

Table 1. Food market (forecast of production, consumption, carryover stocks, and food prices in 2012/13 compared with 2011/12)

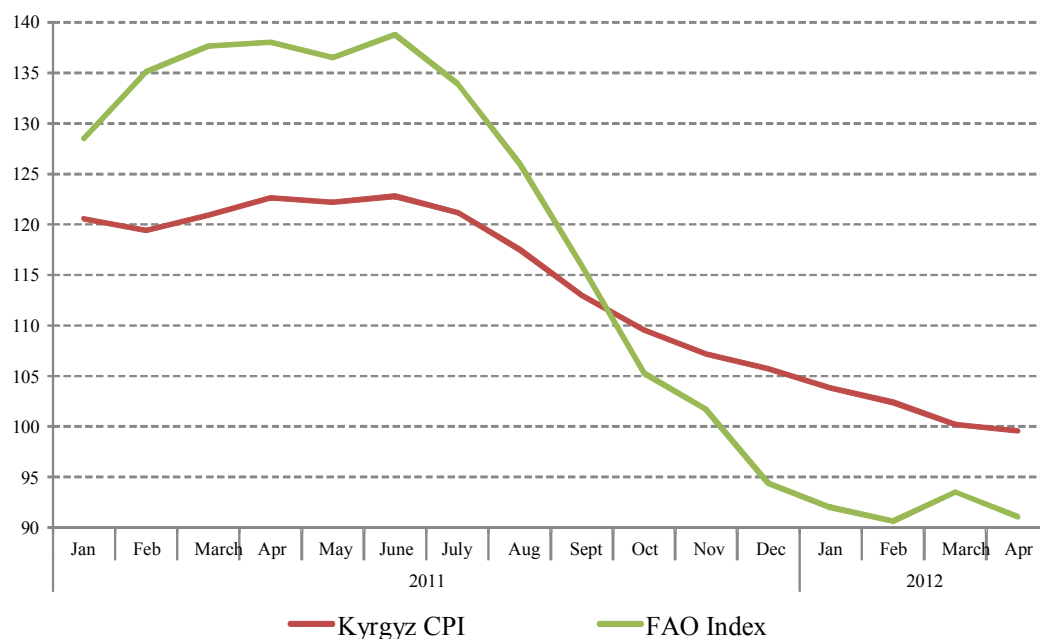
	<i>Production estimate, mln. tons</i>	<i>change, %</i>	<i>Consumption estimate, mln. tons</i>	<i>change, %</i>	<i>Stocks estimate, mln. tons</i>	<i>change, %</i>	<i>Futures¹, USD/ton</i>	<i>change, %</i>
Grains	1 869,0	1,5	1 865,0	1,5	383,0	1,1	536,5	7,8
Wheat	677,6	-2,5	686,5	-1,1	188,1	-4,5	282,0	2,6
Corn	945,8	8,7	921,0	6,2	152,3	19,4	232,8	5,4
Rice	466,4	0,7	465,7	1,7	104,9	0,7	340,0	5,6
Sunflower oil	14,5	2,5	13,7	7,6	2,1	6,8	1291,0	10,0
Sugar*	168,2	0,0	167,6	0,0	29,0	0,0	705,9	7,0

* - USDA November estimate

Food Market

In April 2012, the average food price index of FAO (FAO index) was 214 points, decreasing by 3 points (or 1.4 percent) compared with the rate recorded in March. This decrease was mainly due to a sharp decline in prices for sugar and dairy products, as well as grains, which offset a significant increase in prices for vegetable oils and a small increase in meat prices. In the first quarter of 2012, the volatility of the FAO index was quite small, and despite the fact that in April it had fallen, it remains above the level of December 2011, which was the lowest for several years.

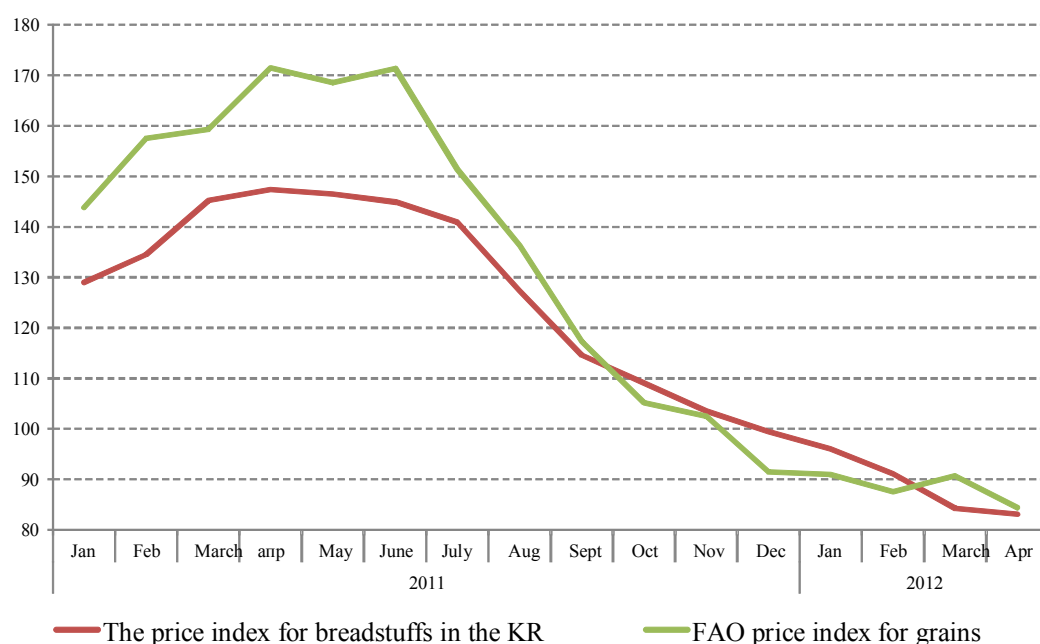
Graph 1. The dynamics of the Kyrgyz CPI and the FAO index (percent to the corresponding month last year)



¹ Here and below, the average value of the futures, the nearest to the execution, is shown

Grains

Graph 2. The dynamics of grains prices
(percent to the corresponding month last year)



The average value of the FAO price index for grains in April totaled 224 points, which is 4 points (almost 2 percent) below the level of March 2012. Quotes of corn prices have fallen most sharply in comparison with others, by 2.5 percent, reflecting good forecasts for yield. Wheat prices fell slightly, a little more than by 1 percent, reduction in the price of rice has also been insignificant, compared with April 2011, the index was lower by 16.9 percent.

Wheat prices in the first two weeks of May grew by 16.5 percent, the highest since June 2007. On May 21, contracts for wheat with delivery in July 2012 continued to grow, reaching 7.2 USD per bushel, which is the highest level since September 2011.

In many ways, the rise in prices for wheat is stimulated by the speculative activity of investors who buy contracts for wheat and other crops (e.g. corn), fearing the dry summer, and as a consequence, crop failure in the main suppliers of grain on world markets, primarily in Russia and U.S.; drought may also occur in Kazakhstan and Ukraine which are the major players of the world grain market.

In addition, a sharp increase in the value of the contracts was preceded by a drop in grain futures by 21 percent in annual terms against the backdrop of a record grain harvest in 2011.

According to the May forecast of the U.S. Ministry of Agriculture (USDA), world production of wheat in 2012/13 MY will be 677.6 million tons, which is 2.5 percent less than the estimates of production in 2011/12 MY. Forecast of wheat consumption in the 2012/13 MY season is projected at 686.5 million tons, which 1.1 percent less than the estimates of the previous season. The volume of ending stocks of wheat in the world in 2012/13 MY will be 188.1 million tons which is lower than stocks estimates of last season by 4.5 percent.

Dynamics of world wheat prices is given in the Appendix, Graph 1.

USA

According to the USDA May report, the forecast of wheat production in 2012/13 MY is expected to reach 61.1 million tons which is 2.8 percent more than estimates of the previous production season. Estimates of wheat exports in 2012/13 MY increased by 14.5 percent relative to estimates of exports of the previous season and totaled 31.5 million tons; the import forecast has not been revised and amounted to 3.2 million tons.

EU-27

The USDA May forecast of wheat production in the EU-27 in 2012/13 MY is expected to reach 132.0 million tons, which is 3.9 percent less than the estimates of wheat production in 2011/12 MY. Forecast of consumption in 2012/13 MY totaled 124.3 million tons, the volume of the final stocks of wheat at the end of 2012/13 MY is forecast at 12.1 million tons.

During the period from April 20 to May 20, 2012 the price of wheat on the London Stock Exchange (LIFFE) grew by 2.2 percent to 276.5 USD per ton.

China

According to USDA May estimates, the forecast of wheat production in China in 2012/13 MY is expected to reach 120.0 million tons (+1.8 percent to last season), the forecast of consumption increased by 1.2 percent to 122.0 million tons, estimate of wheat ending stocks in China is set at 58.0 million tons (-0.9 percent).

Russia

Adverse weather conditions last winter, which led to partial loss of winter crops, and dry spring caused the reduction of the wheat yield forecast in Russia.

In general, the prospects for the new crop yield are estimated rather pessimistically, and the main reason is the cold in January and early February 2012 with low snow cover. But, despite this, the spring sowing in Russia is going by a fairly rapid pace. In Russia, on May 16, 2012, according to the Russian Ministry of Agriculture, spring wheat is sown on 16 885.6 thousand hectares, almost 52 percent more than on the same date last year. The sowing plan is implemented by 55.8 percent. Implementation was 36.8 percent on the same date last year. Total spring crops as of May 16, 2012, according to the Ministry of Agriculture of Russia, are sown on 28585.3 thousand hectares, which is 14 percent more than on the same date last year.

However, the success in the rates of sowing of spring crops are unlikely to compensate for the loss of winter crops. The fact is that the greatest losses this year will be in the most grain regions. According to the forecasts of the Russian Hydrometeorological Center, dry summer is expected in 10 regions of the country.

Foreign experts have reduced the forecast of the wheat harvest in Russia in 2012/13 season. In particular, the French Agritel agency reduced the production forecast by 3-6 million tons, from 56 to 50-53 million tons against a background of concerns about the loss of grain in Russia because of dry weather. At the same time, according to market analysts, the reduction of Russia's harvest will not have a crucial value in the medium term.

Kazakhstan

According to the Ministry of Agriculture of Kazakhstan, the volume of grain harvest in the country in 2012 will be about 15 million tons, while grain crops this year will be placed on an area of about 16 million hectares. Recall that in 2011 the country harvested at the record level, nearly 27 million tons of grain in net weight. Kazakhstan plans to export 15 million tons of grain in the 2011-2012 marketing year.

At this point in the capital, Astana, 3rd grade wheat of the new yield can be purchased for 24,100 tenge per ton (162.9 USD), which is about 400 tenge higher than the prices on April 20, 2012, 4th grade wheat is sold for 21,700 (146.7 USD). 1st grade flour is sold in the capital for 36,300 tenge per ton (245.4 USD) - reduction of 500 tenge, the premium grade is sold for 39 900 tenge per ton (269.7 USD). 2nd grade flour in the markets is sold for 32,500 tenge per ton (219.7 USD).

Kyrgyzstan

The Decision of the Government of the Kyrgyz Republic sets duties on imports of wheat flour at a rate of 2.5 KGS per 1 kilogram from May 15, 2012 to October 15, 2012. This measure is intended to support domestic producers and to create equal competitive opportunities in the domestic market. Given that most of the consumer flour market is represented by imported products, the prescribed duty stimulates the growth of consumer prices for breadstuffs, and the market reaction

may manifest itself already at the end of May 2012. The increase in flour prices could affect the prices of other basic consumer goods.

In Kyrgyzstan, 3rd grade wheat and barley are of demand in the market at a price of 210 USD per ton. Price demand for premium flour ranges from 360 to 365 USD, and 1st grade white flour is about 300 USD per ton.

Last year in Kyrgyzstan, the gross yield of grain in bunker weight (with an average yield of 23.7 quintals per hectare) was 886.2 thousand tons. This is 10.1 thousand tons more than in 2010. In order to ensure its food security Kyrgyzstan needs 1 million 300 thousand tons of wheat. That is, the import of grain in Kyrgyzstan this year could reach about 500 thousand tons.

According to the NSC of the KR, as of May 17, 2012 the price of a group of “breadstuffs and cereals” decreased by 0.5 percent since the beginning of the month and by 16.6 percent in annual terms (May 2012 to May 2011).

Corn

According to a May forecast of the USDA, world production of corn in 2012/13 MY will be 945.8 million tons, which is 8.7 percent more than estimates of production in 2011/12 MY. Forecast of consumption grew by 6.2 percent to 921.0 million tons. In general, in 2012/13 MY, carryover stocks will constitute 152.3 million tons, which is 19.4 percent more than the stocks in 2011/12 MY.

During the period under review, the futures prices of corn in the world market grew by 5.4 percent, reaching 232.8 USD per ton. Dynamics of world corn prices is given in the Appendix, Graph 2.

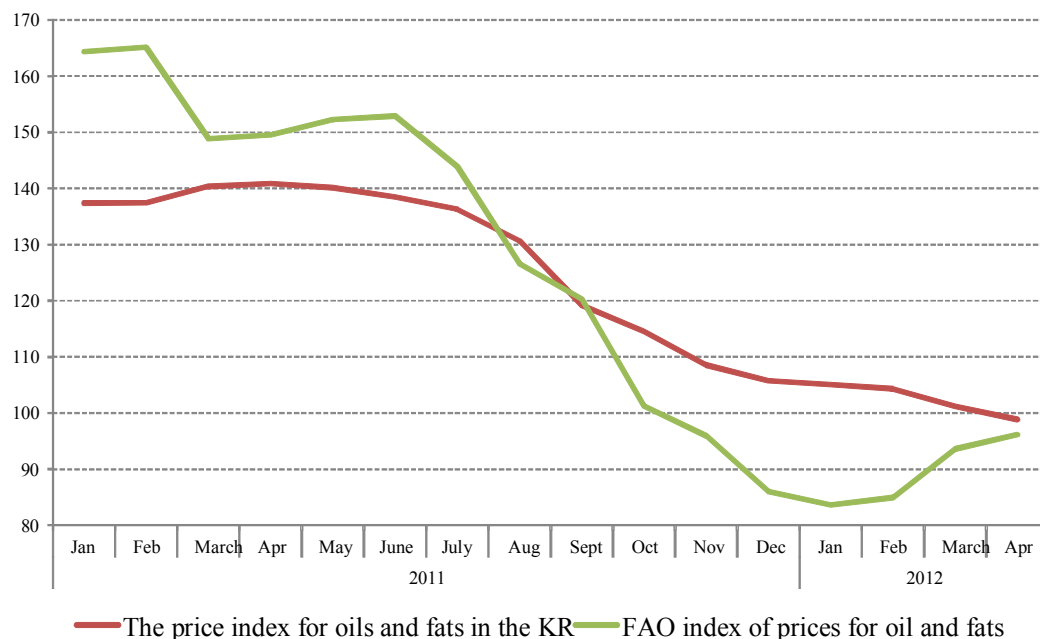
Rice

In May 2012, USDA increased the forecast of world rice production in 2012/13 MY by 0.7 percent to the level of 466.4 million tons relative to estimates of production of 2011/12 MY. Forecast of consumption of rice is increased relative to the estimates of last season by 1.7 percent to 465.7 million tons. Estimates of carryover stocks for this type of grain increased by 0.7 percent to 104.9 million tons.

Review of the world vegetable oil market

The average value of the FAO index of prices for vegetable oils/fats in April 2012 amounted to 251 points, increasing by another 6 points (or 2.2 percent) compared with the March figure. Following the sharp rise in prices for soybeans, the increase mainly reflects the growing concern about the extremely low volume of deliveries of soybeans and products produced from them this season. Reduced soybean exports led to an increase in global demand for palm oil production of which, however, grows very slowly, which leads to an increase in prices.

Graph 3. Dynamics of prices for oils and fats
(percent to the corresponding month last year)



Sunflower Oil

According to the USDA, in 2012/13 MY, sunflower oil production to reach 14.5 million tons, 2.5 times more than the estimates of production in 2011/12 MY, consumption - 13.7 million tons (+7.6 percent). Forecast of carryover stocks rose by 6.8 percent and amounted to 2.1 million tons.

The dynamics of world prices for vegetable oils is given in the Appendix, Graph 3.

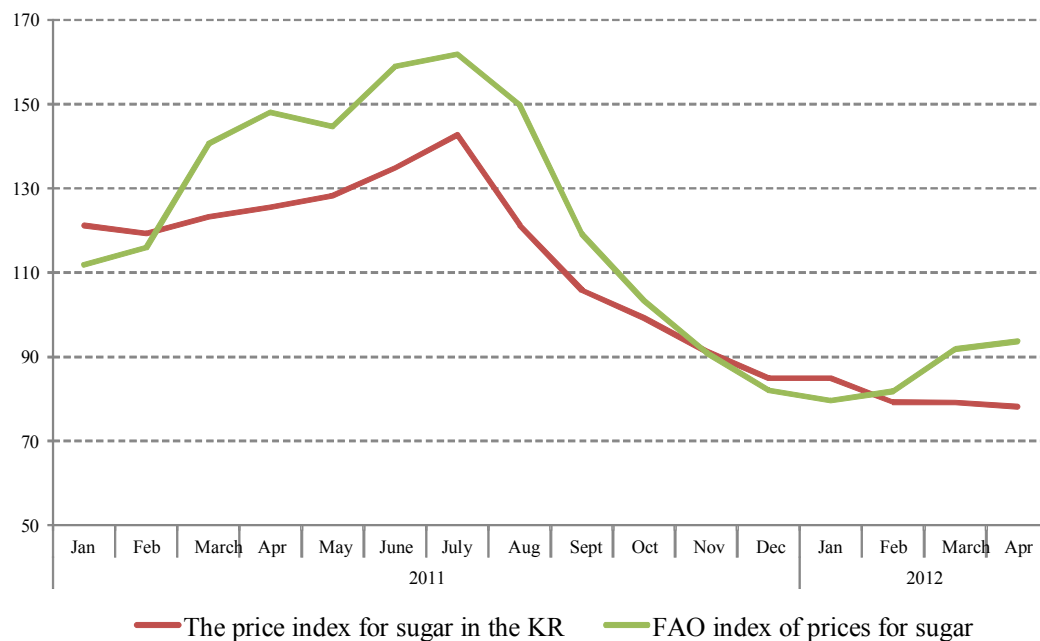
Kyrgyzstan

According to the NSC of KR as of May 17, 2012, the prices of the “oils and fats” group declined by 1.0 percent relative to prices of last month; in annual terms, prices for this type of goods decreased by 3.1 percent also.

Sugar

The average value of the FAO index of prices for sugar in April 2012 totaled 324 points, which is 18 points (5.0 percent) lower than the March figure and 22 points (4.0 percent) lower than the level in April 2011. In general, the reduction in sugar prices took place against a background of expectations of new supplies to the market in May from Brazil, which is the world's largest manufacturer of this product. It was also reported about high levels of sugar supply in India, the EU and Thailand, which also contributed to keeping prices at a level below the highest rates of last season.

Graph 4. Dynamics of prices for sugar
(percent to the corresponding month last year)



The dynamics of world prices for sugar and raw sugar is given in the Appendix, Graph 4.

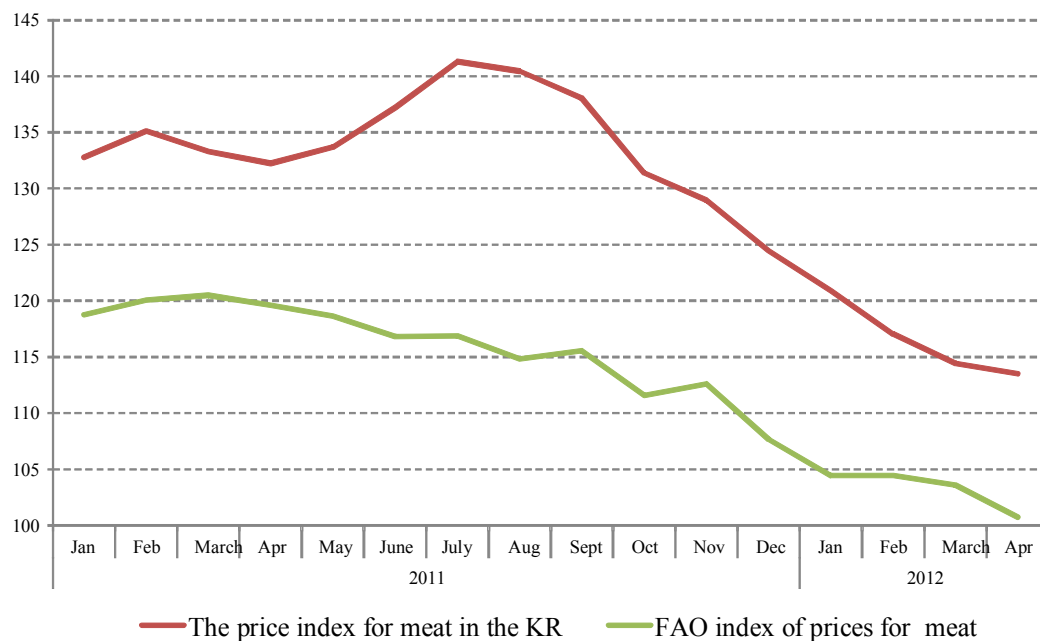
Kyrgyzstan

According to the NSC of the KR, as of May 17, 2012, sugar prices rose by 7.9 percent against the previous month's prices. The increase in sugar prices is due to the increased demand and rising wholesale prices of supplying countries amid falling imports of raw sugar from foreign countries as well as current market conditions in foreign markets. In annual terms, the price of sugar fell by 15.4 percent.

Meat

The average value of the FAO index of prices for meat in April 2012 totaled 182 points, increasing only slightly (by 1 point) compared to the previous month and reaching the new record level. This increase was caused by the growth of quotations on all types of meat, except mutton. The most significant was the increase in prices for pork, and then, in descending order, the price of beef and poultry. The average price of meat in the first four months was 3.5 percent higher compared with the corresponding period last year, while the most significant was the rise in prices for beef provided by a prolonged period of limited supply for export and high import demand.

Graph 5. Dynamics of prices for meat
(percent to the corresponding month last year)



Kyrgyzstan

According to the NSC of the KR, as of May 17, 2012, meat prices fell by 0.1 percent relative to prices of last month; an annualized increase in meat prices continued to slow down and is 11.6 percent.

Table 1. Food market (monthly dynamics of the estimates of production, consumption, carryover stocks, and food prices in 2011/12 marketing year)

	<i>Production estimates, mln. tons</i>	<i>changes in the last month, %</i>	<i>Consumption estimates, mln. tons</i>	<i>changes in the last month, %</i>	<i>Stock estimates, mln. tons</i>	<i>changes in the last month, %</i>	<i>Futures, USD/ton</i>	<i>changes in the last month, %</i>
Grains (world)	1 869,0	1,5	1 865,0	1,5	383,0	1,1	536,5	7,8
Wheat	677,6	-2,5	686,5	-1,1	188,1	-4,5	282,0	2,6
<i>Kyrgyzstan</i>	0,8-1,1	-27,3-0,0	1,3	0,0	0,8	0,0	210,0	5,0
<i>USA</i>	61,1	12,3	34,0	5,0	20,0	-4,3	254,7	11,6
<i>Australia</i>	26,0	-11,9	-	-	6,9	-19,8	365,7	0,0
<i>EU-27</i>	132,0	-3,9	124,3	-2,0	12,1	-9,4	276,5	-2,2
<i>China</i>	120,0	1,8	122,0	1,2	58,0	-0,9	393,7	2,0
<i>Russia</i>	56,0	-0,4	38,4	-0,3	10,0	-2,0	284,9	3,6
<i>Kazakhstan</i>	15,0	-34,0	8,5	-5,6	17,8	11,9	188,8	5,0
Corn	945,8	8,7	921,0	6,2	152,3	19,4	232,8	5,4
Rice	466,4	0,7	465,7	1,7	104,9	0,7	340,0	5,6
Sunflower oil	14,5	2,5	13,7	7,6	2,1	6,8	1 291,0	10,0
Sugar¹	168,2	0,0	167,6	0,0	29,0	0,0	705,9	7,0

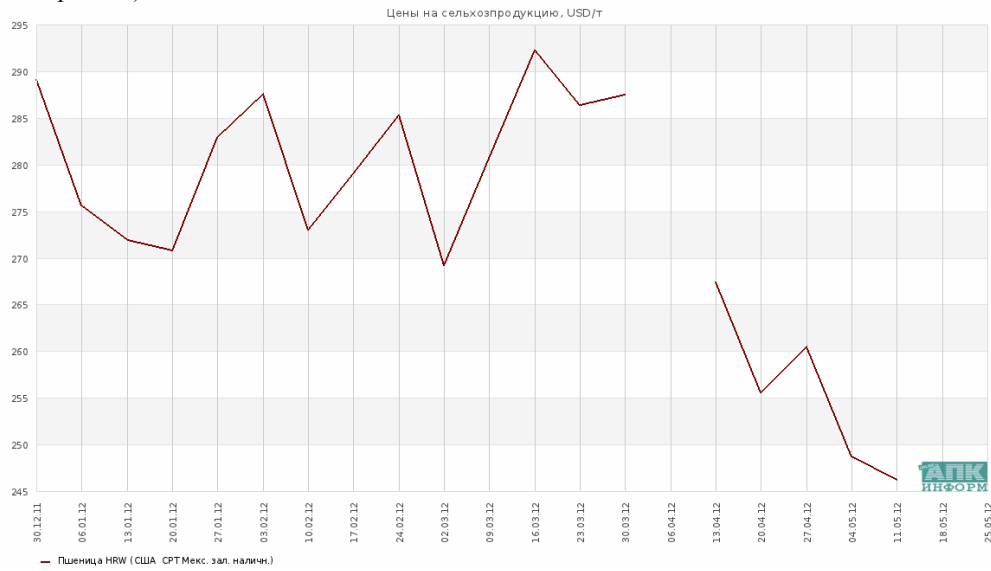
Table 2. Nominal average prices for basic food commodities at the end of April 2012 (KGS per kg)

	<i>Beef</i>	<i>Mutton</i>	<i>Butter</i>	<i>Milk</i>	<i>Eggs, 10 pc.</i>	<i>1st grade flour</i>	<i>1st grade bread</i>	<i>Potatoes</i>
Bishkek	309,2	297,1	301,9	29,6	72,1	24,6	35,4	12,3
Batken	260,0	300,0	337,5	36,3	98,8	25,0	36,6	13,5
Djalal-Abad	290,0	300,0	263,3	30,0	72,0	21,5	37,2	13,5
Karakul	275,3	263,8	318,3	20,0	67,0	22,2	34,0	5,3
Naryn	320,0	314,5	259,4	27,0	83,1	23,3	35,7	9,2
Osh	280,0	300,0	306,7	31,7	66,7	25,8	37,5	14,0
Talas	294,0	284,0	245,4	25,2	77,8	18,6	39,9	7,4
Tokmok	293,3	260,0	296,4	25,9	72,0	23,6	32,1	12,8

¹ USDA November estimate

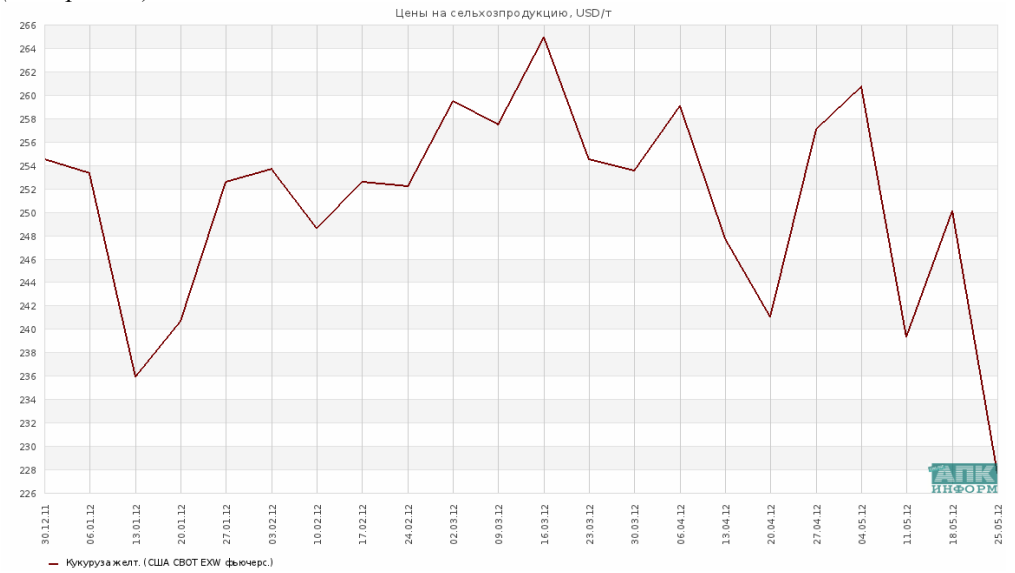
Overview of world markets, April-May 2012

Graph 1. Dynamics of world wheat prices, 30/12/11-11/05/12
(USD per ton)

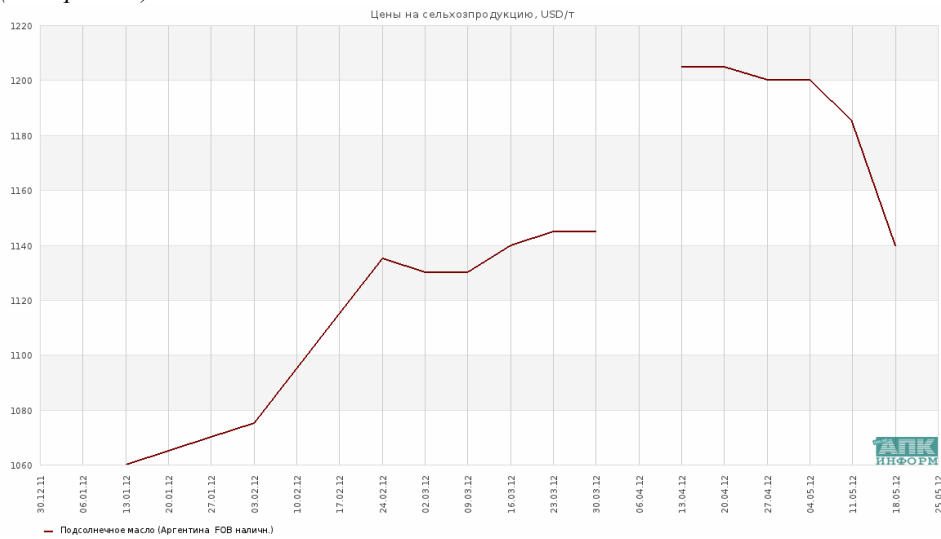


Appendix

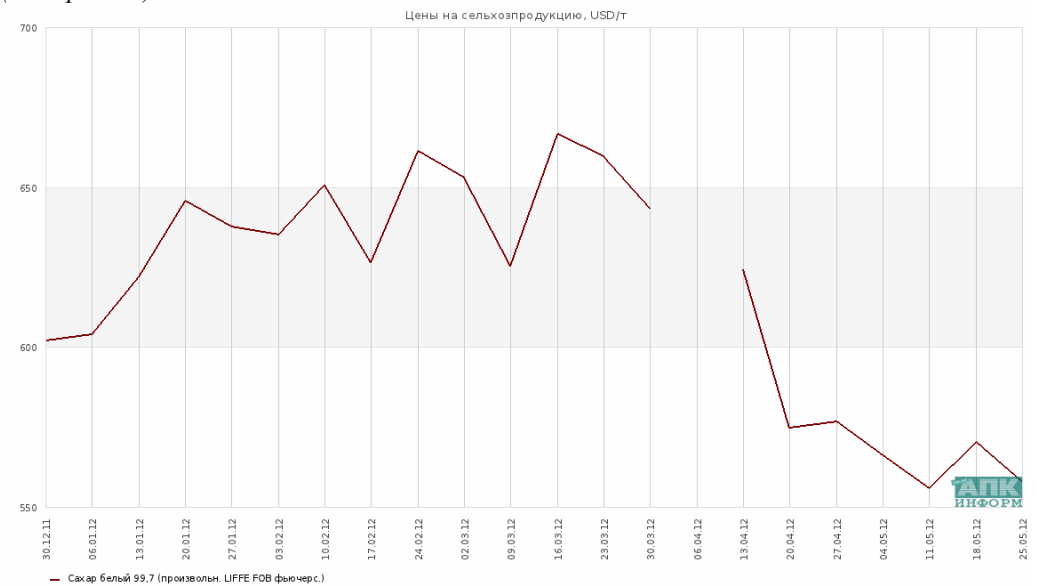
Graph 2. Dynamics of world corn prices, 30/12/11-25/05/12
(USD per ton)



Graph 3. Dynamics of world prices for sunflower oil, 30/12/11-25/05/12
(USD per ton)



Graph 4. Dynamics of world prices for sugar and raw sugar, 30/12/11-25/05/12
(USD per ton)



The review was prepared based on the data of the NSC of the Kyrgyz Republic, Ministry of Agriculture of the Kyrgyz Republic, the State Agency for Antimonopoly Policy and Competition Development under the Government of the Kyrgyz Republic, the State Customs Service of the Kyrgyz Republic, the International Grains Council, the Ministry of Agriculture of the Russian Federation, USDA, the Ministry of Agriculture of the Republic of Kazakhstan, Agency on Statistics of the Republic of Kazakhstan, the Federal State Statistics Service of the Russian Federation; electronic resources: AKIpress IA, 24.kg IA, KirTAG IA, APK-Inform IA, Soyuzrossakhar IA, Agronews IA, Newsru IA, Oil World IA, Kazakh-Zerno IA, Reuters IA. «Reuters».