

Table 1. Food market (monthly dynamics of estimates of production, consumption, carryover stocks and food prices in the 2012/13 marketing year compared to 2011/12 MY)

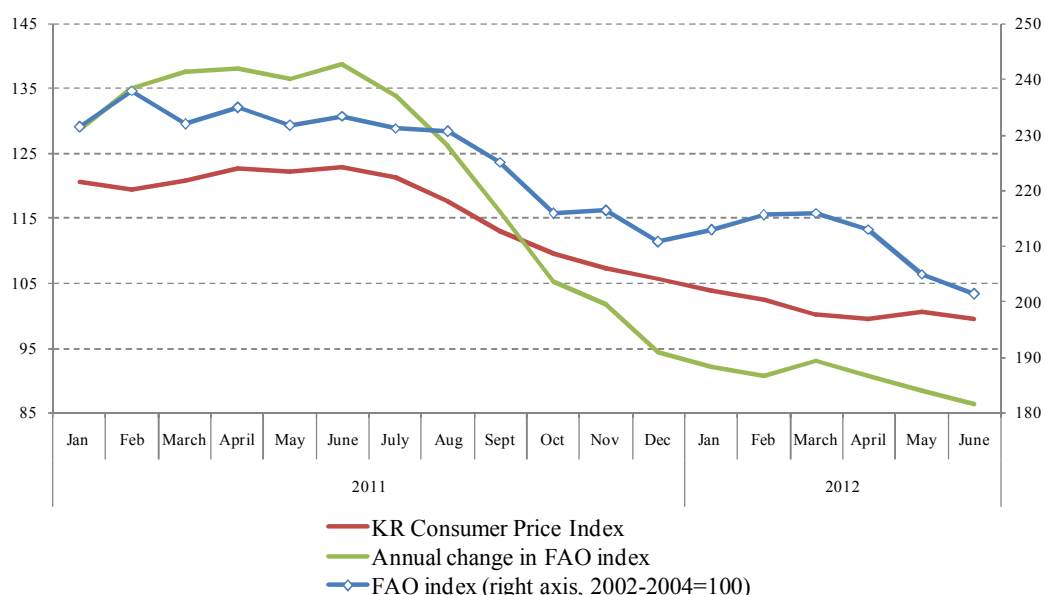
	<i>Production estimate, mln. tons</i>	<i>change, %</i>	<i>Consumption estimate, mln. tons</i>	<i>change, %</i>	<i>Stocks estimate, mln. tons</i>	<i>change, %</i>	<i>Futures¹, USD/ton</i>	<i>change, %</i>
Grains	1 868,0	-0,3	1 876,0	0,3	360,0	-3,5	313,1	+15,5
Wheat	665,3	-1,0	680,1	-0,3	182,4	-1,8	286,1	+8,3
Corn	905,2	-4,7	900,5	-2,5	134,1	-13,9	325,0	+39,0
Rice	465,1	-0,3	466,8	0,0	102,5	-1,6	328,3	+4,2
Sunflower oil	14,2	-2,1	13,7	-0,6	1,6	-16,9	1 197,7	+9,9
Sugar*	174,5	+2,0	163,0	+1,8	33,1	+4,7	530,0	+16,8

* - USDA November estimate

Food Market

In June 2012, the average FAO Food Price Index (Index FAO) reached 201 point, having decreased by 4 points (1.8 percent) compared with the revised (upwards) index of May, which was 205 points. However, the FAO index is still at its lowest level since September 2010. After falling for three consecutive months, the June FAO index was 15.4 percent below the peak figure recorded in February 2011. Persistent uncertainty in the economy, as well as generally favorable prospects for the supply, pressured the international prices of most commodities downward, although the growing concern about the adverse weather conditions for some crops somewhat increased their prices by the end of the month. However, the price indices for all commodities included in the FAO index figures were lower than the May figures, with the most significant decline observed for vegetable oils and fats.

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



CPI of the Kyrgyz Republic

Annual change of the FAO index

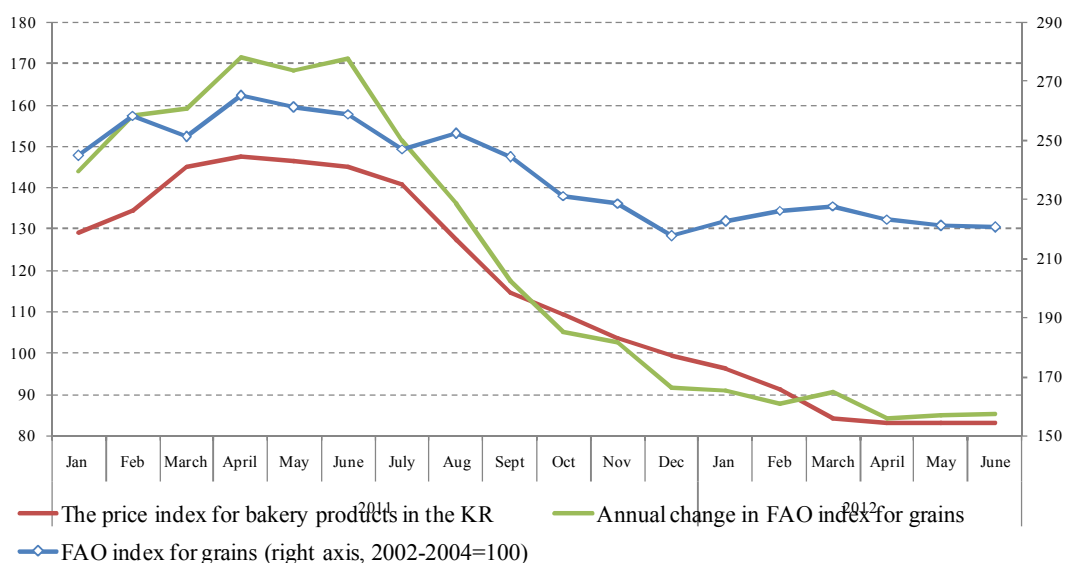
FAO index (right axis, 2002-2004=100)

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

Grains

The average FAO index value of grain prices in June remained unchanged compared with May; remaining 45 points (16.8 percent) lower compared with its maximum level of 265 points noted in April 2011. In June, the price of corn had a very volatile character, and the main reason for this was the weather factors. While remaining generally at a low level during the first half of the month, market prices rose in the second half of the month, which was caused by the deterioration of the forecast for the yield, mainly for the corn yield in the U.S.. The rising price of corn has boosted the price of wheat, which already has started to rise due to changes in the forecast for the harvest in the Russian Federation. Rice prices remained generally stable, and there were large differences between areas of origin.

Graph 2. Dynamics of prices for grains
(percent to the corresponding month last year)



- the price index for breadstuffs in the Kyrgyz Republic
- annual change of the FAO price index for grains
- FAO Price index for grains (right axis, 2002-2004=100)

In late July 2012, the price of corn and soybeans exceeded peak values recorded during the food crisis in 2007-2008. Then, the high cost of food and their deficit led to food riots in more than 30 countries.

Since June of this year, the wheat market showed a substantial rise of prices parallel to the corn market having responded to changes in production targets, related to weather problems in the U.S. and other grain-producing regions. Wheat has not yet reached a historically high price, but in the past five weeks, it has gone up by more than 50 percent, and the quotations of futures contracts are already higher than the level observed after Russia banned grain exports in 2010.

Such dynamics started in May 2012, when unfavorable messages came from the Black Sea region and Europe, which later were accompanied by similar messages from the U.S. in June. Together, these three regions produce about 50 percent of the wheat in the world and are the key to balancing global demand.

In general, maintaining an upward trend in grain prices in 2012-2013 MY becomes a more likely scenario, since wheat (like corn) faced the risk of supply disruptions due to adverse weather conditions in the U.S. and in other producing countries.

According to the July forecast of the United States Department of Agriculture (USDA), world wheat production in 2012/13 MY will be 665.3 million

tons, which is 1.0 percent less than the estimates of the previous month. Forecast of consumption of wheat in 2012/13 MY season is forecast at 680.1 million tons, which is 0.3 percent less than the estimates of the previous month. The volume of ending stocks of wheat in the world in 2012/13 MY will be 182.4 million tons, which is lower than the previous month stock estimates by 1.8 percent.

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

USA

The U.S. counts the losses from the drought, the largest in history; it has already covered 56 percent of the country, 26 U.S. states are declared as a natural disaster zone. The greatest damage is done to crops of soybean, corn and wheat.

Global markets reacted instantly to the situation in the U.S. Prices for corn and soybeans rose by 30 percent compared to June, oilseeds increased by 15 percent. The price of meat, poultry, milk and breadstuffs is expected to increase.

According to a July report of the USDA, forecast of wheat production in 2012/13 MY in the U.S. is expected to reach 60.5 million tons, which is 0.4 percent less than the previous month's production estimates. Estimates of wheat exports in 2012/13 MY rose by 3.2 percent compared to the previous month estimates, and constituted 32.5 million tons; imports forecast has not been revised and constituted 3.2 million tons.

EU-27

July USDA forecast for wheat production in the EU-27 in 2012/13 MY is expected to reach 133.1 million tons, which is 1.6 percent more than estimates of wheat production last month. Consumption forecast for 2012/13 MY was 123.8 million tons (0.4 percent), the amount of the ending stocks of wheat at the end of 2012/13 MY is projected at 12.5 million tons (1.1 percent).

During the period from June 25 to July 25, 2012, the price of wheat on the London International Financial Futures and Options Exchange (LIFFE) increased by 4.2 percent to \$305.0 per ton.

China

According to July estimates of the USDA, forecast of wheat production in China in 2012/13 MY decreased by 1.7 percent and is expected to reach 118.0 million tons; consumption forecast remained unchanged at 122.0 million tons, wheat ending stocks estimates in China is set at 55.7 million tons (-3.1 percent to the estimates of the previous month).

Russia

Russia lowered the forecast for grain yield in 2012-13MY from the previous 94 million tons to 85 million tons. Experts adjust this figure to 80 million tons against 94.2 million tons in 2011. In this case, the export potential of Russian grain will hardly exceed 20 million tons. However, in the current situation, Russia has no plans to introduce duties or other restrictions on the export of grain.

Russian domestic demand for grain is estimated at 73 million tons, with carryover stocks of grain, according to Russian experts, up to 15 million tons, thus, it is still too early to talk about shortage of grain in Russia.

Kazakhstan

Wheat prices in Kazakhstan rose significantly against the current situation on the world grain market. Thus, as of July 23, 2012, the sale price for 3rd grade wheat in northern Kazakhstan was 39-40 thousand tenge (\$260-267) per ton, while on 16 July 2012, the cost of a ton of wheat did not exceed 30-31 thousand tenge (\$200-207).

An additional factor in the growth of prices for wheat is a poor grain yield in Russia, which provides additional demand for Kazakh grain.

In July, Kazakhstan started harvesting grains. Its coverage today are south and west of Kazakhstan.

Table. Statistics of the harvesting campaign in Kazakhstan

	Unit of measurement	2011	2012
Crop acreage	Thous. hectares	1.383,2	1.391,1
Harvested area	Thous. hectares	1,331.9	1.299,6
Harvested as of July 13	Thous. hectares	183.4	246.9
	Share %	13.8	19.0
Milled	Thous. hectares	206.2	254.5
Yield	Quintal/hectare	11.2	10.3

In all grain-producing regions of Kazakhstan the yields is lower than last year. In general, the yield in 2012 was only 86.5 percent of the previous year.

The Ministry of Agriculture of the Republic of Kazakhstan predicts the average grain yield in 2012-13 MY to be about 14 million tons in net weight (and 26.9 million tons in 2011-12 MY), and the export potential of 2012-13 MY is estimated at 10 million tons (12.1 million tons in 2011-12 MY), Kazakhstan's domestic consumption is not more than 8 million tons. However, drought can bring significant adjustments to these plans.

Kyrgyzstan

The rise in prices for bread has been noted in Kyrgyzstan amid significant increase in world grain prices. Thus, according to some media reports, the growth of prices for breadstuffs (by 2-3 soms) is observed in the southern regions of the country. According to the head of the association of millers Kyrgyzstan, at the same time, this increase in the price of flour, noted on the south of the country, is caused by the speculation of suppliers and dealers. Overall, the deficit in the market of breadstuffs of the Kyrgyz Republic is not observed.

According to forecasts of the Ministry of Agriculture of the Kyrgyz Republic, wheat yield in 2012 will amount to 653.6 thousand tons, which is 146.2 thousand tons less than the yield of 2011, as a result of which the need to import wheat will be about 450 thousand tons. Annually, Kyrgyzstan imports about 300 thousand tons of wheat; the minimum demand of the republic in wheat is about 1.1 million tons.

As of July 23, 2012, the price of 3rd grade wheat with 23-24 percent gluten on DAF from the Lugovaya station (Kazakhstan-Kyrgyzstan) was \$214 per ton, wheat with 27-30 percent gluten –\$226 per ton. Thus, the selling price of 3rd grade wheat from the Lugovaya station increased from the beginning of July by 10.8 percent.

At the beginning of February 2012, wheat with 23 percent gluten cost \$169, with gluten over 27 percent – \$185 per ton.

According to the NSC of the Kyrgyz Republic, as of July 18, 2012, the price of the “breadstuffs and grains” group remained at the level of the last month, while in annual terms (June 2012 to June 2011) the prices of breadstuffs decreased by 16.7 percent.

Corn

According to the USDA July forecast, global production of corn in 2012/13 MY will be 905.2 million tons, which is 4.7 percent less than the production

estimates last month. The main reason for such a significant revision of the estimates of world production is the expectation of a significant reduction of the U.S. corn yield due to drought.

Forecast of consumption decreased by 2.5 percent to 900.5 million tons. Overall, in 2012/13 MY, carryover stocks will amount to 134.1 million tons, which is 13.9 percent less than the stocks estimates last month.

During the period under review, the futures prices on the world market of corn rose by 39.0 percent to \$325.0 per ton.

The dynamics of world prices for vegetable oils is given in the Appendix, Graph2.

Rice

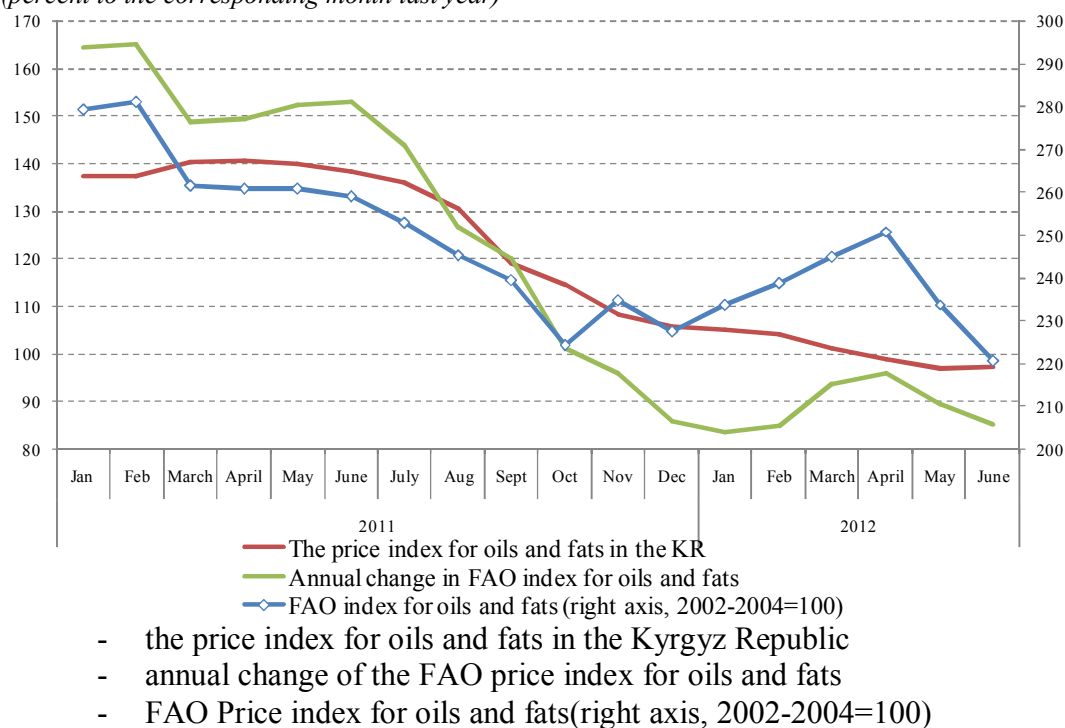
In July 2012, USDA reduced the forecast for global rice production in 2012/13 MY by 0.3 percent to 465.1 million tons. At the same time, forecast of consumption of rice remained at the level of last month estimates, 466.8 million tons. Estimates of carryover stocks for this type of grains decreased by 1.6 percent to 102.5 million tons.

Review of the world vegetable oil market

The average value of the FAO index of prices for vegetable oils/fats in June was 221 point, which means a decrease for the second consecutive month. After declining by 6.8 percent in May, this figure dropped in June by another 5.6 percent, despite forecasts of a further deterioration of supply and demand ratio for oilseeds in 2012-2013. The recent decline in world prices for vegetable oils and fats was due mainly to greater than expected plantings of oilseed crops in the countries of the northern hemisphere, as well as a significant decrease in crude oil prices, which caused a decline in demand for vegetable oils from the energy sector.

In recent days, the growing trend in prices for oils and fats of vegetable origin was noted, which, in large part, due to growing fears for soybean yield in the U.S.

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



Sunflower Oil

According to the USDA July forecast, world production of sunflower oil in 2012/13 MY will be 14.2 million tons, which is 2.1 percent less than the production estimates last month. Forecast of consumption fell by 0.6 percent to 13.7 million

tons. Overall, in 2012/13 MY carryover stocks will be 1.6 million tons, which is 16.9 percent less than the stocks estimates last month.

The dynamics of world prices for vegetable oils is given in the Appendix, Graph3.

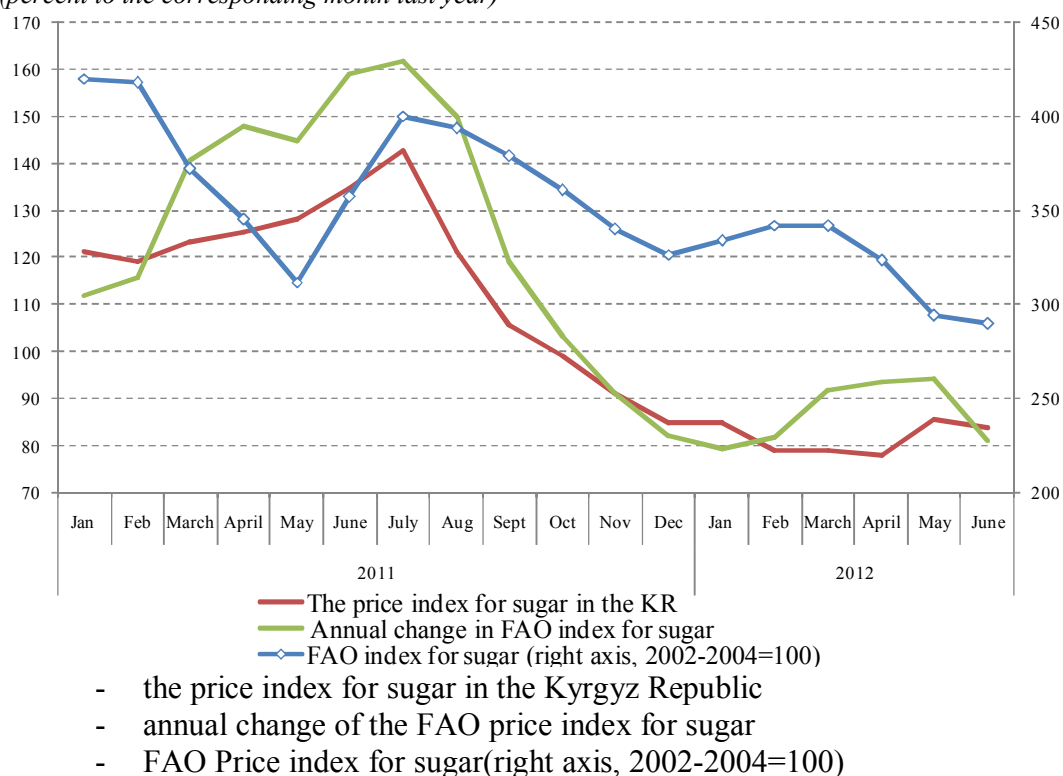
Kyrgyzstan

According to the data of the NSC of the Kyrgyz Republic as July 18, 2012, the price of the “oils and fats” group decreased by 0.3 percent relative to the prices of last month; in annual terms, prices of this type of goods decreased by 3.3 percent.

Sugar

The average value of the FAO index of prices for sugar in June was 290 points, having decreased by 5 points (1.6 percent) since May and having reached the level, which was lower by 68 points (19.0 percent) compared with its level recorded in June 2011. Reduction in sugar prices occurred for the fourth month in a row due to high levels of supply in India, the EU and Thailand, new supplies from Brazil to markets, and lower oil prices. However, in late June, there was a slight increase in sugar prices due to unfavorable forecasts for the yield in Brazil, which the world's largest exporter of this commodity.

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, Graph4.

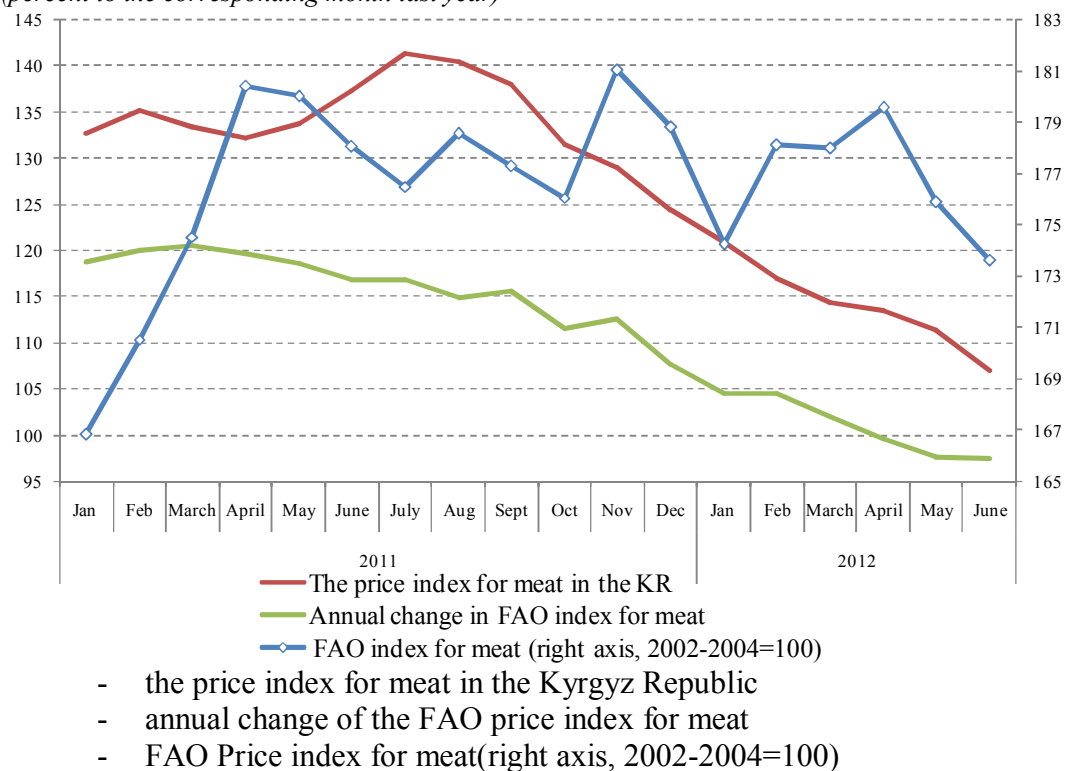
Kyrgyzstan

According to the data of the NSC of the Kyrgyz Republic as of July 18, 2012, sugar prices declined by 3.2 percent compared to prices of the previous month; in annual terms, the price of sugar fell by 21.1 percent.

Meat

The average value of the FAO index of prices for meat was 174 points, having decreased by 1.3 percent in May. Falling prices affected all types of meat due to the uncertain global import demand and the depreciation of currencies in some major exporting countries. Despite the decline in the prices of meat products in recent years, in the first six months on average, they were still 1 percent higher in 2012 compared with the previous one, which was due to firm quote prices for beef.

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



Kyrgyzstan

According to the data of the NSC of the Kyrgyz Republic as of July 18, 2012, meat prices decreased by 0.4 percent relative to the prices of last month; in annual terms, the growth of prices for meat continues to slow down and constitutes 2.3 percent.

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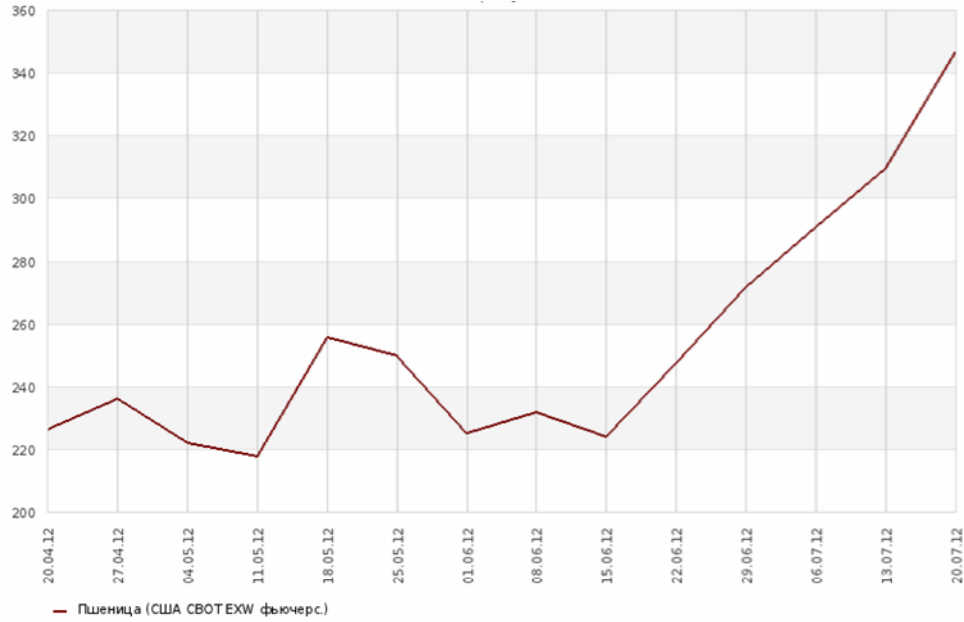
	<i>Production estimates, mln. tons</i>	<i>changes in the last month, %</i>	<i>Consumption estimates, mln. tons</i>	<i>changes in the last month, %</i>	<i>Stock estimates, mln. tons</i>	<i>changes in the last month, %</i>	<i>Futures, USD/ton</i>	<i>changes in the last month, %</i>
Grains (world)	1 868,0	-0,3	1 876,0	+0,3	360,0	-3,5	313,1	+15,5
Wheat	665,3	-1,0	680,1	-0,3	182,4	-1,8	286,1	+8,3
<i>Kyrgyzstan</i>	0,8-1,1	0,0	1,3	0,0	0,8	0,0	204,0	+2,5
<i>USA</i>	60,5	-0,4	33,3	-1,2	18,1	-4,4	325,7	+32,5
<i>Australia</i>	26,0	0,0	-	-	7,6	+18,2	-	-
<i>EU-27</i>	133,1	+1,6	123,8	+0,4	12,5	+1,1	305,0	+4,2
<i>China</i>	118,0	-1,7	122,0	0,0	55,7	-3,1	370,8	+9,0
<i>Russia</i>	49,0	-7,5	37,9	0,0	9,6	-4,0	307,0	+15,8
<i>Kazakhstan</i>	13,0	-13,3	7,5	-11,8	9,8	-14,7	204,0	++2,5
Corn	905,2	-4,7	900,5	-2,5	134,1	-13,9	325,0	+39,0
Rice	465,1	-0,3	466,8	0,0	102,5	-1,6	328,3	+4,2
Sunflower oil	14,2	-2,1	13,7	-0,6	1,6	-16,9	1 197,7	+9,9
Sugar¹	174,5	+2,0	163,0	+1,8	33,1	+4,7	530,0	+16,8

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

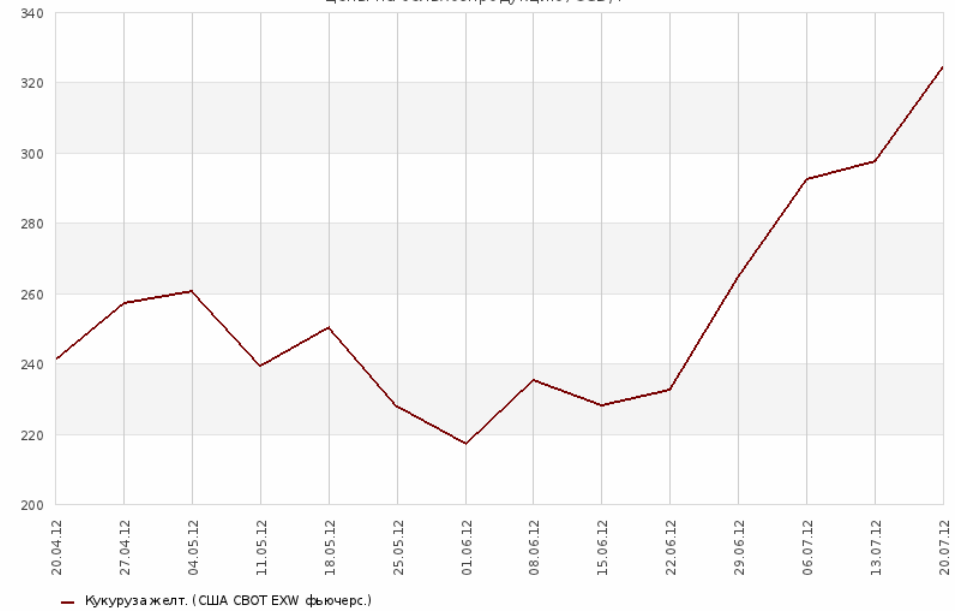
	<i>Beef</i>	<i>Mutton</i>	<i>Butter</i>	<i>Milk</i>	<i>Eggs, 10 pc.</i>	<i>1st grade flour</i>	<i>1st grade bread</i>	<i>Potatoes</i>
Bishkek	299,2	310,0	296,3	27,9	60,5	24,1	35,4	26,8
Batken	280,0	350,0	312,5	40,0	95,0	22,5	36,6	20,8
Djalal-Abad	290,0	320,0	263,3	27,0	69,1	20,0	37,2	22,3
Karakul	270,3	270,9	318,3	19,5	52,8	21,0	31,5	19,9
Naryn	320,0	318,0	256,3	20,3	75,0	23,3	35,7	15,3
Osh	280,0	320,0	306,7	22,1	56,7	24,5	37,5	21,2
Talas	292,5	300,0	240,8	24,2	74,5	18,4	39,9	24,0
Tokmok	273,0	268,4	298,3	25,0	67,8	22,8	32,1	20,8

¹USDA November estimate

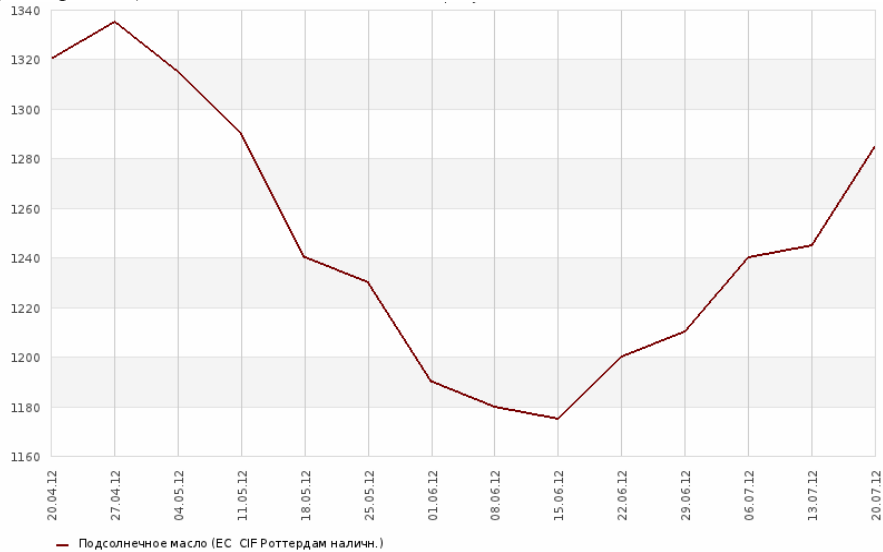
Graph 1. Dynamics of world wheat prices, 20/04/12-20/07/12
(USD per ton)



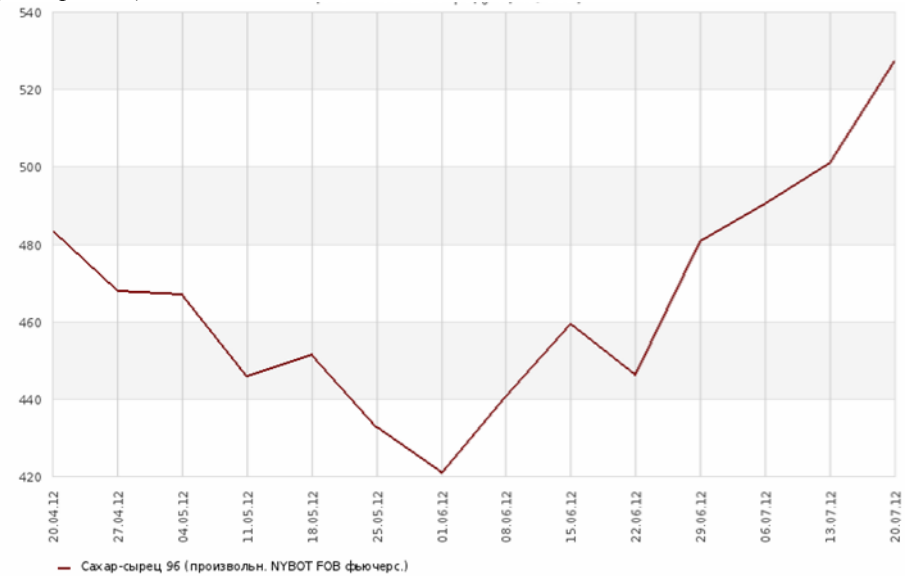
Graph 2. Dynamics of world corn prices, 20/04/12-20/07/12
(USD per ton)



Graph 3. Dynamics of world sunflower oil prices, 20/04/12-20/07/12
(USD per ton)



Graph 4. Dynamics of world prices for sugar and raw sugar, 20/04/12-20/07/12
(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».