

World grain market review

Crops

According to the International Grains Council (IGC) the world crops production in 2010/11 marketing year is expected at 1777 million tons¹, decrease by 7 million tons from current 2009/10 MY. IGS estimates total consumption at 1777 million tons (+22 million tons), world trade at 233 million tons (+4 million tons), ending stocks at 396 million tons.

According to May report of US Department of Agriculture (USDA) forecasts world wheat production in the forthcoming 2010/11 MY at 672.2 million tons, up 7.8 million tons from 2009/10 MY. The forecast index of wheat consumption in the current season was reviewed and adjusted to the increasing direction up to 667.5 million tons (+15.8 million tons). Thus, ending stocks of wheat in the world market in 2010/11 MY will increase by 4.7 million tons from last season to 198.1 million tons.

Favorable weather conditions, overestimate of crops harvest losses in the winter period in the producing countries and high volumes of ending stocks have become one of the major factors influencing the fluctuations of prices for crops. Generally, within the reviewed period prices for the aforementioned products were characterized by the downward trend. Foreign experts, referring to the aforementioned reasons, forecast further decrease in prices for grain-crops.

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

Wheat

the USA

According to updated report of the USDA May forecasts for 2010/11 MY on wheat production have decreased to 55.6 million tons by 4.7 million tons, the forecast of wheat consumption has increased from 31.9 million tons to 32.8 million tons. The forecast index of export and import in the USA in next season is expected to reach 24.5 million tons and 3.0 million tons respectively. The volume of ending stocks at the end of 2010/11 MY will amount to 27.1 million tons (+1.3 million tons).

Within the period from April 16 till May 17, 2010 the price for the American wheat was characterized by the downward trend, the later has reached the level of \$172 per ton. Thus, within the reviewed period the price for wheat has decreased by \$8 per ton.

Australia

In May, the USDA estimate of wheat production in Australia in 2010/11 MY has been decreased by 0.5 million tons up to 22.0 million tons. The estimate of export has been decreased by 0.5 million tons up to 13.5 million tons. The volume of ending stocks is expected at 5.4 million tons, up 0.8 million tons from current season.

The price for the Australian wheat as of May 17, 2010 has increased by 4.6 per cent within the month and amounted to \$205.

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 145.1 million tons (+ 6.2 million tons). The forecast of consumption, export and import for 2010/11 MY has amounted to 128.5 million tons (+3.0 million tons), 22.0 million tons (+2.0 million tons) and 6.0 million tons respectively. The volume of wheat ending stocks by the end of 2010/11 MY is expected at 18.2 million tons (+0.5 million

¹ Here and further preliminary data for the current 2009/10 MY

tons).

The prices for different varieties of wheat as of May 17, 2010 on the European Exchange (Hungary) have decreased compared to the price as of April 16 of the current year (-8 US dollars) and amounted to \$128 per ton.

China

May forecast of the USDA for 2010/11 MY on wheat production, has decreased by 2.5 million tons. The forecast of consumption has decreased by 1.2 million tons up to 103.8 million tons. The forecast of wheat ending stocks in China has increased to 63.7 million tons (+8.3 million tons).

Unfavorable weather conditions in China affect the prices. Thus, within the period since April 16 till May 17, 2010 the price for the China wheat has decreased by 1.5 per cent.

Russia

The MOA RF reported that in 2010 the volume of crops production is expected at the level of at least 94.0-97.0 million tons (58.8 million tons of wheat), consumption – 77.0-79.1 million tons. The volume of Russian grain export made 21.6 million tons, 18.1 million tons thereof – wheat, decreased by 2.0 per cent from last year. The forecast of grain reserves as of the end of 2010 is expected to decrease by 7.5 million tons from beginning of the current year and make 26.0 million tons.

According to the MOA RF in Russia the winter crops sown in 2010 of the area of 2.5 million ha died (13.9 per cent of areas), however, the later will not have a significant impact on the volume of harvest. The average acreage of died winter crops amounts to 1.4 million ha or 8.7 per cent.

The Experts of the Russian Grains Council consider that in August, when the Russian grain of the new harvest is delivered to the market, the average prices for the later will be decreased by RUB 300-500 per ton due to extremely high volumes of carryover grain reserves both in Russia and in the world, as well as due to high forecasted volume of grain harvest. The later may result in decrease in number of profitable enterprises.

Average prices for the 3-d class wheat in the domestic market of Russia as of May 21 of the current year have decreased by \$10 per ton compared to the quotations of April and made \$118² per ton.

Kazakhstan

According to the data submitted by the Statistics Agency of the Republic of Kazakhstan the volumes of grain and legume crops reserves in Kazakhstan as of May 1 of the current year have decreased to 11.8 million tons by 1.2 million tons from last month. Alongside with it the forecast of wheat production for this year remains at a rather high level (16.7 million tons).

According to the data submitted by the “Eurasian Trading System” commodity exchange June futures of the 3-d class wheat produced in Kazakhstan as of May 17 of the current year has increased by \$2 compared to the same index as of April 16, 2010 and amounted to \$91³. July futures of the 3-d class wheat has reached the level of \$94 per ton. For reference only: Commodity exchange ETS JSC was founded in 2008. The first auctions were conducted on March 30, 2009. The volume of grain sales by means of ETS in 2009 amounted to 13.5 per cent of the public harvest.

² Prices are calculated based on MFMAD ED (USD 1 = RUB 31.2)

³ Prices are calculated based on MFMAD ED (USD 1 = KZT 146.6)

Kyrgyzstan

The MOA KR reported as of May 18, 2010 in Kyrgyzstan winter crops nutrition was conducted on the area of 210.7 thousand ha (76.0 per cent of the total winter crops acreage), the later has decreased by 5.0 per cent from last year. The winter crops acreage is expected to make 244.6 thousand ha, the sown area makes 77.4 per cent. Generally, the rate of spring crops sowing is 13.8 per cent lower than the rates of the last year.

According to News Agency “AKI-press” the chief of the Department on Agro-Industrial Complex and Environmental Management of the Interim Government Office informed that Kyrgyzstan was fully provided with diesel fuel. 2.7 thousand tons out of the total volume of diesel fuel of 3.7 thousand tons granted by Kazakhstan as a humanitarian aid have already been forwarded to Kyrgyzstan. Diesel fuel within the framework of humanitarian aid is sold at the price of KGS 24 per liter. Market value of fuel makes KGS 32-33 per liter. Generally, republic needs 40 thousand tons of diesel fuel for implementation of sowing campaign. According to the latest data, 30 thousand tons of diesel fuel have already been sold.

According to the preliminary data submitted by the State Customs Service of the Kyrgyz Republic (SCS) in April, 2010 the volume of wheat imported to Kyrgyzstan from the territory of Kazakhstan at the average price of \$143, this index has increased by \$3 compared to the price of March, 2010, has amounted to 32.9 thousand tons.

According to News Agency “Kazakh-zerno” the price for the 3-d grade wheat as of March 18, 2010 on DAF terms Lugovaya station (Kazakhstan-Kyrgyzstan) has increased to \$131 by \$3 from last month.

Corn

According to the forecasts of the USDA made in May the world corn production in 2010/11 MY will increase to 835.0 million tons, up 26.4 million tons from 2009/10 MY. The estimates of consumption have been increased to 827.9 million tons, up 19.0 million tons. The forecast volume of the world corn trade is expected to increase to 89.3 million tons (+4.7 million tons). Generally, the volume of ending stocks in 2010/11 MY will increase to 154.2 million tons (+7.2 million tons).

Within the reviewed period the prices in the world corn market were characterized by the downward trend. Thus, within the period since April 16 till May 17, 2010 the prices for corn on the American Exchange have decreased by 0.7 per cent, in the market of Asia the prices for corn remained at the level of last month.

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

Rice

USDA has increased the estimates of the world rice production in the forthcoming marketing year to 459.7 million tons (+17.5 million tons). The forecast of rice consumption has increased to 453.4 million tons, up 10.8 million tons from 2009/10 MY. The volume of ending stocks of such crops variety will amount to 96.6 million tons (+ 6.3 million tons).

In the world markets, according to News Agency “Reuters” the prices for rice on the Chinese and American exchanges have decreased by 1.1 and 9.1 per cent respectively.

Kyrgyzstan

According to the preliminary data submitted by the SCS KR in April of the current year the volume of rice imported to Kyrgyzstan amounted to 1.4 thousand tons, primarily from China at the average price of \$350 per ton,

World

According to the USDA forecast the volume of oil world production in

sunflower oil review 2010/11 MY has increased to 146.6 million tons, up 7.6 million tons from 2009/10 MY. The forecast of oil consumption has increased to 143.6 million tons (+6.2 million tons). The volume of the sunflower oil world trade is expected at 60.5 million tons. Ending stocks are expected to increase by 0.9 million tons and make 13.1 million tons.

According to the updated forecast of the USDA the volume of palm oil production is expected to make 49.3 million tons (+3.3 million tons), the volume of sunflower oil production is expected to make – 12.2 million tons (+0.8 million tons).

Experts believe that at the end of 2010/11 ending stocks of palm oil will reach 6.2 million tons, the later will make 47 per cent of the total volume of world vegetable oils stocks and is likely to affect the prices.

The average prices for palm oil as of May 17 of the current year have been increased by 1.5 per cent compared to April 16 of the current year.

Sunflower oil

USDA reported that the volume of sunflower oil production in 2010/11 MY will amount to 12.2 million tons (+0.8 million tons), consumption – 11.6 million tons (+0.4 million tons). The volume of ending stocks is expected to remain at the level of the current marketing year and amount to 0.9 million tons.

Generally, within the reviewed period futures for sunflower oil on the world exchanges have decreased and as of May 17, 2010 reached \$788-934 depending of the terms of delivery and producing country.

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

Kyrgyzstan

According to the reliable information of the MOA KR in Kyrgyzstan in 2010 the oil bearing plants acreage is expected to make 63.2 thousand ha, the later has been increased by 0.8 thousand ha compared to the forecast of the last month. As of May18 of the current year sown area makes 70.4 per cent of the planned acreage. While, according to preliminary data submitted by the SCS KR within April of the current year the volume of imported vegetable oil at the average price⁴ \$1124 per ton (+1.3 per cent).

Generally, the prices within the “oils and fats” group in the Kyrgyz Republic as of May 19, 2010 have increased by 0.1 per cent compared to the prices of the last month.

Sugar

As of May 17 of the current year in the Russian Federation the sown acreage in all categories of farms amounts to 1057 thousand ha (in 2009 – 820 thousand ha), in the Republic of Belorussia – 96 thousand ha (90.0 thousand ha) and in the Republic of Kazakhstan it is planned to sow about 20 thousand ha (16 thousand ha). Such growth in the sowing areas has become possible due to measures on customs and tariffs regulation of raw sugar import taken on January 1, 2010 within the framework of the Common customs tariff for the member-countries of the Customs Union. Currently, the amount of the customs duty on the imported goods is \$200 per 1 ton of raw sugar. However, in July of the current year the later is likely to amount to \$239 per ton.

According to News Agency “IDK” the total volume of sugar manufactured by the sectoral enterprises in the current year will make 17.5 million tons, the later has increased by 14 per cent from last month. Alongside

⁴ In the process of calculating the price for vegetable oil, all varieties of vegetable oils are taken into account: palm oil, olive oil, sunflower oil, cottonseed oil, soyabean oil, peanut oil, rapeseed oil, etc.

with it the quota on sugar production will be exceeded by 4.6 million tons.

According to News Agency “Sojuzrossahar” the forecast on the sugar production increase in India and Brazil, as well as information that India will stop sugar import are still affecting the price of the aforementioned product. The forecast of sugar production in India in the current year has been determined at the level of 18.5 million tons.

Within the reviewed period the price for sugar on the London Exchange was characterized by the downward trend: the price for sugar as of May 17 has decreased by \$18 or 3.7 per cent compared to the same index as of April 16 of the current year and amounted to \$468.

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

Kyrgyzstan

According to the data submitted by the NSC KR the price for sugar in the domestic market of the republic as of May 19 have decreased by 2.3 per cent compared to the prices of the last month.

Meat

Kazakhstan

Generally, the amount of cattle stock in the Republic of Kazakhstan as of April, 2010 has increased by 6.3 per cent and totaled 7295.7 thousand heads. The amount of small cattle has increased by 13.2 per cent and totaled 22808.3 thousand heads.

In Kazakhstan and, particularly, in the regions bordering with Kyrgyzstan (Almaty region) the amount of small cattle has increased by 17.8 per cent within April, 2010 and totaled 4188.9 thousand heads (+13.4 per cent), the amount of cattle has also increased by 1002.5 thousand heads (+10.3 per cent).

Kyrgyzstan

According to the data submitted by the NSC KR the volume of major livestock production (cattle and poultry in the live weight intended for slaughter) in April, 2010 has decreased by 5.3 per cent compared to the index of March, 2010 and amounted to 25.1 thousand tons.

The NSC KR reported that the prices for meat as of May 19, 2010 have increased by 0.4 per cent compared to the prices of the last month.

Table 1. Food market (change in the estimates of production, consumption, carryover reserves in 2010/11 marketing year in respect of 2009/10 marketing year and fluctuations of prices for consumer goods)

	<i>Production estimate, million tons</i>	<i>change for a year, in %</i>	<i>Consumer estimate, million tons</i>	<i>change for a year, in %</i>	<i>Ending stocks estimate, million tons</i>	<i>change for a year, in %</i>	<i>Price in USD per ton</i>	<i>change for a month, in %</i>
Crops (world)	1777	-0.4	1777	1.3	396	0.0	–	–
Wheat	672.2	-1.1	667.5	2.4	198.1	2.4	–	–
<i>Kyrgyzstan</i>	1.0	0.0	1.2	0.0	0.9	0.0	–	–
<i>the USA</i>	55.6	-7.8	32.8	2.8	27.1	5.0	172	-4.4
<i>Australia</i>	22.0	-2.2	–	–	5.4	17.4	205	4.6
<i>EC-27</i>	145.1	4.5	128.5	2.4	18.2	2.8	128	-5.9
<i>China</i>	112.0	-2.2	103.8	-1.1	63.7	15.0	329	-1.5
<i>Russia</i>	58.0	-6.0	45.2	7.6	8.3	-35.2	118	-7.8
<i>Kazakhstan</i>	17.0	0.0	7.9	3.9	5.6	43.6	131	2.3
Corn	835.0	3.3	827.9	2.3	154.2	4.9	140	-0.7
Rice	459.7	4.0	453.4	2.4	96.6	7.0	254	-4.9
Sunflower oil	12.2	7.0	11.6	3.6	1.0	0.0	843	-4.5
Sugar	159.7	–	162.7	–	–	–	468	-3.7

Source: the USDA, News Agency "Reuters"

Chart 1. Dynamics of world wheat prices, 08.01.10-21.05.10

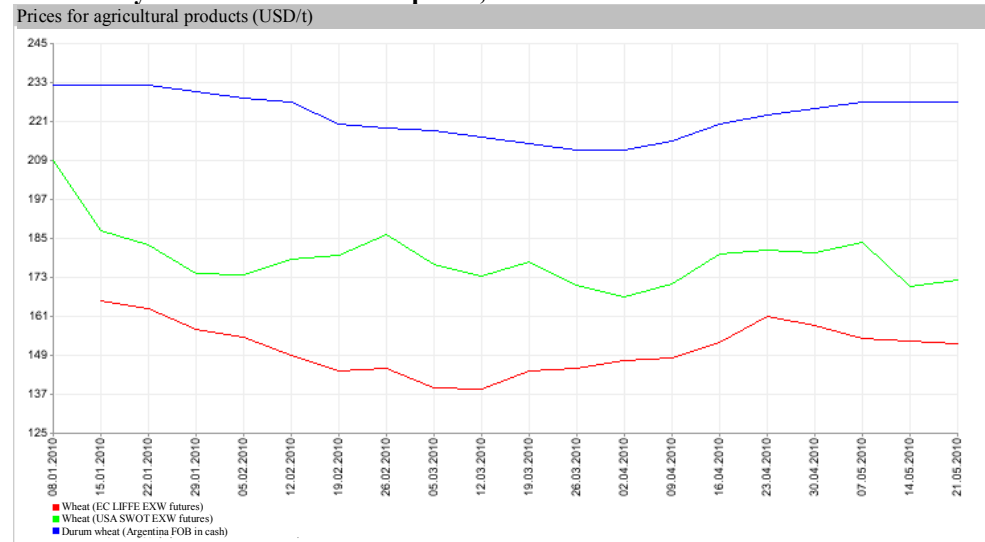


Chart 2. Dynamics of world wheat prices, 16.04.10-21.05.10

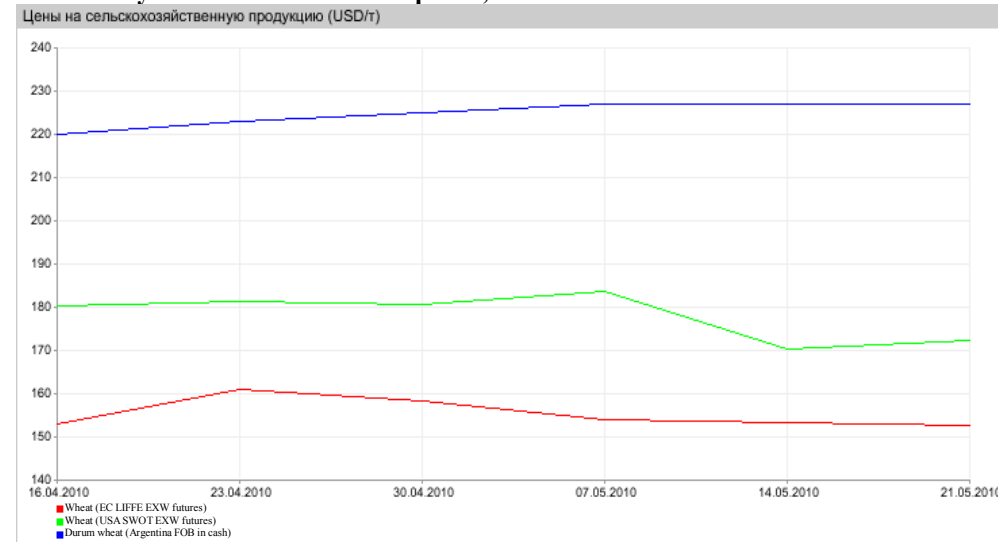


Chart 3. Dynamics of world corn prices, 08.01.10-21.05.10

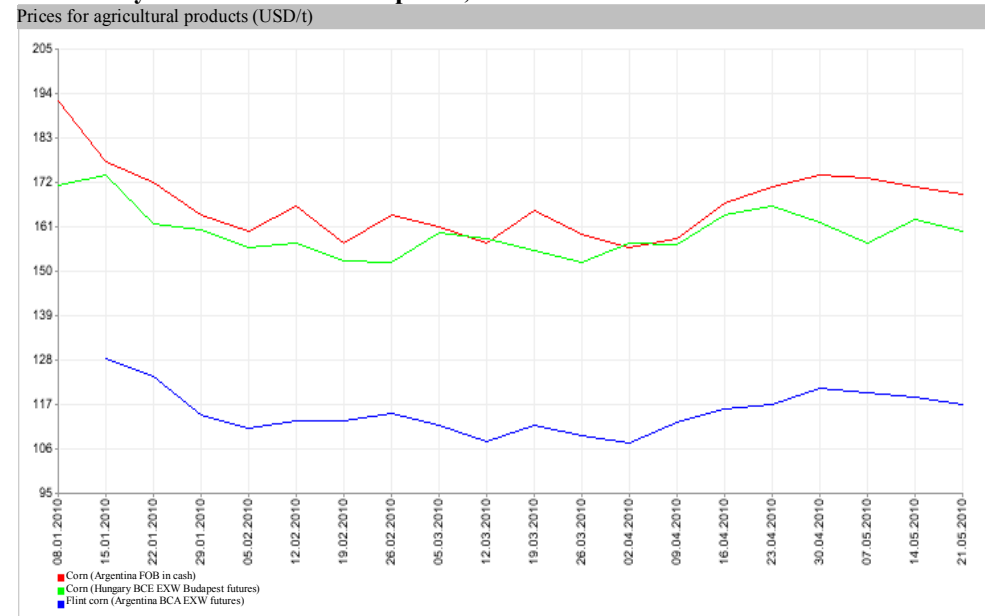


Chart 4. Dynamics of world corn prices, 16.04.10-21.05.10

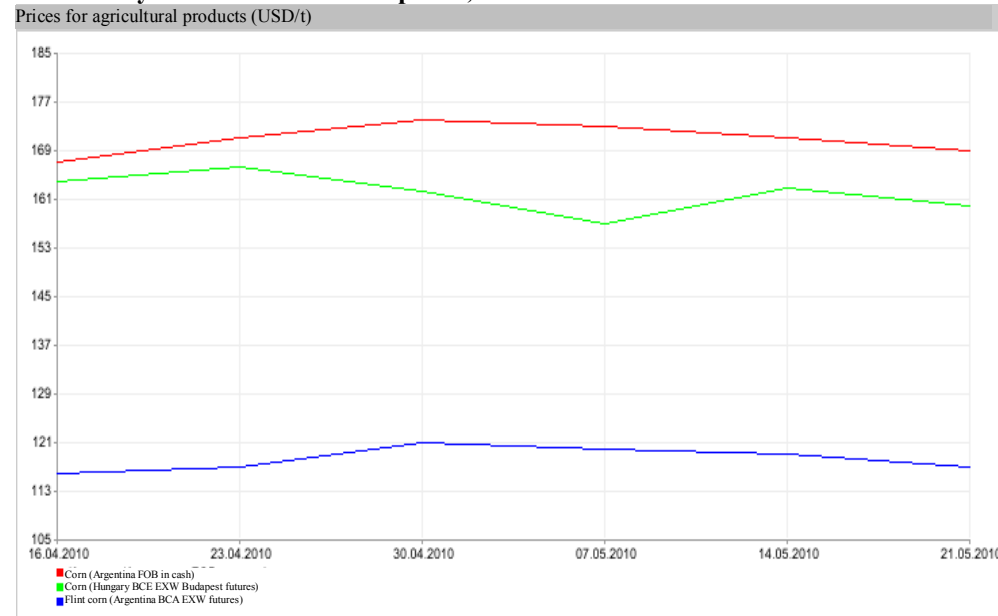


Chart 5. Dynamics of world sunflower oil prices, 08.01.10-21.05.10

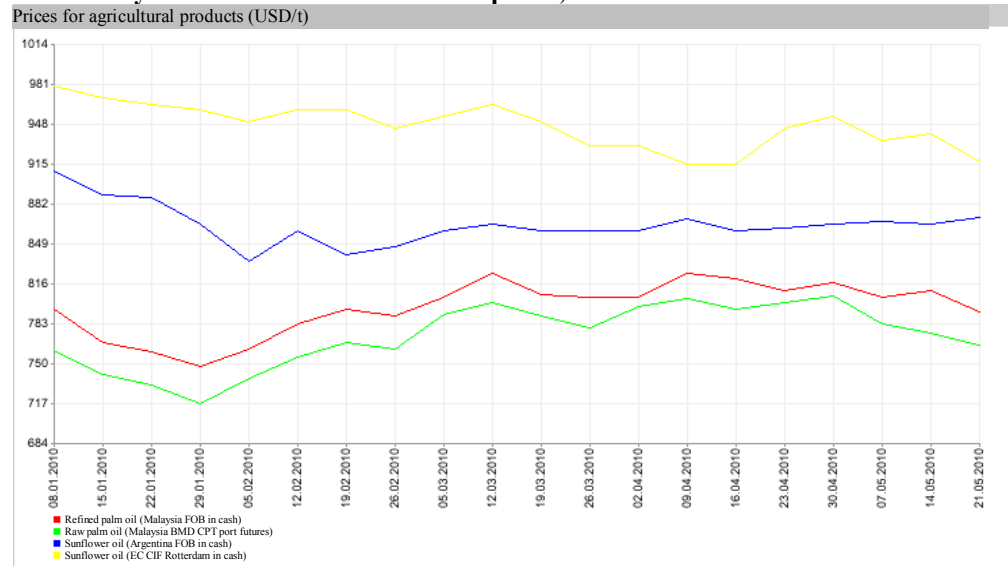


Chart 6. Dynamics of world sunflower oil prices, 16.04.10-21.05.10

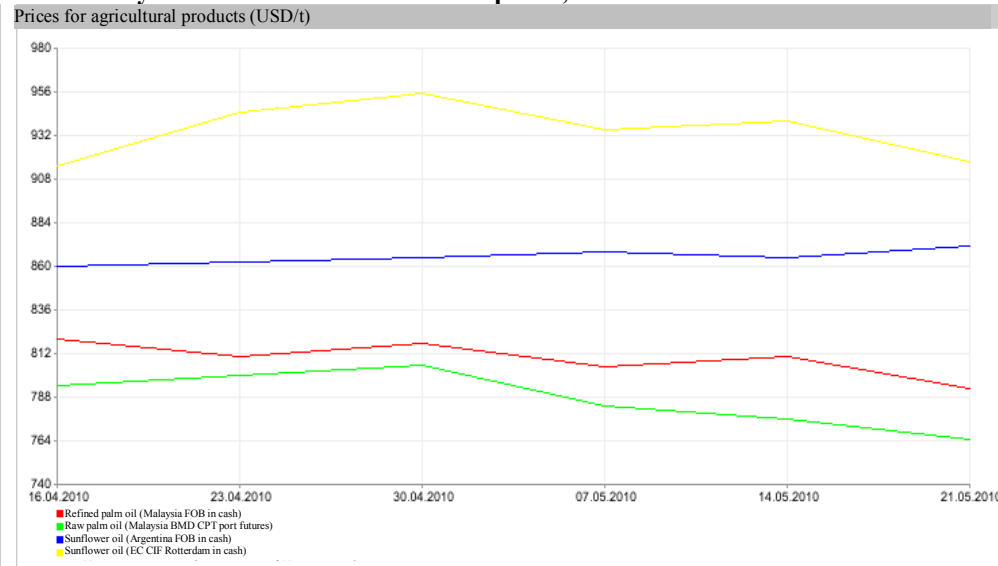


Chart 7. Dynamics of world white and raw sugar prices, 08.01.10-21.05.10

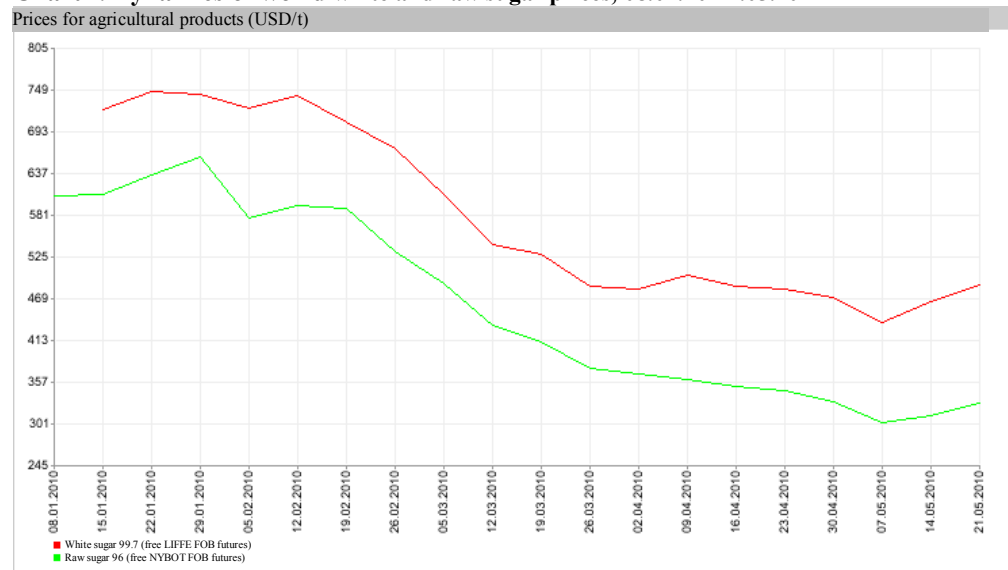
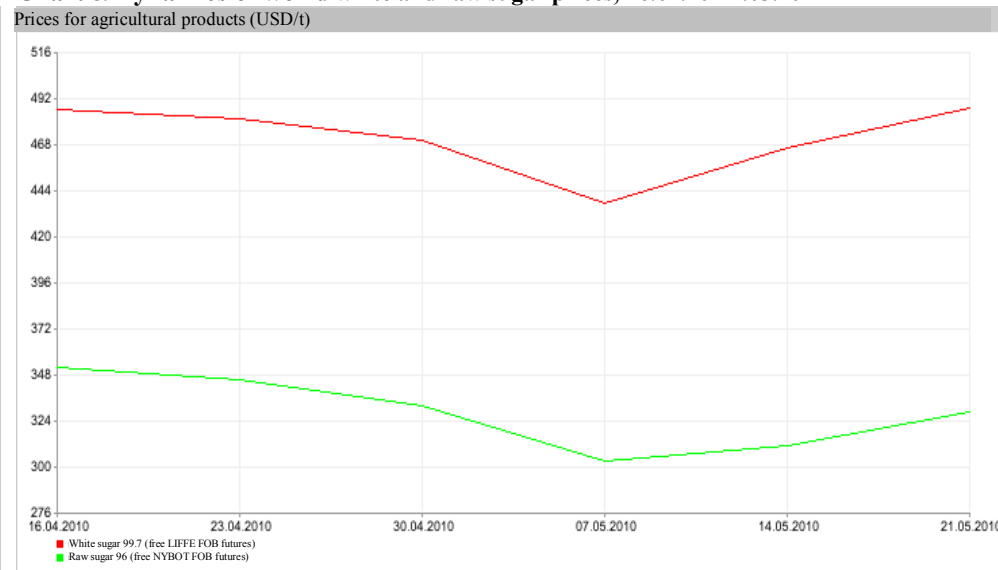


Chart 8. Dynamics of world white and raw sugar prices, 16.04.10-21.05.10



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, State Customs Service of the Kyrgyz Republic, MOA RF, USDA, MOA RK, Statistics Agency of the Republic of Kazakhstan, Kazagromarketing JSC, commodity exchange “Eurasian Trading System”, 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 “Soyuzrossahar”, News Agency “Kazakhstan Today”, News Agency “IDK”, News Agency “RBK”, Analytical Agency “Oil World”, News Agency “Kazakh-zerno”, “Ecowin”, News Agency “Reuters”.