

World grain market review

Crops

According to February report of US Department of Agriculture (USDA) world wheat production in 2009/10 MY is expected at 677.4 million tons, up 1.3 million tons from January. In 2009/10 wheat production is expected to decrease by 0.8 per cent from last season. The forecast index of wheat consumption in the current season was reviewed and adjusted to the increasing direction up to 645.6 million tons (+1.1 million tons). Thus, ending stocks of wheat in the world market in 2009/10 MY will increase to 195.9 million tons by 0.3 million tons from last month.

Favorable weather conditions resulted in increase of forecast indices of wheat production in India in the current year the later has exceeded the highest index of 2008/09 MY (80.6 million tons).

According to experts within the period of the nearest 6 months prices for wheat in the world market will keep descending due to the fact that the level of wheat reserves is high on a global scale. Consolidation of prices to some extent is expected in the second half of the season.

Generally, within the reviewed period grain markets were characterized by the multidirectional price trend. The later was conditioned by uncertainty on the part of the market participants.

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

Wheat

the USA

According to updated report of the USDA February forecasts for 2009/10 MY on wheat production and consumption have not changed and remained at the level of 60.3 million tons and 32.2 million tons respectively. In the USA the forecast index of export is expected at 22.5 million tons. The estimate of import has been increased by 0.2 million tons up to 3.3 million tons. The volume of ending stocks at the end of 2009/10 MY will amount to 26.6 million tons (+2.1 million tons).

Within the period from January 21 till February 16, 2010 the price for the American wheat was characterized by the upward trend, the later has reached the level of \$186 per ton. Thus, within the reviewed period the price for wheat has increased by \$2 per ton.

Australia

In February, the USDA estimate 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 News Agency "APK-inform" based on the latest data submitted by the Australian Bureau of Agricultural and Resource Economics (ABARE), the volume of wheat reserves kept in the depositaries of Australia as of early January of the current year amounted to 22.8 million tons, the later is 2.3 times the same index of November, 2009 (10.0 million tons).

The price for the Australian wheat as of February 16, 2010 has amounted to \$191. Thus, the price has increased by \$1 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 138.2 million tons (-0.1 million tons). The forecast of consumption, export and import for 2009/10 MY has amounted to 127.0 million tons, 19.0 million tons and 6.5 million tons

respectively. The volume of wheat ending stocks by the end of 2009/10 MY is expected at 17.1 million tons (-0.1 million tons)

The prices of different varieties of wheat as of February 16, 2010 on the European Exchange (Hungary) have increased (+\$1) compared to the price of January of the current year (-\$12) and amounted to \$146 per ton.

China

February forecast of the USDA for 2009/10 MY on wheat production in China remained the same (114.5 million tons). The estimate of consumption and ending stocks amounts to 102.0 million tons and 60.8 million tons respectively.

According to the estimates of the China National Grain and Oils Information Center (CNGOIC) in 2009/10 MY the total volume of wheat production in the country is expected at 115.0 million tons, up 2.5 million tons from last season. According to the experts forecasts the estimate of the spring harvest is expected at 6.25 million tons (+220 thousand tons). Increase in the volume of grain production in China was primarily conditioned by extension of production areas intended for crops cultivation in the country (this index has increased by 2.5 per cent, up to 24.2 million ha from last year), as well as favorable weather conditions. The volume of wheat consumption in the country is expected at 106.2 million tons, up 1.7 million tons.

Within the period since January 21 till February 16, 2010 the price for the Chinese wheat has increased to \$320 per ton, up \$1.

Russia

Rosstat reported that the winter crops acreage sown for the harvest of the forthcoming year has increased to 18.1 million ha by 957 million ha from last year. Alongside with it, the total sowing area is expected at 77.9 million ha, up 395 thousand ha from 2009 and amount to.

The MOA RF reported that in 2010 the volume of crops production was expected at 95 million tons, up 5 million tons from last year. While the volume of grain reserves as of the end of the current agricultural year are expected to decrease from 23.7 million tons as of the beginning of the year to 21.1 million tons due to increase in grain volumes intended for cattle and poultry feeding. The volume of ending stocks as of the end of the future agricultural year, i.e. as of the end of June 30, 2011, are expected at 15 million tons.

According to the estimates of the Ministry of Agriculture the total volume of grain consumption in the current marketing year amounts to 79.1 million tons compared to 76.2 million tons in the last season. In the future agricultural year the volume of grain consumption will increase to 80.1 million tons due to increase in the volume of grain to 19.5 million tons used for nutrition purposes, and for the purposes of cattle and poultry feeding, to 44.8 million tons.

According to the estimates of the Ministry of Agriculture in the current agricultural year (July, 2009 – June, 2010) the volume of the exported grain is likely to amount to 21.5 million tons compared to 22.5 million tons in the last agricultural year. The forecast is likely to make 22 million tons in the future agricultural year (July, 2010 – June, 2011). The forecast of the Ministry of Agriculture for 2018 is expected at 40 million tons. The share of Russia in the world grain export is reported to have increased from 2 per cent in 2001 (3.3 million tons) to 9 per cent in 2009, by 2018 the later is expected to reach 15 per cent.

According to the Minister of Agriculture of the Russian Federation in 2010 RUB 97.9 Billion are allocated from the RF federal budget for support of the agricultural production. In order to improve profitability and efficiency of

grain production in 2010 the Ministry of Agriculture starts subsidizing interest rates (to the amount of 80 per cent) on 10-year credits for construction of grain storage facilities, the issue on introducing reduced tariff for its transportation is in the process of settlement. According to News Agency “APK-inform” in 2010 RUB 5.8 Billion shall be allocated for this purpose.

Average prices for the 3-d class wheat in the domestic market of Russia as of February 16 of the current year have decreased to \$110¹ by \$3 per ton from January.

Kazakhstan

According to the submitted by the Statistics Agency of the Republic of Kazakhstan the volume of grain and legume crops reserves in Kazakhstan as of February 1 of the current year remain at the high level and amount to 15.1 million tons.

According to News Agency “Kazakh-zerno” in order to provide food security as of January 15, 2010 620.8 thousand tons of grain were purchased out of the harvest of the year 2009 to the state reserves. KZT 96 Billion were allocated for the purposes of agrarian sector development, KZT 41.3 Billion thereof were allocated for the purposes of agricultural production subsidizing.

According to the data submitted by the “Eurasian Trading System” commodity exchange March futures of the 3-d class wheat produced in Kazakhstan as of February 16 of the current year has increased to KZT 15700 per ton, up 5.8 per cent from January, 2010 . The April futures has reached the level of KZT 15900 per ton (+6.4 per cent).

According to Kazagromarketing JSC the prices for the first grade flour as of February 9 of the current year were fluctuating within the range from KZT 33 to KZT 50.

Kyrgyzstan

According to News Agency “24.kg”, new approach of the Government to support of the agrarian sector of Kyrgyzstan will result in increase of the agricultural production volume and decrease its price in the market. Financial Director of the Development Fund of Kyrgyzstan declared that start-up the project of AUB-AGRO microcrediting company will enable the farmers to receive access to monetary funds. The later will contribute to increase in volumes of agricultural products. “AUB-AGRO” will finance peasant farm enterprises and agricultural needs of the region inhabitants. KGS 1 Billion is planned to be transferred to this branch. The company will grant to peasants and farm enterprises low interest loans, compared to current rates, amounting 23 per cent per annum.

Alongside with it, the amount of \$10 Million is planned to be allocated to the leasing company to be established within the framework of the project of the Central Agency of Kyrgyzstan for Development, Investments and Innovations for the purpose of purchasing machines for farmers.

Furthermore, Aiyl Bank OJSC has granted the loan to the amount of KGS 150 Million to the rural commodity producers for the purposes of seeds, mineral fertilizers, lubricants and spare parts purchase.

According to New Agency “Business AKIpress” within the last years the agriculture of Kyrgyzstan suffers difficulties in respect of mineral fertilizers provision. With the demand for mineral fertilizers on the part of the agriculture in the republic which amounts to 320-340 thousand tons, 90-95 thousand tons in the physical weight is annually supplied, i.e. the volume of provision amounts to 28 per cent.

¹ Prices are calculated based on MFMAD ED (USD 1 = RUB 30.0)

According to News Agency “Kazakh-zerno” the volume of seed provision in the Kyrgyz Republic for winter has amounted to 97 per cent compared to 84 per cent in 2008. The later contributed to conducting autumn sowing.

According to News Agency “Kazakh-zerno” the price for the 3-d grade wheat as of February 11, 2009 on DAF terms Lugovaya station (Kazakhstan-Kyrgyzstan) has increased to \$154 by \$2 from last month.

According to the preliminary data in 2009 the volume of wheat imported from Kazakhstan amounted to 341.1 thousand tons, 324.7 thousand tons were imported from Kazakhstan at the average price of \$184 per ton.

Corn

The forecast of the world trade volume remained unchanged at the level of 84.9 million tons. Generally, in 2009/10 MY the volume of ending stocks is expected to decrease up to 134.0 million tons (-2.2 million tons).

Within the reviewed period the prices in the world market of corn were characterized by the downward trend. Thus, within the period from January 21 till February 16, 2010 the prices for corn in the American Exchange have decreased by \$1 up to \$145. In the market of Asia – by \$11 from \$266 (January 21, 2010) to \$255 (February 16, 2010).

According to the forecasts of the USDA made in January the world corn production in 2009/10 MY is expected at 797.8 million tons, up 1.3 million tons from last month. The estimate of consumption has been increased to 809.7 million tons, up 3.5 million tons. The volume of the world corn trade is expected to increase (+0.1 million tons) to 84.3 million tons. Generally, the volume of ending stocks in 2009/10 MY will remain at the level of 132.4 million tons.

Within the reviewed period the prices in the world corn market were characterized by the upward trend. Thus, within the period since November 20 till December 18 of the current year the prices for corn on the American Exchange have increased by \$3 or \$157 per ton, the market of Asia – by \$5, from \$256 (November 20) to \$260 (December 18).

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

Rice

According to News Agency “Reuters” within the reviewed period the prices for rice were characterized by the upward trend and by the end of period the later have increased to \$279, up \$6 from last month (February 16, 2010).

In the forthcoming marketing year the USDA has increased the estimate of the world rice production to 436.3 million per ton (+1.6 million tons). The forecast of rice consumption has increased to 437.1 million tons, up 0.6 million tons. The volume of ending stocks of such crops variety will decrease to 92.5 million tons by 1.8 million tons.

According to News Agency “Reuters” within the reviewed period prices for rice have decreased to \$263 per ton by \$1.

Kyrgyzstan

According to the preliminary data within 2009 63.0 thousand tons of rice have been imported to Kyrgyzstan, 59.0 thousand tons thereof have been imported from China at the average price of \$339 per ton.

World sunflower oil review

According to the USDA revised forecast made in January the volume of oil world production in 2009/10 MY in expected at 137.3 million tons (up 0.2 million tons). The forecast of oil consumption has decreased to 135.5

million tons (-0.1 million tons). The volume of the sunflower oil world trade is expected at 56.8 million tons. Ending stocks are expected to increase by 0.6 million tons and make 12.0 million tons.

According to the USDA updated forecast the volume of palm oil production is expected at 45.1 million tons, the volume of sunflower oil production is expected at 11.3 million tons, up 0.1 million tons.

New wave of El Nino cyclone adverse influence on weather conditions resulted in revision of estimate indices of the further development of pricing environment in the palm market. Particularly, in the last report experts of Royall Bank of Scotland Asia Securities (Singapore) have increased the forecast of the raw palm oil world average price in the current season to \$850 per ton, while according to the experts the average prices for 2011 were expected at \$950 per ton.

The prices for palm oil as of February 18 of the current year have increased by 2 per cent or from \$846 to \$863 from last month.

Sunflower oil

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

According to the analysts' forecasts from the German Analytical Agency "Oil World" in the nearest months the volume of sunflower processing is expected to be reduced, the prices for sunflower oil in the world are expected to rise due to decrease of indices of the oil bearing plants production in 2009/10 MY. Thus, the volume of harvest in Ukraine will decrease to 6.6 million tons (7.0 million tons in 2008/09 MY), in Russia to 6.2 million tons (7.3 million tons). Generally, the volume of gross sunflower production in the world in 2009/10 is expected to decrease by 10 per cent from last year to 30.8 million tons.

The world prices for sunflower oil have increased to \$419 per ton within the reviewed period by 2 per cent .

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

Kyrgyzstan

In 2009, the volume of gross oil bearing plants harvest in the Kyrgyz Republic has increased to 73.3 thousand tons, up 10.2 per cent from 2008. While according to the data submitted by the NBKR the volume of sunflower oil imported within 2009 at the average price of \$1040 per ton has made 34.0 thousand tons. The volume of imported sunflower oil within 2008 at the average price of \$1440 per ton has made 25.1 thousand tons.

Generally, the prices within the "oils and fats" group in the Kyrgyz Republic as of February 10, 2010 have decreased by 0.1 per cent from last month.

Sugar

According to the analysts sugar deficit within the period of 12 months ended on April 30 of the current year is expected to reach 11.9 million tons from October, 2010 with respect of 8.3 million tons. Thus, deficit will influence the market in 2011. The later is conditioned by the fact that in this season India, taking the first place in the world by the volumes of sugar consumption and being the largest producer, will have to import 2.5-3.0 million tons more in order to cover deficit in the domestic market. Pakistan, the third largest sugar consumer in Asia, intends to purchase 1.3 million tons by June. While the

authorities of the country have abolished the duties imposed on sugar import. In China sugar shortage is expected to reach the level of 3.3 million tons due to torrid and cold weather. The volume of world sugar production is expected at 150.9 million tons, while the world demand reaches the level of 162.9 million tons.

According to News Agency “APK-inform” in the current year the volume of beet sugar manufacturing from the year 2009 harvest in Ukraine will reach at least 1.3 million tons, with the demand volume of 1.9 million tons. According to the Deputy Minister of Agropolicy the only possibility to cover sugar shortage consists in using carryover balance reserves of the previous years, as purchasing such product in large volumes is difficult and unprofitable from the economic point of view.

Within the reviewed period the price for sugar on the London Exchange was characterized by the downward trend: the price for sugar as of February 16 has decreased to \$739 by \$20 or 3 per cent from last month .

According to the current situation the analysts expect further growth of prices for sugar up to March, 2010, afterwards the downward trend is expected to change the upward one, due to increase of production in Brazil. Thus, the price for sugar as of the end of 2010 is expected to decrease to \$640 per ton.

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

Kyrgyzstan

According to News Agency “Business AKIpress”, addressing the board of the Ministry for Economic Regulation the Prime-Minister of the Kyrgyz Republic has put a task to develop sugar program which stipulates in 2010 allocation of 12-15 thousand ha of sugar beet acreage. 300-400 thousand tons of sugar beet are expected to be processed in the current year according to the set task.

The State Agency on Antitrust Regulation under the Government of the Kyrgyz Republic has established the wholesale and release price for sugar sold by Koshoi OJSC at the price of KGS 41000 per ton inclusive of VAT and sales tax. Currently, about 55 thousand tons of sugar have been imported to the republic out of 80 thousand tons established by the quota.

According to the data submitted by the NSC KR the price for sugar as of February 10 of the current year have increased by 2.0 per cent from January, 2010.

Meat

Kazakhstan

Generally, the amount of cattle stock in the Republic of Kazakhstan as of December, 2009 has decreased by 1.3 per cent and totaled 6039.5 thousand heads. The amount of small cattle has decreased by 3.8 per cent and totaled 16728.7 thousand heads.

In Kazakhstan and, particularly, in the regions bordering with Kyrgyzstan (Almaty region) the amount of small cattle has decreased by 2.4 per cent within January, 2010 and totaled 2915.6 thousand heads, the amount of cattle has also decreased by 1.8 per cent and totaled 792.5 thousand heads.

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 January, 2010 of the current year has increased by 18.3 per cent compared to the index of December, 2009 and amounted to 26.1 thousand tons.

The NSC KR reported that the prices for meat as of February 10, 2010 have increased by 0.8 per cent compared to the last month.

Chart 1. Dynamics of world wheat prices, 02.01.09-12.02.10

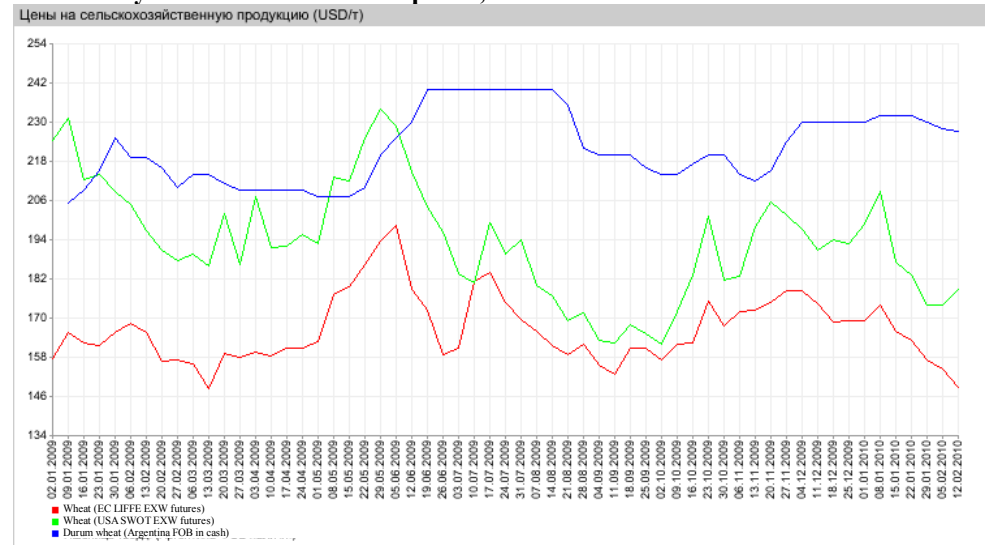


Chart 2. Dynamics of world wheat prices, 22.01.10-12.02.10

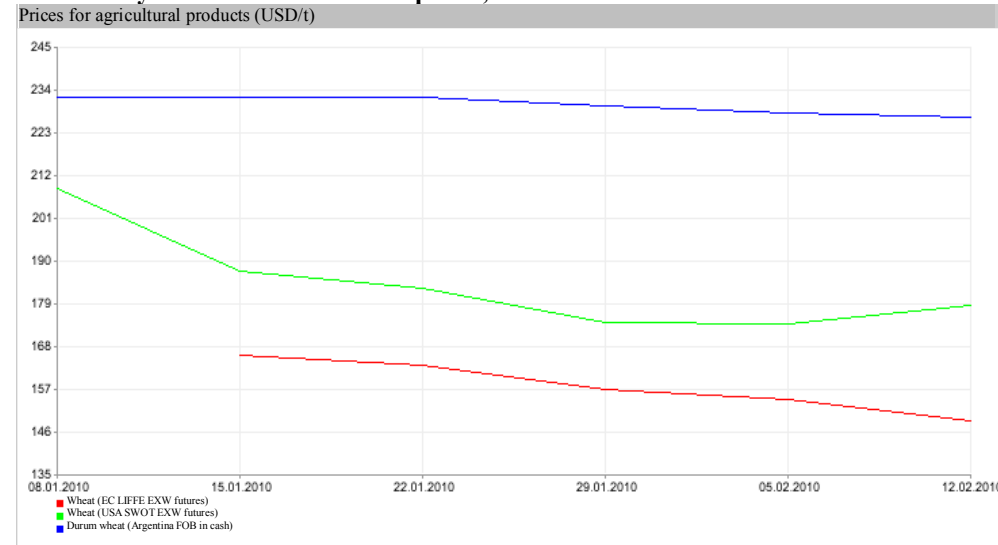


Chart 3. Dynamics of world corn prices, 02.01.09-12.02.10

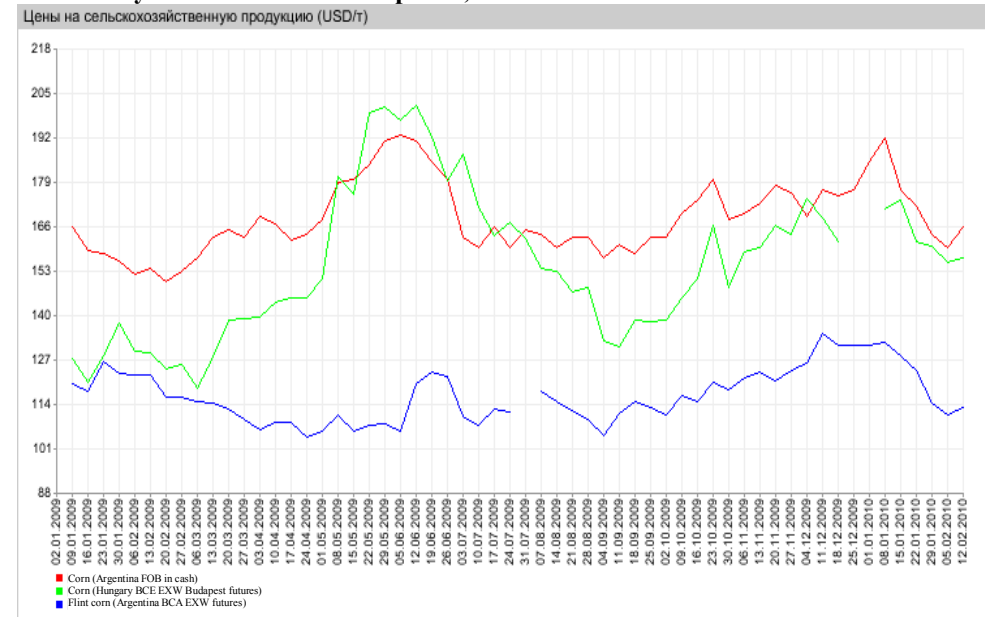


Chart 4. Dynamics of world corn prices, 22.01.10-12.02.10

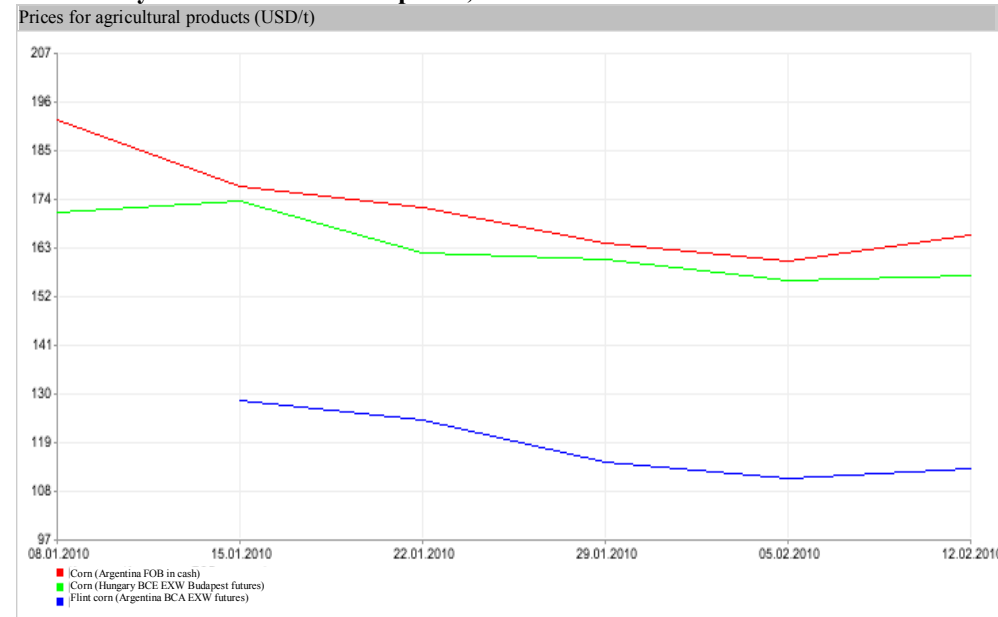


Chart 5. Dynamics of world sunflower oil prices, 02.01.09-12.02.10

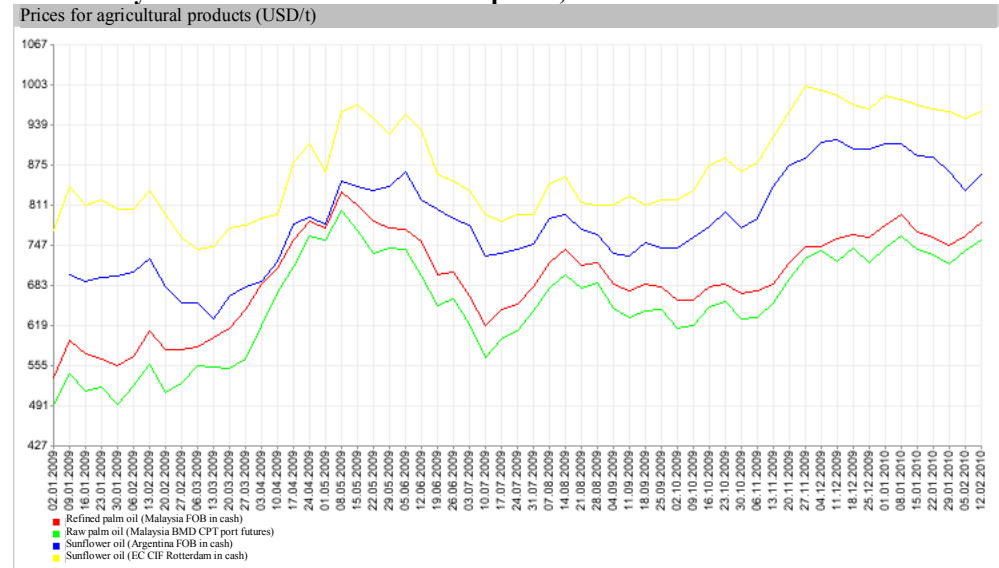


Chart 6. Dynamics of world sunflower oil prices, 22.01.10-12.02.10

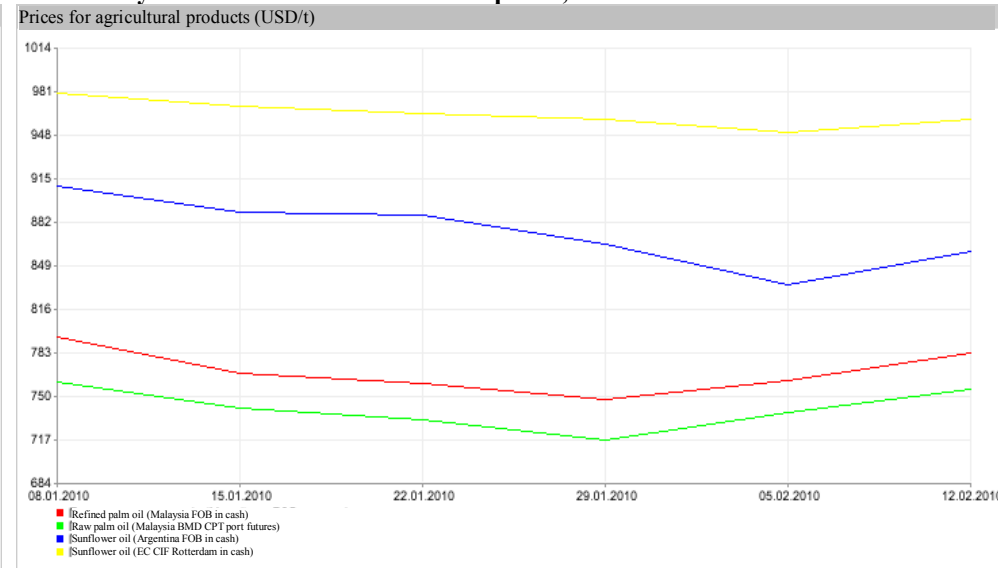


Chart 7. Dynamics of world white and raw sugar prices, 02.01.09-12.02.10

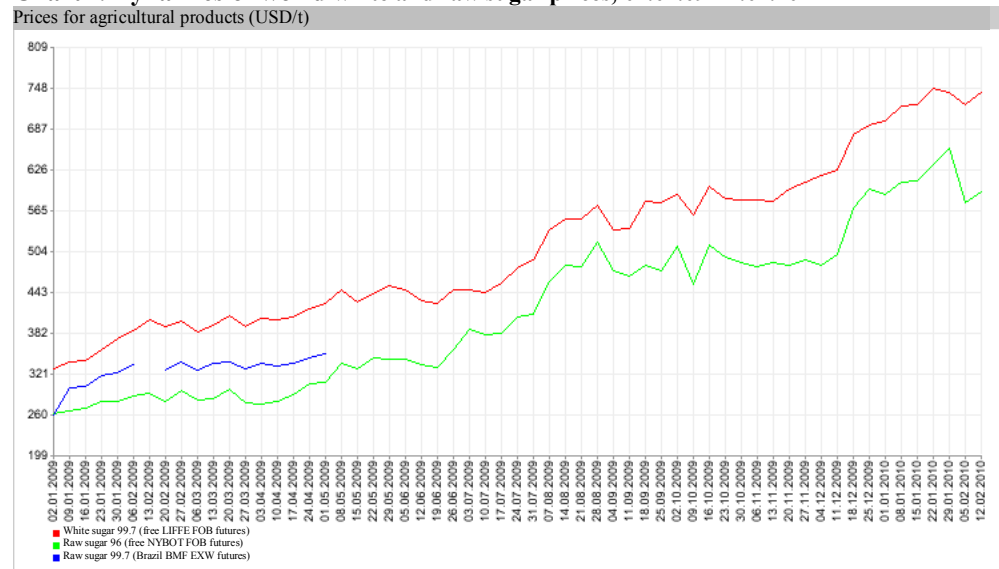
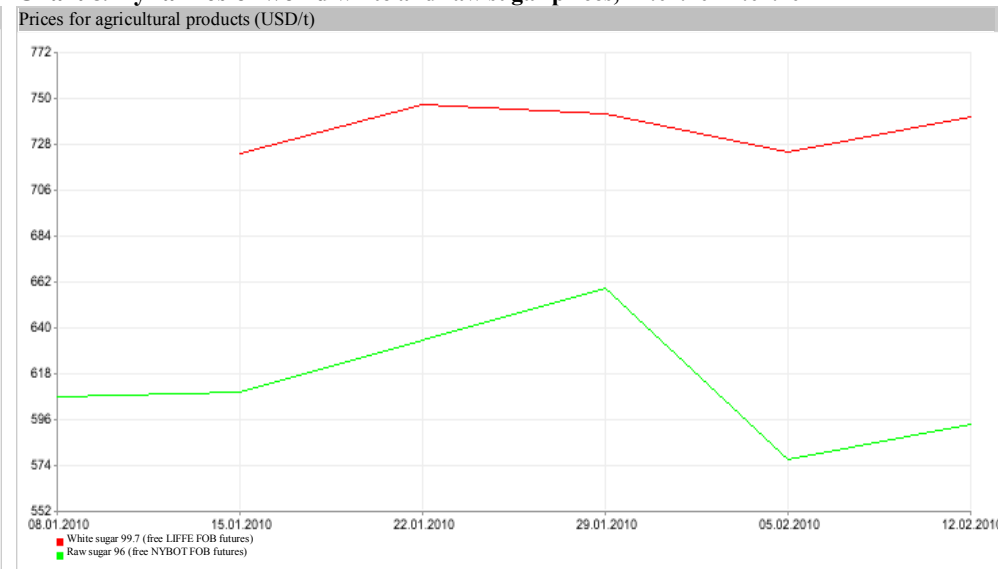


Chart 8. Dynamics of world white and raw sugar prices, 22.01.10-12.02.10



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, 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”, New Agency “APK-inform”, News Agency “Soyuzrossahar”, Analytical Agency “Oil World”, News Agency “Kazakh-zerno”, “Ecowin”, News Agency “Reuters”.