

World grain market review

Crops

According to the July forecast of the Department of Agriculture of the United States of America (USDA), the world wheat production in 2011/12 MY will be 662.4 million tons, by 0.3 percent lower than the forecasts of the last month. The forecast of wheat consumption in 2011/12MY was adjusted upwardly to 670.2 million tons (0.5 percent). Thus, the ending stocks of wheat in the world in 2011/12 MY will amount to 182.2 million tons, 1.1 percent lower as compared to forecasts of the last month.

Dynamics of the world wheat prices is provided in the Appendix, charts 1-2.

Wheat

USA

According to the updated report of the USDA, the July forecast of production and consumption of wheat in 2011/12 MY increased to 57.3 million tons (2.3 percent) and to 33.9 million tons (0.5 percent) correspondingly. In 2011/12 MY, the USA is planning to export and import 31.5 million tons (8.6 percent) and 2.7 million tons (-10.0 percent) of wheat, respectively. Ending stocks for 2011/12 MY will constitute 18.2 million tons (-2.4 percent).

According to the agency "Reuters", abnormally hot weather in the USA, combined with high humidity, can destroy some crops, including wheat. Abnormal climatic conditions affected the futures prices. So, from June 23 to July 22, 2011 futures for American wheat had an upward trend and reached 249 USD per a ton, having increased by 6.5 percent.

Australia

The USDA July forecast of wheat production in Australia in 2011/12 MY was remained unchanged at the level of 25.0 million tons. Estimation of consumption decreased by 5.9 percent to constitute 8.0 million tons. Ending stocks will constitute 4.3 million tons.

As of July 22, 2011, futures for Australian wheat for the reporting period decreased by 2.7 percent and amounted to 259 USD per a ton.

EC-27

The volume of harvested wheat in 2011/12 MY in the EU-27 countries, according to the USDA forecasts, will be 132.1 million tons (0.5 percent). Consumption forecast for 2011/12 MY amounted to 124.0 million tons (1.2 percent). It is expected that the volume of the ending stocks of wheat at the end of 2011/12 MY will be 12.3 million tons (1.0 percent).

During the period from June 23 to July 22, 2011, the prices for wheat on the London Stock Exchange (LIFFE) decreased by 4.3 percent to constitute 267 USD per a ton.

China

The July forecast of the USDA for 2011/12 MY remained unchanged for production and consumption with respect to estimates of the last month and amounted to 115.5 million tons and 111.0 million tons, respectively. Assessment of ending stocks of wheat in China is established at the level of 64.6 million tons.

During the period from June 23 to July 22, 2011, the futures price for the Chinese wheat increased by 4.7 percent to constitute 406 USD per a ton.

Russia

According to the July forecast of the USDA, in 2011/12 MY Russia will produce 53.0 million tons of wheat, which is by 27.7 percent more than in the season of 2010/11.

From July 1, 2011, Russia has cancelled the export embargo on grain crops. According to the monitoring, performed by experts of the news agency "APK-Inform", Russian export companies become active in exports of wheat. Since the

beginning of 2011/12 MY from the Russian ports supplied grains in 1.5 times more in comparison with the corresponding period in 2009/10.

The average price for the 3rd class wheat on the domestic market of Russia as of July 22, 2011, constituted 179 USD per a ton, which is by 15.6 percent lower than the June's prices.

Kazakhstan

According to the Ministry of Agriculture of the Republic of Kazakhstan, in 2011/12 MY cereal production forecast remained unchanged at the level of 13-15 million tons, which is by 6.6 percent higher in comparison with the corresponding period of the last year. In this case, it is planned to export around 6-8 million tons of cereals.

According to the Ministry of Agriculture of the Republic of Kazakhstan, the Kazakh Government will allocate 405 thousand tons of diesel fuel at a fixed price - 23.3 soms¹ per liter (75 KZT per liter) for harvesting.

According to the statistics agency, as of July 1, 2011, the reserves of wheat are 3.3 million tons, which is by 26.7 percent lower than in June 2011.

Kyrgyzstan

According to the Ministry of Agriculture of the Kyrgyz Republic, as of July 5, 2011, the republic yield of grain and leguminous crops was 26.2 tons per hectare, which is by 6.2 centners less than in the last year. Gross harvest of grain and leguminous crops reached 68.7 thousand tons, which is by 40.2 percent more than in 2010.

According to the news agency "Kazakh-zerno", as of July 7, 2011, the average price for the 3rd grade wheat on DAF terms in the Station "Lugovaya" (Kazakhstan-Kyrgyzstan) was 269 USD, which is by 2.2 percent lower than in June 2011.

According to the National Statistics Committee of the Kyrgyz Republic, as of July 20, 2011, the price for the group of "bakery products and cereals" decreased by 0.2 percent against the prices of the last month.

Corn

According to the USDA July forecast, the world production of corn in 2011/12 MY will be 872.4 million tons, which is by 0.7 percent higher than the forecast of the last month. Estimation of consumption increased by 0.7 percent to constitute 877.6 million tons. The forecast of the world trade increased to 93.7 million tons (1.3 percent). In general, in 2011/12 MY, the ending stocks will rise to 115.7 million tons (by 3.4 percent).

During the reporting period, the futures price for corn in the world market had a mixed trend. Thus, the price for corn in the American Stock Exchange increased by 2.1 percent from June 23 to July 22, 2011, and in the Asian market, it remained unchanged at the level of the previous month.

Dynamics of the world corn prices is provided in the Appendix, charts 3-4.

Rice

The USDA did not change the forecast of the world rice production in 2011/12 MY (456.3 million tons). The forecast for rice consumption decreased against assessments of the past month by 0.4 percent to make 456.3 million tons. Ending stocks of rice will make up 96.3 million tons (+1.4 percent). On world markets, according to news agency "Reuters", the average futures price for rice on the Chinese stock exchange increased by 11.7 per cent, on the American Stock Exchange - by 23.9 percent. According to international experts, one of the major factors of the current rice prices was the news of the Government of Thailand, the largest producer and exporter of rice, about increase in the cost of rice by 67 percent.

¹ 1 KGS = 0.31 KZT

Review of the world vegetable oil market

The USDA forecast for the global production of oil in 2011/12 MY was increased by 0.1 percent to make 151.7 million tons. Forecast consumption was reduced to 150.3 million tons (-0.3 percent). World trade of oil will be 62.7 million tons (+0.3 percent). Ending stocks will increase by 5.2 percent to constitute 10.2 million tons.

Palm oil production, according to the USDA updated forecast, will be 50.3 million tons, sunflower oil - 12.6 million tons (+1.7 percent). As of July 22, 2011, the average futures prices for palm oil for the reporting period decreased by 27.7 percent. Export of palm oil from Malaysia during the reporting period from 1 to 20 July increased by 5.4 percent as compared to export during the same period of the previous month, which continued to exert a restraining influence on prices on the world market, according to the AA "Oil World".

Kyrgyzstan

According to verbal information of the Ministry of Agriculture of the Kyrgyz Republic, in 2011 it is planned to collect about 67.1 tons of oilseeds, which is by 10.5 percent higher in comparison with the previous year. Increased oilseed production will be achieved by increasing yields.

According to the National Statistics Committee of the Kyrgyz Republic, as of July 20, 2011, the price for the group "oils and fats" increased by 0.3 percent against the prices of the previous month.

Sunflower oil

According to the USDA, in 2011/12 MY sunflower oil production will constitute 12.6 million tons (+1.7 percent), consumption - 12.0 million tons (-0.1 percent). Ending stocks will increase by 14.4 percent to 1.3 million tons. Production of sunflower oil in Russia in June 2011, according to the Federal State Statistics Service, decreased by 23.5 percent against the corresponding period of the last year, according to the AA "Oil World".

During the review period, the average futures price for sunflower oil on world markets as of July 22, 2011 increased by 0.9 percent to constitute 1448 USD per a ton.

The dynamics of the world prices for vegetable oil is provided in the Appendix, charts 5-6.

Sugar

Sugar production in Brazil from mid-March to mid-June of this year decreased by almost 25 percent due to lower yields of sugar cane (according to the news agency "Kazakh-zerno". This information was one of the main reasons for growth of the futures price of sugar on the London Stock Exchange. Thus, the futures price of sugar during the reporting period as of July 22, 2011, amounted to 781 USD per a ton, which is by 5.6 percent higher as compared to June 23, 2011.

The dynamics of the world prices for sugar and raw sugar is provided in the Appendix, charts 7-8.

Meat

Kazakhstan

In June 2011, wholly in the Republic of Kazakhstan, the livestock of cattle and small cattle decreased by 4.1 percent and 3.4 percent correspondingly. In particular, in areas bordering Kyrgyzstan (Almaty region), in June 2011, there was a decrease in livestock of cattle by 0.5 percent, the livestock of small cattle - by 4.6 percent.

According to the National Statistics Committee of Kazakhstan, the cost for meat production increased by 1.0 percent in Kazakhstan in June 2011.

Kyrgyzstan

According to the National Statistics Committee of the Kyrgyz Republic, in June 2011, 26.7 thousand tons of meat was produced, which is by 0.2 percent lower

in comparison with production in May 2011. At that, as of July 20, 2011, meat prices increased by 3.9 percent against the prices of the previous month.

Table 1. Food market (monthly dynamics of the estimates of production, consumption, ending stocks within a month and prices for consumer goods in 2010/11 marketing year)

| | <i>Production estimate, million tons</i> | <i>change for a month, in %</i> | <i>Consumer estimate, million tons</i> | <i>change for a month, in %</i> | <i>Ending stocks estimate, million tons</i> | <i>change for a month, in %</i> | <i>Price in USD per ton</i> | <i>change for a month, in %</i> |
|--------------------------|--|---------------------------------|--|---------------------------------|---|---------------------------------|-----------------------------|---------------------------------|
| Crops (world) | 1808 | 4,5 | 1818 | 1,5 | 334 | -2,6 | 304 ² | 8,7 |
| Wheat | 662,4 | -0,3 | 670,2 | 0,5 | 182,2 | -1,1 | 272 ³ | -1,5 |
| <i>Kyrgyzstan</i> | 1,0 | 0,0 | 1,3 | 0,0 | 0,8 | 0,0 | — | — |
| <i>the USA</i> | 57,3 | 2,3 | 33,9 | 0,5 | 18,2 | -2,4 | 249 | 6,5 |
| <i>Australia</i> | 25,0 | 0,0 | 8,0 | -5,9 | 4,3 | 0,0 | 259 | -2,7 |
| <i>EC-27</i> | 132,1 | 0,5 | 124,0 | 1,2 | 12,3 | 1,0 | 267 | -4,3 |
| <i>China</i> | 115,5 | 0,0 | 111,0 | 0,0 | 64,6 | 0,0 | 406 | 4,7 |
| <i>Russia</i> | 53,0 | 0,0 | 41,5 | 1,7 | 11,1 | -14,6 | 179 | -15,6 |
| <i>Kazakhstan</i> | 15,0 | 0,0 | 7,5 | 0,0 | 3,3 | -26,7 | 269 | -2,2 |
| Corn | 872,4 | 0,7 | 877,6 | 0,7 | 115,7 | 3,4 | 269 | 2,1 |
| Rice | 456,3 | 0,0 | 456,3 | -0,4 | 96,3 | 1,4 | 371 | 23,9 |
| Sunflower oil | 12,6 | 1,7 | 12,0 | -0,1 | 1,3 | 14,4 | 1448 | 0,9 |
| Sugar⁴ | 168,0 | 0,0 | 162,0 | 0,0 | 29,0 | 0,0 | 781 | 5,6 |

² Average futures price for the reviewed crops (wheat, corn, rice)³ Average futures price for wheat in the reviewed countries⁴ May estimations of the US Agriculture Department

Table 2. Dynamics of average prices for food products in oblast centers of the republic and capitals of Kyrgyzstan, Kazakhstan and Russia (according to the data of the NSC KR)

| June 2011 / June 2010 | | | | | | | | |
|-----------------------|-------------------------------|--------|--------|--------------|----------------|-----------------------------|-----------------------------|--------|
| | Dynamics of average prices, % | | | | | | | |
| | Beef | Mutton | Butter | Milk (liter) | Eggs (10 eggs) | 1 st grade flour | 1 st grade bread | potato |
| Bishkek | 44,58 | 47,43 | 15,68 | -5,45 | 7,57 | 83,86 | 36,74 | 28,58 |
| Astana* | 34,88 | 48,41 | 20,90 | -3,37 | 13,50 | 0,83 | 0,83 | 51,24 |
| Almaty* | 23,39 | 36,79 | 22,12 | -0,57 | 12,39 | 30,34 | 0,83 | 47,88 |
| Moscow** | 28,34 | 26,76 | 38,14 | 34,24 | 23,04 | 23,40 | 22,75 | 65,68 |
| Batken | 49,90 | 58,56 | 83,76 | 6,78 | 41,81 | 63,31 | 37,46 | 76,42 |
| Jalal-Abad | 60,55 | 68,43 | -7,17 | -40,80 | 58,56 | 67,33 | 85,33 | 207,54 |
| Karakol | 48,00 | 45,87 | 37,50 | -1,99 | -1,17 | 90,86 | 20,05 | 153,25 |
| Naryn | 71,79 | 57,36 | -6,81 | -46,14 | 9,20 | 89,68 | 29,45 | 154,60 |
| Osh | 47,62 | 58,32 | 53,30 | 15,01 | 15,18 | 142,66 | 30,95 | 6,90 |
| Talas | 50,09 | 60,79 | 2,65 | 33,28 | 34,08 | 12,92 | 68,69 | 89,53 |
| Tokmok | 64,33 | 40,68 | 1,62 | 1,93 | 6,18 | 78,92 | 18,53 | 101,50 |

| June 2011 | | | | | | | | |
|------------|--|--------|--------|--------------|----------------|-----------------------------|-----------------------------|--------|
| | Ratio of prices in Bishkek against average prices in other cities, % | | | | | | | |
| | Beef | Mutton | Butter | Milk (liter) | Eggs (10 eggs) | 1 st grade flour | 1 st grade bread | potato |
| Bishkek | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Astana* | 135,6 | 145,3 | 99,8 | 133,4 | 103,4 | 88,3 | 66,7 | 140,9 |
| Almaty* | 115,4 | 124,1 | 121,4 | 164,7 | 127,5 | 99,6 | 76,4 | 134,8 |
| Moscow** | 141,7 | 167,0 | 156,2 | 238,8 | 115,0 | 130,2 | 128,6 | 213,6 |
| Batken | 90,7 | 96,5 | 109,4 | 103,1 | 135,7 | 88,1 | 105,1 | 74,3 |
| Jalal-Abad | 98,8 | 99,9 | 72,5 | 82,0 | 118,7 | 89,6 | 105,1 | 86,6 |
| Karakol | 102,7 | 96,2 | 89,1 | 56,2 | 94,6 | 101,2 | 96,3 | 100,9 |
| Naryn | 108,8 | 103,2 | 75,8 | 60,9 | 110,3 | 98,0 | 100,1 | 112,8 |
| Osh | 97,7 | 99,3 | 92,8 | 65,6 | 113,1 | 98,2 | 98,5 | 78,8 |
| Talas | 104,3 | 96,5 | 70,1 | 78,1 | 117,2 | 71,8 | 115,6 | 99,5 |
| Tokmok | 102,9 | 91,3 | 83,4 | 75,0 | 106,0 | 97,2 | 95,5 | 104,4 |

* - Average consumer prices as of June 15 of the corresponding year

** - Average consumer prices for wheat flour and wheat bread (flour 1st and 2nd grades)

Chart 1. Dynamics of world wheat prices, 07.01.11-22.07.11

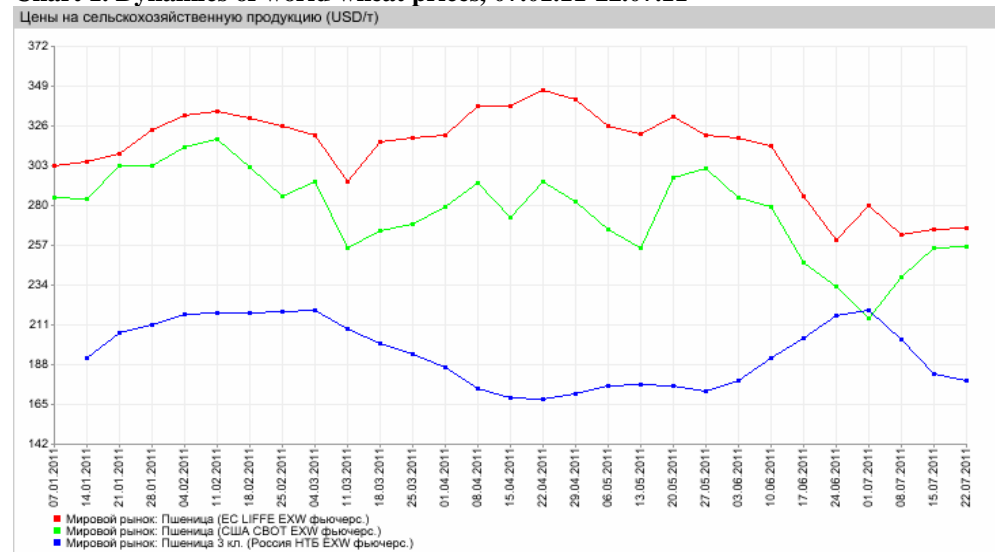


Chart 2. Dynamics of world wheat prices, 24.06.11-22.07.11

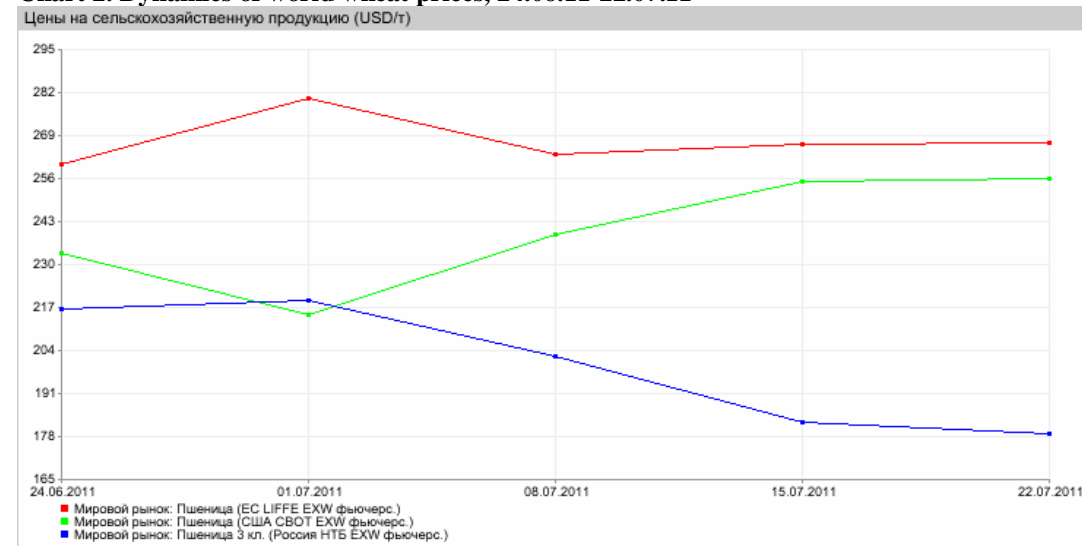


Chart 3. Dynamics of world corn prices, 07.01.11-22.07.11

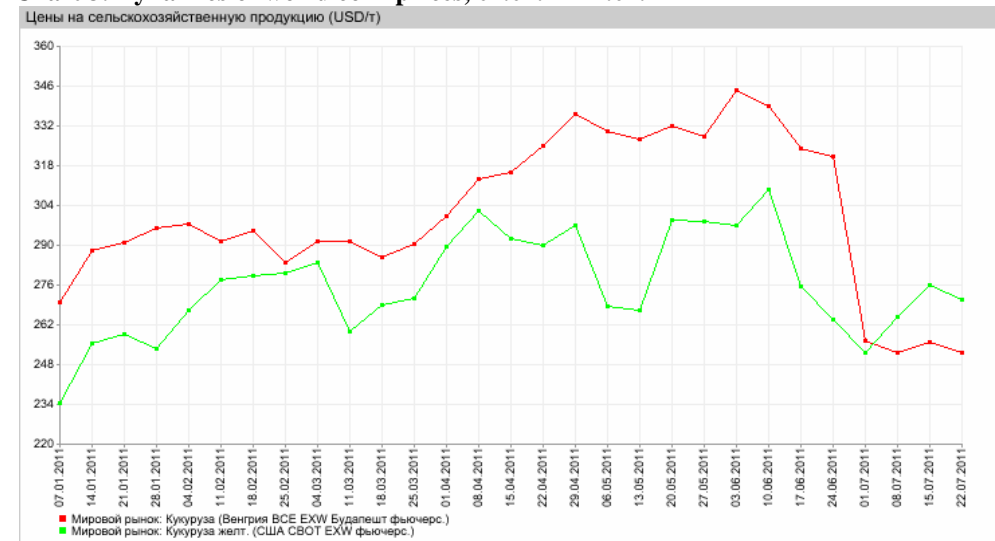


Chart 4. Dynamics of world corn prices, 24.06.11-22.07.11

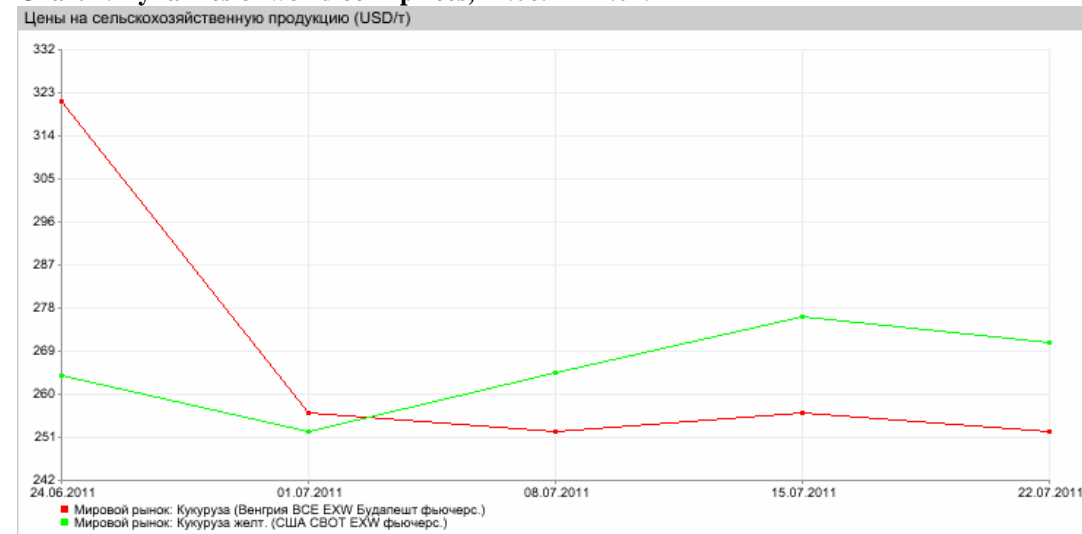


Chart 5. Dynamics of world sunflower oil prices, 07.01.11-22.07.11

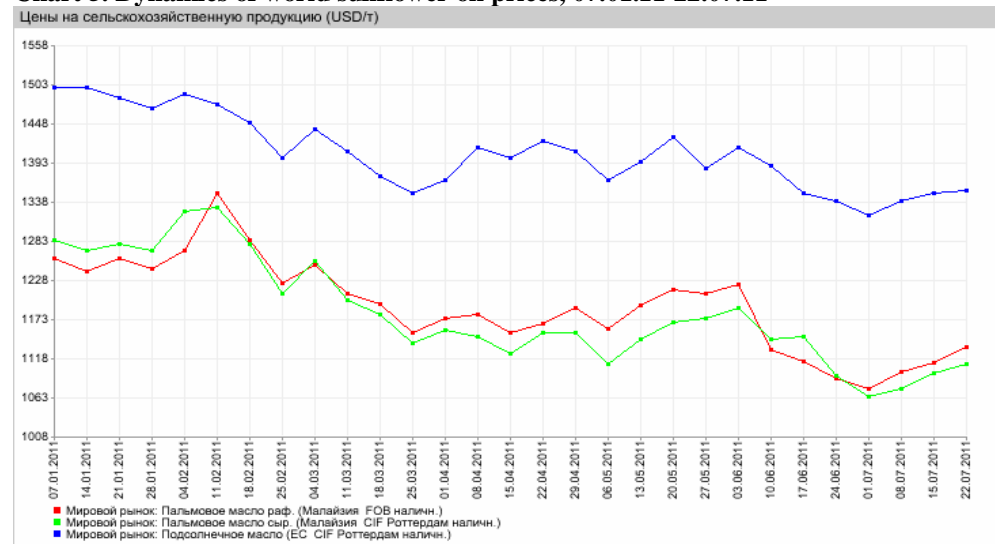


Chart 6. Dynamics of world sunflower oil prices, 24.06.11-22.07.11

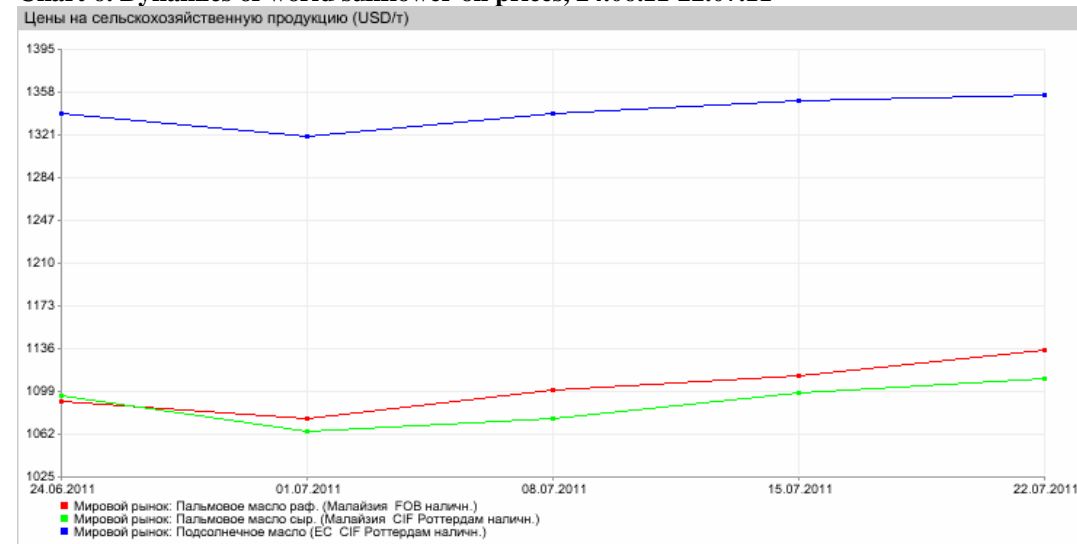


Chart 7. Dynamics of world white and raw sugar prices, 07.01.11-22.07.11

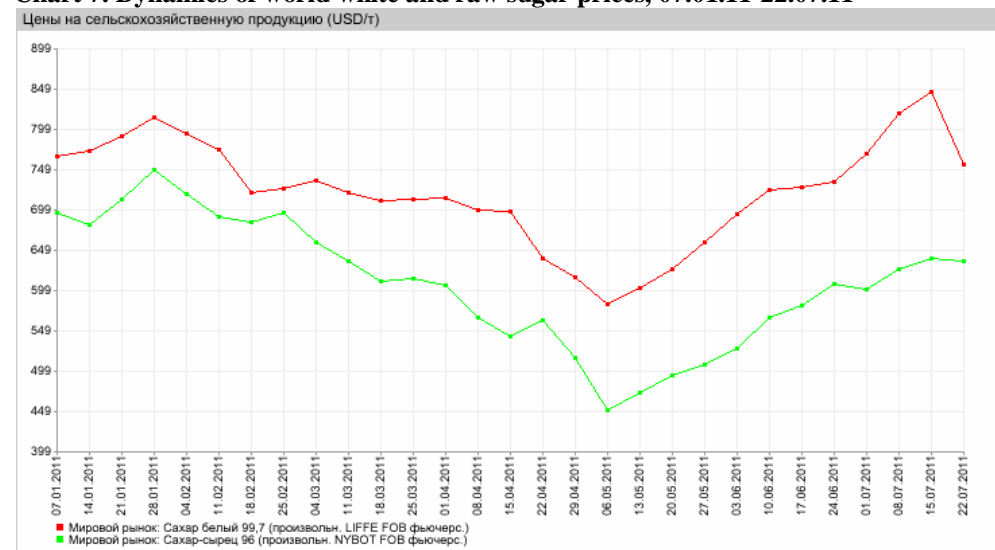
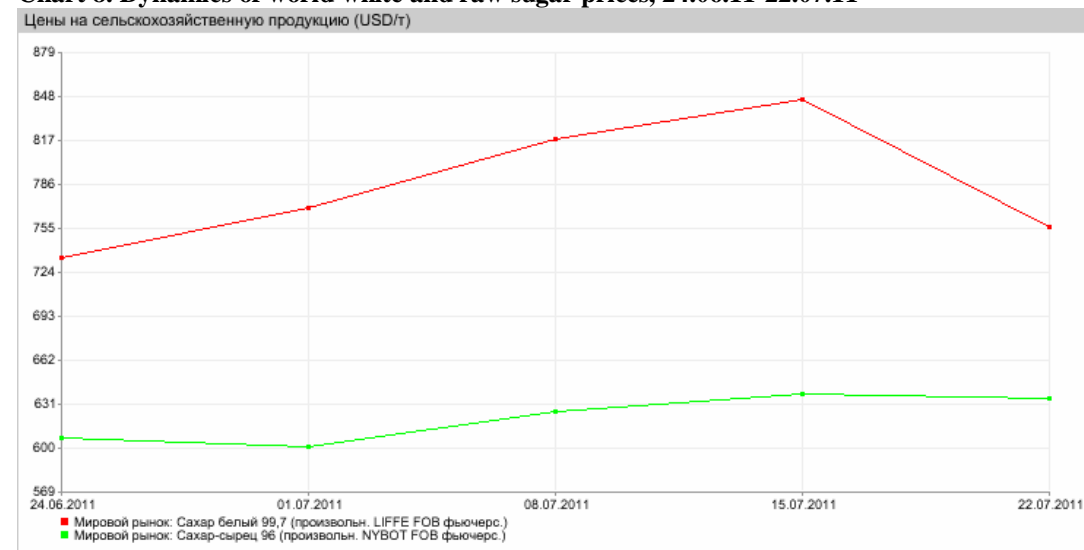


Chart 8. Dynamics of world white and raw sugar prices, 24.06.11-22.07.11



Review is prepared according to the data, provided by the National Statistics Committee of the Kyrgyz Republic, Ministry of Agriculture of the Kyrgyz Republic, State Agency for Anti-monopoly policy and development of competition under the Kyrgyz Republic Government, State Customs Service of the Kyrgyz Republic, International Grain Council, Ministry of Agriculture of the Russian Federation, Ministry of Agriculture of the United States of America, Ministry of Agriculture of the Republic of Kazakhstan, Statistics Agency of the Republic of Kazakhstan, Federal Service of State Statistics of the Russian Federation, electronic resources: News Agency “AkiPress”, News Agency “24.kg”, News Agency “APK-inform”, News Agency “Souzsahar”, News Agency “Newsru”, News Agency “Oil World”, News Agency “Kazah zerno”, News Agency “Reuters”.