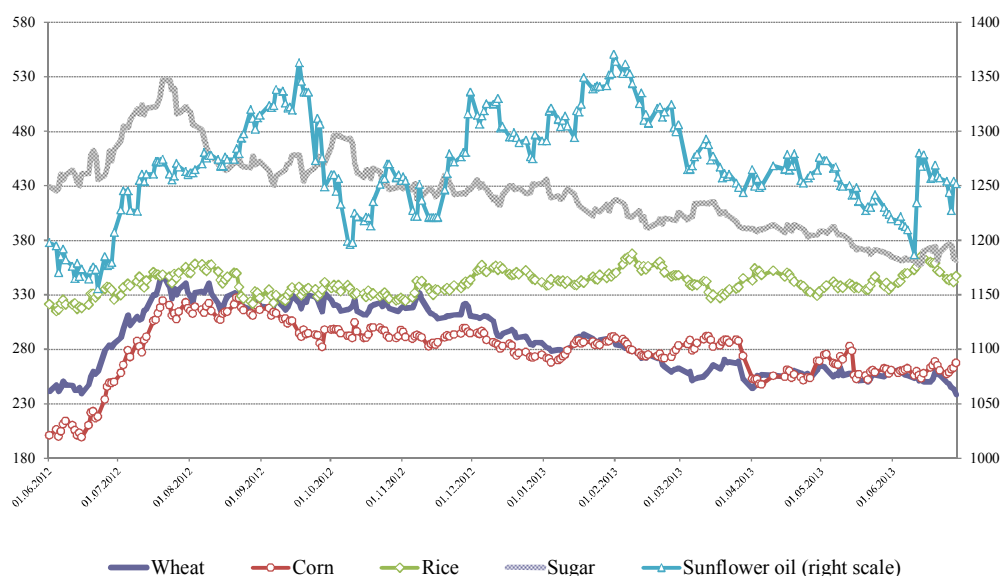


World food market

In May 2013 the average value of the Food Price Index FAO was 215.2 points, which is nearly the same to the level that was in April – 215.8, but it is by 10 point (5 percent) higher than in May of the previous year. Thus, the index was almost 10 points below compared to the all-time high, which was reached in February 2011. Certain decrease in May was as a result of falling prices for dairy products and sugar, which compensated the increase in crops prices. The price of butter and meat did not change.

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



Crops

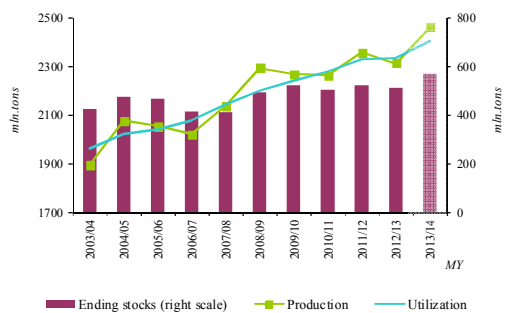
According to the FAO forecast world cereal production in 2013 is projected at a record level of 2.5 billion tons, which is 6.5 percent higher than the last year’s level. The expected growth is mainly due to higher production of wheat and expected significant reduction in U.S. corn production. In 2013 it is also expected increased production of rice, but there are some concerns that the fall in prices could have a dampening effect on the increase of production.

Total cereal consumption will reach 2.4 billion tons that is by 3 percent higher compared to the level of 2012-2013 years. Much of this growth is due to the increase of corn use for feed and as a commercial crop in the USA. According to forecasts, total consumption of feed grain for feed will be higher in developing countries than in developed countries for the second year in row. Growth in consumption of wheat and rice will generally match the pace of population growth therefore average per capita consumption of cereals will remain at the level of 153 kg per year.

Based on current projections of supply and demand, by the end of the season 2014 world cereal stocks could increase to 569 million tons, which is the largest volume for the last twelve years. It is projected increase in inventory of all major types of grain, with the largest growth increase in feed grains.

FAO estimates world production, consumption and stocks of cereals, wheat and rice in 2012-13 MY and forecast for 2013-14 MY are listed below.

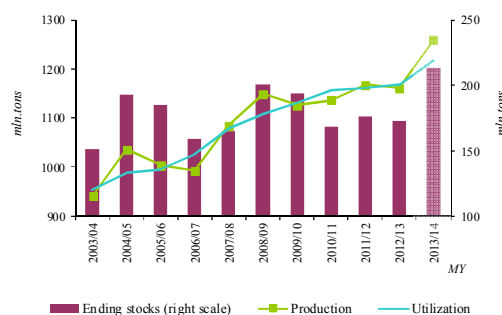
Crops



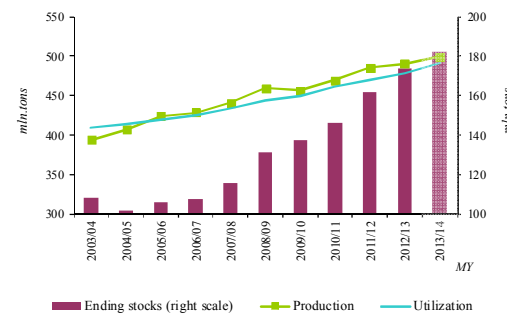
Wheat



Feed grains



Rice



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

Russia

Spring sowing in Russia is verging to a close. According to the operative data of agricultural management entities of Russian Federation as of June 13 of this year the spring sowing was held on the area of 48.5 million hectares or 95.2 percent of the forecast, which is by 321 thousand hectares more compared to 2012 level.

Table. Spring sowing in Russia on June 13, 2013

Crop	Sowing area (mln. hectares)	% for the forecast	Off from 2012 (+/-, thousand hectares)
Crops and leguminous plants	30.4	100.2	505.0
Corn and wheat	More than 2.3	106.5	400.3
Rice	0.2	93.3	-12.6
Sunflower for grains	6.7	105.1	598.0
Soya beans	1.2	74.1	93.5
Spring rape	1.1	92.7	84.1
Fibre flax	0.1	80.8	-5.1

At a meeting with representatives of the Civil summit G20 the president of Russia said that Russia will seek to fulfill its contractual obligations in grain market and will not to limit grain exports in the future, that was announced by News Agency "Kazakh-Grain."

In 2013 grain harvest in Russia will be higher than in 2010-2011 as predicted by experts. According to various estimates, it will be from 85 to 100 million tons of grain, with estimated exports of 21 to 25 million tons. Forecast of the Ministry of Agriculture (MoA RF) for grain exports is about 15 million tons. Concerning prices for grain they will be significantly lower than in the past as was noted by analysts' expectations for the current year.

According to the forecast of Russian Federation Ministry of Agriculture wheat harvest in 2013 is expected to reach 50-54 million tons, which is a good

stock to meet needs of the domestic market.

Kazakhstan

In the second half of May, there was a falling price trend in the market of crops and flour due to reduced demand and relatively high stocks of grain during this period.

According to the forecast of the International Grains Council (IGC) in 2013-2014 season there will be produced 16.9 million tons of grain in Kazakhstan, including 14.0 million tons of wheat. Production of the next season will be 4.8 million tons more than in the current year. If to take into account carry-over that will be much lower than in the previous year, the grain balance of the season will be 19.7 million tons, exceeding the balance of the current season by 1.1 million tons. Grain exports next year will increase by 0.3 million tons to 7.1 million tons.

According to the experts of Kazakhstan, at present time conditions for germination of cultivated seedlings are favorable in all regions of the country since the soil has enough moisture. Thus, there is a high probability of a good grain harvest in current season.

As was reported by the News Agency "Kazakh-Grain", the pace of planting crops is at a high level. Despite some delay in the beginning of the planting season because of the rains in the northern regions of the country, in some regions the scheduled plan of sowings exceeds previously planned levels, others sitting near completion. According to the operative data regarding the spring sowing of crops on June 3rd of this year, Kazakhstan planted 14.5 million hectares of grain accounting for 95.9 percent of the target figure.

Kyrgyzstan

According to the Ministry of Agriculture and Land Reclamation of the Kyrgyz Republic the sowing of grain completed in the republic. The sowing of major crops in this year began 20 days earlier than in the past years, because the soil was well saturated with moisture, which created favorable conditions for a good grain harvest. According to the preliminary data of the Ministry the cultivated area under wheat will reach 345-450 thousand hectares. The wheat crop is projected higher than that of last year - about 740 thousand tons of grain (in 2012 - 593 thousand tons). Average harvest of wheat yields is also projected higher than in 2012 - 21 quintal per hectare.

Kyrgyzstan ranks 72nd among the largest importers of grain in the world, according to news agency «K-News» referring to the statistics of the Food and Agriculture Organization (FAO). In general, the country imports 0.34 megatons of grain. Italy takes 1st place, its imports 6.5 megatons. The 2nd place in Spain, which imports 6.4 megatons. Algeria imports 5.7 megatons of grain and is ranked 3rd.

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

gluten	15.02.2013	05.03.2013	16.04.2 13	18.05.2013	17.06.2013
23-24 %	346.0	339.0	293.0	283.0	277.0
27-30 %	362.0	355.0	309.0	299.0	293.0

Sunflower oil

According to the June forecast of Oil World analysts sunflower production in the world will increase by 2.8 million tons in 2013/14 MY compared to the same period of the current season till 38.8 million tons against the background of expected favorable weather conditions. Experts believe that if the specified forecast comes true, this factor will put pressure on prices in the world market of oilseeds and products of its processing.

The highest growth in gross harvest of the crop is expected in EU. In particular, in Spain against the expansion of the area under oilseed crop that equals to 130 hectares. The harvest of sunflower crop in the new season may reach 1.0-1.1 million tons against 0.6 million tons in the previous season. In 2013/14 MY sunflower harvest in CIS may reach 18.8 million tons. In particular, Ukraine is expected record-breaking gross yield of oilseed amounted to 9.4 million tons. In

case of Russia this figure can reach 8.4 million tons.

Analysts of Informa Economics company also predict an increase in the production of sunflower. According to the company, the volume of world production of the next season will be 39.4 million tons.

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

Assessment

The situation in the world market of sunflower oil is stable.

It is expected an increase in the supply of oilseeds in Ukraine, which will increase both domestic processing and exports. Consequently, stable situation is expected in the domestic market of sunflower oil in Kyrgyzstan.

On June 12, 2013 prices for products of "oils and fats" group compared to the beginning of this year decreased by 0.9 percent, while annualized growth of prices was 1.5 percent.

Sugar

According to market analysts in 2013-14 MY leading sugar producers (Brazil, Russia and the EU) will release less sugar than previously expected. For example, in Russia the production will be 4.4 million tons, which is 5.0 percent lower than was predicted before.

The Ministry of Agrarian Policy and Food of Ukraine also predicts the decline of sugar production in the next marketing year by 1.5-1.6 times to 1.4-1.5 million tons.

However, as was noted by experts despite negative forecasts the reduction of surpluses in 2013-14 MY will be offset by increases in the current season. According to the International Sugar Organization (ISO), sugar production in 2012-13 MY exceeded demand by 10.0 million tons, reaching a record high of 181.7 million tons. Optimistic forecasts of the global surplus contributed to the decline in world prices for sugar.

Thus, the decline in sugar prices reflects the upward trend in the volume of supply on world markets combined with lower import demand.

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)

	<i>Production estimate, mln. tones</i>	<i>Change for a month, in %</i>	<i>Consumption estimate, mln. tones</i>	<i>Change for a month, in %</i>	<i>Ending stocks estimate, mln. tons</i>	<i>Change for a month, in %</i>	<i>Futures contract, USD per one ton</i>	<i>Change for a month, in %</i>
Crops (World)	1 916,0	0,5	1 883,0	0,4	367,0	1,7	307,7	3,4
Wheat	695,9	-0,7	694,5	-0,1	181,2	-2,8	298,5	-8,2
<i>Kyrgyzstan</i>	0,7	0,0	1,3	0,0	-	-	293,0	-2,0
<i>USA</i>	56,6	1,1	36,0	0,0	17,9	-1,7	257,4	2,2
<i>Australia</i>	24,5	0,0	-	-	4,0	-16,7	-	-
<i>EU-27</i>	137,4	-1,0	122,8	-0,8	11,5	-19,7	277,4	-1,7
<i>China</i>	121,0	0,0	120,5	0,0	61,7	0,0	387,2	-2,5
<i>Russia</i>	54,0	-3,6	36,5	-2,7	6,4	0,0	282,8	-1,9
<i>Kazakhstan</i>	15,0	0,0	7,2	0,0	6,9	-42,6	293,0	-2,0
Corn	962,6	-0,3	935,1	-0,2	151,8	-1,8	267,1	4,5
Rice	479,2	0,0	476,3	-0,1	108,6	0,7	357,7	6,9
Sunflower oil	15,0	0,4	14,0	0,5	2,7	-0,4	1 269,1	3,4
Sugar¹	174,9	0,0	167,3	0,0	38,2	0,0	374,1	1,0

¹ Assessment of the Ministry of Agriculture of the USA conducted in May

Figure 1. Dynamics of world wheat prices, 01.05.12-20.06.13
(USD per one ton)

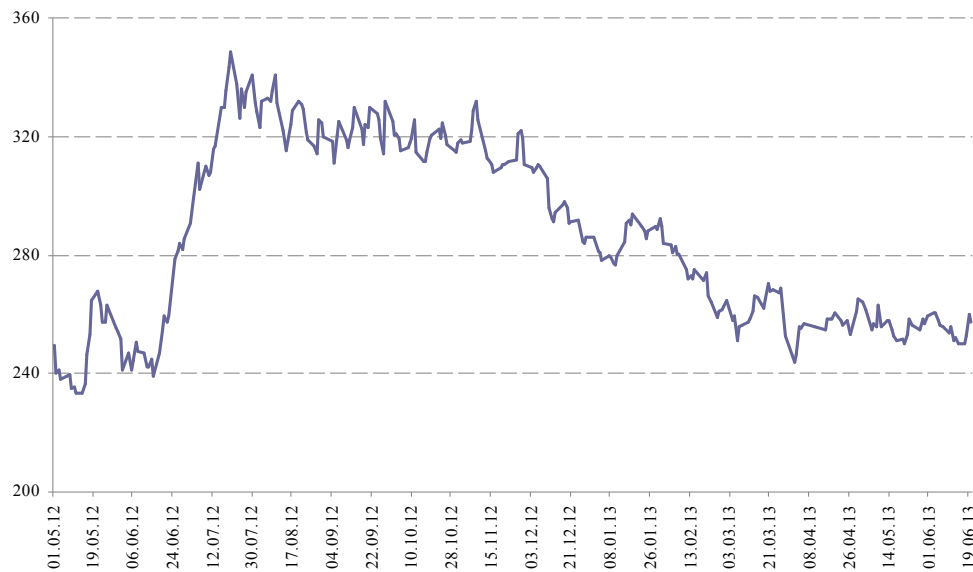


Figure 3. Dynamics of world sunflower oil prices, 01.05.12-20.06.13
(USD per one ton)

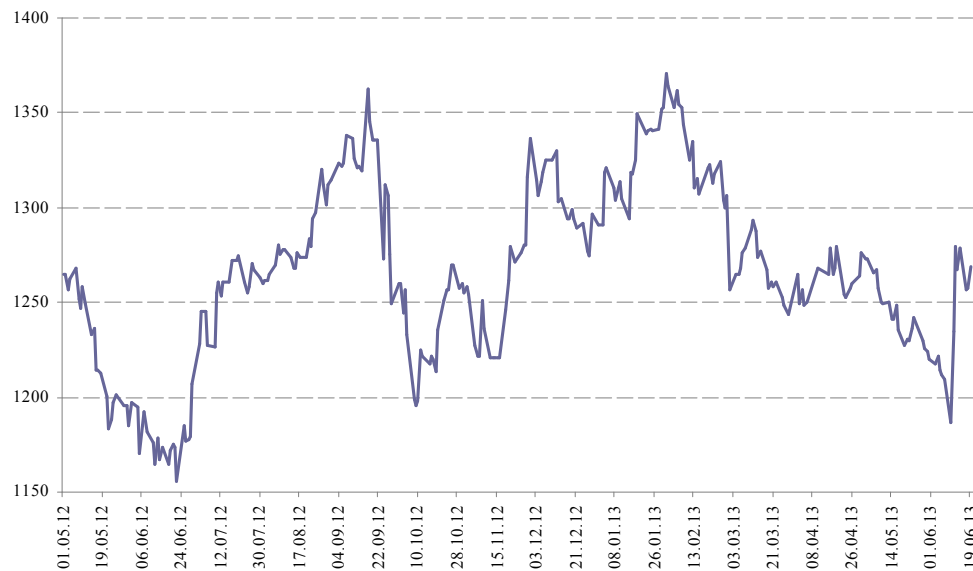


Figure 2. Dynamics of world corn prices, 01.05.12-20.06.13
(USD per one ton)



Figure 4. The dynamics of world prices for sugar and raw sugar, 01.05.12-20.06.13
(USD per one ton)

