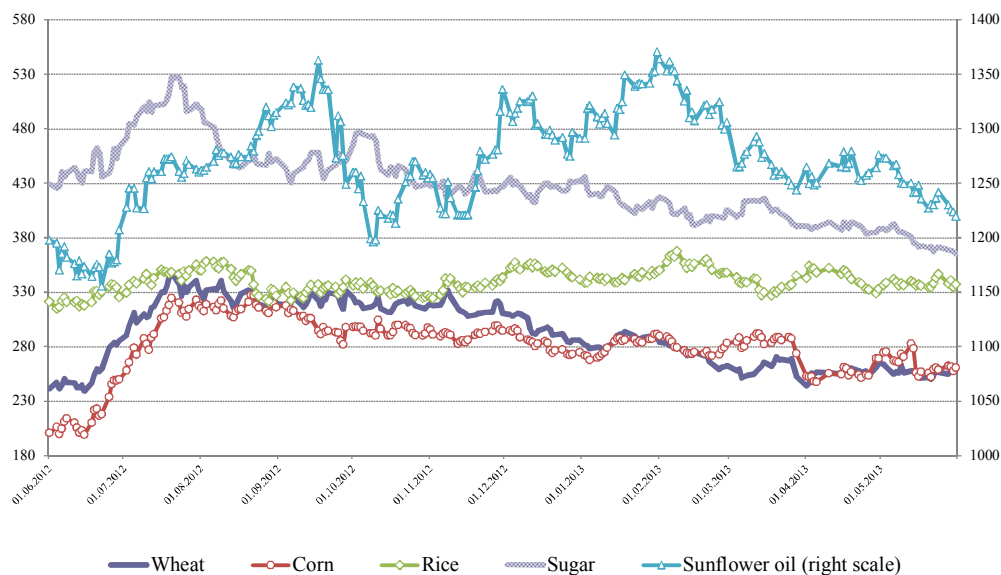


World grain market review

World food market

The prices of basic food commodities in April-May 2013 remain stable, this is largely due to expectations of a high yield on food staples in the countries of our region.

Picture 1. Dynamics of prices for basic food products
(USD per one ton)



In April 2013, the average value of the Food Price Index FAO was 215.5 points, that is 2 points (1.0 percent) above the revised March indicator of 213.2 points and above than the April indicator of last year. Thus, the index was only 9 points below the record level, which it reached in February 2011. As in March, in April 2013 the main reason for the increase was a sharp increase in the index of prices for dairy products, while meat prices rose slightly, but prices of other food commodities declined.

Crops

At the end of April of this year, the International Grains Council (IGC) published forecasts for world grain market for 2013/14 MY, according to which the world's grain production will be 1.9 billion tons which is 125.0 million tons more than in the current year. Consumption in the coming season will be 1.9 billion tons, and the total ending stocks for the next season will increase by 31.0 million tons and will reach 361.0 million tons.

Forecasts of the Ministry of Agriculture of the U.S. on the market of wheat in the following season, which were published in May, are pretty optimistic. For example, world wheat production will reach 701.1 million tons that is 45.5 million tons more than the current season. The wheat harvest of all the exporting countries will be bad only in the U.S. Ukraine will collect 22.0 million tons of wheat, Kazakhstan - 15.0 million tons. In many wheat importing countries the production of wheat will also be higher than last year indicators. Consumption of wheat in the world will increase by 20.0 million tons totaled 694.9 million tons.

The dynamics of world prices for wheat and corn, see Appendix, Figure 1 and 2.

Russia

There is a falling price trend in the grain market of Russia, despite the fact that at the end of April and early May the market activity was markedly reduced due to the May holidays.

In the south of Russia as a result of lower prices and favorable forecasts for new crop export, demand perked up, but the volume of shipments of grain is still small. Experts believe that with the beginning of a new harvest of winter crops,

which may begin in the south of Russia by the end of June, grain supply and the volume of its shipments will increase significantly. This is likely to lead to further reduction in market prices.

According to the Ministry of Agriculture of Russia since the beginning of July 2012 up to the end of April 2013, grain exports amounted to 14.7 million tons. Forecast for the export of grain in 2012/13 MY is 15,6-15,7 million tons. Also, according to a representative of the agency, the current supply of grain in Russia (excluding small farms) accounts for about 18 million tons, about 5 million tons can be in unreported stocks. Currently in Russia there is no danger of a shortage of grain.

According to the May report of the Ministry of Agriculture of the U.S., next year the exports of Russian wheat will increase by 7.3 million tons totalled 18.0 million tons.

Kazakhstan

According to the Statistics Agency of RK, at the beginning of May of this year, stocks of wheat amounted to 8.4 million tons, of which about 53 percent is still in warehouses and elevators. Out of the current stock of wheat 1.5 million tons are set aside for seeds; for fodder given 140.3 thousand tons, and the rest - about 6.7 million tons - food grains.

As of May 20, 2013 in the Republic of Kazakhstan there were sown spring crops on the area of 3 085.6 thousand hectares or 20.4 percent of the plan, according to the Ministry of Agriculture.

Wheat prices in the domestic market of Kazakhstan are more dependent on the prices in international markets than on domestic production and consumption, the news agency "Kazinform" referring to the post of professor of the Kazakh Agro Technical University. The calculation results indicate that in the context of Kazakhstan's grain market wheat supply is inelastic to changes in its internal price - an increase of 1 percent does not lead to an increase in supply. Thus, domestic wheat prices have practically no influence on the volumes of its production. At the same time, according to the scientist, the rise in prices on the international market by 1 percent leads to an increase in wheat production in Kazakhstan by 0.6 percent.

Kyrgyzstan

According to the director of grain expertise center of the Ministry of Agriculture and Land Reclamation of Kyrgyz Republic, crops that were delivered from Russia are the grains of 2008 harvest. By the staff members of grain expertise center together with experts from state material reserve Foundation, Chamber of Commerce, the Customs Service, GP NC "Temir Joly" and other organizations there was held an event attributed to grain laying to the state grain reserve. In a laboratory of determination of the quality of grain was revealed that the quality parameters of grain correspond to class 3. There were not found such defects as harmful mineral and trash, grain pests, Fusarium seed (disease), harmful substances in the incoming grain from Russia.

As of May 21, 2013 in the Republic by spring sowing of cereal crops was covered about 261.8 hectares, which is more than last year's figure of 18.4 million hectares. According to the press service of the Ministry of Agriculture of Kyrgyz Republic, wheat actually occupied 132 hectares of arable land (in 2012 - 121 thousand hectares).

Compared to last year the production of flour by milling plants was reduced by 80 percent, reports NA "KyrTAG" with reference to the Committee of millers. Flour mills are working sporadically, as soon as stocks of flour and bran reserves are depleted the production starts, then again they are idle. The main problem of millers is identified as a significant difference in the price of the raw material on which the millers of neighboring Kazakhstan and Kyrgyzstan are purchasing wheat. Thus, the Kazakh producers buy 1 ton of grain at the price of 185 USD, while the Kyrgyz millers at 250 USD.

Table. The dynamics of wheat prices at Lugovaia station (Kazakhstan-Kyrgyzstan) (USD per ton)

gluten	16.01.2013	15.02.2013	05.03.2013	16.04.2013	18.05.2013
23-24 %	343,0	346,0	339,0	293,0	283,0
27-30 %	359,0	362,0	355,0	309,0	299,0

Sunflower oil

Since the beginning of 2012/13 MY and as of May 1, 2013 sunflower oil exports from Ukraine totaled 2.3 million tons, according to the balance sheets of the interdepartmental working group under the Ministry of Economic Development and Trade of Ukraine. According to the estimation of Inter-Agency Group the amount of sunflower oil in 2012/13 MY will be 3.5 million tons, exports - up to 3.1 million tons.

For the 2013/14 MY the Ministry of Agriculture of the U.S. predicts exports of sunflower oil from Ukraine at the level of 3.6 million tons, while the forecast of sunflower oil production is 4.2 million tons, the harvest forecast is about 10.5 million tons.

Dynamics of world sunflower oil prices, see Appendix, Figure 3.

Sugar

Prices in the world sugar market continue to decline. The main factor in the reduction of prices is the increase in supply of sugar. In Brazil, the world's largest producer of sugar, in the last twelve months sugar production has increased almost five-fold - from 392 tons to 1,450 tons. In the current year, as a result of the fact that after the rainy season there established dry weather, the production of Brazilian sugar can make a record amount - 35.5 million tons, according to Bloomberg, citing on estimates by the Brazilian company Unica. Because of this, according to analysts, in the third quarter of 2013 the price of sugar may drop to 15 cents per pound.

At the same time, the domestic market of Kyrgyzstan a slight increase in sugar prices is observed: since the beginning of the year the increase was 1.4 percent. The reason for this increase, according to the experts of the Ministry of economy of Kyrgyz Republic, is the decline in supplies from Russia. Adverse weather conditions have led to shifts in sowing of sugar beet in Russia. As of May 21, 2013 in Russia were sown 883.3 hectares of sugar beet crops which is 77.3 percent of last year level. As a result, the export of sugar from Russia in March fell by 1.7 million tons or 10.8 per cent compared to the same period in last year.

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

Table 1. Food market (monthly dynamics estimates of production, consumption, carry-over stocks and food prices in the 2012/13 marketing year)

	Estimation of production, million tons			Estimation of consumption, million tons			Estimation of stocks, million tons		
	2012-13	2013-14	Change in %	2012-13	2013-14	Change in %	2012-13	2013-14	Change in %
Crops (World)	1 780,0	1 781,0	+0,1	1 820,0	1 817,0	-0,2	326,0	330,0	+1,2
Wheat	655,6	701,1	+6,9	674,9	694,9	+3,0	180,2	186,4	+3,4
<i>Kyrgyzstan</i>	0,7	0,7	0,0	1,3	1,3	0,0	-	-	-
<i>USA</i>	61,8	56,0	-9,4	37,6	36,0	-4,3	19,9	18,2	-8,2
<i>Australia</i>	22,1	24,5	+11,0	-	-	-	4,2	4,8	+13,5
<i>EU-27</i>	132,1	138,8	+5,1	120,0	123,8	+3,1	9,8	14,3	+46,0
<i>China</i>	120,6	121,0	+0,3	120,0	120,5	+0,4	58,7	61,7	+5,1
<i>Russia</i>	37,7	56,0	+48,5	33,5	37,5	+11,9	5,4	6,4	+18,5
<i>Kazakhstan</i>	9,8	15,0	+52,4	6,8	7,2	+5,9	9,3	12,0	+29,0
Corn	855,9	965,9	+12,9	862,5	936,7	+8,6	125,3	154,6	+23,4
Rice	467,6	479,3	+2,5	469,3	476,8	+1,6	103,8	107,8	+3,9
Sunflower oil	14,1	14,9	+6,0	13,7	14,0	+2,0	2,4	2,7	+11,5
Sugar¹	174,5	174,9	+0,2	163,6	167,3	+2,3	38,4	38,2	-0,5

¹ November estimates by the Ministry of Agriculture of the USA

Figure 1. Dynamics of world wheat prices, 01.05.12-22.05.13
(USD per one ton)



Figure 2. Dynamics of world corn prices, 01.05.12-22.05.13
(долларов США за тонну)



Figure 3. Dynamics of world sunflower oil prices, 01.05.12-22.05.13
(USD per one ton)

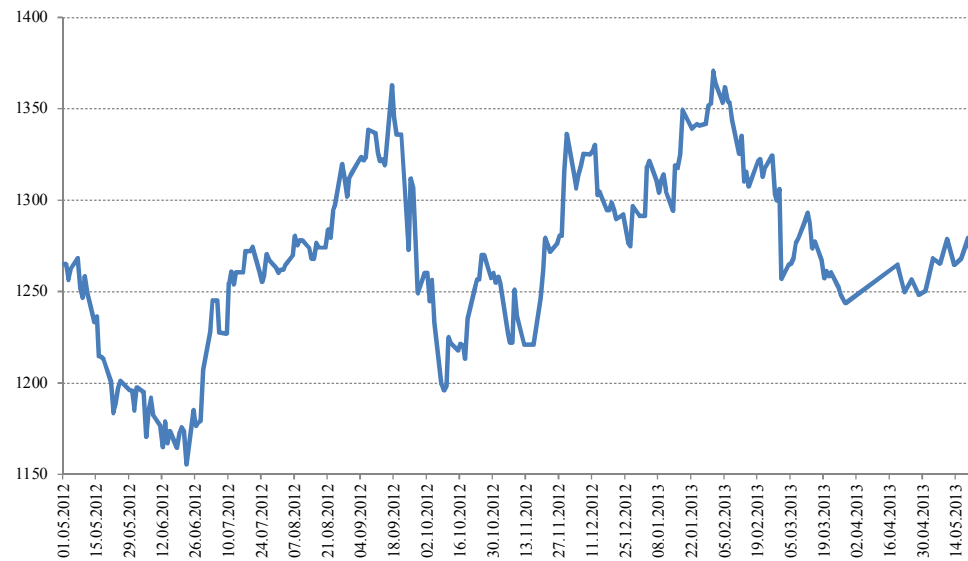


Figure 4. The dynamics of world prices for sugar and raw sugar, 01.05.12-22.05.13
(USD per one ton)

