

World grain market review

Crops

According to the International Grains Council (IGC) the world crops production is expected at 1768 million tons, decrease by 25 million tons from 2009. IGC estimates consumption at 1744 million tons (-22 million tons), world trade – 229 million tons (-19 million tons), ending stocks – at 385 million tons (-24 million tons).

According to January report of US Department of Agriculture (USDA) world wheat production in 2009/10 MY is expected at 676.1 million tons, up 2.2 million tons from December. Generally, due to increase of the forecast by 2.2 million tons in the territory of Russia. The forecast index of wheat consumption in the current season was reviewed and adjusted to the decreasing direction up to 644.5 million tons (-2.2 million tons). Thus, the volume of ending stocks of wheat in the world market in 2009/10 MY will increase by 4.6 million tons from last month to 195.6 million tons.

According to News Agency Dow Jones with reference to the official data submitted by the Government the winter wheat acreage in India as of December 31 has made 26 million ha compared to 25.5 million ha as of the same date of 2008. India is the second largest wheat producer in the world. In the season-2009/10 the country intends to increase the volumes of crops production by 2 million tons and harvest more than 82 million tons of wheat.

Currently, the market prices for grain suffer pressure on the part of the excessive wheat supply under the conditions of weak economy. Growth in the volumes of production has caused the situation when reserves-to-supply ratio has reached the highest level since 2001-2002 marketing year and made 30 per cent. Excessive grain supply is likely to reduce the world production in 2010. Thus, according to the preliminary forecasts the volume of sowing areas in the USA is expected to decrease by 3 per cent.

Generally, within the reviewed period grain markets were characterized by the downward price trend, the later was conditioned by low level of demand and high level of goods supply.

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

Wheat

the USA

According to updated report of the USDA January forecasts for 2009/10 MY on wheat production have not changed and remained at the level of 60.3 million tons. Wheat consumption has been decreased to 32.2 million tons by 0.6 million tons, export – by 1.5 million tons (22.5 million tons). The forecast of import has been retained at the level of the last month (3.1 million tons). The volume of ending stocks at the end of 2009/10 MY will amount to 26.7 million tons (+0.1 million tons).

The USDA reported that the winter wheat acreage sown by the American farmers for 2010 harvest has decreased by 14 per cent from 2009. Sowing areas reducing is mainly conditioned by adverse pricing environment and unfavorable weather conditions.

Thus, the price for wheat as of January 21, 2010 has reached the level of \$184 per ton.

Within the period from December 18 till January 11, 2010 the price for the American wheat was characterized by the upward trend, the later has reached the level of \$210 per ton. However, when the USDA issued its report for January, the market was characterized by the downward price trend. Thus, by January 21, 2010 the price has reached the level of \$184 per ton.

Australia

In January, the USDA estimate of wheat production and consumption in Australia in 2009/10 MY remained at the same level (22.5 million tons and 7.1 million tons respectively). The forecast of export remained at the same level of 0.5 million tons.

According to the data submitted by the Australian Bureau on Statistics (ABS), the volume of wheat reserves (in bulk) in the country as of the end of November, 2009 has 2.5 times exceeded the same index of October, 2009 (3.7 million tons) and amounted to 10 million tons.

The price for the Australian wheat as of January 21, 2010 has amounted to \$190. Thus, the price has decreased by \$12 within the period of one month.

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 138.3 million tons. The forecast of consumption and export for 2009/10 MY have amounted to 127.0 million tons and 19.0 million tons respectively. The estimate of import volume has been decreased to 6.5 million tons by 0.5 million tons. The volume of wheat ending stocks by the end of 2009/10 MY is expected at 17.2 million tons (-0.4 million tons)

The prices of different varieties of wheat as of January 21, 2010 on the European Exchange (Hungary) have slightly increased (+ \$1) compared to the price of December, 2009 and amounted to \$158 per ton.

China

January forecast of the USDA for 2009/10 MY on wheat production remained the same (114.5 million tons). The estimate of consumption amounts to 102.0 million tons. However, the volume of wheat ending stocks is expected at 60.8 million tons, up 0.2 million tons.

Within the period since December 18, 2009 till January 21, 2010 the price for the Chinese wheat has increased to \$319 per ton, up \$8.

Russia

The volume of the gross grain and pulse crops harvest (weight after processing) has decreased to 97.0 million tons by 10.3 per cent from 2008. The volume of the gross wheat harvest has amounted to 61.7 million tons compared to the volume of 63.7 million tons in 2008.

In the agricultural organizations as of December 1, 2009 winter crops acreage sown for the harvest of the future year has increased to 13.5 million ha, up 5.8 per cent from 2008.

According to the First Prime-Minister of the Russian Federation Russia possesses considerable export potential in the international grain markets and can export from 25 to 30 million tons of grain within the year.

The weighted average price for the 3-d class wheat purchased for intervention fund has amounted to \$138¹ per ton. The volume of the 3-d class wheat purchased by the Government has made more than 1.0 million tons.

Average prices for the 3-d class wheat in the domestic market of Russia as of January 21 of the current year have decreased by \$11 per ton or 10 per cent compared to the quotations of December and made \$113. The prices are decreasing under the influence of low market prices and demand.

Kazakhstan

The MOA RK reported that the volume of grain and pulse crops production (weight after processing) in Kazakhstan in 2009 amounted to 20.8 million tons, the volume of wheat production amounts to 82 per cent (17.1 million tons). The volume of wheat reserves as of January 1, 2010 has

¹ Prices are calculated base on MFMAD ED (USD 1 = RUB 29.8)

decreased to 16.4 million tons by 0.4 million tons from last month.

According to News Agency “Kazakhstan-Today” the highest volume of crops production (20.8 million tons) could not be preserved in Kazakhstan to the full extent. The volume of about 7 million tons of grain has perished due to low level of demand and lack of proper storage conditions. However, the Ministry of Agriculture of the Republic of Kazakhstan disapproves this information and declares about 700 thousand tons. Currently, the Ministry of Agriculture has not submitted any forecasts regarding the harvest of 2010, due to uncertain situation in the grain market. The aforementioned situation can become the reason for losses suffered by the agricultural manufacturers and as a result reducing crops acreages in 2010.

According to Kazakhmarketing JSC the prices for the first grade flour as of January 12 of the current year were fluctuating within the range from KGZ 33-50 compared to KZT 32-50 as of December 18, 2009.

Kyrgyzstan

Generally, the volume of wheat production in Kyrgyzstan in 2009 has amounted to more than 1.0 million tons, this volume satisfies the demand of population for this product to the full extent (186 kg per capita exclusive of ending stocks). While, the minimum demand for wheat amounts to 89.2 kg, physiological need – 118.1 kg. According to the data submitted by the NSC KR within the period of nine months the volume of wheat consumption has decreased to 628.1 thousand tons by 4 thousand tons from 2008 and amounted, the volume of ending stocks has increased to 984.2 thousand tons by 400.4 thousand tons from 2008. The USDA reported that the volume of wheat acreage in 2010 is planned to make approximately 400 thousand ha, at the average wheat yield of 25 c/ha, the volume of wheat production is expected to reach 1.0 million tons. Thus, according to the NBKR estimates the risk of decrease in prices for this variety of crops in 2010 is minimal in case of increase in the volumes of the Government purchases of wheat within the framework of the program on the agricultural producers support, absence of external shocks and natural disasters.

It should be noted, that Kyrgyz Agro Food Corporation OJSC as of December 25 has purchased 16.0 thousand tons of the 3-d class food wheat at the price of KGS 10 per kg out of the planned volume of 20.0 thousand tons within the framework of the agricultural producers support. While, according to the data submitted by the State Agency on Antitrust Policy and Development of Competition under the Government of the Kyrgyz Republic the average retail price as of December, 2009 amounted to KGS 6.1 per kg.

According to News Agency “Kazakh-zerno” the price for the 3-d grade wheat as of January 21, 2009 on DAF terms Lugovaya station (Kazakhstan-Kyrgyzstan) has increased to \$152 by \$9 from last month.

Corn

According to the forecasts of the USDA made in January the world corn production in 2009/10 MY will increase to 796.5 million tons, up 6.3 million tons from last month. The estimate of consumption has been also increased to 806.2 million tons, up 2.9 million tons. The volume of the world corn trade is expected at 84.9 million tons (+0.6 million tons). Generally, the volume of ending stocks in 2009/10 MY will increase to 136.2 million tons (+3.8 million tons).

Moreover, the USDA declared that the volume of wheat reserves in the USA increased by 24 per cent in the last year due to decrease in the world demand and increase in production. Decrease in the price for corn in the mid-

term prospect is forecasted based on the aforementioned information.

Within the reviewed period the prices in the world corn market were characterized by the multidirectional trend. Thus, within the period since December 18, 2009 till January 21, 2010 the prices for corn on the American exchange have decreased by \$11 or \$146 per ton. In the market of Asia the later have increased to \$266 (January 21, 2010) by \$6, from \$260 (December 18).

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 in the forthcoming marketing year to 434.7 million tons (+0.8 million tons). The forecast of the rice consumption volume has been increased to 436.5 million tons, up 0.5 million tons. The volume of ending stocks of such crops variety will increase to 90.7 million tons, up 1.2 million tons from November, 2009.

According to the latest estimates of the National Bureau of Statistics of China (NBS) the volume of the gross rice harvest has increased to 33.3 million tons, up 5.3 per cent from last year.

According to News Agency “Reuters” within the reviewed period the prices for rice were characterized by the downward trend and by the end of the aforementioned period have decreased to \$273 by \$21 from last month (January 21, 2010).

Kyrgyzstan

According to the data submitted by the NSC KR the volume of rice production in the country in 2009 has increased to 20.7 thousand tons, up 3.0 thousand tons from last year. According to the submitted data the volume of rice imported to Kyrgyzstan since the beginning of the year amounts 59,6 thousand tons, 55.6 thousand thereof has been imported from China at the average price of \$364 per ton.

World sunflower oil review

According to the USDA revised forecast made in December the volume of oil world production in 2009/10 MY is expected at 137.1 million tons, decrease by 0.2 million tons. The forecast of oil consumption has slightly increased to 135.6 million tons, up 0.1 million tons. The volume of the sunflower oil world trade is expected to decrease by 0.2 million tons and amount to 56.8 million tons. Ending stocks are expected at 11.4 million tons by 0.1 million tons.

According to the USDA updated forecast the volume of palm oil production will amount to 45.1 million tons, the volume of sunflower oil production is expected to decrease by 0.3 million to 11.2 million tons.

The prices for palm oil as of January 21 of the current year have increased by 7 per cent or from \$793 to \$846 compared to the end of the last month.

Sunflower oil

The USDA reported that the volume of sunflower oil production in 2009/10 MY will amount to 11.2 million tons (-0.3 million tons), consumption – 11.3 million tons (+0.1 million tons). The volume of ending stocks is expected at 0.8 million tons, up 0.1 million tons.

Within the reviewed period world prices for sunflower oil have decreased by 7 per cent to \$412 per ton.

Generally, the prices within the “oils and fats” group in the Kyrgyz Republic as of January 20, 2010 have increased by 0.8 per cent compared to the prices of the last month.

Dynamics of world sunflower oil prices are given in the Appendix,

charts 5-6.

Sugar

According to the report submitted by the Food and Agriculture Organization of the United Nations (FAO) the volume of sugar production in the world in 2009-2010 agricultural year is expected to recover against the background of more favorable weather. According to the forecast in 2009-2010 agricultural year the volume of sugar production in the world in 2009-2010 agricultural year is expected at 159.7 million tons compared to 154.7 million tons in the last year. Nevertheless, the volume of sugar production in the current agricultural year is likely to be lower than the volume of consumption based on the results of the second year, the later will result in reducing the volume of the world reserves. Sugar deficit is estimated by FAO at the level of 3 million tons. However, according to the forecast made by the broker Czarnikow Ltd., the volume of the world demand for sugar is expected to exceed the volume of production by 13.5 million tons.

According to New Agency “APK-inform” with reference to News Agency “Kazinform” based on the master-plan of the Ministry of Agriculture of the Republic of Kazakhstan by 2014 the volume of white sugar production is expected to increase to 750 thousand tons, the later is likely to provide 83 per cent of the domestic demand. In order to achieve this goal there will be established the seeds processing plant the later is expected to provide the local manufacturers with seed grains; improvement of soft-window facility; stimulation due to quotas assignment, stimulation of sugar beet production due to plants quoting, introduction of variable duties on crude products, purchase price for sugar beet subsidizing, mini plants establishment on sugar beet processing, etc. It should be noted that in 2008 the volume of white sugar production amounted to 130 thousand tons, the later satisfied only 3 per cent of domestic demand.

According to the experts forecasts in 2010 sugar deficit in Ukraine is expected at 400 thousand tons with the volume of consumption at 1.8 million tons. In order to cover this shortage separate players in the market suggest increasing the amount of quotas in the next year.

Within the reviewed period the price for sugar on the London Exchange was characterized by the upward trend: the price for sugar as of January 21 of the current year has increased to \$759, up \$81 or 12 per cent from last month.

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

Kyrgyzstan

Currently, the demand for sugar on the part of the population of the Kyrgyz Republic amounts to 116 thousand tons per year. While the level of sugar provision as of December 1, 2009 reached 74 per cent, including own production – 3.7 per cent. According to the data submitted by the NSC KR the volume of sugar production has decreased to 5.6 thousand tons by 1.5 thousand tons from 2008. The volume of 35-36 thousand tons of sugar is planned to be produced in the current year. According to the data submitted by the NBKR the volume of refined sugar imported to the territory of Kyrgyzstan within the period of 2009 has made 81.2 thousand tons. In should be noted, that the price for sugar imported within the period since April, 2009 till December, 2009 has increased from \$505 to \$633 (+\$128 or 25 per cent). Increase in price for sugar is conditioned both by increase large scale world and domestic product deficit. Within the period from January, 2009 till January 20, 2010 the price for sugar on the London Exchange has increased by 135 per cent or from \$316 to \$743.

The State Agency of Antitrust Regulation under the Government of the Kyrgyz Republic has established wholesale and release price for sugar sold by Kaindy-Kant OJSC at the price of KGS 34615 per ton and by Koshoi OJSC at the price of KGS 41000 per ton inclusive of VAT and sales tax. Currently, Kaindy-Kant OJSV has imported the whole volume of sugar amounted to 40 thousand tons stipulated by the assigned quota.

According to the data submitted by the NSC KR the price for sugar in the domestic market of the republic as of January 20 of the current year has increased by 13.0 per cent compared to December, 2009.

Generally, the situation in the domestic market of sugar is unstable, the later requires taking the soonest measures on increase the volume of the sugar sector financing, as well as settlement the issues on the harvest sales. Such measures will reduce the level of dependence on import and contribute to stabilizing the situation in the market.

Meat

Kazakhstan

Generally, the amount of cattle stock in the Republic of Kazakhstan as of December, 2009 has decreased by 4.8 per cent and totaled 6117.7 thousand heads. The amount of small cattle has decreased by 5.7 per cent and totaled 17390.7 thousand heads.

In Kazakhstan and, particularly, in the regions bordering with Kyrgyzstan (Almaty region) the amount of small cattle has decreased by 7.8 per cent within December, 2009 and totaled 2987.3 thousand heads, the amount of cattle has also decreased by 9.8 per cent and totaled 807.2 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 December, 2010 of the current year has increased by 1.5 per cent and amounted to 336.9 thousand tons.

NSC KR reported that the prices for meat as of January 20, 2010 have increased by 1.0 per cent compared to last month.

Chart 1. Dynamics of world wheat prices, 02.01.09-22.01.10

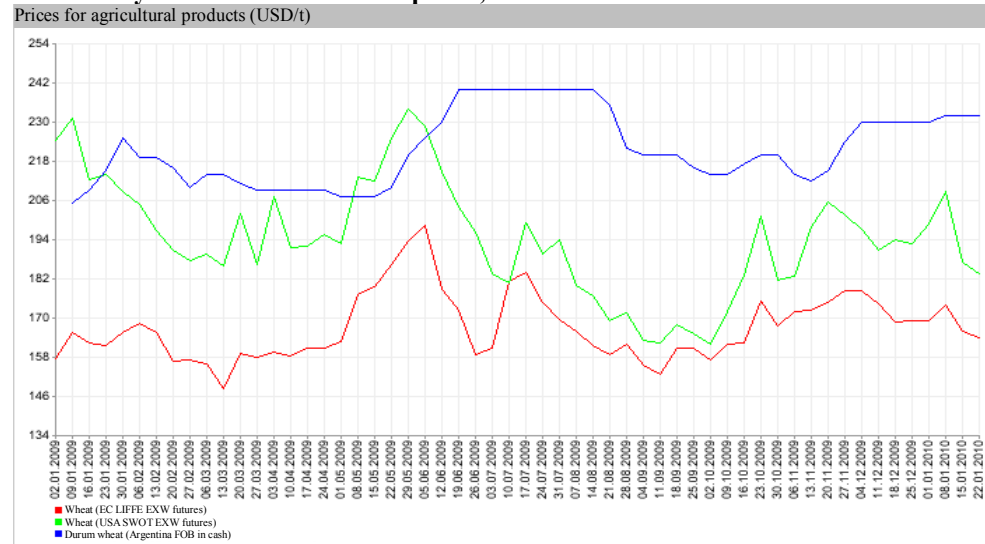


Chart 2. Dynamics of world wheat prices, 18.12.09-22.01.10

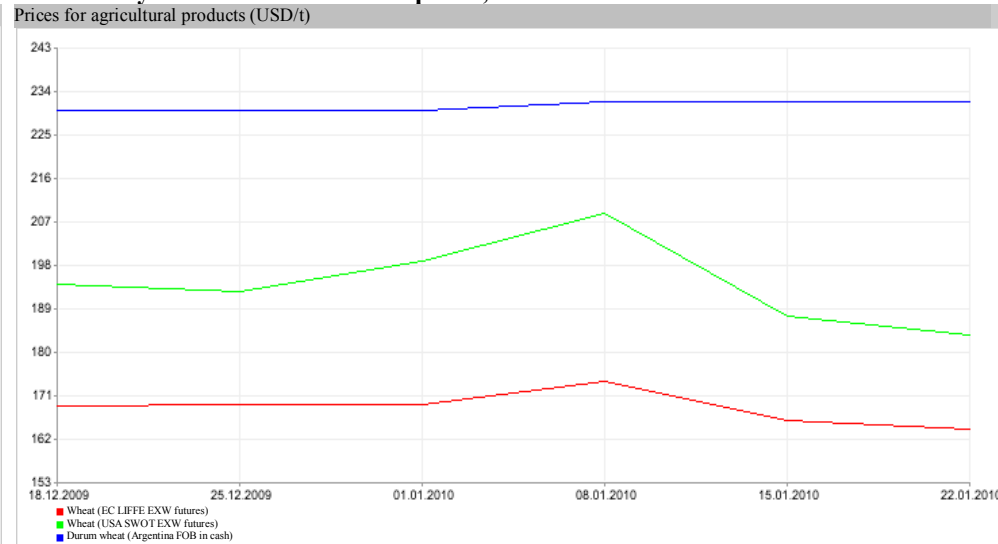


Chart 3. Dynamics of world corn prices, 02.01.09-22.01.10

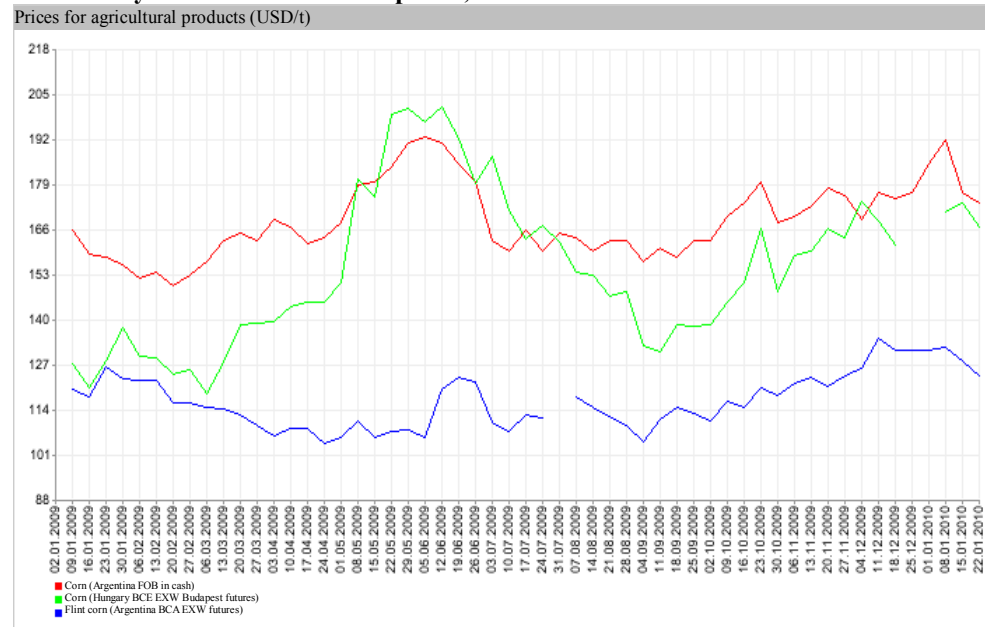


Chart 4. Dynamics of world corn prices, 18.12.09-22.01.10

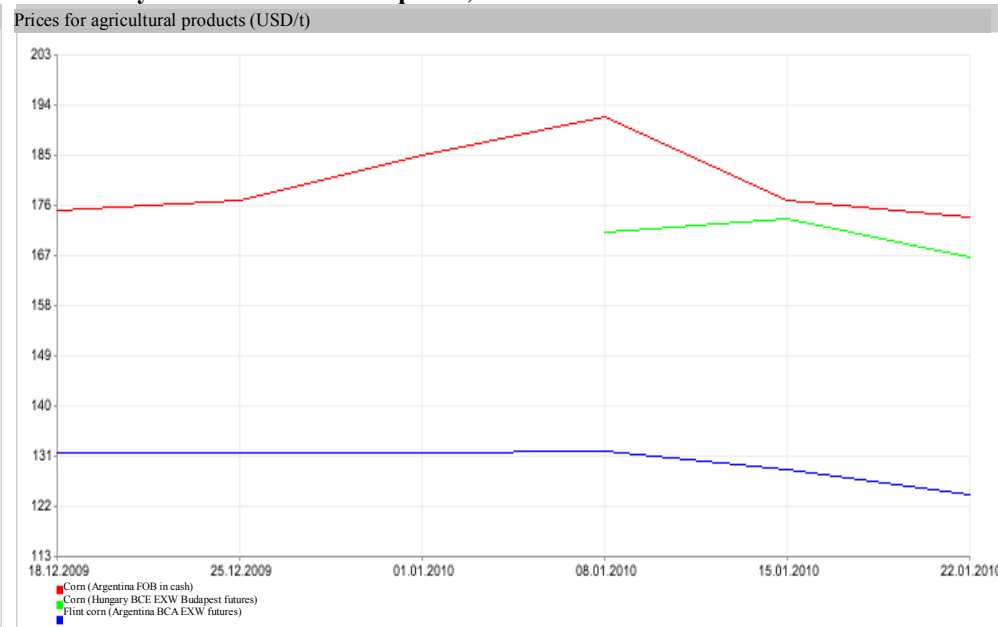


Chart 5. Dynamics of world sunflower oil prices, 02.01.09-22.01.10

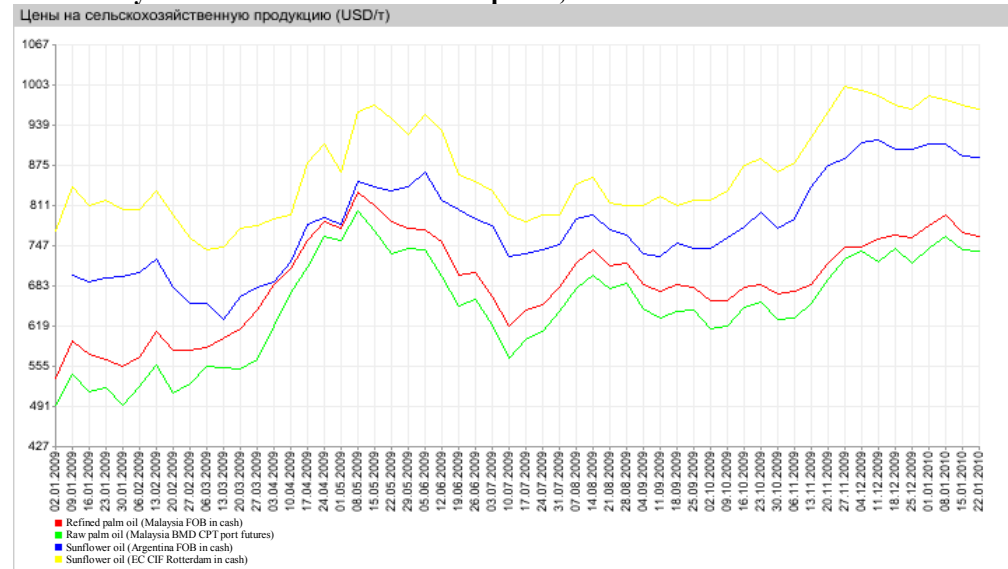


Chart 6. Dynamics of world sunflower oil prices, 18.12.09-22.01.10

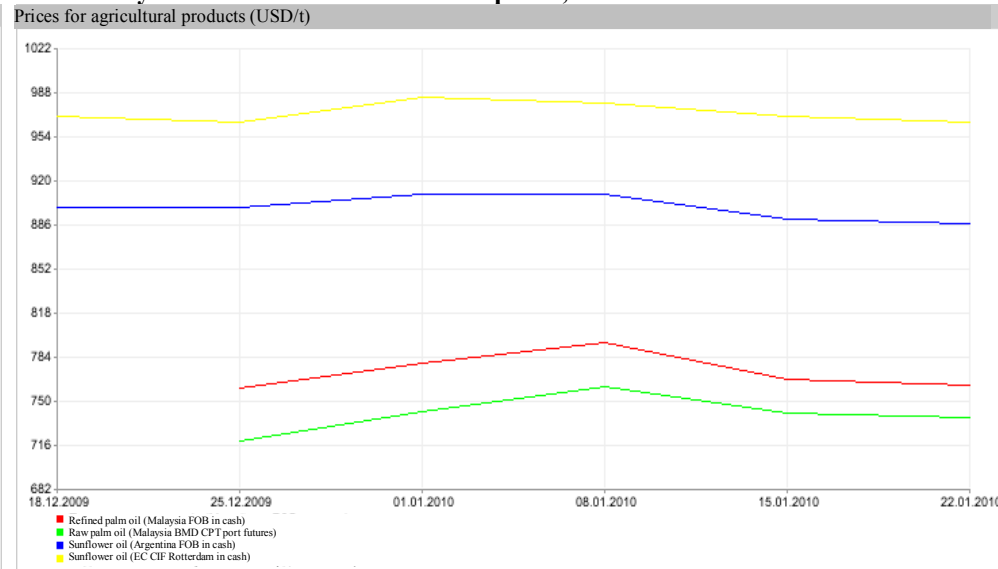


Chart 7. Dynamics of world white and raw sugar prices, 02.01.09-22.01.10

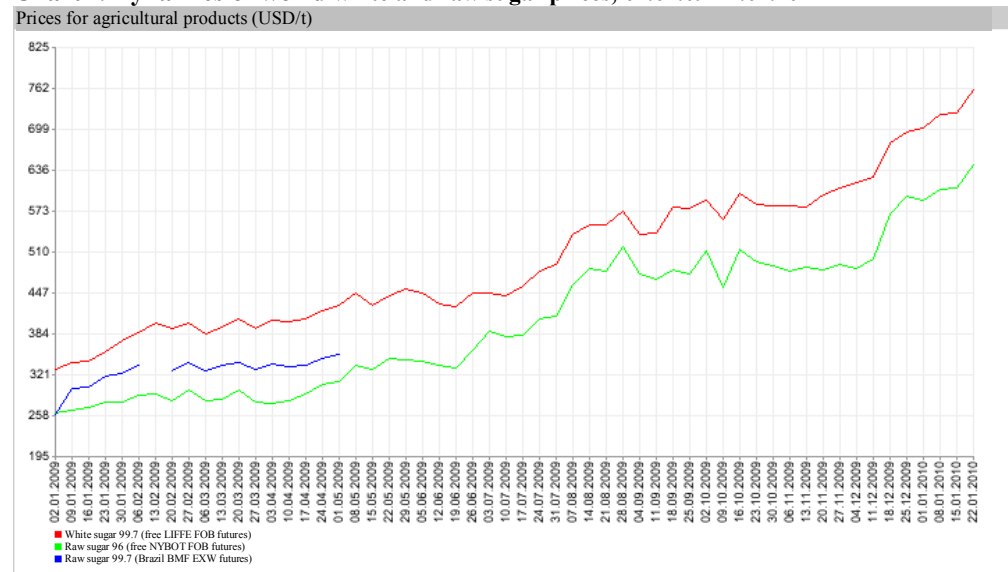
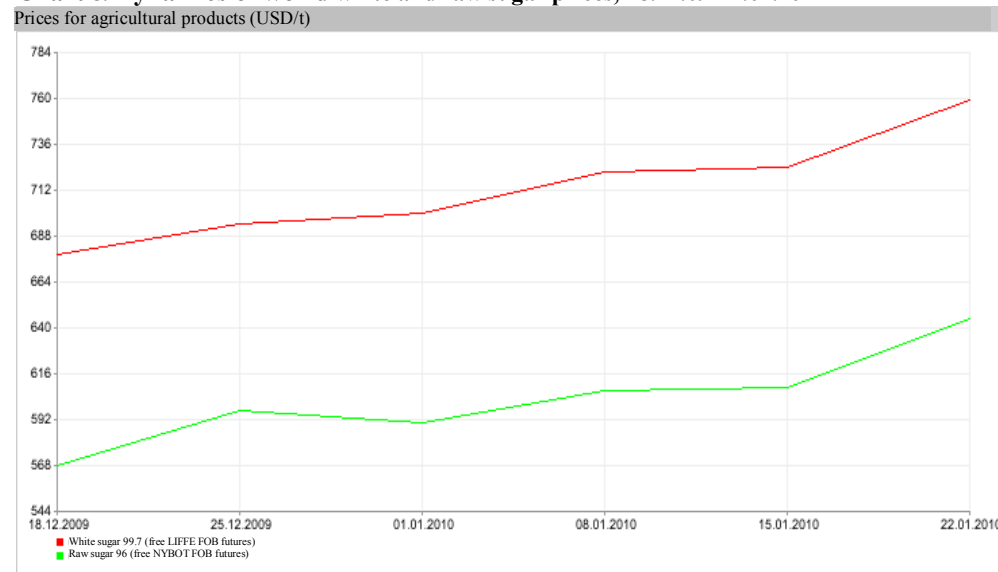


Chart 8. Dynamics of world white and raw sugar prices, 18.12.09-22.01.10



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, MOA RF, USDA, 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”, News Agency “APK-inform”, News Agency “Zerno On-Line”, News Agency “Soyuzrossahar”, News Agency “Kazakhstan Today”, Analytical Agency “Oil World”, News Agency “Kazakh-zerno”, News Agency “Bloomberg”, ‘Ecowin’, News Agency “Reuters”.