



Aggressive Russian export pricing

Russian grain exports resume their role in the global grain market, after the Russian government decided not to extend the grain export ban, putting downward pressure on the wheat price by offering \$20-\$50/t less than the nearest competitor, France, based on the recent Egyptian tender. This attracted the world largest wheat importer, Egypt to buy 360,000t from Russia, which is aggressively marketing to export an apparent 16Mt of wheat in 2011/12 marketing year. However, there are strong buying interests in the wheat market as well, as some countries started buy for September, October and November delivery, including: (Importing country, Volume, Origin)

Syria, 127,000t, European

Syria, 100,000t, Black Sea (Russia)

Indonesia, 350,000t, unspecified

Thailand, 100,000t, unspecified

Philippines, 120,000t, USA

Jordan, 50,000t, European

Iraq, 100,000t, Optional

Bangladesh, 50,000t, Optional

Also the United Nations aid agency bought 90,000t of wheat from Black Sea origin, as part of global humanitarian aid to help 11 million people in the Horn of Africa affected by severe drought.

In addition, Japan bought 200,000t of U.S. maize for delivery by September, despite the relatively high price of the commodity when compared to feed wheat.

Russia update

Harvest

The size of the Russian grain crop is now expected to be in the region of 90Mt, still below the highs of c100Mt seen in 2008 and 2009, but up on early estimates that put the crop at c80Mt. In addition, old crop stocks are also seen to be available, although estimates of these vary. The Russian Grain Union (RGU), sees total carry-over stocks from last season at 19Mt.



The RGU puts this year's grain harvest at 89-92Mt with around 58Mt being wheat. The main producing regions are expected to see production increases on last year with the exception of Siberia, which is experiencing a drought. In addition to this the RGU see domestic grain demand at 70Mt.

By 27th July, 27Mt of grain were harvested in Russia according to the Agriculture Ministry, which equates to 18% of the planted area. This is slower than a year ago (26%), which was a relatively early harvest because of the drought.

24% of the wheat area had been harvested by 27 July, producing 21.2Mt. 9.4% of the barley area had been harvested, producing 2.4Mt

Exports

In line with increasing crop estimates, export estimates are also increasing with 20Mt of grain exports expected currently in 2011/12. Of this the government say that 7Mt has already been ordered. In July, up to 2Mt of grain is expected to have been exported with August volumes expected at around 2.5Mt. The RGU see grain exports reaching 3Mt per month in August and September. To achieve this though the RGU says that Russia needs to maintain a \$20-30/t discount to the market, which was demonstrated at last week's Egyptian import tender.

Russia remains determined to develop grain exports both short and long term. Long term development is dependent on investment in infrastructure. Short term, President Medvedev is confident of a good harvest in 2011 and sees no need for further measures to regulate the market such as export tariffs.

In July 2011, Russia exported over 2.3 mln tonnes of grains

According to the Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhozadzor), during July 1-29, 2011, Russia exported 2.38 mln tonnes of grains and by-products with quality certificates of the Federal State-Funded Institution "Federal Centre of Quality and Safety Assurance for Grain and Grain products".

The largest volumes of grains were shipped to Turkey and Egypt - 462.2 thsd tonnes and 461.8 thsd tonnes, respectively.

The Russian ports shipped 173.3 thsd tonnes of grains to Kenya, 172.1 thsd tonnes to Italy, 144.5 thsd tonnes to Israel.

During the reporting period, Russia shipped over 50 thsd tonnes of grains to the following countries: Azerbaijan, Spain, Greece, the Netherlands, Yemen, Georgia, Lebanon, Eritrea, Ethiopia, Libya.



As a reminder, according to the monitoring of experts of APK-Inform Agency, during the period of July 1-31 of the current year, export companies of Russia shipped over 2 mln tonnes of grains as opposed to nearly 1.5 mln tonnes in the same period of 2010/11 MY.

Since July 1, 2011, Russia canceled the export embargo on grains.

As of August 1, Ukraine produced 30 mln tonnes of grains

As of August 1, Ukraine harvested grains throughout the areas of over 10.1 mln ha, and produced 30 mln tonnes with the average yield of 29.9 c/ha. The average ratio of milling wheat to feed wheat totaled 60% to 40%, declared Nikolayi Prysiazhnyuk, Minister of Agrarian Policy and Food of Ukraine, on August 1.

According to the head of the Ministry, such favorable indices could be found before in 1990 and 2008 only.

As a reminder, in the current year agrarians have to harvest early grains, leguminous crops and rapeseed throughout 12.3 mln ha, including 6773 thsd ha of wheat, 3772 thsd ha of barley, 283 thsd ha of rye, 292 thsd ha of oats, 270 thsd ha of peas and 858 thsd ha of rapeseed.

Ukraine: grain exports in June increased by 4.5 times – National Bank

The value of grain export volumes from Ukraine in June 2011 increased by 4.5 times compared to June 2010 - up to 488 mln USD, informed the press release of the National Bank of Ukraine (NBU).

Due to accumulation of significant reserves in the previous periods and cancellation of the quota regime, the value of grain export volumes in June broke the record during recent years, according to the Bank.

As a reminder, since July 1 Ukraine canceled quotas on grain exports, which were imposed in the autumn 2010 because of the harvest failure. The Government imposed the grain export duties at the level of 9-14% until 2012.

In June 2011, Ukraine exported 1.5 mln tonnes of grains, including 700 thsd tonnes of wheat, 500 thsd tonnes of maize and over 260 thsd tonnes of barley.



Egypt Seeks to Broaden Wheat Import Sources as Russian Grain Prices Climb

Egypt, the world's biggest wheat importer, is stepping up efforts to find more sources after prices it paid for Russian grain climbed almost 5 percent in less than a month.

The state-run General Authority for Supply Commodities bought Russian wheat for as little as \$243.50 a metric ton on July 7, its first purchase following the expiration of a ban on grain exports from the eastern European country after almost a year. The authority paid as much as \$255.25 at its latest tender on July 29.

"The price of Russian wheat has been going up gradually, tender after tender," Vice Chairman Nomani Nomani said by phone from Cairo yesterday. "So we are now urging other source countries to increase the competition and decrease their prices, and we are also seeking to expand our list of approved import sources."

The authority is still considering restoring Romania and Ukraine to a list of approved sources that now spans nations including the U.S., France and Australia, Nomani said. Russia accounted for more than half of Egypt's wheat imports before it barred all outbound cereal shipments on Aug. 15.

"What is helping boost Russian wheat prices is that it's cheaper than others, and there is a lot of demand for it," Nomani said. "But we want to diversify origins to prompt competition and prevent monopoly, in order to get the best quality for the best prices." Subsidized Bread

The authority buys 5 million to 6 million tons of wheat a year on behalf of Egypt's government through international tenders because local production is insufficient to meet demand. The wheat is used to make subsidized bread.

Russian wheat is selling at a discount to other nations' grain of as much as \$50 a ton, the most in at least four years, according to the Moscow-based Institute for Agricultural Market Studies. Russian wheat normally costs \$10 to \$15 a ton less than French grain, says the researcher, also known as IKAR.

"Russian traders have cornered themselves on prices," IKAR analyst Oleg Sukhanov said by phone July 29. "Traders competed with each other, trying to sell as much as possible. The only competition Russia has now is with Russia itself. The price should be about \$300 a ton, based on supply and demand picture."



Russian wheat's discount may "easily" narrow to \$25 to \$30 a ton by the end of this month or early September, said Peter Biermann, general manager of export operations at Aston FFI, a trading unit of Russian grain and oilseed producer OAO Aston. Aston will supply 60,000 tons of wheat to Egypt, the results of the July 29 tender show.

"I think we can compete with quality and cheaper prices," Biermann said from Lausanne, Switzerland, on July 29. "Clearly it's the price of Russian wheat which is unbeatable at the moment, at least."

Russia barred grain exports after the country's worst drought in at least half a century seared fields. The ban expired July 1 as scheduled. Russia failed to supply 590,000 tons of wheat to Egypt in the year through June because of the prohibition, according to Nomani.

Syria Seeks to Buy 100,000 Tons of Wheat, Sets Aug. 15 Deadline

Syria is seeking to buy 100,000 metric tons of soft wheat to boost its reserves, the Syrian General Establishment of Cereals Trade and Processing said.

The state agency will accept bids until Aug. 15, Bassam al Hammed, head of its foreign-trade department, said in a telephone interview from Damascus today.

"We are seeking to import wheat from one supplier and from one origin," Hammed said.

Syria this month purchased 127,366 tons of soft wheat, comprised of 100,000 tons from an Egyptian supplier at 213 euros (\$304) a ton and 27,366 tons from a Cypriot company at 205 euros a ton, he said.

Syria may import more wheat this year, Hammed said.

Jordan reissued a tender for 100,000 tons of barley

Jordanian Ministry of Industry and Trade reissued a tender to buy 100,000 tons of barley.

Receiving bids from suppliers will close August 17.



Japan Purchases Least Milling Wheat in Six Weeks From U.S.

Japan bought 103,342 metric tons of milling wheat from the U.S. in a regular tender today, the smallest volume in six weeks, the Ministry of Agriculture, Forestry and Fisheries said.

Shipment is set from Oct. 1 to Oct. 31, according to Toshiki Tojo at the ministry's grain-trade division. It was the smallest purchase since June 23, when the government bought 103,252 tons.

The ministry, which controls overseas purchases and domestic sales of wheat to stabilize supply, is Asia's largest buyer as a single entity. It has bought 1.98 million tons through regular tenders this fiscal year, compared with 5.16 million tons purchased in the year ended March 31.

Rice

Thailand's rice exports increased to 6.3 million tonnes

Thailand's rice exports increased to 6.3 million tonnes in the first half of 2011, valued at Bt107 billion (US\$3.58 billion), according to the Thai Rice Exporters Association.

Association president Korbsook Iamsuri said the expansion was 58 per cent in volume and 37 per cent in value, as Indonesia and Bangladesh needed more rice, after facing natural disasters, and Thailand released the grain from its reserves late last year.

Nigeria, Bangladesh, Indonesia, Iraq and Iran are the main importers of Thai rice.

The average amount of Thai rice exports reached its highest monthly record this year -- over one million tonnes, priced at US\$535 per tonne. A tonne of white rice 5 per cent currently costs US\$545-550 in the world market, according to Ms Korbsook.

She was confident that the country's rice supply is sufficient for domestic need and exports, adding that some 10 million tonnes were estimated to be exported this year. However, it also depends on the rice mortgage scheme which would make rice prices rise to US\$840/tonne, impeding the competitiveness of Thai rice.

Other factors possibly affecting exports are currency exchange rates and more competitors in the market.

A new rice mortgage plan will be implemented by the new administration to replace the price guarantee program of the outgoing government.



India has officially announced that its rice prices will be lower than Thailand's, which are at US\$450/tonne for white rice 5 per cent, making it about US\$100 cheaper than Thai rice, Ms Korbsook said.

Meanwhile, Thai Rice Exporters Association honorary president Chookiat Ophaswongse believed the price of Thai rices will increase dramatically once the rice mortgage scheme starts. He said the association will wait and see how the new government will help rice exporters to survive and compete in the world market.

FAO sees 2011 world trade in rice growing by 1.4 million tonnes

FAO sees 2011 world trade in rice growing by 1.4 million tonnes since April to 33.2 million tonnes (milled), showing larger than previously anticipated imports by Bangladesh, China, Indonesia, Iran and Nigeria, offsetting downward revisions in Colombia and the Philippines. Expanded export adjustments showed improved delivery prospects for Brazil, India, Thailand and Viet Nam, outweighing lower forecasts for China and the United States.

At 33.2 million tonnes, trade in rice will be 6 per cent larger than in 2010, passing the 2007 record. Anticipated growth will be mainly from more imports by Asian countries, many trying to rebuild stocks and stabilise domestic prices. Africa, Europe and North American countries are expected to buy more, but abundant crops in Latin America and the Caribbean may reduce deliveries to the region.

Pressure from new harvest secondary crops slightly depressed international rice prices in May, the FAO said, for a third consecutive month of decline. The downward price tendency reversed in June and remained positive in July.

Sugar

Prices of Sugar

The Central Government, in June, 2011 has allowed export of 5 lac tonnes of raw, white/refined sugar under Open General Licence(OGI) in addition to 5 lac tonnes allowed earlier in March/April,2011. The decision to allow export of sugar has been taken keeping in view the sugar stocks in the country, the estimated domestic consumption, the initial estimates about the sugarcane planting for the ensuing sugar season and the domestic prices of sugar. The objective is to avoid sugar stock build up and resultant drop in prices, leading to burgeoning of cane price arrears payable to farmers and to provide additional liquidity to the sugar sector by capitalizing on the low global sugar balance and better international prices. The domestic retail prices of sugar



are currently stable. Besides, the Government had also permitted export of sugar against Advance Authorization Scheme, exports to neighbouring countries and against preferential quota of European Union and USA to the tune of about 11.23 lac tonnes. This information was given by the Minister of State in the Ministry of Consumer Affairs, Food & Public Distribution, Prof. K.V. Thomas in written reply to a question in Lok Sabha today.

The Directorate of Sugar has issued export release orders for about 18.74 lac tonnes as on 25.07.2011 under various schemes. The physical exports against the release orders issued to sugar mills for such exports are in progress. The Production, demand, export and import of sugar during each of last three years and the current year is given at Annexure, the Minister said.

He further added that in order to maintain adequate supply of sugar throughout the year and also to keep the prices stable, the Government has been releasing a calibrated monthly sugar quota of non-levy sugar for sale in open domestic market and levy sugar for supply through targeted public distribution system (TPDS). Besides, the Government has also imposed stock-holding and turnover limits on sugar dealers as also on Khandsari sugar upto 30-09.2011. Stock holding limits have also been imposed on large consumers of sugar which is in force upto 13.08.2011.

SOFTS-Sugar, cocoa dip on economic concerns, firm dollar

ICE sugar and cocoa futures fell on Tuesday, weighed by a firmer dollar and weak global growth prospects which helped send world stocks to a two-week low.

SUGAR

* Raw sugar futures fell in early trade as the market retreated further from contract highs set early last week.

* Dealers said the market was weighed by sluggish demand in the physical market and a firmer dollar.

* October raw sugar on ICE was off 0.28 cent or 1.0 percent at 28.69 cents a lb at 0834 GMT, well below a contract high of 31.68 cents touched early last week.

* New York Oct sugar will continue its fall towards 28.37 cents per lb, a 100 percent Fibonacci projection level of a wave "c" target, according to Reuters analyst Wang Tao.



* Raw sugar prices will slip as production rises due to a surge in sweetener values to 30-year highs, but low stocks and lingering problems in top producer Brazil could temper the decline, the senior commodity analyst at analyst F.O. Licht said on Monday.

* October white sugar on Liffe fell \$8.80 or 1.1 percent to \$761.20 per tonne.

* Brazilian raw sugar exports firmed last month to 2.29 million tonnes, up from 2.05 million tonnes in July 2010 and 1.85 million tonnes in the previous month of June, trade ministry data showed on Monday.

* The upward swing in sugar prices on Brazil's internal market has slowed but only after gaining nearly 23 percent in July during the peak of the cane harvest, agricultural think-tank Cepea/Esalq said on Monday.

Brazil sugar cane output set for 2012 recovery

Brazil's sugar cane output is set for a recovery in 2012, US Department of Agriculture attaches said, even as they joined the round of analysts cutting estimates for this year's weather-harmed output.

The attaches cut by 26m tonnes to 595m tonnes their forecast for the cane harvest in the world's biggest sugar producing country, citing the impact of overly dry weather in the main Center South region since May, and June frosts in some states, on ageing cane.

"Moreover, the blossoming of the sugarcane induced by specific weather patterns in Sao Paulo, Minas Gerais and Goias [states] has also supported losses, given that it diverts the plant energy towards vegetative development as opposed to sugar concentration," the officials said in a report.

The attaches cut their estimate for output in the Center South by 39m tonnes to 530m tonnes, in line with forecasts from other analysts, while lifting the figure for Brazil's North East by 3m tonnes to 65m tonnes.

'Prices to remain attractive'

The downgrade leaves the attaches, based in Sao Paolo, putting Brazil on course for a drop of some 4% in cane output in 2011-12, the first decline in more than a decade.

However, production next season will recover to 620m tonnes, in line with 2010-11 levels, "assuming that the Center South will recover from lower agricultural yields projected for the current crop".



While the briefing made no estimate for sugar output, it forecast that sugar would continue to account for a relatively high share of cane output, after a recovery to a 47% level expected for 2011-12, up from less than 46% last season.

The balance of the cane crop is used to make ethanol, of which Brazilian motorists are huge users.

"Sugar prices in the international markets are expected to remain attractive, and the domestic demand for ethanol should continue [to be] limited by the price relationship between ethanol and gasoline at the pump," the report said.

Ethanol squeeze

This calendar year, consumption of ethanol by Brazilian motorists is expected to drop by 10.5% to 19.8bn litres as prices of the biofuel rise, lifted by the competition for cane against sugar, whose prices remain near historic highs.

Indeed, Brazil will require record imports of 1.02bn litres of ethanol – up from 76m in 2011- to meet even this reduced demand.

Imports will ease to 770m litres in 2012 as domestic production stages some recovery, to 25.5bn litres, in 2012, the attaches forecast.

Imports have been encouraged this year by the elimination in April of a 20% tariff, set to be reinstated at the beginning of next year.

New York's benchmark October raw sugar contract stood 1.5% lower at 28.97 cents a pound at 10:30 GMT.