

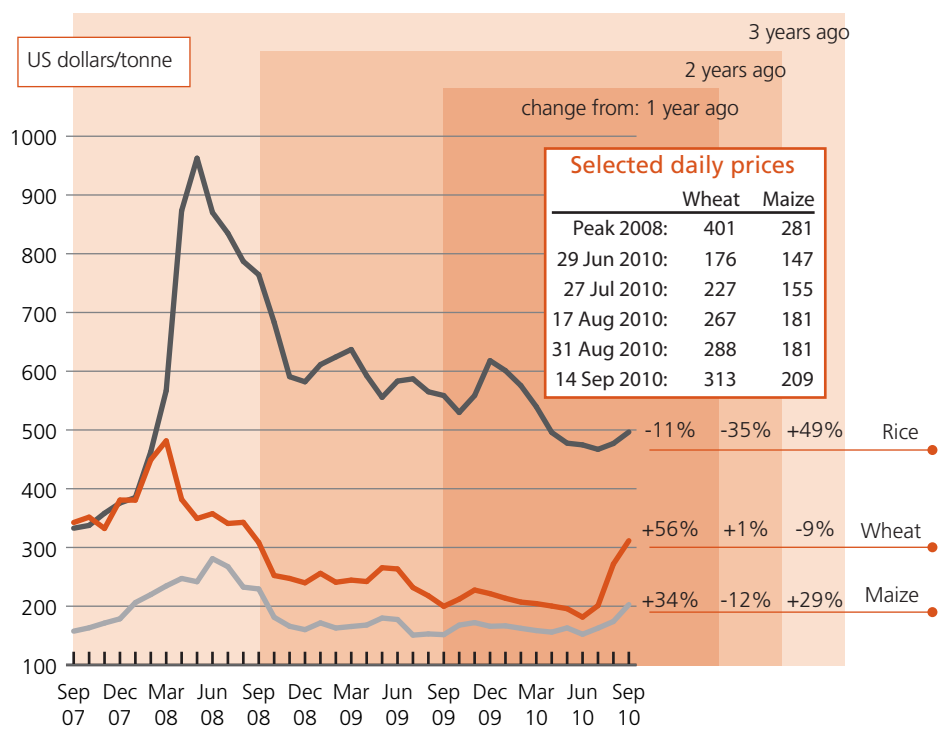
International prices of wheat continue to increase

Export prices of wheat have sharply increased since the beginning of July reflecting the impact of drought-reduced crops in the Russian Federation and subsequent decision by the country to ban wheat exports until next year's harvest. By 14 September the benchmark US wheat price (No.2 HR winter), at USD 313, was about 78 percent higher than in late June when prices started their upward trend. However, at this level prices are still one-third below their peak of 2008. In the same period, the benchmark price of maize (US No.2 Yellow) increased by 42 percent but those of rice (Thai 100%B) by only 6 percent. International wheat prices of other origins have also surged including Black Sea market, Europe (France), Canada and Australia.

2010 cereal production marginally down from last year

FAO's latest forecast indicates a 2010 global **wheat** production of about 650 million tonnes, 5 percent lower than last year but still the third highest crop on record. Reduced outputs in the Russia (-32% or -20 million tonnes), Kazakhstan (-24% or -4 million tonnes) and Ukraine (-16% or -3.3 million tonnes), will be partially compensated by satisfactory harvests in the EU, USA and Australia, where a bumper crop is anticipated. In Argentina, wheat production is forecast to recover from the poor levels of the past two years.

International cereal prices (benchmark monthly averages¹)



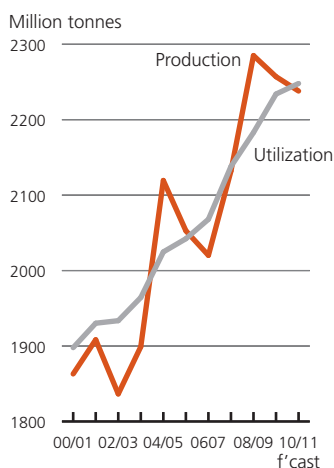
¹Wheat: US No.2 Hard Red Winter (Ordinary protein) f.o.b. Gulf; Maize: US No.2. Yellow, Gulf; Rice: 100% second grade, f.o.b. Bangkok.

Good outputs of **coarse grains** and **rice** are expected and, in aggregate, the 2010 cereal production (rice in milled terms) is put at 2 238 million tonnes, only marginally below the 2009 level.

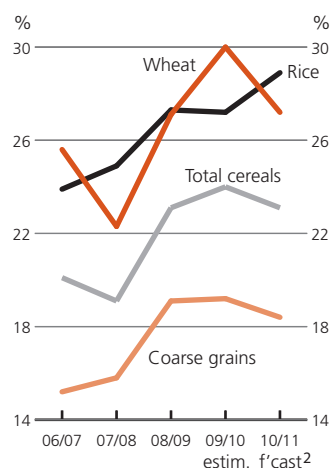
Cereal supplies still adequate in 2010/11 (July/June)

The current forecast production, coupled with the ample carry-over stocks from the previous seasons, should be adequate to cover the projected world cereal utilization in 2010/11

World cereal production and utilization



Ratio of world cereal stocks to utilization¹



¹ Compares closing stocks with utilization in following season
² Utilization in 2009/10 is a trend value based on extrapolation from the 1998/99-2008/09 period.

World cereal balance

(million tonnes, rice in milled equivalent)

Next update on 24/09/10

	2007/08	2008/09	2009/10 estimate	2010/11 forecast 1 Sep 2010*
Production¹	2 132	2 285	2 261	2 238
Supply²	2 556	2 712	2 779	2 808
Utilization	2 137	2 182	2 237	2 268
Trade³	272	282	265	264
Ending stocks⁴	427	518	541	533
World stock- to-use ratio %	19.6	23.2	24.0	23.3

* Published on the FAO web site:

<http://www.fao.org/news/story/en/item/44570/icode>

¹ Data refer to the calendar year of the first year shown

² Production plus opening stocks

³ July/June for wheat and coarse grains, January/December for rice.

⁴ May not equal the difference between supply and utilization due to differences in individual country marketing years

(July/June). The resulting draw-down in stocks will lead to a small decline in the world cereal stocks- to- use ratio at the end of marketing year 2010/11 to 23 percent (24 in 2009/10). This is still well above the 19.6 percent low level in the 2007/08 food crisis period.

Prices of wheat already increasing in some importing countries

The higher international wheat prices will particularly affect importing countries where wheat is a main staple. These include countries in North Africa - above all Egypt the first importer in the world- and in the Middle East that are heavily dependent on Russia exports; as well as countries in CIS Asia and in South America. The wheat import bill of LIFDCs in 2010/11 is forecast 14 percent higher than in 2009/10. The impact of higher international wheat prices on consumers will depend on policies in place in individual countries.

Prices of wheat and wheat flour have already increased markedly in July and August in some developing countries, including Kyrgyzstan (19%), Tajikistan (50%) and Mongolia (23%). Despite large supplies, prices of wheat flour have also raised in Afghanistan (average 24%) and Pakistan (average 8%). In Latin America, prices of wheat flour remain generally stable. Overall, a less immediate impact is foreseen in sub-Saharan Africa, where maize and other

coarse grains are the main staples. In Mozambique, the increase of 30 percent in the regulated price of bread in early September was revoked by the Government following serious civil disturbances.

In developing countries prospects for 2010 cereal crops generally favourable except in some Asia countries

The outlook for the 2010 cereal crops still to be harvested, are generally good in most regions of the world. Bumper harvests are anticipated in Eastern and Western Africa, despite floods in parts. A satisfactory cereal harvest was gathered in Southern Africa earlier in the year. Good cereal crops are expected in Latin America. The outlook for the main rice crop is favourable in Asian countries, with record cereals crops anticipated in China and India. However, reduced harvests due to adverse weather during the season are expected in DPR Korea, Cambodia, and Lao PDR. The outlook for the 2010 wheat is also unfavourable in the Syrian Arab Republic.

Concern mounting for the 2010/11 cropping season in Pakistan

In Pakistan, prospects for the 2011 main wheat crop, to be planted from October, give serious cause for concern following the severe floods that have damaged agricultural areas, irrigation infrastructure and resulted in the loss of seeds and agricultural tools.