

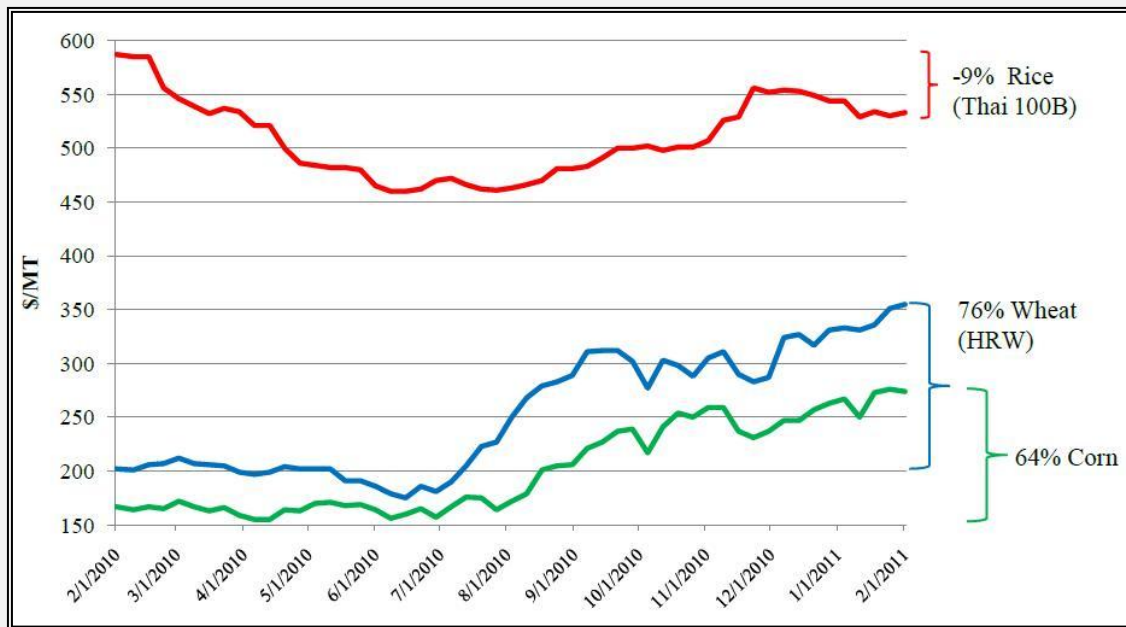


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10.02.2011 Report

Rice Prices Not in Step with Wheat and Corn



While wheat and corn prices are sharply higher than a year ago, rice prices are actually lower. Even in the last 7 months, when wheat and corn prices have shot up, rice prices have moved only modestly. During that time, global wheat production and quality have been plagued by adverse weather conditions in Russia, the EU, Canada, and Australia. Supplies have been further constrained by export restrictions in Russia and Ukraine. Corn prices have been rising as strong domestic and foreign demand compete for tightening supplies in the United States, Argentina, and Brazil.

The situation for rice is different. Global production is a record, and carry-in stocks are the highest in 8 years. Furthermore, no major exporters have implemented new trade distorting policies, and no major importers have engaged in panic buying. Although purchases by countries such as Indonesia and Bangladesh have recently expanded, they have been more than offset by reductions in others, especially the Philippines.



UN: Global food prices rise to new highs

Food prices around the world surged to a new historic peak in January, for the seventh consecutive month, the United Nations Food and Agriculture Organization (FAO) reported on Feb. 3. Prices are not likely to decline in the months ahead.

FAO said the latest Food Price Index, a commodity basket that tracks monthly changes in global food prices, averaged 231 points in January and was up 3.4% from December last year — the highest level since the agency started measuring food prices in 1990.

Prices of all monitored commodity groups increased in January, except the cost of meat, which remained unchanged.

The international prices of wheat have risen 4% in January compared to December. The increase follows stronger export demand during the last month and concerns of tightening supplies of high quality wheat. The market also was supported by higher oil prices and a weaker U.S. dollar.

The benchmark U.S. wheat price in January averaged \$340 per tonne, 59% higher than a year earlier but still 29% below its peak in March 2008.

International prices of maize also increased 4% in January. Prices were underpinned by lower forecast for the 2011 production in Argentina and continuous concerns about growing conditions for the developing crop. Rising wheat prices and the weaker U.S. dollar also provided support. In January the benchmark U.S. maize price averaged \$263 per tonne, 58% higher than a year earlier and only 6% below its peak in June 2008.

Export prices of rice declined some 4% in January following improved market availabilities from the main crop harvests in major producing Asian countries. The benchmark Thai export price averaged \$542 per tonne, some 10% lower than a year ago and 44% below the peak reached in May 2008.

In Asia, domestic prices of rice continued to increase in several countries, despite the international price decrease.

In wheat importing countries of Asia, Latin America and Africa, prices of wheat products have stabilized at high levels.



Maize importing countries of Central America are starting to see prices increase.

In sub-Saharan Africa, prices of main staple coarse grains remain at generally low levels, FAO said, although they have started to seasonally increase in some countries.

The FAO Cereal Price Index averaged 245 points in January, up 3% from December and the highest since July 2008, but still 11% below its peak in April 2008.

The FAO Oils/Fats Price Index rose by 5.6% to 278 points, nearing the June 2008 record level.

In January Ukraine exported 366.1 KMT of grain

In January Ukraine exported 366.1 KMT of grain in comparison with 1472 KMT in December. The January exports consisted mostly of corn – 315 KMT, which was mainly shipped to Portugal, Spain and Israel.

Also Ukraine exported 37 KMT of wheat (362 KMT in December 2010) and 7 KMT of barley (109 KMT in December).

UkrAgroConsult believes that grain exports may revive in February.

Wheat Declines As Ukraine's Winter Grains Escape Cold Damage

Wheat futures declined, reversing an earlier gain, as crops in Ukraine escaped cold-weather damage, signaling the nation will be able to sustain exports.

March-delivery wheat lost 0.5 percent to \$8.5475 a bushel on the Chicago Board of Trade at 4:22 p.m. Singapore time, reversing a 0.5 percent gain.

Ukraine's winter grains escaped damage from snow last week because plants were protected, researcher UkrAgroConsult said. The company maintained its forecast for the 2011 harvest at 46.23 million metric tons of grain, including 21 million tons of wheat, 11.7 million tons of corn and 11 million tons of barley.



“When the market gets positive news about production in the Black Sea, then that obviously is going to gain market attention because they’re a very strong force in the export market,” Simon Clancy, manager for export brokerage at FCStone Australia Pty., said by phone today. “If their crop escapes any winter damage and is going to become another force in the export market in the next 12 months, then certainly that’s going to have an impact on the market.”

Ukraine is the world’s fifth-largest wheat exporter, according to the U.S. Department of Agriculture. The four biggest shippers are the U.S., European Union, Canada and Australia, according to the U.S. agency, which does not break up the data on shipments from the EU.

Jordan purchased 100 KT of American wheat:

Yesterday Jordanian Ministry of industry and Trade purchased 100 thousand tonnes of American wheat in a tender which was issued last month.

The amounts were bought in two cargoes of 50,000 tones, the first cargo was at 410.75 \$ per ton FOB, while the second one was at 414.15 \$ per ton.

Egypt allocates extra \$256m for wheat

Egypt's Finance Minister Samir Radwan said on Saturday the ministry had allocated an extra EGP1.5 billion (\$256.1 million) to finance wheat purchases, the state news agency MENA said.

He said he brought the total allocated over the past two days to EGP2.8 billion.

Egypt's GASC Buys 170,000 Tons U.S., Argentine, Australian Wheat

Egyptian General Authority for Supply Commodities (GASC) has bought 170,000 metric tons of soft wheat from U.S., Argentina and Australia.

The amount were bought as following:

- 55,000 tons of American soft white wheat from Glencore International AG at \$345.50 per ton.



- 55,000 tons of Australian wheat from Louis Dreyfus at \$347 per ton.
- 60,000 tons of Argentinean wheat from Glencore International AG at 354.8\$ per ton.

Delivery time will be on March 5,2011.

Iraqi flour prices triple on wheat import shortages

Iraq's flour prices have tripled over the last two months because of shortages in imported wheat supplies, threatening to push up food prices that have already stirred protests in some poorer parts of the country.

Iraq is one of the world's largest wheat importers and much of the government's budget is spent on a food ration programme that supplies 60 percent of Iraqis. Merchants and traders said prices had spiked as officials had been unable to supply flour.

'When there is no flour in food rations for a month, market prices go up as people need this important staple and will continue to buy it,' said Mustafa Kadhim, 30, a flour merchant in the main wholesale market in eastern Baghdad.

Global food prices hit their highest level on record in January, contributing to turmoil in other countries already facing high unemployment and poverty. Wheat prices on Thursday hit their highest level in two and a half years.

In Baghdad markets, a 50-kg sack of flour which sold at 10,000 Iraqi dinars (\$8.50), two months ago, now sells for 30,000 dinars (\$26) a bag, according to local merchants.

Government officials say price increases are temporary because they have local wheat in stock and are waiting for the arrival of imported wheat from the ports and from overseas to mix with Iraqi produce to manufacture flour.

'Yes, there was a shortage in December until mid-January, but now we have 200,000 tonnes of imported wheat and 260,000 tonnes of local wheat in stock which covers needs for over a month,' Muthanna Jabbar, director general of Iraq's grains trading board, said.



'In the coming few days, flour will be available in the market and (average prices) will go back to normal. Wheat is arriving constantly,' Jabbar added.

Poor services are chief complaints of Iraqis, whose war-torn country is trying to rebuild its shattered economy and provide basic services nearly eight years after the US.-led invasion that toppled Saddam Hussein.

Iraqis also complain of poor quality products and shortfalls in monthly food rations.

Iraq police this week opened fire to disperse hundreds of protestors demonstrating over power shortages and food rations in southern Diwaniya province.

Despite pressure from rising food prices, the country's inflation remained relatively subdued at 3.3 per cent in December.

Iraq is now receiving shipments for its 2011 supplies, which were tendered last year. It still has to finalise a December 28 tender to buy 100,000 tonnes of wheat, two other tenders issued in January and one in February.

The rise in the price of flour has forced some Baghdad bakeries to temporarily halt work until prices go down. Others have cut their purchases as they cannot sell bread at high prices in some poor areas.

'Prices are high, higher than you can imagine, like the distance between the sky and the ground,' said Abu Sadiq, 65, wearing a traditional Arab headscarf and buying produce at a Baghdad market. 'But I still need to buy it. This is the first time in months I've seen such prices'.

Sugar prices have been rising more gradually by comparison. Four months ago a 50-kg sack of sugar sold at 40,000 dinars or \$34 and is now sold at 55,000 dinars or \$47, merchants say.

Iraq, Turkey and Bangladesh seek for wheat

As for demand, it wasn't only Egypt which stepped up to the plate to buy wheat over the weekend, dividing 170,000 tonnes purchased after a tender released late on Friday between Argentina, Australia and the US.



Other countries are looking for wheat following Egypt step. On Sunday, Bangladesh tendered for 50,000 tonnes of wheat and 30,000 tonnes of rice, after reportedly planning to speed up grain imports, at the same time Iraq tendered for 100,000 tonnes of wheat.

And on Monday, Turkey was believed to be tendering for 300,000 tonnes of milling wheat.

Iraq buys 300,000T wheat from Australia, US

Iraq has bought a total of 300,000 tonnes of mainly Australian wheat that includes a 50,000 tonne cargo of US wheat in its latest tender, which closed last week, Middle Eastern traders said.

The purchase involved 250,000 tonnes of Australian wheat at prices ranging between \$442 to \$448 c&f from three major grain suppliers and a 50,000 tonne shipment of US wheat at \$446 c&f.

Traders said there was also talk of another 50,000 tonnes of wheat bought from a well known Jordanian trader with strong trade ties to Iraq but this not confirmed.

Officials said on Sunday they still had to finalise a Dec. 28 tender to buy 100,000 tonnes of wheat and two other tenders issued in January and one in February.

Under pressure from protests over high flour prices and a looming shortage of grain stocks after the failure of several Iraqi firms to deliver on contracts awarded late last year, Iraq announced a new tender on Sunday to buy another 100,000 tonnes of wheat from any origin.

Traders expect Iraq to enter aggressively in the market in the upcoming tender, which has a bidding deadline of Feb 12, and buy large quantities of at least 500,000 tonnes to cover severe shortfalls, despite lack of funds with no budget appropriations yet.

"They don't have much quantities coming in the next few months and with how high commodities are becoming a politically explosive issue with street unrest they cannot afford to delay much further," said one trade.



Traders say only 1.7 million tonnes of wheat arrived last year, a sharp drop from three million tonnes the previous year. The authorities say improved local production has partly covered the shortfall.

Iraq is one of the world's largest importers of wheat, with yearly wheat import requirements of nearly 4 million tonnes and rice at around one million tonnes. Traders say the monthly consumption of wheat is not less than 360,000 tonnes.