

## World grain market review

### Crops

According to the International Grains Council (IGC) the world crops production in 2010/11 marketing year is expected to decrease (by 0.7 per cent from the last month) to 1741 million tons. IGS estimates total consumption at 1780 million tons (+0.3 per cent), world trade at 237 million tons (+1.3 per cent), ending stocks at 353 million tons (-4.3 per cent).

US Department of Agriculture (USDA) has adjusted the forecasts on wheat to the decreasing direction. According to September report USDA forecasts world wheat production in 2010/11 MY at 643.0 million tons, decrease by 0.4 per cent from last month. The forecast index of wheat consumption has slightly decreased to 661.2 million tons (-0.6 per cent) from last month. Thus, ending stocks of wheat in the world market in 2010/11 MY will increase by 1.7 per cent from last month to 177.8 million tons.

Increasing trend in the ending stocks of wheat is observed in some manufacturing countries. The experts of USDA explain the current trend by two reasons:

- Increase in the volume of supply in Canada;
- Decrease in the volume of wheat export in some regions.

Generally, grain market is characterized by high level of uncertainty in respect of the future volume of production, the later causes increase in prices.

*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 2010/11 MY on wheat production have remained at the level of the last month and amounted to 61.6 million tons, the forecast of wheat consumption has not changed and amounted to 32.3 million tons. The volume of wheat export and import in the USA in 2010/11 marketing year is expected at 34.0 million tons (+1.0 million tons) and 2.7 million tons respectively. The volume of ending stocks at the end of 2010/11 MY will amount to 24.6 million tons (-5.0 per cent).

Within the period from August 19 till September 23, 2010, the futures for the American wheat was characterized by the upward trend, the later has reached the level of \$256 per ton. Thus, within the reviewed period increase has reached 2.4 per cent.

#### *Australia*

In August, the USDA estimate of wheat production and consumption in Australia in 2010/11 MY has amounted to 23.0 million tons and 7.3 million tons respectively. The estimate of export has been decreased to 15.5 million tons, by 0.5 million tons. The volume of ending stocks is expected at 4.4 million tons, the later has increased by 0.7 million tons compared to the same index of last month.

The futures for the Australian wheat as of August 23, 2010, has increased by 8.3 per cent within the reporting month and amounted to \$286.

#### *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 135.1 million tons (-1.7 per cent). The forecasts of consumption, export and import for 2010/11 MY have amounted to 122.0 million tons (-2.0 per cent), 21.0 million tons (-12.5 per cent) and 6.0 million tons respectively. The volume of wheat ending stocks by the end of 2010/11 MY is expected at 13.4 million tons (+32.7 per cent).

The prices for different varieties of wheat as of August 19 of the current year on the European Exchange (Hungary) have increased by 16.7 per cent compared to the price as of August 19 of the current year and amounted to \$280 per ton.

### ***China***

August forecast of the USDA for 2010/11 MY on wheat production is expected at 114.5 million tons, consumption at 105.8 million tons, ending stocks at 63.4 million tons.

Within the period since August 19 till September 23, 2010, the futures price for the China wheat has increased by 3.1 per cent.

### ***Russia***

According to the specialists of Analytical Agency "SovEcon", the volume of wheat production in the Russian Federation in the current year is expected to decrease to 41.5 million tons from 41.5 million tons in the last year (-32.7 per cent) due to drought.

According to forecast balance of Analytical Agency "SovEcon" Russia has to import approximately 6.0 million tons of crops in order to fill a shortage of harvest destroyed by abnormal drought. According to specialists, the volume of wheat import to the Russian Federation is expected at 1.5 million tons, the later is planned to be imported from Kazakhstan. Embargo imposed on crops export by the Russian Government since August 15 till December 31 of the current year is expected to be extended at least till July 1, 2011.

According to the authorities, there is no threat for the food supply security in Russia. The total volume of harvested crops (61-63 million tons) and ending stocks is expected to satisfy demand in full. On this background, average prices for the 3-d class wheat in the domestic market of Russia as of September 24 of the current year have decreased by 4.9 per cent compared to quotations of August and amounted to \$173.

### ***Kazakhstan***

According to information submitted by the MOA RK, the volume of harvested crops amounts to 12.5 million tons or 95 per cent of sown area. Estimated volume of crops harvest has decreased by 17.6 per cent from the last year and amounted to 13.5-14.0 million tons. For reference use: the share of wheat in the total volume of harvested crops amounts to 80 per cent.

According to the data submitted by the Statistics Agency of the Republic of Kazakhstan, the volume of the bread wheat stocks as of September 1, 2010 of the current year has decreased by 11.1 per cent from last month, to 6.0 million tons.

### ***Kyrgyzstan***

According to the updated information submitted by the MOA KR, the volume of cereal crops harvested in Kyrgyzstan as of September 22, 2010 has amounted to 440.1 thousand ha or 87.6 per cent of the total harvested acreage. According to the updated information submitted by the MOA KR, wheat has been harvested from the area of 327.8 thousand ha or 87 per cent. Total volume of harvested cereal crops has decreased by 176 thousand tons or 14.7 per cent from the last month and amounted to 1050 thousand tons. The volume of harvested wheat amounts to 784.8 thousand tons (-134.8 thousand tons or 14.7 per cent).

According to the preliminary data submitted by the State Customs Service of the Kyrgyz Republic (SCS) in August, 2010, the volume of wheat imported to Kyrgyzstan from the territory of Kazakhstan at the average price of \$161, this index has increased by \$21 or 15 per cent compared to the price of

July, 2010, has amounted to 40.1 thousand tons.

According to News Agency “Kazakh-zerno”, the average price for the 3-d grade wheat as of September 23, 2010 on DAF terms Lugovaya station (Kazakhstan-Kyrgyzstan) has increased to \$248, by 38.2 per cent from last month.

### **Corn**

According to the forecasts of the USDA made in September the world corn production in 2010/11 MY will decrease to 826.1 million tons, by 0.7 per cent from last month. The estimates of consumption have decreased by 0.2 per cent, to 829.5 million tons. The forecast volume of the world corn trade is expected to increase to 93.4 million tons (+2.2 per cent). Generally, the volume of ending stocks in 2010/11 MY will decrease to 135.6 million tons (-2.6 per cent).

Within the reviewed period the futures prices in the world corn market were characterized by the upward trend. Thus, within the period since August 19, 2010 till September 23, 2010, the prices for corn on the American Exchange have decreased by 20.9 per cent, in the market of Asia – by 1.0 per cent.

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

### **Rice**

USDA has decreased the estimates of the world rice production in 2010/11 to 454.6 million tons (-1.0 per cent). The forecast of rice consumption has been decreased to 454.4 million tons, by 0.5 per cent from last month. The volume of ending stocks of such crops variety will amount to 94.6 million tons (-3.0 per cent).

In the world markets, according to News Agency “Reuters” the average prices of futures contracts for rice on the Chinese and American exchanges have increased by 5.8 per cent.

### **Kyrgyzstan**

According to the preliminary data submitted by the SCS KR in August of the current year the volume of rice imported to Kyrgyzstan from China, at the average price of \$398 per ton, amounted to 3.3 thousand tons (-0.3 per cent).

### **World sunflower oil review**

According to the USDA forecast the volume of oil world production in 2010/11 MY has decreased to 144.8 million tons, by 1.3 million tons from last month. The forecast of oil consumption has decreased to 144.1 million tons (-0.1 million tons). The volume of the sunflower oil world trade is expected at 59.6 million tons (-0.6 million tons). Ending stocks are expected at 10.3 million tons (-1.2 million tons).

According to the updated forecast of USDA the volume of palm oil production is expected at 47.8 million tons (-1.5 million tons), the volume of sunflower oil production is expected at – 11.6 million tons. Decrease in the forecasts on production affected the prices for palm oil. Average futures prices for palm oil as of September 23 of the current year have increased by 5.4 per cent within a month.

### **Sunflower oil**

USDA reported that the volume of sunflower oil production in 2010/11 MY will amount to 11.6 million tons (+0.1 per cent), consumption – 11.3 million tons (-0.1 per cent). The volume of ending stocks has decreased by 1.3 per cent and amounted to 0.8 million tons.

According to the forecasts of the Ministry of Agrarian Policy of Ukraine, the volume of sunflower oil production in 2010/11 MY (September-

August) is expected at the level of 2009/10 MY. According to preliminary data, the volume of sunflower oil production in Ukraine in 2009/10 MY has amounted to 2.9 million tons compared to 2.5 million tons in 2008/09 MY, the volume of export has made 2.5 million tons compared against 2.1 million tons respectively. According to experts, Ukraine is a world leader on sunflower oil export.

According to Analytical Agency “Oilworld”, prices for sunflower oil and seeds have significantly increased. Currently, MOA RF is considering the issue on possible increase in the amount of export duty to 30 per cent, or embargo imposed on the specified goods export. Cold weather in May (sowing time) and abnormally hot summer in the current year conditioned decrease of oil percentage in the sunflower – 39-40 per cent (on the average – up to 50 per cent). Thus, the volume of sunflower oil production is expected at 2.4 million tons. Alongside with it, annual domestic consumption amounts to 2.5 million tons. Annually, the volume of sunflower oil export is reported to make approximately 0.5 million tons. The specified fundamental factors cause increase in prices. Thus, within the reviewed period the futures for sunflower oil in the world exchanges as of September 23, 2010 have increased by 2.1 per cent and amounted to \$1022-1185 per ton.

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

### **Kyrgyzstan**

According to the preliminary data submitted by the State Customs Service of the Kyrgyz Republic, the volume of vegetable oil imported to Kyrgyzstan within August of the current year at the average price of \$1091 per ton has increased by 1.0 per cent from the last month and amounted to 3.2 thousand tons. It should be noted, that more than 50 per cent of vegetable oils are generally imported to Kyrgyzstan from the Russian Federation. Embargo imposed on sunflower oil export from the Russian Federation is likely to have a negative impact on the domestic pricing environment.

Generally, the prices within the “oils and fats” group in the Kyrgyz Republic as of August 22, 2010 have increased by 9.2 per cent compared to the prices of the last month.

### **Sugar**

According to News Agency “Rossahar”, analysts of the International Sugar Organization (ISO) forecast sugar surplus in the world market in 2010/11 MY, as increase in the volume of production in India will cause increase in the volume of general production in the world to the record high. World sugar production is expected to increase by 7.3 per cent or 11.5 million tons from the last season, to 170.4 million tons. Alongside with it, surplus will amount to 3.2 million tons. Gain in production in India will amount to 7.0 million tons; the later will make it possible to export 0.9 million tons of sugar. In 2009/10 MY import will make 3.3 million tons. World sugar consumption will increase by 2 per cent, to 167.2 million tons. The index of the stocks – consumption ratio will amount to 33.6 per cent against 33.5 per cent in 2009/10 MY. Growth in the volume of sugar production is expected to affect the world market.

Within the reviewed period the price for sugar on the London Exchange was characterized by the upward trend: the price for sugar as of September 23 of the current year has increased by 10.8 per cent compared to the same index as of August 19 of the current year and amounted to \$618. According to News Agency “Reuters”, increase in prices for sugar was conditioned by low level of supply against active demand.

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

***Kyrgyzstan***

According to the preliminary data submitted by the SCS KR, 9.0 thousand tons of sugar has been imported, mainly from Kazakhstan and Byelorussia, within August of the current year at the average price of \$720 per ton (-1.2 per cent).

According to the data submitted by the NSC KR the price for sugar in the domestic market of the Republic as of September 22 of the current year has increased by 3.0 per cent compared to the prices of the last month.

**Meat**

***Kazakhstan***

Generally, the amount of cattle stock and small cattle in the Republic of Kazakhstan as of August, 2010 has decreased by 2.2 per cent and 3.2 per cent respectively.

In Kazakhstan and, particularly, in the regions bordering with Kyrgyzstan (Almaty region) the amount of small cattle has decreased to 3746.7 thousand heads (-2.9 per cent), the amount of cattle stock has slightly decreased to 1025.8 thousand heads (-1.4 per cent).

Experts believe that the amount of cattle stock and small cattle is decreasing in some regions of the Republic due to forage shortage and high price for the later.

***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 August, 2010 has increased by 6.5 per cent compared to the index of July, 2010 and amounted to 29.7 thousand tons.

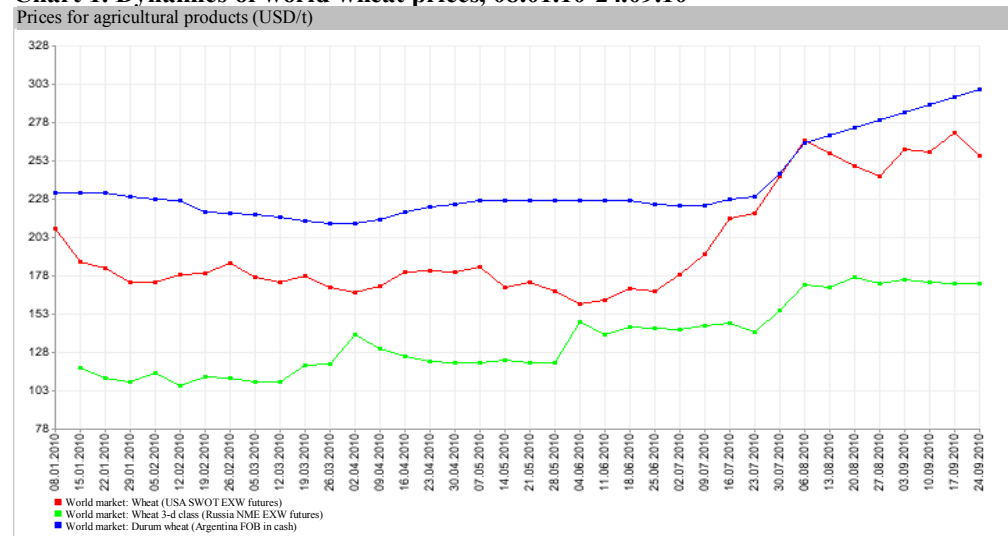
The NSC KR reported that the prices for meat as of September 22, 2010 have increased by 3.2 per cent compared to the prices of the last month. Experts believe that increase in prices for meat is caused by increase in prices for forage.

**Table 1.** Food market (change in the estimates of production, consumption, ending stocks within a month and prices for consumer goods in 2010/11 marketing year)

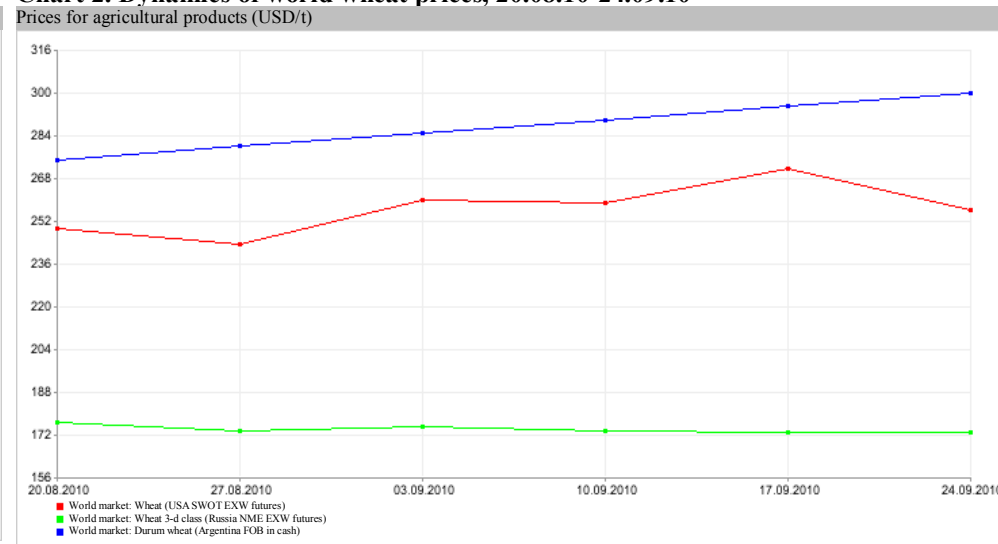
	<i>Production estimate, million tons</i>	<i>change for a month, in %</i>	<i>Consumer estimate, million tons</i>	<i>change for a month, in %</i>	<i>Ending stocks estimate, million tons</i>	<i>change for a month, in %</i>	<i>Price in USD per ton</i>	<i>change for a month, in %</i>
<b>Crops (world)</b>	1741	-0.7	1780	0.3	353	-4.3	243 <sup>1</sup>	10.9
<b>Wheat</b>	643.0	-0.4	661.2	-0.6	177.8	1.7	268 <sup>2</sup>	9.4
<i>Kyrgyzstan</i>	0.9	0.0	1.1	0.0	0.5	-16.9	–	–
<i>the USA</i>	61.6	0.0	32.3	0.0	24.6	-5.0	256	2.4
<i>Australia</i>	23.0	0.0	7.3	0.0	4.4	18.9	286	8.3
<i>EC-27</i>	135.1	-1.7	122.0	-2.0	13.4	32.7	280	16.7
<i>China</i>	114.5	0.0	105.8	0.0	63.4	0.0	362	3.1
<i>Russia</i>	42.5	-3.4	48.0	-2.4	4.9	-7.5	173	-4.9
<i>Kazakhstan</i>	11.5	0.0	7.7	0.0	6.0	11.1	248	38.2
<b>Corn</b>	826.1	-0.7	829.5	-0.2	135.6	-2.6	197	20.9
<b>Rice</b>	454.6	-1.0	454.4	-0.5	94.6	-3.0	265.5	58
<b>Sunflower oil</b>	11.6	0.1	11.3	-0.1	0.8	-1.3	1090	2.1
<b>Sugar</b>	170.4	3.9	167.2	5.8	55.0	37.5	618	10.8

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

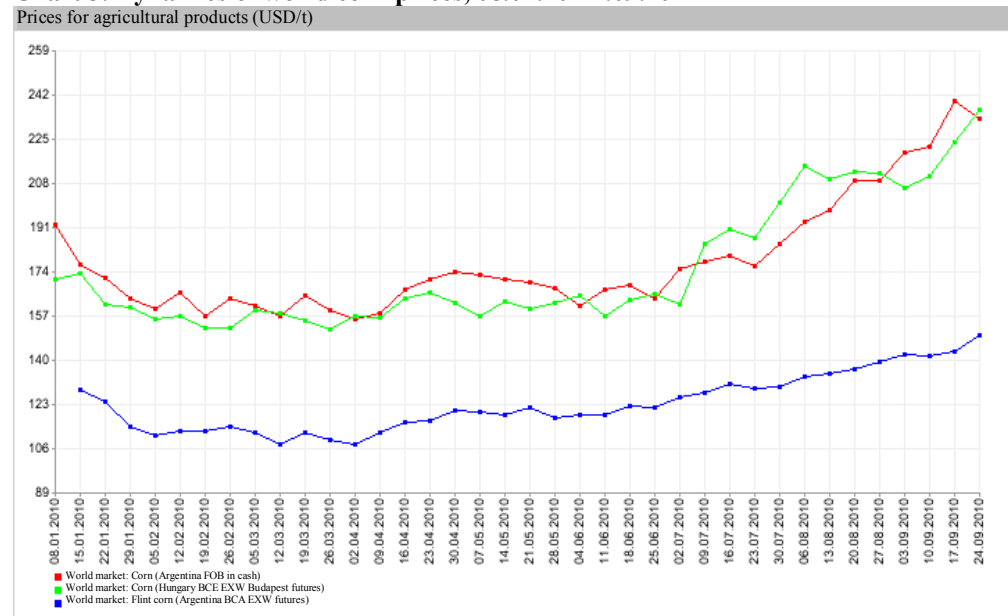
**Chart 1. Dynamics of world wheat prices, 08.01.10-24.09.10**



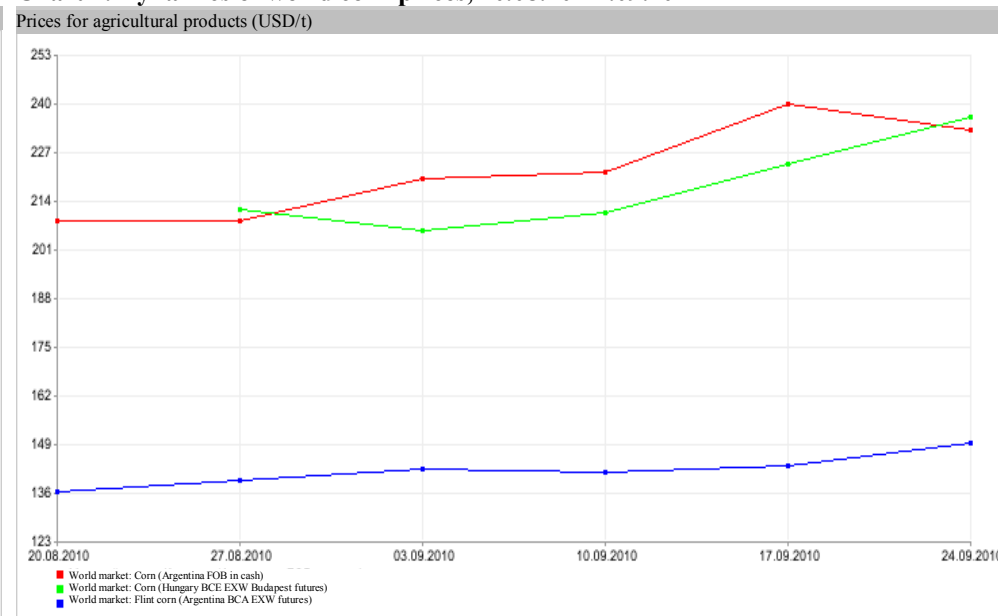
**Chart 2. Dynamics of world wheat prices, 20.08.10-24.09.10**



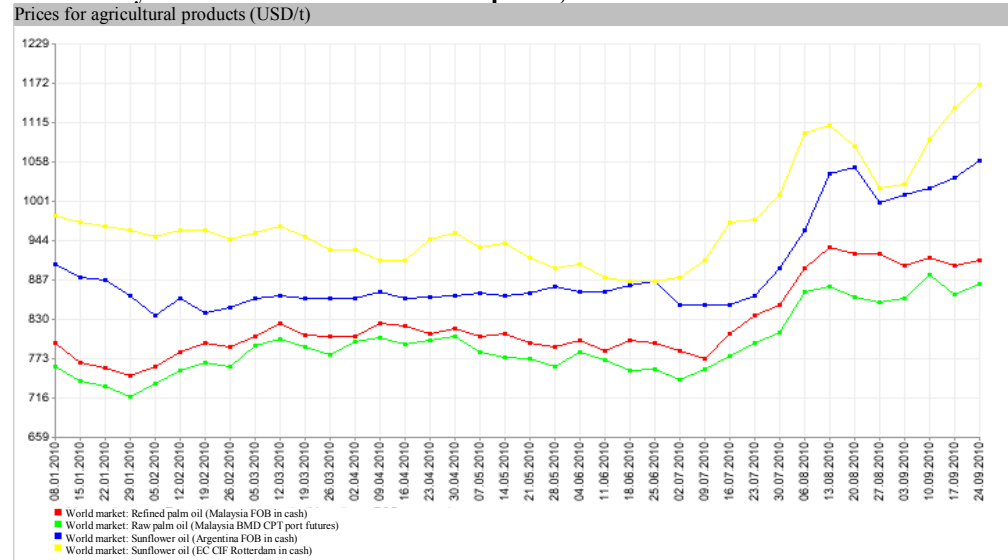
**Chart 3. Dynamics of world corn prices, 08.01.10-24.09.10**



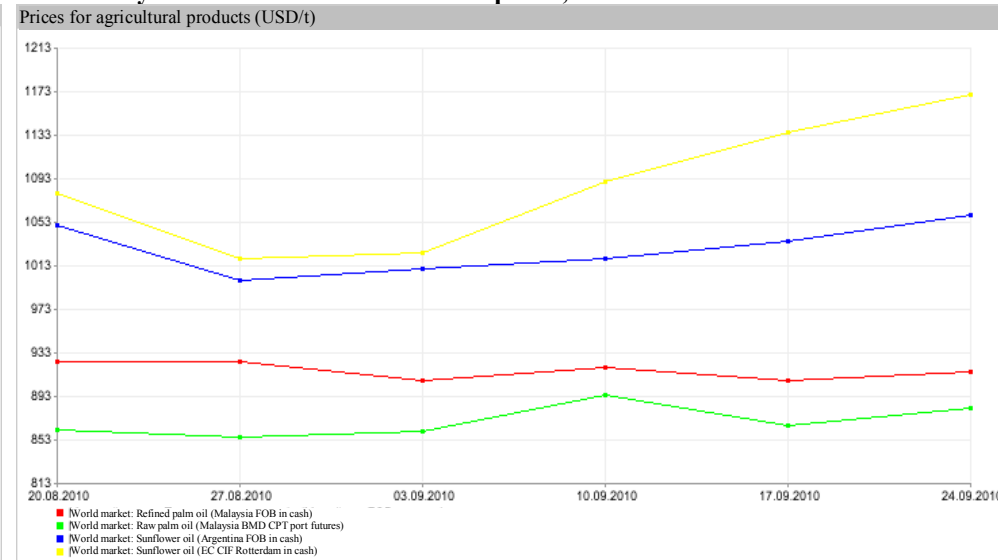
**Chart 4. Dynamics of world corn prices, 20.08.10-24.09.10**



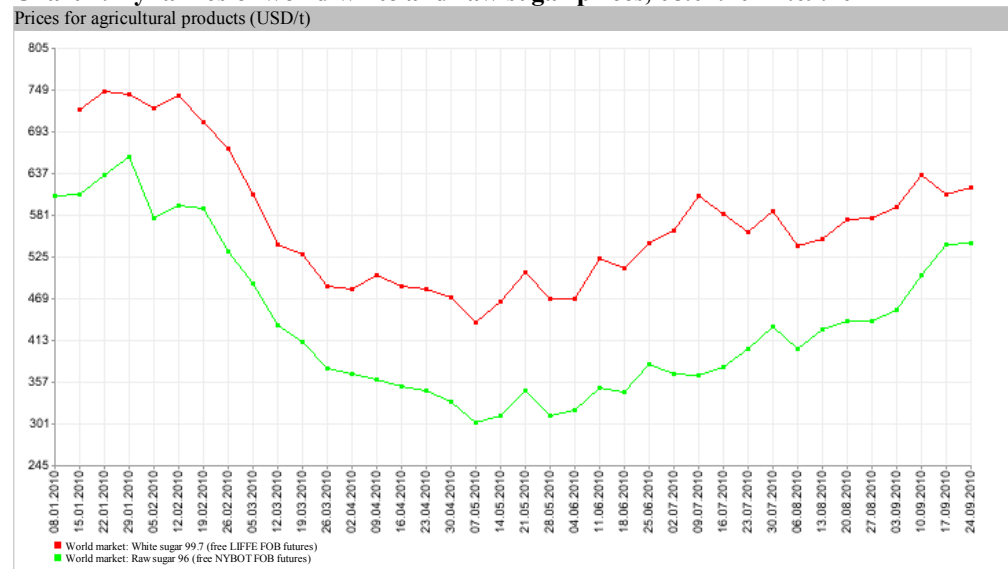
**Chart 5. Dynamics of world sunflower oil prices, 08.01.10-24.09.10**



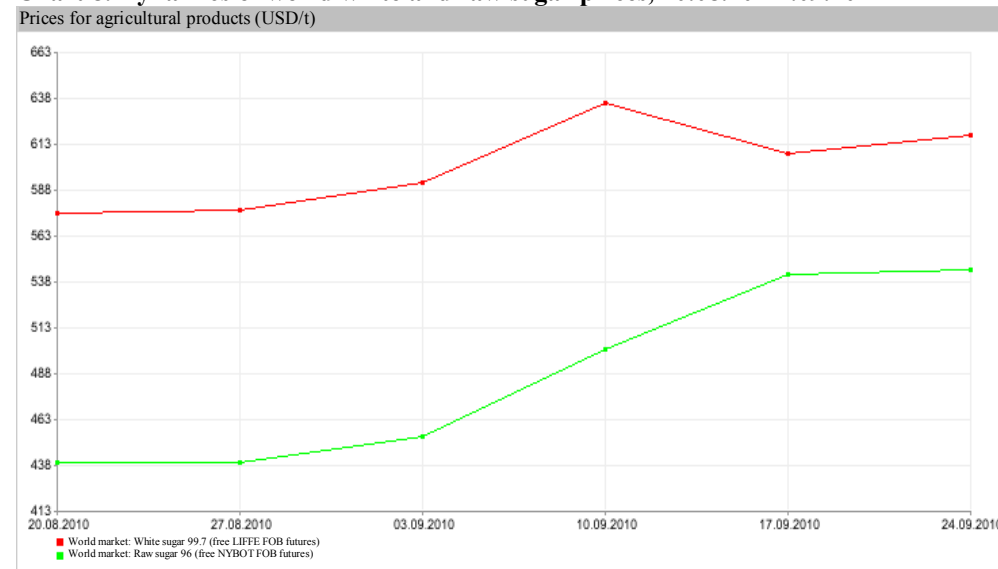
**Chart 6. Dynamics of world sunflower oil prices, 20.08.10-24.09.10**



**Chart 7. Dynamics of world white and raw sugar prices, 08.01.10-24.09.10**



**Chart 8. Dynamics of world white and raw sugar prices, 20.08.10-24.09.10**



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, State Customs Service of the Kyrgyz Republic, International Grains Council (IGC), MOA RF, USDA, MOA RK, Statistics Agency of the Republic of Kazakhstan, Federal Service for State Statistics of the Russian Federation, Ministry of Economic Development and Trade of the Russian Federation, Ministry of Agrarian Policy of Ukraine, Internet resources: News Agency “AKIpress”, News Agency “24.kg”, News Agency “APK-inform, News Agency “Soyuzrossahar”, News Agency “IDK”, Analytical Agency “Oil World”, Analytical Agency “SovEcon”, News Agency “Kazakh-zerno”, “Ecowin”, News Agency “Reuters”, “Eviews 5.0”.