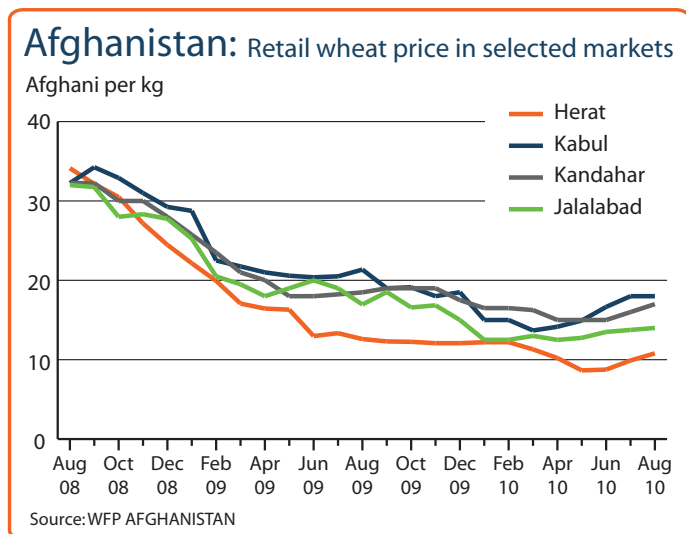


AFGHANISTAN: current and prospective food supply situation

Wheat prices

The average prices of wheat, the main staple in Afghanistan, have remained generally stable in recent months (Afs 13.5/Kg), although they have seasonally increased before the main harvest from August/September. In all main markets, prices of wheat and wheat flour (both local and imported) remain well below their levels of a year ago and their peaks of 2008. Prices of wheat are expected to decline in the next few months with the arrival of the new harvest into the markets. There are concerns that the relatively low level of wheat prices in the country may result in a reduction of the area planted next season.



The relatively stable wheat prices reflect a record harvest of 5 million tonnes last year and an expected above average crop in 2010 (forecast at 4.5 million tonnes). The two consecutive bumper harvests coupled with high levels of imports in 2009/10 (July/June), is estimated to have resulted in large carry-over wheat stocks. Afghanistan has a structural deficit on wheat but due to the favorable supply situation, import requirements in marketing year 2010/11 (July/June) are forecast to decline sharply.

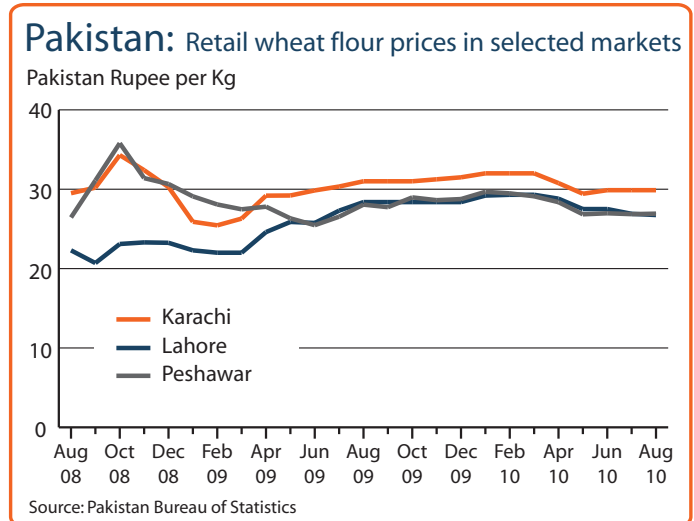


Wheat exportable surplus in neighboring countries

Afghanistan has traditionally imported most of its wheat flour from Pakistan but in the past two years Kazakhstan has largely become the main source of imports (1 296 000 tonnes in 2008/09 and 1 654 800 tonnes in 2009/10). The 2010 wheat production in Kazakhstan has been reduced by dry weather and output is forecast to decline 18 percent from the 2009 record level to about 14 million tonnes. However, the country has ample carry-over stocks and wheat exports in marketing year 2010/11 (July/June) are expected at 8 million tonnes, similar to 2009/10. The Ministry of Agriculture of Kazakhstan has given indications that the country will not ban grain exports. The estimated exportable surplus is about sufficient to meet the import demand from traditional markets of Central Asia countries, Afghanistan and Iran and any eventual demand from neighbouring Russia. At the current international prices, exports from Kazakhstan to the rest of the world are constrained by the high transport costs to the Black Sea.

Despite the recent severe floods in Pakistan, the country is estimated to have also large stocks of wheat following two consecutive bumper harvests in 2009 and 2010. In late May this year, the Government of Pakistan allowed the export of 2 million tonnes of wheat, in view of limited storage capacity. Prices of wheat flour in the main markets of the country have remained stable since the beginning of the year reflecting the good supplies of wheat at national level. By the first week of August, the price of wheat flour in Karachi and Lahore was PKR 29.88/kg and PKR 26.75/kg respectively.

After poor weather damaged the 2010 wheat crops, Russia has banned exports and Ukraine has limited exports by imposing quotas, both measures until December this year. However, these restrictions are not likely to impact Afghanistan as volumes of wheat imported from Russia and Ukraine are relatively small.



Overall food supply satisfactory in Afghanistan

On the whole, following two successive bumper wheat harvests, large carry-over stocks, reduced wheat imports requirements in 2010/11 (July/June) and satisfactory export availabilities in Kazakhstan and Pakistan, the national wheat supply situation in Afghanistan is expected to remain satisfactory in marketing year 2010/11 (July/June).