

## **World grain market review**

### **Crops**

US Department of Agriculture (USDA) has adjusted the forecasts on wheat to the decreasing direction. According to January report US Department of Agriculture forecasts world wheat production in 2010/11 MY at 645.8 million tons, decrease by 0.1 per cent from last month. The forecast index of wheat consumption has decreased to 665.3 million tons (-0.2 per cent) from last month. Thus, ending stocks of wheat in the world market in 2010/11 MY will increase by 0.7 per cent from last month to 178.0 million tons.

According to December report of the Food and Agriculture Organization of the United Nations (FAO UN), due to increase in prices for food-stuff there are concerns in respect of world food situation. Thus, in December, 2010 price index for food-stuff increased by 8.7 points, up to maximum 214.7 points. Meanwhile, the price index for sugar in the reviewed period has maximally increased by 25 points, to 398.4 points. In December, 2010, the price index for oil (by 19.7 points, to 263.0 points) and the price index for grain (by 14.3 points, to 263.0 points) were characterized by maximum growth. The price index for meat at the end of the last month, 2010, has increased by 0.7 points, to 142.2 points. However, the experts of FAO forecast further growth of prices for wheat and other cereal crops. But, they say that the world reserves of food grain are not sufficient and crisis recurrence of 2008 is hardly probable.

USDA reported that low supply and high steady demand for cereal crops would result in record prices for all crops. According to News agency “Kazakh-Zerno”, the manufacturers of meat and dairy products will suffer as well as the volume of feeding stuff for farm animals is likely to reduce and become expensive.

Due to bad harvest in Russia, Ukraine and Kazakhstan where the world volume of produced crops amounts to 26 per cent, increase in prices for this product has made 70 per cent. Foreign experts note that the price for agricultural products will keep growing in 2011 on the background of increasing demand on the part of the countries with developing economies, including China, as well as due to growth in prices for fuel.

*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 2010/11 MY on wheat production have remained at the level of the last month and amounted to 60.1 million tons. The forecast of wheat consumption has decreased by 0.8 per cent to 32.0 million tons. The volume of wheat export and import in the USA in 2010/11 marketing year is expected at 36.0 million tons (+5.9 per cent) and 3.0 million tons respectively. The volume of ending stocks at the end of 2010/11 MY will amount to 22.3 million tons (-4.7 per cent).

Within the period from December 17 till January 20, 2011, the futures for the American wheat were characterized by the upward trend, the later has reached the level of \$295 per ton. Thus, within the reviewed period increase has reached 4.8 per cent.

#### ***Australia***

In January, the USDA estimate of wheat production in Australia in 2010/11 MY has amounted to 25.0 million tons (-2.0 per cent), consumption – 8.5 million tons (+6.3 per cent). The estimate of export has been decreased by 3.5 per cent, to 14.0 million tons. The volume of ending stocks is expected at 7.2 million tons, the later has increased by 7.4 per cent compared to the same index of the last month.

Due to adverse weather conditions, within the reviewed period, the futures for the Australian wheat as of January 20, 2011 have increased by 3.7 per cent, to \$322 per ton.

#### ***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 136.5 million tons (+0.2 per cent). The forecasts of consumption have decreased by 1.2 per cent, to 122.0 million tons. The forecasts of export and import for 2010/11 MY have amounted to 22.50 million tons and 4.5 million tons (-10 per cent) respectively. The volume of wheat ending stocks by the end of 2010/11 MY is expected at 12.09 million tons (+11.2 per cent).

The price for wheat as of January 20, 2011 on the London International Financial Futures Exchange (LIFFE) has increased by 7.4 per cent compared to the price as of December 17, 2010 and amounted to \$313 per ton.

#### ***China***

According to the USDA forecasts in January Japan is expected to produce 114.5 million tons in the current marketing year. Forecasts of consumption volume and ending stocks remained at the level of the last month of 108.8 million tons and 60.0 million tons respectively.

Within the period since December 17, 2010 till January 20, 2011, the futures price for the China wheat has decreased by 1.3 per cent.

#### ***Russia***

According to the preliminary data of the MOA RF, the area of winter crops sown for the harvest of 2011 in Russia has decreased by 3 million ha from the forecasted area and amounted to 15.5 million ha. The volume of threshed grain has decreased by 37.3 per cent from the same index of 2009 and amounted to 60.9 million tons in weight after processing. Particularly, the volume of harvested wheat amounts to 41.5 million tons (-30.8 per cent). The volume of crops harvest in 2011 is expected at 85 million tons (+41.0 per cent).

Additional funds are allocated for mineral fertilizers purchase for the purposes of effective sowing. The Government will render support to the territories suffered from drought. Currently, the issue on preserving in 2011 the operating procedure on granting 10 per cent discount for lubricants is being discussed.

According to the Russian experts, the consequences of the bad harvest in 2010 will be seen in the first half-year of 2011, when the domestic food stocks come to an end. Besides, prices in the Russian market have only partially responded to the growth of world prices for food stuff that is why the prices for food stuff in Russia will keep increasing. Peak in prices growth is forecasted in January-May, 2011.

On this background, average prices for the 3-d class wheat in the domestic market of Russia as of January 21 of the current year have increased by 2.5 per cent compared to quotations of December and amounted to \$206.

#### ***Kazakhstan***

According to the data submitted by the Statistics Agency of the Republic of Kazakhstan, in Kazakhstan in 2010, the volume of harvested crops and bean cultures in weight after processing has decreased by 41.9 per cent from the last year and amounted to 12.2 million tons. The volume of harvested wheat amounts to 9.7 million tons. According to News Agency “Kazakh-zerno”, the Minister of Agriculture of the Republic of Kazakhstan is sure that the volume of harvested grain taking into account the ending stocks of the last years is sufficient for the purpose of satisfying domestic demand of the country and bringing export

potential to 7 million tons.

According to the data submitted by the Statistics Agency of the Republic of Kazakhstan, the volume of the bread wheat stocks as of January 1 of the current year has decreased by 8.4 per cent from last month, to 10.6 million tons.

### **Kyrgyzstan**

According to the forecast data of the MOA KR, the general sown area intended for crops and grain legumes in 2011 is expected to increase by 1.6 per cent from the last year, to 630.5 thousand ha. Meanwhile, the authority advises the agricultural producers to reduce the areas intended for grain legumes by 15.7 per cent, to 35.5 thousand ha and the areas intended for barley – by 11.7 per cent, to 81.2 thousand ha. The volume of wheat ending stocks as of January 1, 2011, makes 0.9 million tons, while the volume of the annual demand in the domestic market in 2011 amounts to 0.6 million tons taking into account physiological standards of meals taking.

In Kyrgyzstan in 2011, the volume of wheat grains intended for spring sowing amounts to 26.5 thousand, the later makes 92.9 per cent of the general demand. According to the MOA KR press-service, spring sowing campaign requires additional 31.4 thousands of diesel fuel.

In January-November, 2010, the volume of bakery products supply by means of own production in the domestic food market of the Republic taking into account ending stocks and in accordance with average physiological rates has made 130.3 per cent.

According to News Agency “Kazakh-zerno” the average price for the 3-grade wheat as of January 21, 2011 on DAF terms Lugovaya station (Kazakhstan-Kyrgyzstan) has increased by 6.6 per cent from the last month, to \$307.

According to the NSC KR, the prices for “bakery products and cereals” group as of January 20, 2011, have increased by 1.4 per cent from the last month. Taking into account forecasts of the foreign experts in respect of the world conjuncture and the current situation in the domestic market, it should be noted that there are risks of prices growth for bakery products in the Republic.

### **Corn**

According to the forecasts of the USDA made in October the world corn production in 2010/11 MY will decrease to 819.7 million tons, by 0.8 per cent from last month.

According to January forecasts of USDA, the world corn production in 2010/11 My is expected at 816.0 million tons, decrease by 0.6 per cent from the last month. Consumption estimate has been decreased by 0.2, to 836.1 million tons. The forecast on the world trade volume has been decreased to 90.9 million tons (-1.2 per cent). Generally, the volume of ending stocks is expected to decrease to 127.0 million tons (-2.3 per cent).

Within the reviewed period the futures prices in the world corn market were characterized by the upward trend. Thus, the prices for corn on the American Stock Exchange within the period from December, 2010 to January 20, 2011 have increased by 9.7 per cent, in the markets of Asia – by 2.8 per cent. According to the foreign analysts, the prices for corn are growing against decrease of forecast on the corn ending stocks, as well as due to dry weather in the large corn producing countries (the USA, Argentina, Brazil).

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

### **Rice**

USDA has retained the estimates of the world rice production in 2010/11 at the level of 452.4 million tons. The forecast of rice consumption has been slightly decreased to 452.8 million tons, by 0.2 per cent from last month. The

volume of ending stocks of such crops variety will amount to 94.4 million tons (-0.4 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 3.0 and 9.3 per cent respectively.

### **World vegetable oil market review**

According to the USDA forecast the volume of oil world production in 2010/11 MY has amounted to 145.8 million tons (-0.1 million tons). The forecast of oil consumption has increased to 146.1 million tons (+0.1 million tons). The volume of the oil world trade is expected at 60.0 million tons (0.1 million tons), ending stocks are expected at 10.2 million tons (+0.1 million tons).

According to the updated forecast of the USDA the volume of palm oil production is expected at 47.9 million tons, the volume of sunflower oil production is expected at 11.2 million tons (-0.1 million tons). According to the analysts of Malaysian Palm Oil Council, the volume of palm oil production will increase to 17.5-17.8 million tons (+4.7 per cent) due to increase in yields. However, as of January 20 of the current year the average futures prices for palm oil have increased by 13.5 per cent within a month. The American specialists forecast that the prices for oil in 2011 will be the highest prices of ever recorded in the market.

### **Sunflower oil**

According to the updated forecast of the USDA the volume of sunflower oil production in 2010/11 MY will amount to 11.2 million tons (-0.5 per cent), consumption – 11.0 million tons (-0.4 per cent). The estimate of ending stocks has decreased by 14.1 per cent and amounted to 0.8 million tons.

The volume of sunflower production in Russia has decreased by 17.3 per cent from the last year, to 5.3 million tons. As of January 1, 2011, the reserve volume of oil-bearing plants seeds has increased by 22 per cent from the last year. According to Analytical Agency “OilWorld”, the volume of sunflower oil production in Ukraine in 2010/11 marketing year is expected at 3 million tons, increase by 3.5 per cent compared to the same index of 2010.

Within the reviewed period the average futures price for sunflower oil on the world exchanges as of January 20, 2011 has increased by 1.1 per cent and amounted to \$1478 per ton. The price suffered the influence of the forecasts on decrease in the oil ending stocks.

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

### **Kyrgyzstan**

According to the MOA KR, in 2011 the sown area for oil bearing plants is expected to decrease by 3.4 per cent, to 57.1 thousand ha.

In January-November, 2010, the volume of vegetable oil supply by means of own production in the domestic food market of the Republic taking into account ending stocks and in accordance with average physiological rates has made 34.6 per cent.

Generally, the prices within the “oils and fats” group in the Kyrgyz Republic as of January 19, 2011, have increased by 0.6 per cent compared to the prices of the last month. Increase in prices for vegetable oil is conditioned by drought in Russia, the late resulted in 1.5 times increase in prices for sunflower seeds and oil in the beginning of September; by imposing embargo on sunflower oil import for the period of six months (Resolution of the Government of Kazakhstan №1024 dated October 5, 2010 “On imposing embargo on import of some kinds of seeds of oil bearing plants, vegetable oils and buckwheat”).

## **Sugar**

The volume of production in the sugar industry of Byelorussia in 2010 has increased by 7.6 per cent compared to 2009. According to News Agency “Rossahar”, the sugar plants of Byelorussia are going to export in 2011 at least 0.5 million tons of white sugar, this volume has increased by 1.4 per cent compared to the same index of 2010. It is reported that the sugar deficit is not forecasted in the current season. Within the reviewed period the futures for sugar on the London Exchange were characterized by the downward trend and as of January 20 of the current year have increased by 2.9 per cent compared to the same index as of December 17, 2010 and amounted to \$768 per ton.

However, the price for sugar amounted to \$826 per ton in the last week of 2010 and the first week of 2011. The reason for growth in prices has become information about extremely dry weather in Brazil, the world largest sugar producer, which is likely to have an adverse effect on the sugarcane harvest in the country, as well as information that the sugarcane areas were flooded in Australia. According to the experts of Australia, sugar production in 2011 is expected at the level of 30 million tons, decrease by 5 million tons compared to the forecasts before the flood. According to News Agency “Soyuzrossahar”, the data from Australia are likely to have additional pressure on the world sugar prices, particularly in case the sugar production in Australia suffers more.

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

## ***Kyrgyzstan***

The Ministry of Economic Regulation informs that “the domestic market of the Republic is almost entirely dependant of sugar import”. Currently, Koshoi OJSC and Kaindy-Kant OJSC are able to process 700 thousand tons of sugar beet. However, within 11 months of 2010 Kaindy-Kant OJSC has processed 121.5 thousand tons of harvested sugar beet. As a result the volume of sugar production has amounted to 12.0 thousand tons of sugar or 9.5 per cent of the general demand in the Republic which makes 126.8 thousand tons per year. According to News Agency “24.kg”, it is necessary to increase sown areas in order to satisfy the citizens’ demand for sugar in the Republic.

According to the press-service of the Ministry of Agriculture of the Kyrgyz Republic, the share of imported sugar in the domestic market of Kyrgyzstan has amounted to 97 per cent by the end of 2010, 93.7 per cent – in 2009. Due to this, in 2011, economic entities were advised to increase twice the sown areas intended for sugar beet from 8.4 to 17.2 thousand ha, due to this it will be possible to produce 300 thousand tons of root crops and 35.0 thousand tons of sugar.

According to the data submitted by the NSC KR as of January 19 the price for sugar in the domestic market of the Republic has increased by 6.8 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 December, 2010 has decreased by 5.1 per cent and 6.2 per cent respectively. In Kazakhstan and, particularly, in the regions bordering with Kyrgyzstan (Almaty region) the amount of small cattle has decreased in 2010 by 11.6 per cent, the amount of cattle stock has decreased by 11.1 per cent.

### ***Kyrgyzstan***

According to the data submitted by the MOA KR, within December, 2010, the volume of meat production has decreased by 2.5 per cent from the last

month, to 31.9 thousand tons. In January-November, 2010, the volume of meat supply by means of own production in the domestic food market of the Republic taking into account ending stocks and in accordance with average physiological rates has made 37.8 per cent.

According to the data of the NSC KR, the prices for meat as of January 19, 2011, have increased by 4.2 per cent from the prices of the last month. Increase in prices has become the result of prices growth for lubricants and feeding stuff, as well as decrease of meat supply in the domestic market due to increase in the volumes of meat export. Meat market in the Republic is mainly formed by means of the goods produced in the smallholdings and there are no organized channels for meat distribution. According to the State Agency on Antitrust Policy and Development of Competition under the Government of the Kyrgyz Republic, the competition is developing in the market of meat and meat products, however, due to subpurchasers operation in the market the meat price for the customers increases and becomes unaffordable for all categories of population.

**Table 1.** Food market (change in the estimates of production, consumption, ending stocks within a month and prices for consumer goods in 2010/2011 marketing year)

	<i>Production estimate, million tons</i>	<i>change for a month, in %</i>	<i>Consumption 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>Futures in USD per ton</i>	<i>change for a month, in %</i>
<b>Crops (world)</b>	1726	0.1	1787	0.1	342	0.6	293 <sup>1</sup>	7.0
<b>Wheat</b>	645.8	-0.1	665.3	-0.2	178.0	0.7	298 <sup>2</sup>	2.5
<i>Kyrgyzstan</i>	1.0	11.8	1.1	0.0	0.9	-18.2	–	–
<i>the USA</i>	60.1	0.0	32.0	-0.8	22.3	-4.7	295	4.8
<i>Australia</i>	25.0	-2.0	8.5	6.3	7.2	7.4	322	3.7
<i>EC-27</i>	136.5	0.2	122.0	-1.2	12.9	11.2	313	7.4
<i>China</i>	114.5	0.0	108.8	0.0	60.0	0.0	368	-1.3
<i>Russia</i>	41.5	0.0	47.5	0.0	3.3	-2.9	206	2.5
<i>Kazakhstan</i>	9.7	-11.0	7.7	0.0	8.4	-10.6	307	6.6
<b>Corn</b>	816.0	-0.6	836.1	-0.2	127.0	-2.3	257	9.7
<b>Rice</b>	452.4	0.0	452.8	0.0	94.4	-0.4	324	9.3
<b>Sunflower oil</b>	11.2	-0.5	11.0	-0.4	0.8	14.1	1478	1.1
<b>Sugar<sup>3</sup></b>	161.9	0.0	158.9	0.0	26.5	0.0	768	-2.9

<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<sup>3</sup> The price of USDA in November

**Table 2.** Dynamics of average food-stuff prices in the regional centers of the Republic and the capitals of Kyrgyzstan, Kazakhstan and Russia (according to the data submitted by NSC KR)

<b>December, 2010 / December, 2009</b>								
Change in average prices, %								
	beef	mutton	butter	milk liter	eggs ten	first grade flour	white bread	potato
Bishkek	23.50	14.52	10.76	8.74	3.44	41.04	11.59	37.99
Astana*	23.59	-10.67	17.96	23.50	2.93	-12.90	-0.56	50.98
Almaty*	13.20	27.29	9.29	10.25	3.42	-11.00	0.65	34.74
Moscow**	3.68	8.09	27.98	21.21	11.46	3.18	3.18	116.26
Batken	37.69	23.77	-6.90	14.90	7.83	41.20	32.09	32.74
Jalal-Abad	39.04	31.21	2.36	0.94	7.32	39.86	32.09	58.50
Karakol	35.19	36.27	19.36	65.87	20.53	34.05	5.31	43.60
Naryn	42.60	31.05	3.64	-1.59	4.01	35.59	27.65	24.12
Osh	29.70	30.76	3.44	6.27	13.00	46.67	18.18	40.62
Talas	30.17	23.11	9.62	1.02	5.60	18.26	25.55	37.46
Tokmok	28.71	14.41	22.41	-2.32	1.63	35.98	12.07	10.94

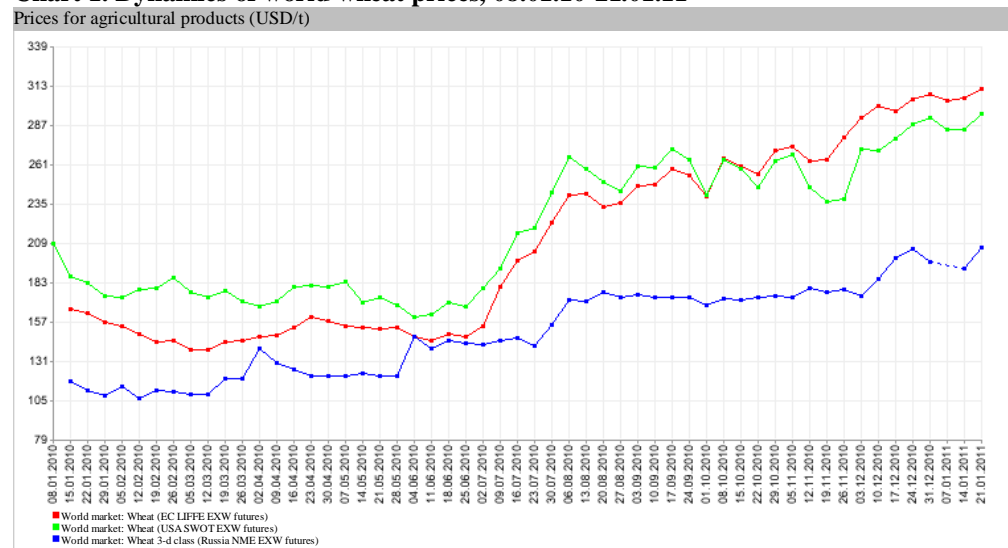
<b>December, 2010</b>								
Average prices ratio in Bishkek and in other towns								
	beef	mutton	butter	milk liter	eggs ten	first grade flour	white bread	potato
Bishkek	100	100	100	100	100	100	100	100
Astana*	122.4	136.5	91.4	118.2	87.8	102.0	77.3	146.9
Almaty*	116.1	126.1	116.4	144.2	108.6	95.2	88.6	127.0
Moscow**	137.7	191.3	142.1	167.6	103.7	139.8	130.6	241.4
Batken	93.9	104.2	69.1	117.3	102.3	96.0	123.2	83.1
Jalal-Abad	93.9	90.5	86.9	134.2	109.5	89.2	93.9	71.5
Karakol	98.0	93.7	72.4	75.3	114.1	91.4	103.5	63.9
Naryn	94.1	104.2	93.2	119.6	101.4	99.5	110.9	80.7
Osh	94.7	93.7	65.3	65.2	121.2	80.0	110.1	79.7
Talas	101.7	89.8	76.8	75.6	117.9	100.3	101.0	91.6
Tokmok	90.6	96.3	111.1	70.0	115.6	98.1	113.3	61.4

\* - Average consumer prices as of December 15 of the appropriate year.

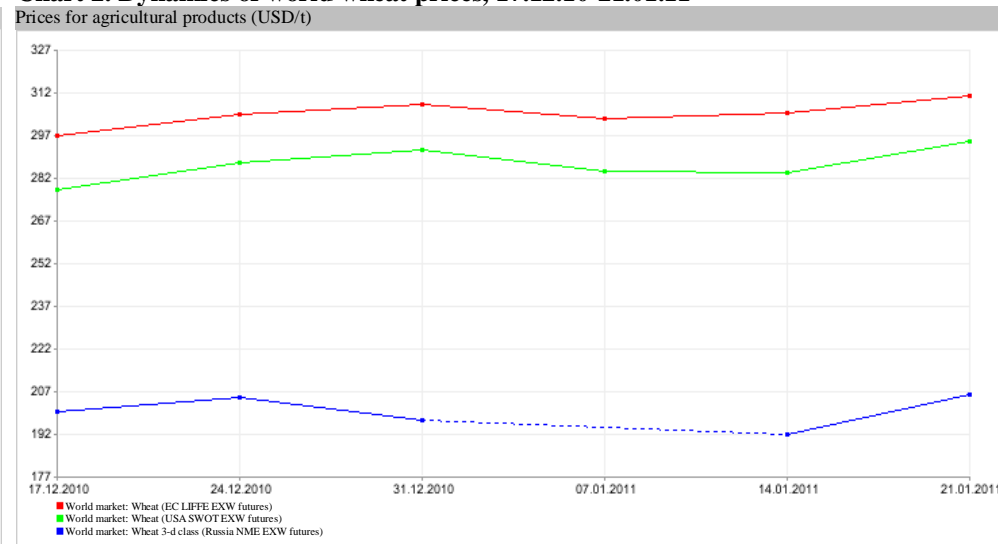
\*\* - Average consumer prices for wheat flour and bread from light wheat and dark wheat flour



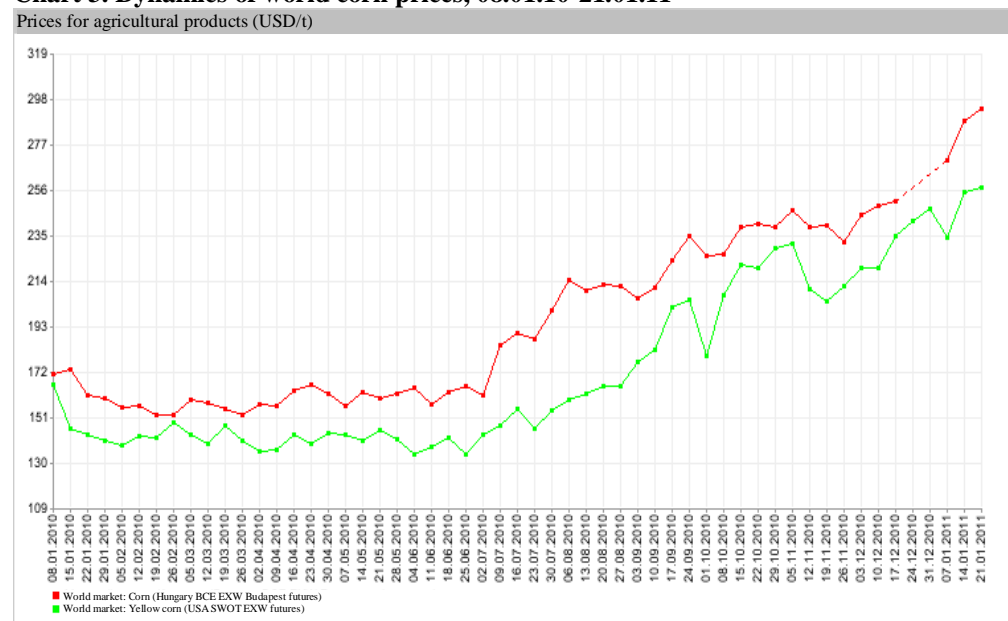
**Chart 1. Dynamics of world wheat prices, 08.01.10-21.01.11**



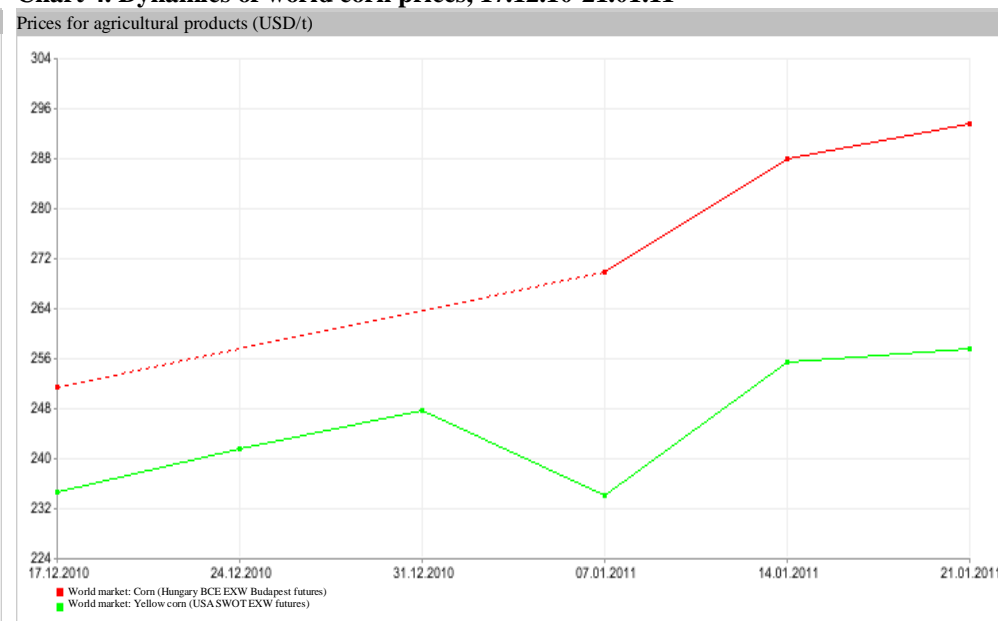
**Chart 2. Dynamics of world wheat prices, 17.12.10-21.01.11**



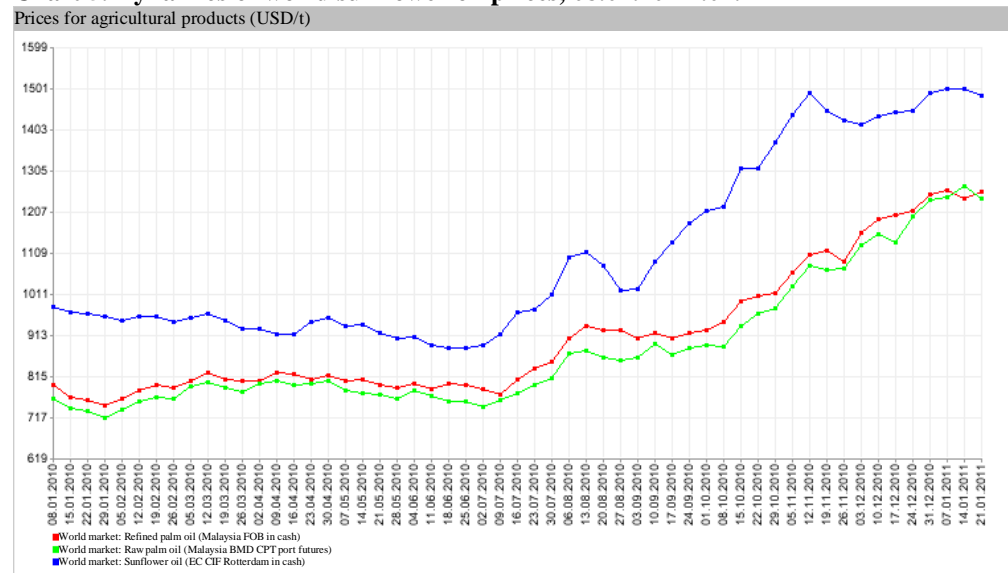
**Chart 3. Dynamics of world corn prices, 08.01.10-21.01.11**



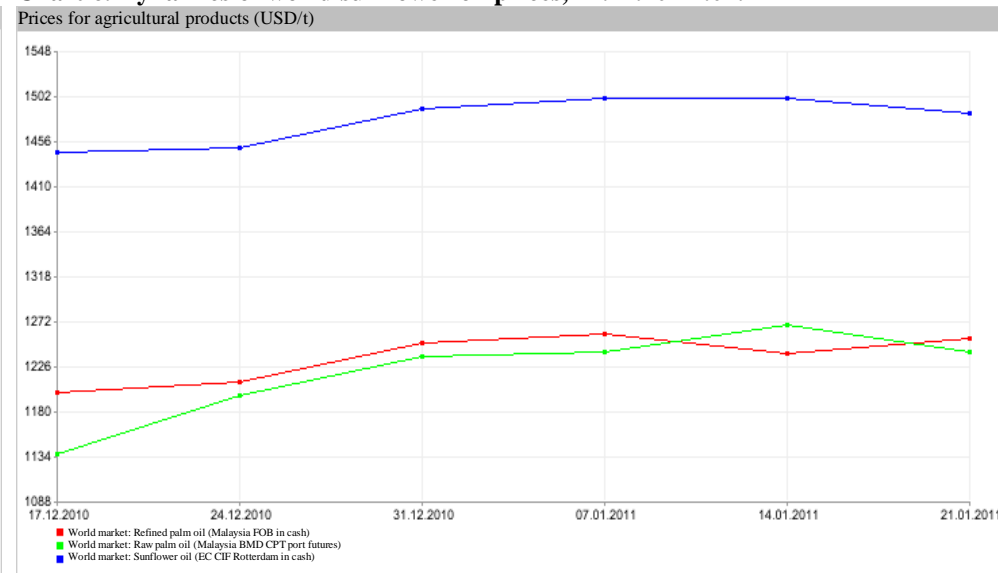
**Chart 4. Dynamics of world corn prices, 17.12.10-21.01.11**



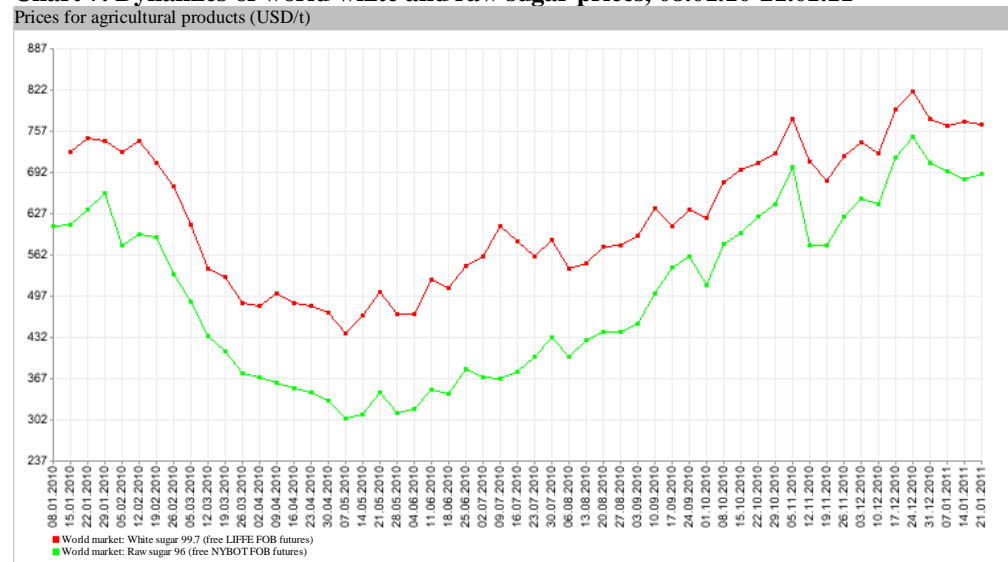
**Chart 5. Dynamics of world sunflower oil prices, 08.01.10-21.01.11**



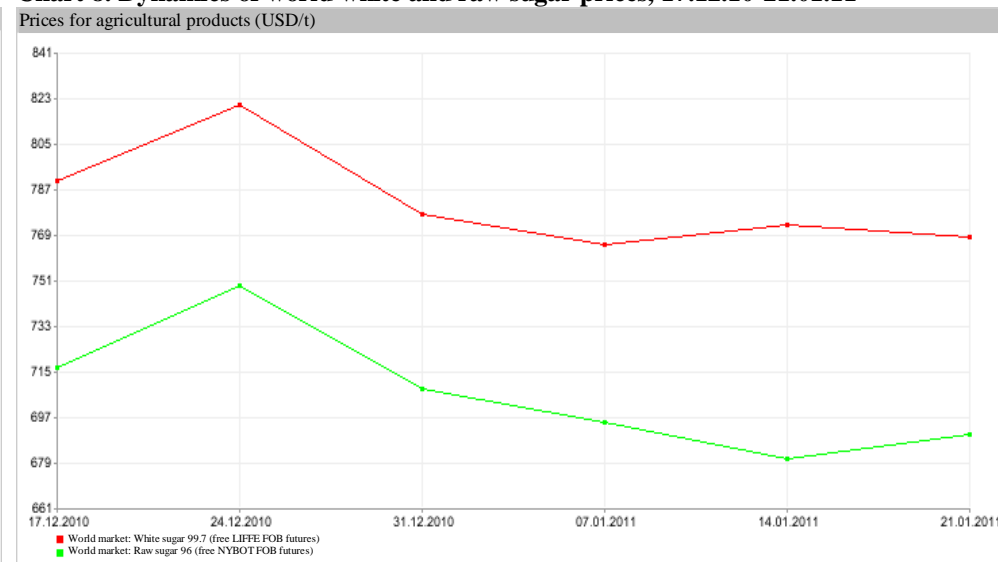
**Chart 6. Dynamics of world sunflower oil prices, 17.12.10-21.01.11**



**Chart 7. Dynamics of world white and raw sugar prices, 08.01.10-21.01.11**



**Chart 8. Dynamics of world white and raw sugar prices, 17.12.10-21.01.11**



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, 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”, News Agency “Reuters”.