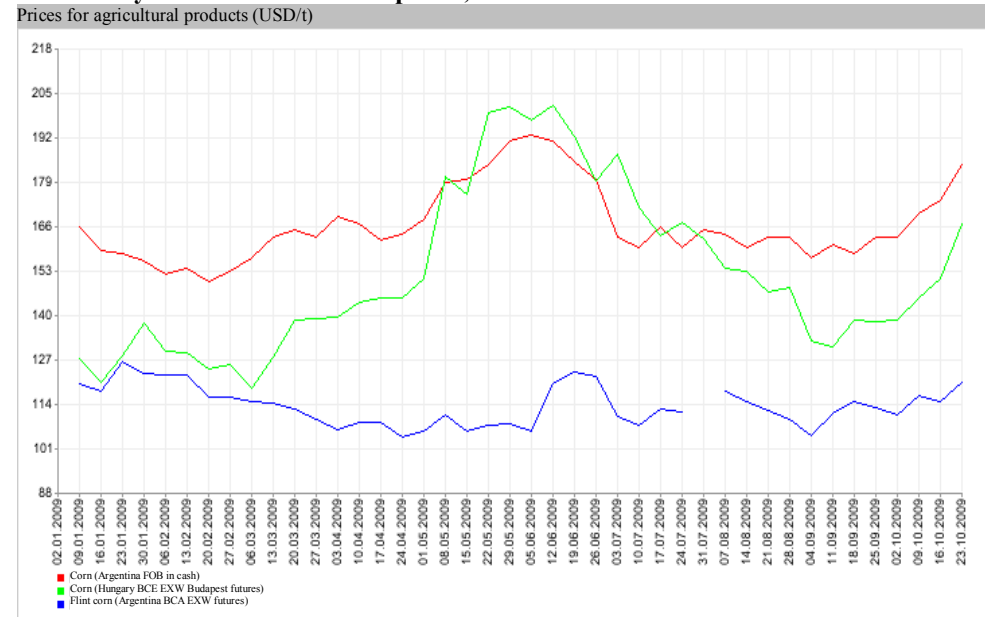
**Chart 1. Dynamics of world wheat prices, 02.01.09-23.10.09**



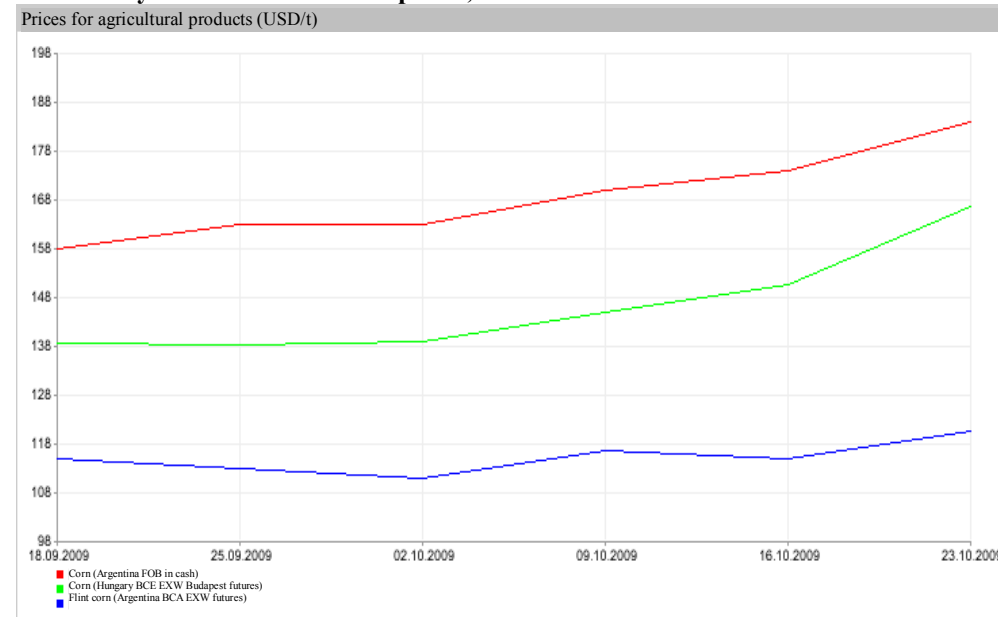
**Chart 2. Dynamics of world wheat prices 18.09.09-23.10.09**



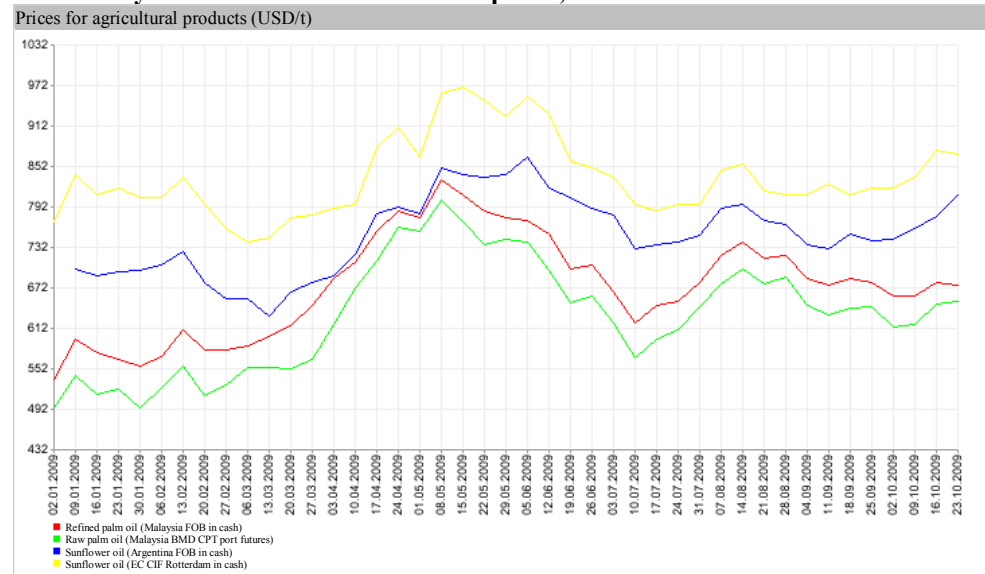
**Chart 3. Dynamics of world corn prices, 02.01.09-23.10.09**



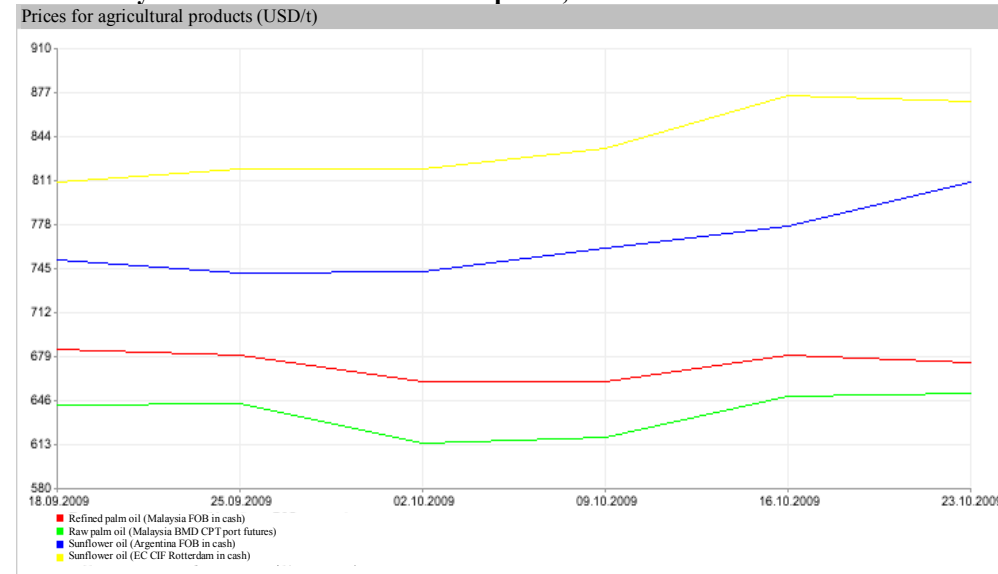
**Chart 4. Dynamics of world corn prices, 18.09.09-23.10.09**



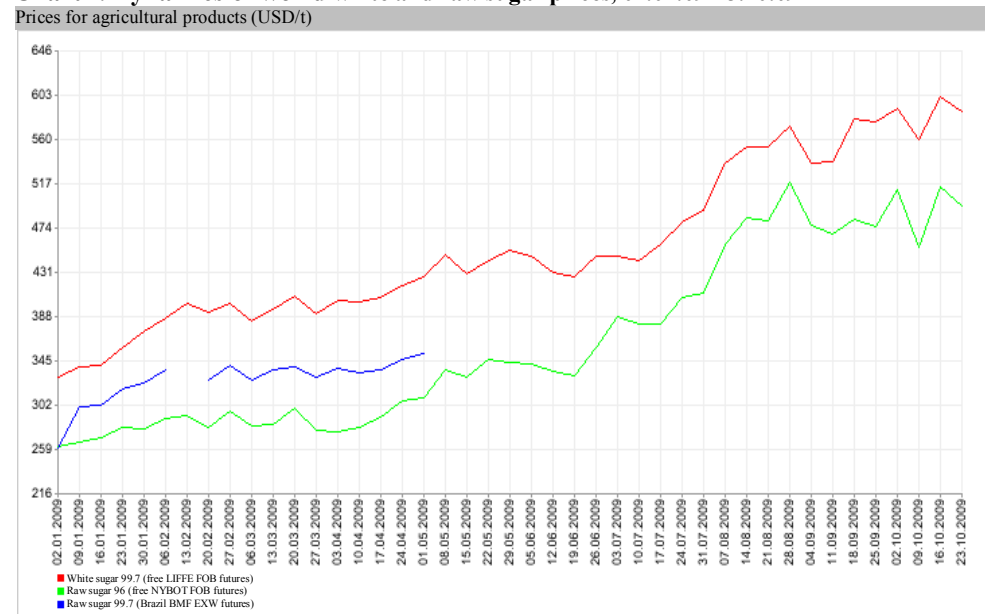
**Chart 5. Dynamics of world sunflower oil prices, 02.01.09-23.10.09**



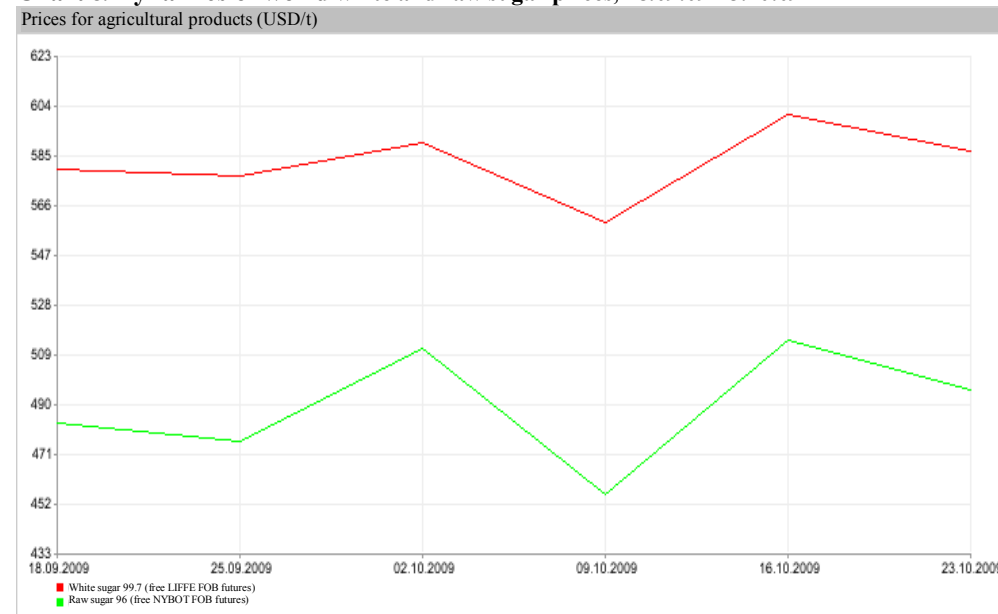
**Chart 6. Dynamics of world sunflower oil prices, 18.09.09-23.10.09**



**Chart 7. Dynamics of world white and raw sugar prices, 02.01.09-23.10.09**



**Chart 8. Dynamics of world white and raw sugar prices, 18.09.09-23.10.09**



Source: New Agency «APK-inform»; [www.apk-inform.ru](http://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 Regulation under the Government of the Kyrgyz Republic, MOA RF, USDA, International Grains Council (IGC), MOA RK, Statistics Agency of the Republic of Kazakhstan, Kazagrommarketing 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”, News Agency “APK-inform, News Agency “Zerno On-Line”, News Agency “Soyuzrossahar”, News Agency “Prime-TASS”, RIA “Novosti”, News Agency “ITAR-TASS”, AA “Oil World”, News Agency “Kazakh-zerno”, News Agency “ChinaPRO”, News Agency “Reuters”.