

**Table 1.** Food Market (monthly dynamics of the estimates of production, consumption, carry-over stocks, and food prices in 2011/12 marketing year).

	<i>Production estimates, mln. tons</i>	<i>change, in %</i>	<i>Consumption estimates, mln. tons</i>	<i>change, in %</i>	<i>Stocks estimates, mln. tons</i>	<i>change, in %</i>	<i>Futures<sup>1</sup>, U.S. dollars per ton</i>	<i>change, in %</i>
<b>Grains</b>	1 873,0	0,2	1 871,0	0,3	373,0	-2,6	269,1	3,0
<b>Wheat</b>	672,1	-0,8	681,9	-0,7	185,8	-1,3	258,5	2,7
<b>Corn</b>	949,9	0,4	923,4	0,3	155,7	2,2	233,9	7,0
<b>Rice</b>	466,5	0,0	466,7	0,2	104,2	-0,7	315,0	0,4
<b>Sunflower oil</b>	14,5	0,1	13,8	0,8	2,0	-4,9	1 090,0	-2,1
<b>Sugar*</b>	168,2	0,0	167,6	0,0	29,0	0,0	453,9	4,1

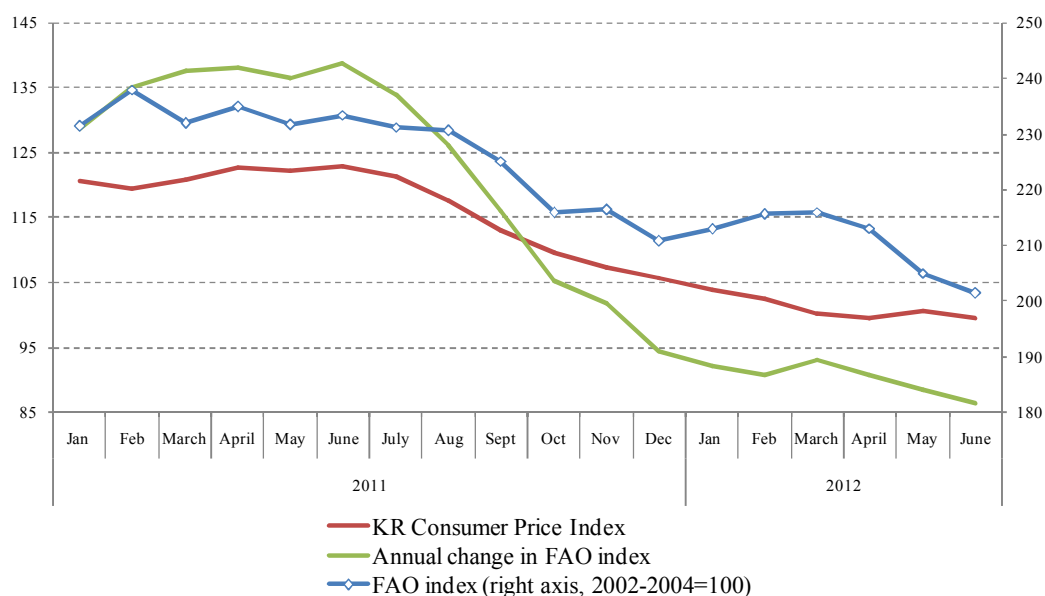
\* - November estimates of USDA

## Review of the world grain market

### Food Market

The average value of the FAO Food Price Index (FAO Index) in May 2012 constituted 204 points, which is 9 points (4.2 percent) lower than in the previous month and is a minimum value since September 2010. This level of FAO Index is about 14 percent below its maximum value, recorded in February 2011. Over the past few weeks, international prices for most raw commodities (taken into account for calculating the FAO Index) decreased, which was caused by the generally favorable outlook for the supply in the context of growing uncertainty about the economic factors, as well as the strengthening of the U.S. dollar.

**Graph 1.** Dynamics of Kyrgyz Food Price Index and FAO Index (percent to the corresponding month last year)



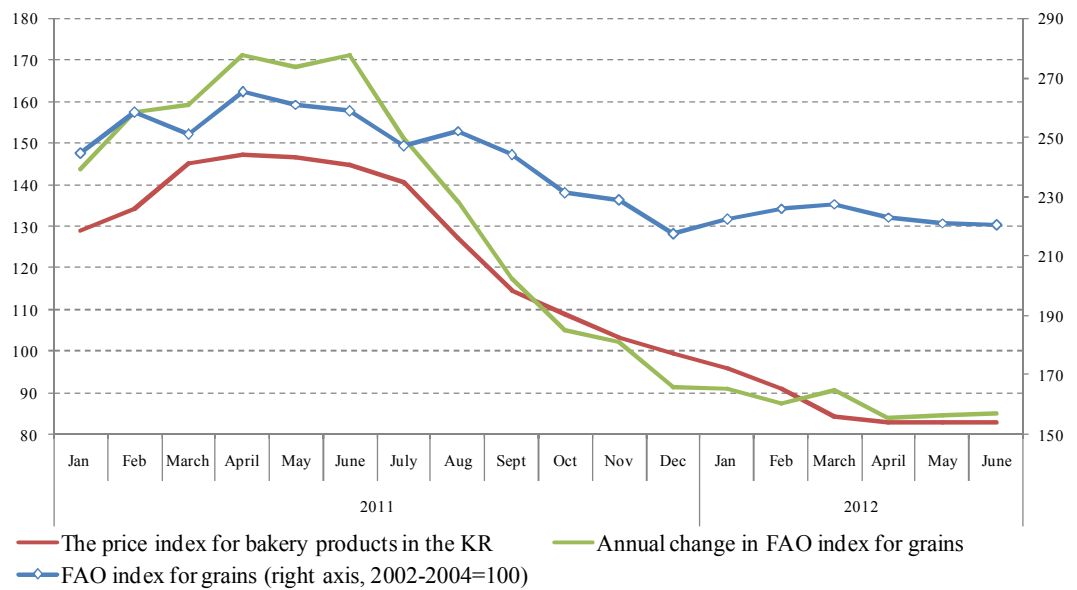
### Grains

The average value of the FAO Index of Prices for grains constituted 221 points in May 2012, which is lower by 2.3 points (1.1 percent) as compared with April. The most significant decrease in prices was for wheat, which was caused by the improved climatic conditions, as well as by the dynamics of corn prices, which fell after the publication of the report of the U.S. Department of Agriculture (USDA), according to which a record crop of corn is expected in the United States.

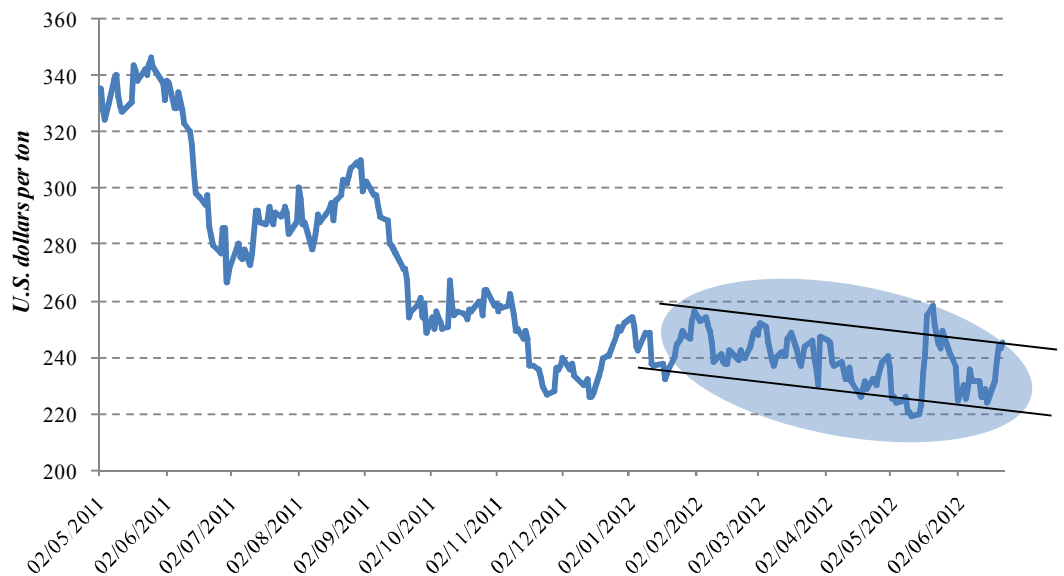
<sup>1</sup> Here and below, the average value of the futures, the nearest to the execution, is showed.

In contrast, international rice prices rose slightly, mainly due to increased purchases on the eve of Ramadan.

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



Starting from June 15, 2012, the dynamics of futures contracts for wheat on world markets demonstrates almost a double upward trend against the backdrop of growth in export sales in the United States. The increase in wheat prices forming recently is the second attempt (after a rise in prices in the second half of May) to breakdown the level of resistance of the downward price limits, formed under the influence of fundamental factors (in the first place: a rich harvest of basic foodstuffs).



If the expectations of unfavorable weather conditions in 2012/13 MY are confirmed, then new upward price limits will form, whose level of support will be 245-250 U.S. dollars per ton of wheat.

According to the June forecast of the USDA, world production of wheat in 2012/13 MY will constitute 672.1 mln. tons, which is 0.8 percent less than the estimates of the previous month. Forecast of wheat consumption in 2012/13 MY season is projected at 681.9 million tons, which is 0.7 percent less than the estimates of the previous month. The volume of ending stocks of wheat in the world in 2012/13 MY will constitute 185.8 million tons, which is lower than

estimates of stocks of the previous month by 1.3 percent.

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

### **USA**

According to the USDA June report, the forecast of wheat production in 2012/13 MY in the U.S. is expected to reach 60.8 mln. tons, which is 0.5 percent less than the estimates of production of the previous month. Wheat exports estimates in 2012/13 MY are maintained at 31.5 mln. tons; imports forecast was not revised and constituted 3.2 mln. tons.

### **EU-27**

The USDA June forecast of wheat production in the EU-27 in 2012/13 MY is expected to reach 131.0 mln. tons, which is 0.8 percent less than the estimates of wheat production last month. Forecast of consumption in 2012/13 MY totaled 123.3 mln. tons; the volume of the ending stocks of wheat at the end of 2012/13 MY is forecast at 12.4 mln. tons.

During the period from May 25 to June 25, 2012, the price of wheat on the London Stock Exchange (LIFFE) grew by 4.2 percent to 292.8 U.S. dollars per ton.

### **China**

According to the USDA June estimates, the forecast of wheat production in China in 2012/13 MY has not changed and is expected to reach 120.0 mln. tons (+1.8 percent to the level of last season); the consumption forecast also remained unchanged at 122.0 mln. tons; the estimate of wheat ending stocks in China is set at 57.5 mln. tons.

### **Russia**

Forecasts of harvest in 2012 in Russia are not getting better. According to the forecasts of the Russian Hydrometeorological Center, hot spring will have negative effect on the harvest of winter crops in Russia. High temperatures in the spring led to a decrease in the expected harvest of winter crops. The result of hot weather was adverse effects in the vegetation of crops. Precipitation deficit slowed the process of earing and saturation of humidity by winter crops, especially in the southern regions of Russia. Thus, the total yield of winter wheat is expected to be lower than in 2011. In total, according to forecasts of the Russian Hydrometeorological Center, dry summer is expected in 10 regions of Russia.

Spring sowing in Russia goes at a fairly rapid pace. According to the Ministry of Agriculture of the Russian Federation, the sowing plan in Russia was fulfilled for 72.5 percent (at the end of May 2012). Fulfillment constituted 64.9 percent on the same date of last year. On May 23, in the structure of spring sowing, wheat reduced to 24 percent of acreage (25 percent last year), barley - 19 percent of the area (18 percent), sunflowers – 15 percent (16 percent), and corn - 5 percent (4 percent). The remaining acreage is occupied by other cultures.

However, the success in rates of the sowing of spring grains will likely not be able to compensate for the loss of winter grains. At present, experts do not give a clear prediction on the amount of harvest in Russia in 2012-13 MY. At the same time, the market remembers the consequences of drought 2010, when Russia actually left the world grain market, and thus caused an unprecedented rise in prices for grains in the world.

Foreign experts have reduced the forecast of the wheat harvest in Russia in season 2012/13. In particular, the Agritel French agency reduced the forecast of production of grain by 3-6 million tons from 56 million tons (estimated harvest 2011/12 MY) to 50-53 million tons in 2012/13 MY. Adverse weather conditions last winter, which led to partial loss of winter crops, and dry spring caused the reduction of the forecast harvest of wheat in Russia.

### **Kazakhstan**

In Kazakhstan, the spring sowing of spring crops took place in favorable weather conditions; soil moisture was sufficient for the emergence of full shoots. But this year there is an acute problem associated with infrastructure limitations of grain exports in the context of ever increasing capacity of its production.

Kazakhstan is interested in exporting grains as never before. The record harvest in 2011 showed that the republic could, first, grow crops in tens of millions of tons, and, secondly, these grains (including in processed form) are essentially enough and to spare except exports. Even the livestock, not to mention the population, cannot consume such a quantity of grains, and most of it will still have to be exported.

Statistics show a rapid increase in grains yield: average annual yield in 2009-11 constituted 12.5 quintals per hectare, in 2006-08 years - 11.7 q/ha, in 2003-05 - 9.9 q/ha, the average yields from 1991 to 2000 constituted only 8.4 q/ha, or nearly one and a half times lower than in the past three years.

For the period from May 17 to June 4, the price of wheat in Kazakhstan decreased by approximately 200 - 230 tenge per ton in the market of cash sales of grain and flour in the different regions of the country. Falling prices can be explained by an increased supply of grain in the context of surplus stocks. By getting rid of stocks of seeds during the planting season, producers of grain try to free up storage for the reception of the new harvest and sell surplus.

Flour market is still overstocked, but the price dynamics became controversial. Prices for first class flour continued to decline, but 1<sup>st</sup> and 2<sup>nd</sup> grade flour on the contrary strengthened during this period.

1<sup>st</sup> grade flour increased with a large range of growth in different regions of Kazakhstan - from 600 to 1,700 tenge per ton. 2<sup>nd</sup> grade flour also increased from 1600 to 2500 tenge per ton in different regions. Higher prices for lower grades of flour are explained by high demand for this flour for export, mainly to the countries of Central Asia, where such flour is a product of mass consumption, in contrast to first class flour, the demand for which is limited by low purchasing power of consumers.

Increasing the price of this flour is seasonal in nature. Stocks of one's own grain from which flour of different grades is made dried up or came to an end in Central Asian countries. Hence there is a growth of demand for this flour. The situation will change very soon, when the Central Asian markets will receive grain of new harvest. The beginning of the harvesting campaign in Central Asia is not far off.

## ***Kyrgyzstan***

The introduction of import duties on flour had an impact on the consumer market. Thus, according to the monitoring of market prices for food products and petroleum products in the markets of Bishkek and in all areas of the country, prepared by experts of the Ministry of Economics and Antitrust Policy of the Kyrgyz Republic (MEAP KR), prices for basic foodstuffs have increased in Kyrgyzstan. According to MEAP KR, in some regions of the country as of May 25, 2012 there was an increase in average retail prices of grains of wheat by 0.4 percent, 1<sup>st</sup> grade wheat flour – by 0.6 percent, potatoes - by 6.5 percent, carrots – by 13.4 percent, onions – by 12.2 percent, sugar – by 1.8 percent, beef – by 0.8 percent and lamb – by 0.4 percent.

According to the NSC KR, as of June 20, 2012, the prices of a “bread and cereals” group declined by 0.7 percent since the beginning of the month and by 17.0 percent in annual terms (June 2012 to June 2011).

## **Corn**

According to the USDA June forecast, world production of corn in 2012/13 MY will constitute 949.9 million tons, which is 0.4 percent higher than estimates of production in the last month. Forecast of consumption grew by 0.3 percent to 923.4 million tons. In general, in 2012/13 MY, carry-over stocks will constitute 155.7 million tons, which is 2.2 percent more than estimates of stocks last month.

During the period under review the futures prices in the world corn market

grew by 7.0 percent, reaching 233.9 U.S. dollars per ton. Dynamics of world corn prices is given in the Appendix, Graph 2.

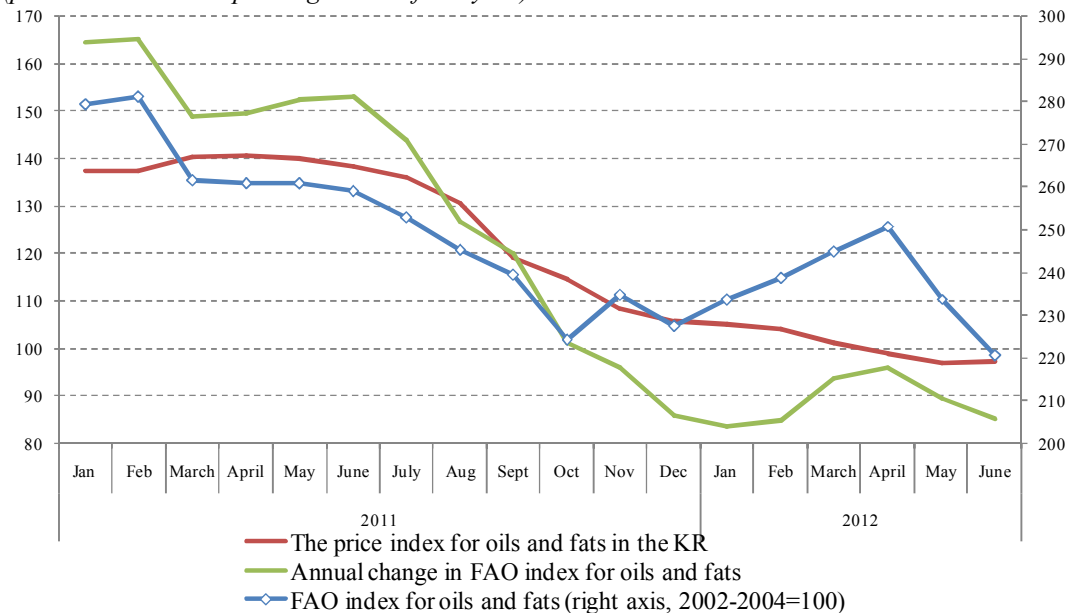
**Rice**

USDA in June 2012 maintained the forecast of world rice production in 2012/13 MY at the level of previous estimates (466.5 million tons.) Forecast of consumption of rice is increased in relation to the estimates of the past month by 0.2 percent, to 466.7 million tons. Estimates of carry-over stocks for this type of grain fell by 0.7 percent to 104.2 million tons.

**Review of world market for vegetable oil**

The average FAO index of prices for vegetable oils/fats in May 2012 constituted 234 points, decreasing by 17 points (6.8 percent) compared with the April index. This reduction in prices, which was caused mainly by lower prices for soybean and palm oil, changed the trend to their growth observed since December 2011. While plantings of soybeans in the United States of America, which exceeded forecasts made earlier, as well as lower prices for grains had an impact on prices of soybean products, a decrease in prices for palm oil was the result of a temporary recovery in production and reduction in crude oil prices. Concerns about the macroeconomic factors, in particular the prospects for the EU, also served as a factor behind the overall reduction in import demand.

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



**Sunflower Oil**

According to USDA June estimates, in 2012/13 MY sunflower oil production will constitute 14.5 million tons, consumption - 13.8 million tons. Forecast of carry-over stocks totaled 2.0 million tons.

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

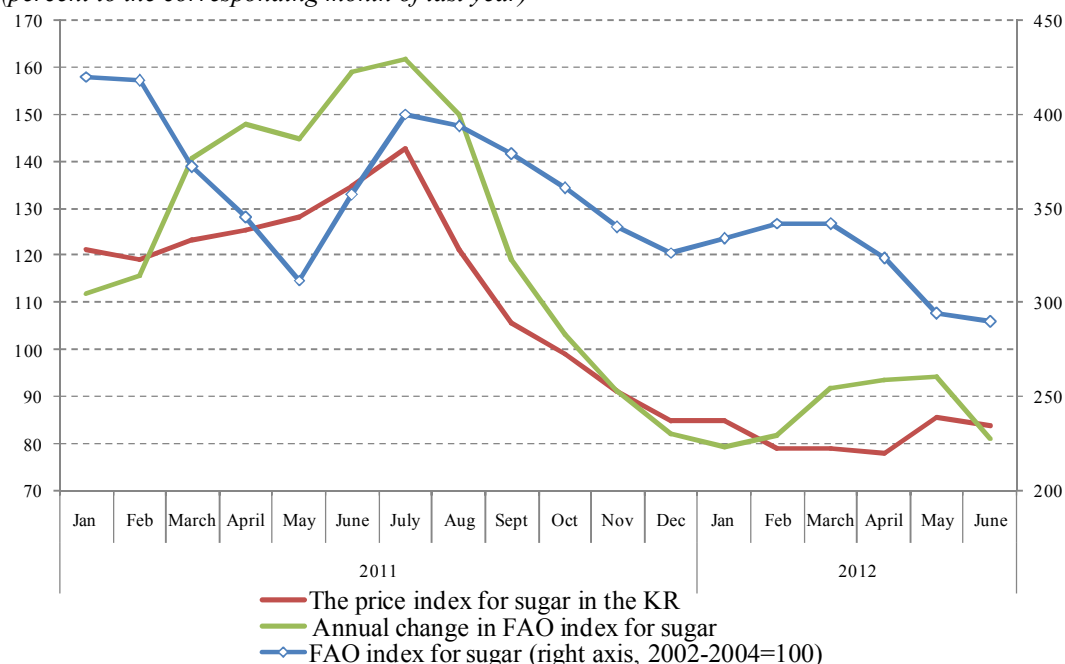
**Kyrgyzstan**

According to the NSC KR as of June 20, 2012, the price for the “oils and fats” group declined by 0.3 percent relative to prices of last month, in annual terms, prices for this type of goods also decreased by 2.8 percent.

**Sugar**

The average value of the FAO index of prices for sugar in May 2012 constituted 295 points, having decreased by 29 points (9.1 percent) compared to April index and by 17.6 points (5.6 percent) compared with the level recorded in May in 2011. Reduction in sugar prices has continued for three consecutive months, due to an increase in supply in India, the EU and Thailand, as well as new supplies from Brazil, which enters this market. The influence on market prices was also made by lower oil prices and the strengthening of the U.S. dollar.

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



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

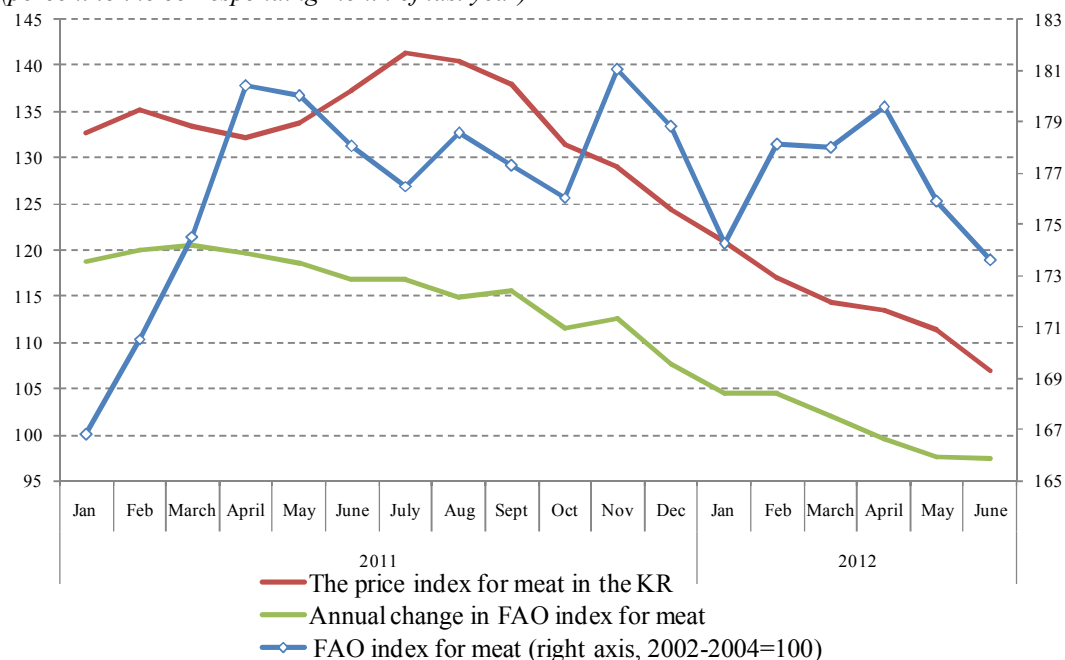
**Kyrgyzstan**

According to the NSC KR as of June 20, 2012, sugar prices fell by 0.9 percent relative to prices of the previous month, in annual terms, the price of sugar fell by 15.3 percent.

**Meat**

The average value of the FAO index of meat prices in May, 2012 constituted 179 points, only 1 point lower than the April index. Dynamics of prices for various types of meat was mixed: prices for pork decreased, prices for poultry increased, while prices for beef and lamb remained stable. The average price of meat in the first five months of this year were 2% higher compared with the corresponding period last year, while the most significant was the increase in prices for beef.

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



***Kyrgyzstan***

According to the NSC KR as of June 20, 2012, meat prices fell by 0.6 percent relative to prices of last month, in annual terms, the increase in meat prices continued to slow down and constitutes 7.0 percent.

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	<i>Production estimates, mln. tons</i>	<i>change, in %</i>	<i>Consumption estimates, mln. tons</i>	<i>change, in %</i>	<i>Stocks estimates, mln. tons</i>	<i>change, in %</i>	<i>Futures, U.S. dollars for per ton</i>	<i>change, in %</i>
<b>Grains (world)</b>	1 873,0	0,2	1 871,0	0,3	373,0	-2,6	269,1	3,0
<b>Wheat</b>	672,1	-0,8	681,9	-0,7	185,8	-1,3	258,5	2,7
<i>Kyrgyzstan</i>	0,8-1,1	0,0	1,3	0,0	0,8	0,0	199,0	1,5
<i>USA</i>	60,8	-0,5	33,7	-0,8	18,9	-5,6	245,8	3,9
<i>Australia</i>	26,0	0,0	-	-	6,4	-7,2	237,8	0,3
<i>EU-27</i>	131,0	-0,8	123,3	-0,8	12,4	2,5	292,8	4,2
<i>China</i>	120,0	0,0	122,0	0,0	57,5	-0,9	340,3	2,7
<i>Russia</i>	53,0	-5,4	37,9	-1,3	10,0	-0,1	295,2	3,6
<i>Kazakhstan</i>	15,0	0,0	8,5	0,0	11,5	-21,8	199,0	1,5
<b>Corn</b>	949,9	0,4	923,4	0,3	155,7	2,2	233,9	7,0
<b>Rice</b>	466,5	0,0	466,7	0,2	104,2	-0,7	315,0	0,4
<b>Sunflower oil</b>	14,5	0,1	13,8	0,8	2,0	-4,9	1 090,0	-2,1
<b>Sugar<sup>2</sup></b>	168,2	0,0	167,6	0,0	29,0	0,0	453,9	4,1

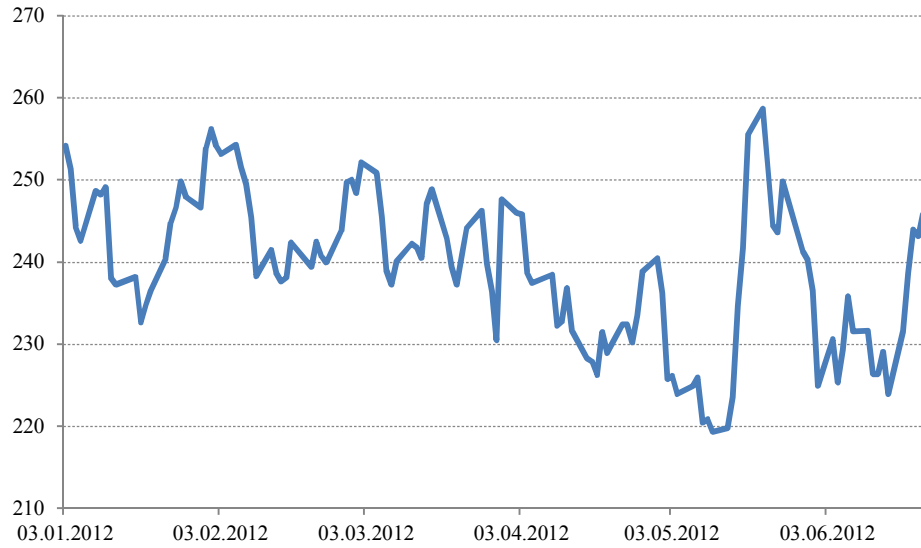
**Table 2.** Nominal average prices for basic food commodities at the end of April 2012. (som per kilogram)

	<i>Beef</i>	<i>Lamb</i>	<i>Butter</i>	<i>Milk</i>	<i>Dozen eggs</i>	<i>First grade flour</i>	<i>First grade bread</i>	<i>Potatoes</i>
<b>Bishkek</b>	304,6	308,8	296,3	28,3	68,6	24,3	35,4	16,1
<b>Batken</b>	265,0	337,5	312,5	35,0	95,0	25,0	36,6	16,1
<b>Djalal-Abad</b>	290,0	323,8	263,3	28,1	70,0	20,1	37,2	21,9
<b>Karakol</b>	278,8	269,1	318,3	19,3	52,0	21,1	33,4	9,5
<b>Naryn</b>	320,0	320,0	260,0	24,3	75,0	23,3	35,7	12,7
<b>Osh</b>	280,0	305,0	306,7	25,0	65,4	25,2	37,5	19,5
<b>Talas</b>	294,3	306,0	245,0	25,0	74,0	18,5	39,9	6,4
<b>Tokmok</b>	280,0	276,3	297,0	25,0	70,3	23,2	32,1	16,7

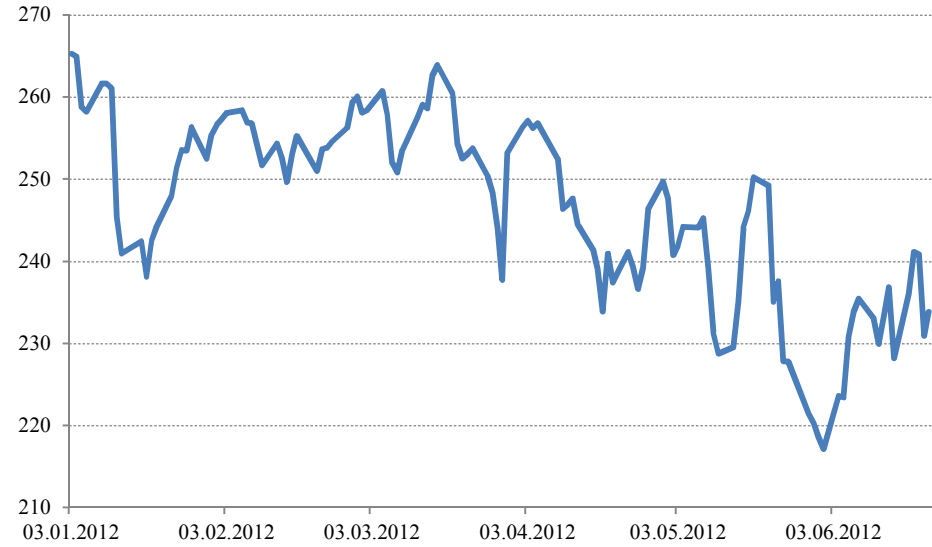
<sup>2</sup> USDA November estimates



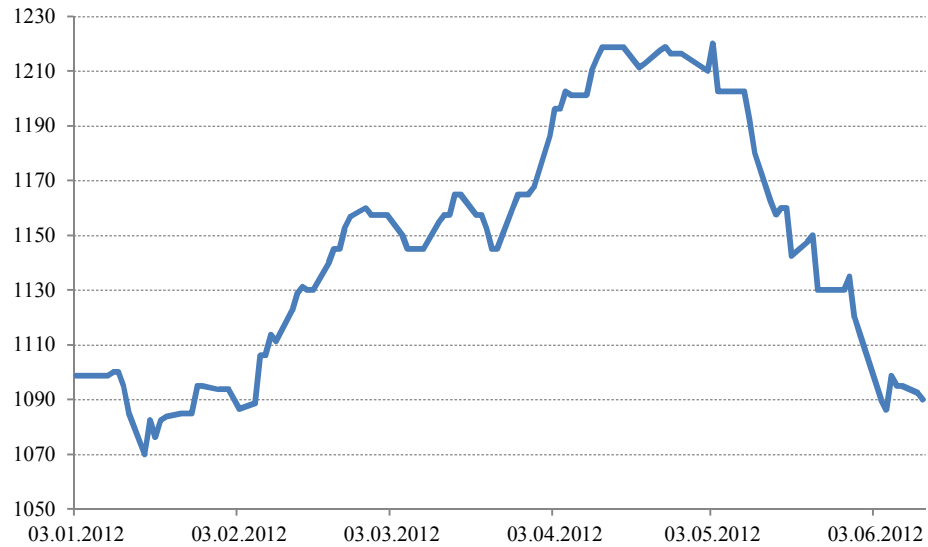
**Graph 1. Dynamics of world wheat prices, 03/01/12-22/06/12**  
(U.S. dollars per ton)



**Graph 2. Dynamics of world corn prices, 03/01/12-22/06/12** (U.S. dollars per ton)



**Graph 3. Dynamics of world sunflower oil prices, 03/01/12-22/06/12**  
(U.S. dollars per ton)



**Graph 4. Dynamics of world prices for sugar and raw sugar, 03/01/12-22/06/12**  
(U.S. dollars per ton)

