

Table 1. Food market (change in the estimates of production, consumption, ending stocks and prices for consumer goods in 2011/12 marketing year)

| | <i>Production estimate, million tons</i> | <i>change for a month, in %</i> | <i>Consumer estimate, million tons</i> | <i>change for a month, in %</i> | <i>Ending stocks estimate, million tons</i> | <i>change for a month, in %</i> | <i>Futures price¹ in USD per ton</i> | <i>change for a month, in %</i> |
|----------------------|--|---------------------------------|--|---------------------------------|---|---------------------------------|---|---------------------------------|
| Crops | 1 808.0 | +0.1 | 1 818.0 | -0.1 | 334.0 | -3.2 | 259.1 | +3.5 |
| Wheat | 691.5 | +0.4 | 681.4 | +0.2 | 210.0 | +0.7 | 216.1 | +2.9 |
| Corn | 868.1 | +0.1 | 868.0 | -0.1 | 128.1 | +0.7 | 241.5 | +5.8 |
| Rice | 461.4 | +0.1 | 458.5 | +0.1 | 100.1 | +0.6 | 319.8 | +2.2 |
| Sunflower oil | 13.8 | +4.8 | 12.9 | +3.9 | 1.9 | 24.2 | 1 137.0 | -0.6 |
| Sugar* | 168.2 | 0.0 | 167.6 | 0.0 | 29.0 | +0.0 | 645.6 | +8.3 |

* - November estimates of USDA

Food market

Dynamics of prices on world food markets continues to have a significant impact on inflation in Kyrgyzstan. The high contribution of non-monetary factors in the change in the CPI on this background persists:

Table 1. Factor structure of inflation following the results of 2011
(percent)

| | Change (%) | Contribution of the factor (%) | Share from the level of inflation (%) |
|---|------------|--------------------------------|---------------------------------------|
| Inflation (on an annualized basis) | 5.7 | 5.7 | 100.0 |
| Monetary factors ¹ | | -5.3 | -92.4 |
| Annual monetary base increase rate (-13) | 18.5 | 0.7 | 11.7 |
| Annual exchange rate increase (-1) | -1.2 | -0.3 | -4.7 |
| Annual interest rate increase (-10) | 544.0 | -5.7 | -99.4 |
| Inflationary expectations ¹ | 7.2 | 3.0 | 52.0 |
| Non-monetary factors, ² namely | | 8.0 | 140.4 |

¹ - influence coefficient is taken on the basis of the data of regression

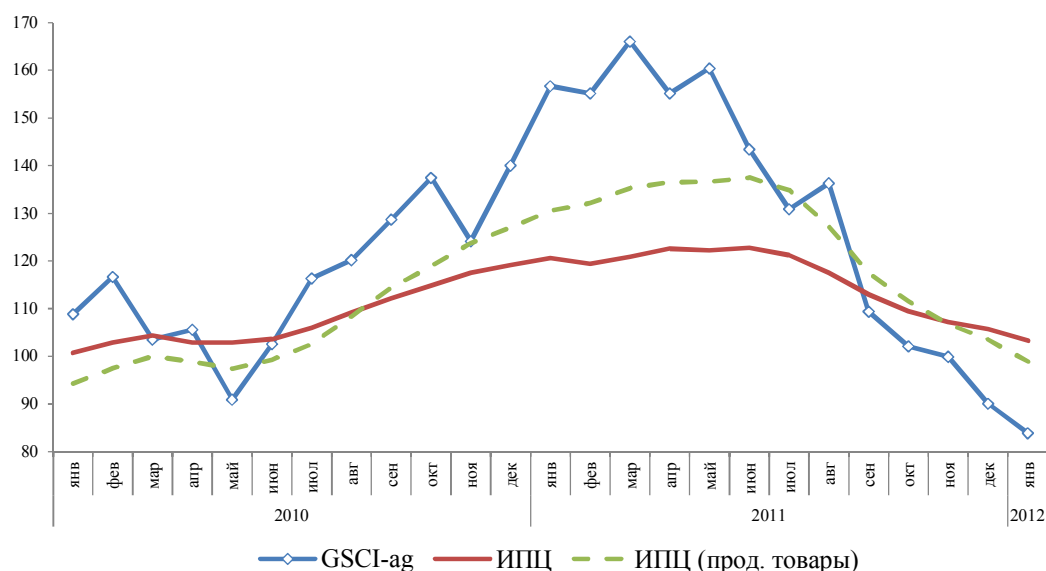
² - taken on leftover principle

Dynamics of the GSCI-ag² index indicates a decline in prices on world food markets, thereby reducing the contribution of non-monetary component of inflation. In the absence of shocks in the world commodity markets and stabilization of prices at current levels we, further decline in the contribution of non-monetary factors in inflation is expected.

The dependence of inflation on the prices in world commodity markets show a high correlation of CPI (annualized) in Kyrgyzstan and the index of GSCI-ag:

Diagram 1. Dynamics of CPI in KR and GSCI index
(percent)

¹ Hereinwith the average futures price is indicated.



FAO price index for food in December 2011 compared with the November index declined by 2.4 per cent (5 points) and made up 228 points, according to news agency “RBC” with reference to the UN FAO press release. The reason for the decline of the index is a sharp drop in world prices for grain, oilseeds and sugar due to high yields in 2011, as well as reduced demand and strengthening of US dollar.

According to FAO, high food prices have a major impact on underdeveloped countries. Thus, the cost of food imports in underdeveloped countries in 2010 grew almost three times. The cost of food imports in Kyrgyzstan, according to preliminary data of 2011, grew by 33.7 percent compared with the same period of 2010.

The FAO analysts say it is very difficult to make accurate forecasts on the dynamics of prices in the coming months, amid the unstable situation in the global economy, uncertainty in the currency and energy markets.

Crops

In December 2011 the price index for crops fell by 4.8 percent, to 218 points. Thus, corn prices fell by 6.0 percent, for wheat - by 4.0 percent, rice - by 2.0 percent. In 2011, the average FAO price index for grain totaled 247 points - by 35.0 percent higher than the values in 2010. As noted by FAO, it is a record high level since the 1970s.

According to FAO projections, prepared in November 2011, grain production following the results of 2011, compared with 2010, will increase to a record 2.325 bln. tons. Wheat production is expected to grow by 6.0 percent, rice - by 3.4 percent and coarse grains - by 2.6 percent. According to FAO estimates, the annual consumption of grain in the world will grow along with population growth and will make up about 153 kilograms per capita. Despite this, the FAO predicts preservation of grain prices in 2012 at a relatively high level due to increased speculative activity on world commodity markets and instability in the global economy.

According to the January forecast of the US Department of Agriculture (USDA), world production of wheat in 2011/12 MY will be 691.5 million tons, which is 0.4 percent higher of the last month estimates. The forecast of

² GSCI-ag (Goldman Sachs Commodity Index-agricultural) – price index of the actively traded futures contracts on physical food (agricultural) commodities – developed by the investment bank “Goldman Sachs”, with the purpose of presenting these exchange goods as a group. The structure of the index covers: wheat (29.3%), corn (24.8%), sugar (15.8%), soya beans (15.3%), cotton (10.3), coffee (5.9%), and cocoa (1.7%).

consumption of wheat in the season of 2011/12 is increased to 681.4 million tons (+0.2 percent). Thus, ending stocks of wheat in the world in 2011/12 MY will amount to 210.0 million tons, which is 0.7 percent above last month estimates.

Dynamics of world wheat prices are given in the Appendix, Chart 1-2.

Wheat

The experts of the analytical agency “Strategie Grains” reported their forecast for world wheat stocks in 2012/13 MY at the level of 211 million tons, surpassing a record 210.7 million tons in 1999/2000, as reported by the news agency “APK-Inform”. Increasing the stocks will take place in the light of big grain harvest in China, Russia, USA and the EU. However, this increase in wheat production will be offset by the deterioration of wheat production in Australia and Kazakhstan (soil is exhausted after high-yielding 2011/12 MY) and Ukraine (due to lack of rainfall during the sowing season of wheat in autumn 2011).

The analysts of “Strategie Grains” forecast the wheat harvest in the EU in 2012/13 MY at 142.2 million tons (+3.1 percent to the expected level 2011/12 MY), given the reduction of the planted areas for grain in Germany. Soft wheat will make up 133.3 million tons of the volume mentioned.

USA

From December 16, 2011 to January 20, 2012 US wheat futures fluctuated in the range of US\$ 215 to US\$ 240 per ton. In early January 2012 the price of wheat rose to US\$ 240 per ton in the light of activation of speculation on the weather in South America.

According to the January report, the USDA forecast of wheat production in 2011/12 MY remained at the level of 54.4 million tons, the consumption forecast decreased by 1.4 percent and constituted 31.6 million tons. Forecasts on the export of wheat in 2011/12 MY increased by 0.5 million tons to 25.0 million tons, wheat imports forecast was not revised and remained at 3.2 million tons.

Australia

Futures for Australian wheat as of January 20, 2012 for the reporting period increased by 7.6 percent and amounted to US\$ 209.8 per ton

EU-27

The January USDA forecast for wheat production in EU-27 countries in 2011/12 MY remained at 137.5 million tons, which is 1.3 percent higher than the actually produced wheat in 2010/11 MY. Forecast of consumption in 2011/12 MY also remained unchanged at 127.0 million tons (+4.1 percent to the volume of last season), the volume of ending stocks of wheat at the end of 2011/12 MY will be 12.7 million tons (+8.4 percent against 2010/11 stocks).

During the period from December 15, 2011 to January 20, 2012 the price of wheat on the London Stock Exchange (LIFFE) grew by 4.1 percent and constituted US\$ 230.0 per ton.

China

According to the January USDA estimates, China’s wheat market indicators remained in the same level: production of wheat in 2011/12 MY will make up 117.9 million tons (+1.6 percent compared to previous season), consumption - 113.5 million tons (+3.2 percent), the estimate of ending stocks of wheat in China was set at the level of 65.0 million tons (+8.2 percent). During the period from December 15, 2011 to January 20, 2012 futures price for Chinese wheat increased by 1.4 percent to US\$ 359.1 per ton.

Within the period of December 15, 2011 and January 20, 2012, the futures price for Chinese wheat increased by 1.4 percent and constituted US\$ 359.1 per ton.

Russia

Russia, as of January 19, 2012, exported 19 million tons of grain from the

planned 24 million tons, accounting for 80 percent of total export capacity. According to the news agency “APK-Inform”, the intensification of grain exports was due to the need to revive market outlets after the ban on grain exports from Russia in 2010/11 MY. According to market experts, a significant volume of grain exports from Russia served as one of the main reasons for decreasing the cost of grain on world markets.

The Ministry of Agriculture of the Russian Federation reported that in 2012 plans to harvest up to 40 million tons of grain from winter crops, which exceeds the average results of past five years by 5.3 percent (2 million tons), as reported the news agency “RBC”. Winter crops for harvesting in 2012 are planted in the winter-wheat area of 16.1 million hectares. According to the estimates of the Russian Federation Ministry of Agriculture, losses due to winter can make up to 6-7 percent. At the same time, it was noted that the Ministry of Agriculture holds the optimistic forecasts for the harvest of spring crops. According to the minister, decrease in the harvest in 2012 compared to 2011 is not expected.

Uzbekistan

According to information provided by the Ministry of Foreign Affairs of KR, the State Statistics Committee of the Republic of Uzbekistan reported that 6.8 million tons of grain (against the planned 7.0-7.1 million tons) was harvested in 2011 in the Republic of Uzbekistan, which is lower by 5.5 percent than in 2010. In 2011/12 MY, the crops area remained at the level of the previous year and made up 1 919.3 thousand hectares

Kazakhstan

This season, the export of grain from Kazakhstan is projected at more than 10 million tons. At the same seasonal pattern of export grain supply implies an increase in the first and last quarters of the calendar year. According to customs statistics, in the beginning of the marketing season in July-August 2011, the export of Kazakh grain amounted to more than 200 thousand tons (traditionally exports of this volume are characteristic of this period). According to the JSC “NC Kazakhstan Temir Joly”, in September 2011, exports amounted to 243 thousand tons, in October - 594.8 thousand tons, in November - 853.5 thousand tons, in December 2011 - 1 million tons. In the future, active export of grain can be observed in the quarter I, 2012.

In condition of maintaining a high rate of exports observed in recent years by the end of 2011/12MY, Kazakh grain exports, according to analysts, may be about 6-6.5 million tons, this indicator can be even higher taking into account the export of flour in grain equivalent. However, there may be adjustments to these forecasts associated with the activity of Russian grain exports in the second half of 2011 and the first months of 2012.

The main distribution channels of Kazakhstan grain in this season will be the traditional markets of Central Asia, Azerbaijan, Georgia and Iran. Also, potential buyers of Kazakh grain can be Turkey and Egypt, but to some extent, it will depend on the activity of the external supply of the Black Sea grain, particularly the Russian one.

Kyrgyzstan

At the end of 2011 on DAF terms Lugovaya (Kazakhstan, Kyrgyzstan), wheat is sold at US\$ 163.0 per ton, wheat with gluten of 27-30 percent at US \$ 181.0 per ton.

According to the NSC KR, as of January 18, 2011 the price of a group of “bread and cereals” decreased by 2.3 percent relative to prices of last month.

Corn

According to the January forecast of the USDA, world production of corn in 2011/12 MY will be 868.1 million tons, which is 0.1 percent higher than the similar indicator of the previous month. The forecasts of consumption decreased by 0.1 percent to 868.0 million tons. Forecast of world trade decreased to 94.7 million tons (+0.4 percent). In general, in 2011/12 MY, the ending stocks will make 128.1 million tons (+0.7 percent).

During the reporting period, the futures prices on the world market of corn fluctuated in the range of US\$ 228-259 per ton. Thus, corn prices on the American Stock Exchange as of January 20, 2012 constituted US \$ 241.5 per ton, with the increase of 5.8 percent compared to prices of December 15, 2011.

Dynamics of world corn prices is presented in the Appendix, Chart 3-4.

Rice

USDA in January 2012 increased the forecasts of world rice production in 2011/12 MY by 0.1 percent, to 461.4 million tons. The forecast of consumption of rice increased against the forecasts of the past month by 0.1 percent, to 458.5 million tons. The ending stocks of this kind of grain will make 100.1 million tons (+0.6 percent). On world markets, according to news agency “Reuters”, the average cost of futures contracts on rice as of January 20, 2012 amounted to US \$ 319.8 per ton.

World sunflower oil review

The December USDA forecast of world oil production for 2011/12 MY significantly increased (+0.3 percent) and amounted to 152.8 million tons. Forecast of consumption increased to 150.7 million tons (+0.4 percent). The volume of world oil trade will be 62.7 million tons. Estimates of the ending stocks increased by 1.7 percent to 12.2 million tons.

FAO price index for oilseeds and fats in December 2011 compared to November decreased by 3.0 percent, to 227 points - 37 points below the level recorded in 2010. Increased production of oil has led to accumulation of stocks, especially sunflower and palm oils, which combined with weak global demand for soybeans has led to decrease in prices.

Sunflower oil

According to the USDA, in 2011/12 MY sunflower oil production will reach 13.8 million tons (+4.8 percent), consumption - 12.9 million tons (+3.9 percent). Forecasts of ending stocks increased by 24.2 percent and totaled 1.9 million tons.

During the reporting period, the average futures price for sunflower oil on world markets as of January 20, 2012 decreased by 0.6 percent and amounted to US\$ 1137 per ton.

Dynamics of world sunflower oil prices is given in the Appendix, Chart 5-6.

Kyrgyzstan

According to the data of the National Statistics Committee of the Kyrgyz Republic as of January 18, 2012, the prices for the group of products “oils and fats” remained in the level of the previous month.

Sugar

According to the November forecast of the USDA estimates of world sugar production in 2011 is set at 168.2 million tons (-0.1 per cent against the previous forecast), while consumption is estimated at 159.3 million tons (-1.2 percent). The volume of world stocks of sugar at the end of 2011 is estimated at 30.0 million tons, which is by 4.2 percent higher than previous estimates.

FAO price index for sugar is decreasing for the fifth consecutive month and in December 2011 totaled 327 points - by 4.0 percent below the previous month indicator and by 18.0 percent below the record indicator of July 2011. According to FAO, large increase of the world production in the new season in light of good harvests in Russia, India, the European Union and Thailand is expected.

Since the beginning of 2012, the rise in world prices for sugar, based on the

increased activity of speculators in the food market, is observed. Futures price of sugar on the London Stock Exchange within the reporting period as of January 20, 2012 amounted to US \$ 645.6 per ton, which is by 8.3 percent higher than similar indicator of December 15, 2011.

Dynamics of the world sugar prices is presented in the Appendix, Chart 7-8.

Kyrgyzstan

According to the NSC KR as of January 18, 2012, sugar prices increased by 0.9 percent relative to prices of the previous month.

Meat

FAO price index for meat in December 2011 constituted 179 points, which is slightly lower than the indicator of November 2011. The reason for the decrease was the fall in prices for pork by 2.2 percent and a slight decrease in the price of mutton. As for the price of chicken and beef, there is a slight increase. The level of average prices for meat in 2011 was by 16.0 percent higher compared to the indicators of 2010.

Kazakhstan

As of January 1, there were 2012, 829.8 thousand of cattle stock (101.3 percent by January 1, 2011) in Almaty region, including 397.2 thousand of cows (101.6 percent), 3 108.0 thousand sheep and goats (101.8 percent), 238.5 thousand of horses (102.4 percent), 6269 camels (100.8 percent), 114.5 thousand of pigs (100.6 percent) and 9 063.1 thousand of poultry (106.8 percent).

According to the report of the Statistics Agency of RK, from all categories of farms in 2011, there were 293.5 thousand tons of livestock and poultry (live weight) sold for slaughter, and 667.8 thousand tons of cow milk and 878.7 million eggs taken. Compared to the similar indicator of the previous year, meat production increased by 0.5 percent, milk - by 0.2 percent respectively, wool production - by 0.9 percent.

Kyrgyzstan

According to the NSC KR as of January 18, 2012, meat prices rose by 1.8 percent relative to prices of last month.

According to the NSC KR as of January 1, 2012, livestock and poultry for slaughter in live weight in the Kyrgyz Republic accounted for 346.4 thousand tons, which is by 1.0 percent more than in 2010. Egg production by the end of 2011 grew by 4.8 percent compared to the same period in 2010, and wool - by 2.2 percent

Table 1. Food market (monthly change in the estimates of production, consumption, ending stocks and prices for consumer goods in 2011/12 marketing year)

| | <i>Production estimate, million tons</i> | <i>change for a month, in %</i> | <i>Consumer estimate, million tons</i> | <i>change for a month, in %</i> | <i>Ending stocks estimate, million tons</i> | <i>change for a month, in %</i> | <i>Price in USD per ton</i> | <i>change for a month, in %</i> |
|--------------------------|--|---------------------------------|--|---------------------------------|---|---------------------------------|-----------------------------|---------------------------------|
| Crops (world) | 1 808.0 | +0.1 | 1 818.0 | -0.1 | 334.0 | -3.2 | 259.1 | +3.5 |
| Wheat | 691.5 | +0.4 | 681.4 | +0.2 | 210.0 | +0.7 | 216.1 | +2.9 |
| <i>Kyrgyzstan</i> | 1.1 | 0.0 | 1.3 | +2.4 | 0.8 | 0.0 | 163.0 | +1.2 |
| <i>the USA</i> | 54.4 | 0.0 | 31.6 | -1.4 | 23.7 | -1.0 | 225.2 | +6.1 |
| <i>Australia</i> | 28.3 | 0.0 | 8.0 | 0.0 | 9.1 | +5.8 | 209.8 | +7.6 |
| <i>EU-27</i> | 137.5 | 0.0 | 127.0 | 0.0 | 12.7 | 0.0 | 230.0 | +4.1 |
| <i>China</i> | 117.9 | 0.0 | 113.5 | 0.0 | 65.0 | 0.0 | 359.1 | +1.4 |
| <i>Russia</i> | 56.2 | +0.4 | 38.6 | 0.0 | 11.9 | -2.2 | 164.3 | -0.7 |
| <i>Kazakhstan</i> | 22.5 | +7.1 | 9.9 | +11.2 | 15.9 | 0.0 | 161.0 | 0.0 |
| Corn | 868.1 | +0.1 | 868.0 | -0.1 | 128.1 | +0.7 | 241.5 | +5.8 |
| Rice | 461.4 | +0.1 | 458.5 | +0.1 | 100.1 | +0.6 | 319.8 | +2.2 |
| Sunflower oil | 13.8 | +4.8 | 12.9 | +3.9 | 1.9 | +24.2 | 1 137.0 | -0.6 |
| Sugar³ | 168.2 | 0.0 | 167.6 | 0.0 | 29.0 | 0.0 | 645.6 | +8.3 |

³ November estimates of USDA

Chart 1. Dynamics of world wheat prices, 07.01.11-23.12.11

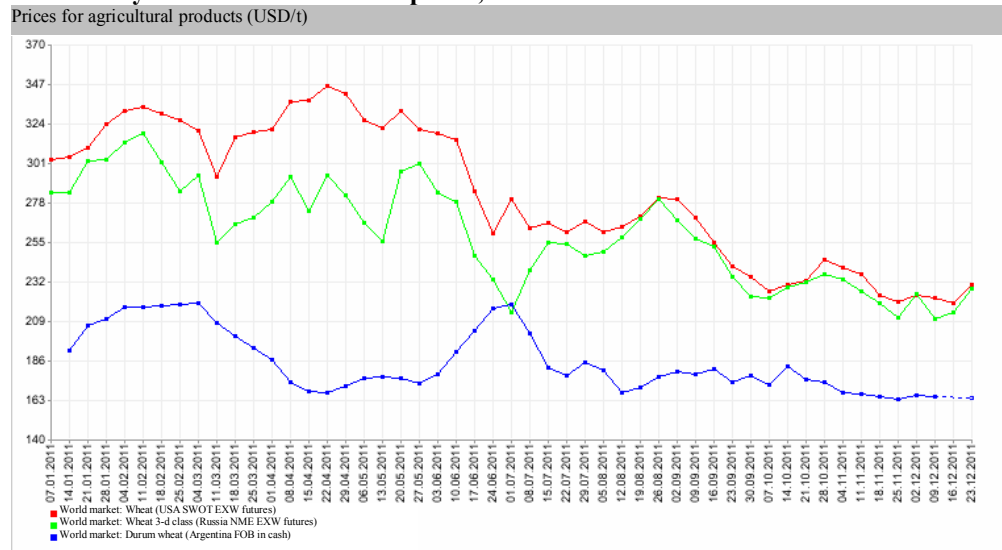


Chart 2. Dynamics of world wheat prices, 25.11.11-23.12.11

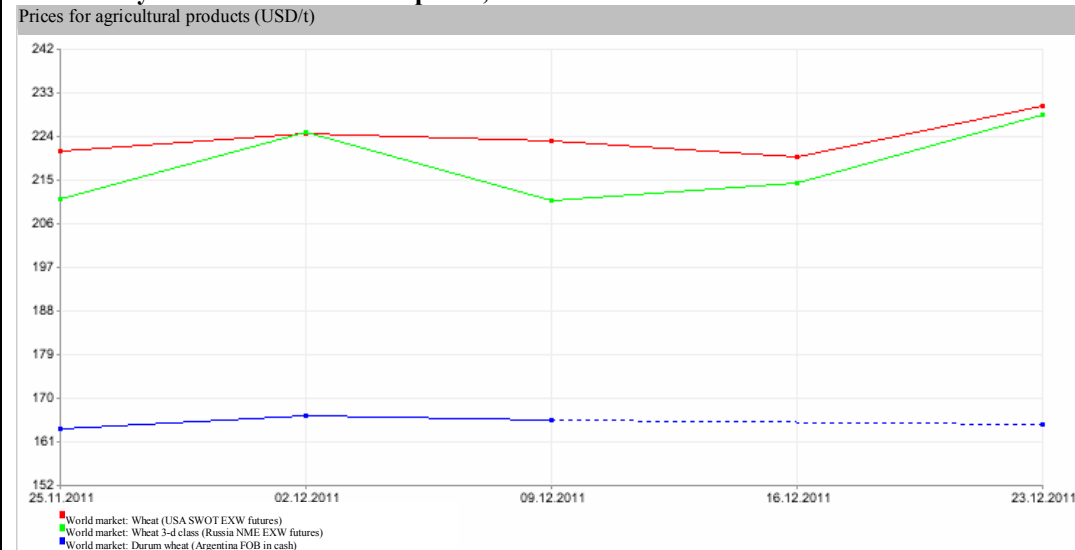


Chart 3. Dynamics of world corn prices, 07.01.11-23.12.11

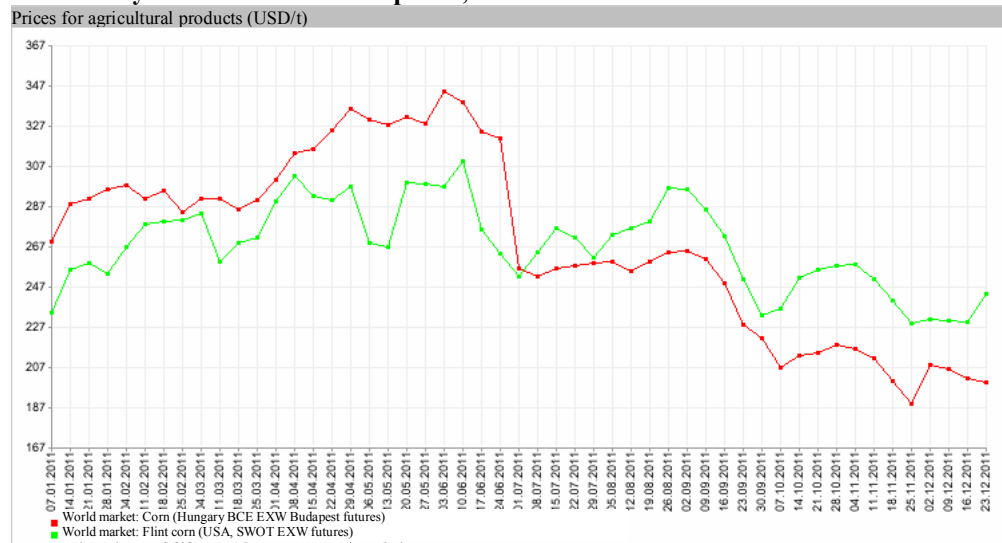


Chart 4. Dynamics of world corn prices, 25.11.11-23.12.11

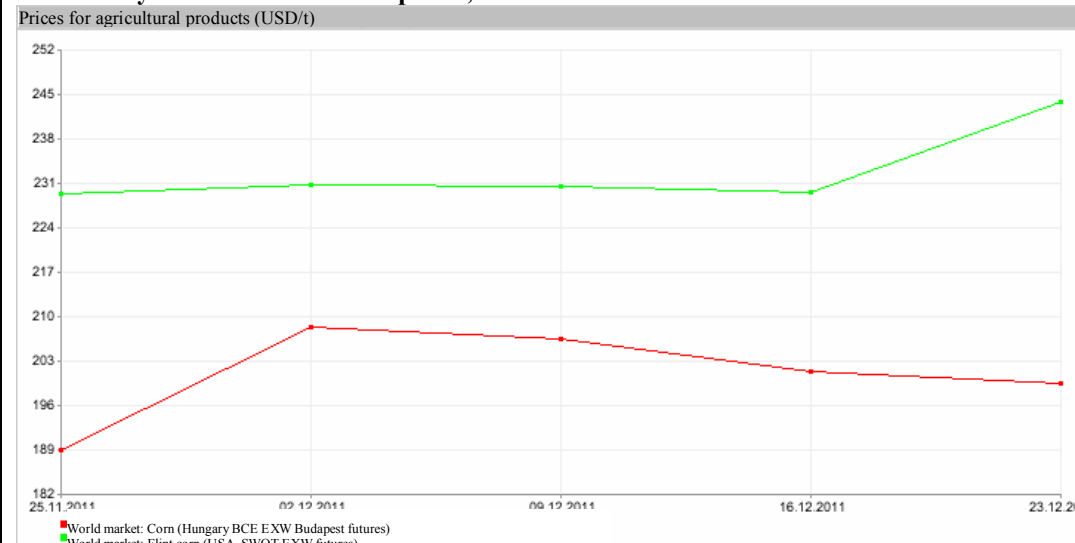


Chart 5. Dynamics of world sunflower oil prices, 07.01.11-23.12.11

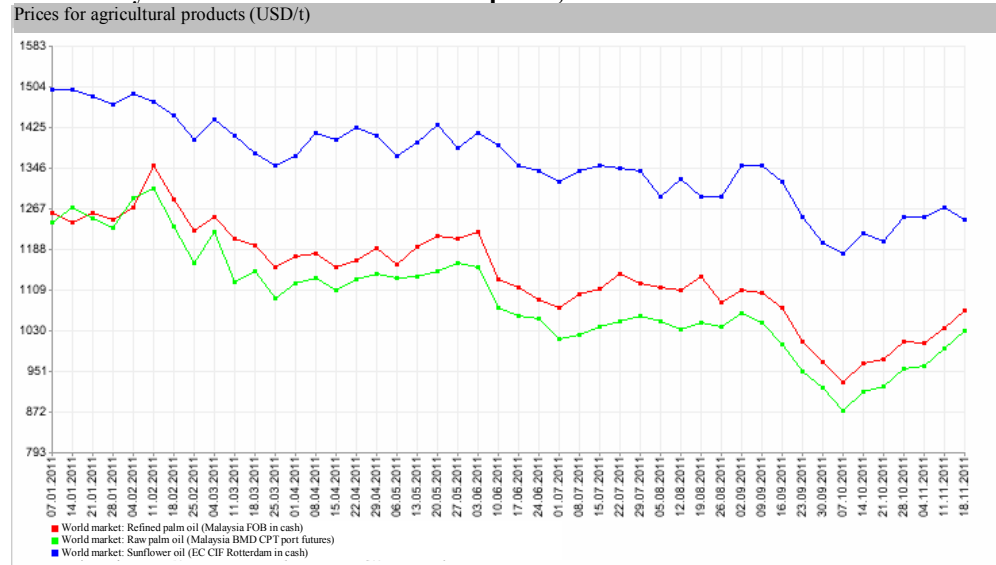


Chart 6. Dynamics of world sunflower oil prices, 02.12.11-23.12.11

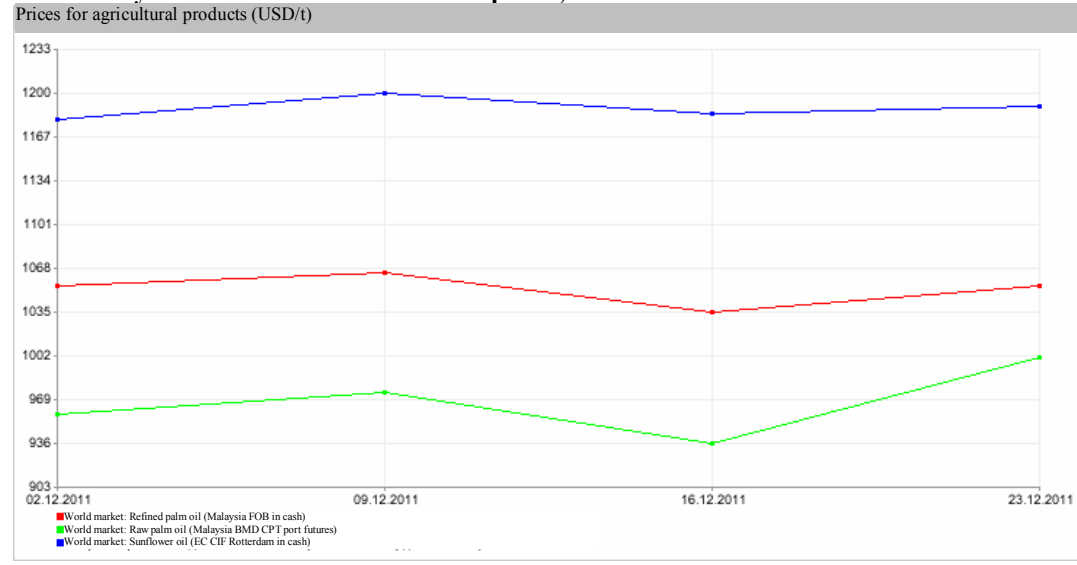


Chart 7. Dynamics of world white and raw sugar prices, 07.01.11-23.12.11

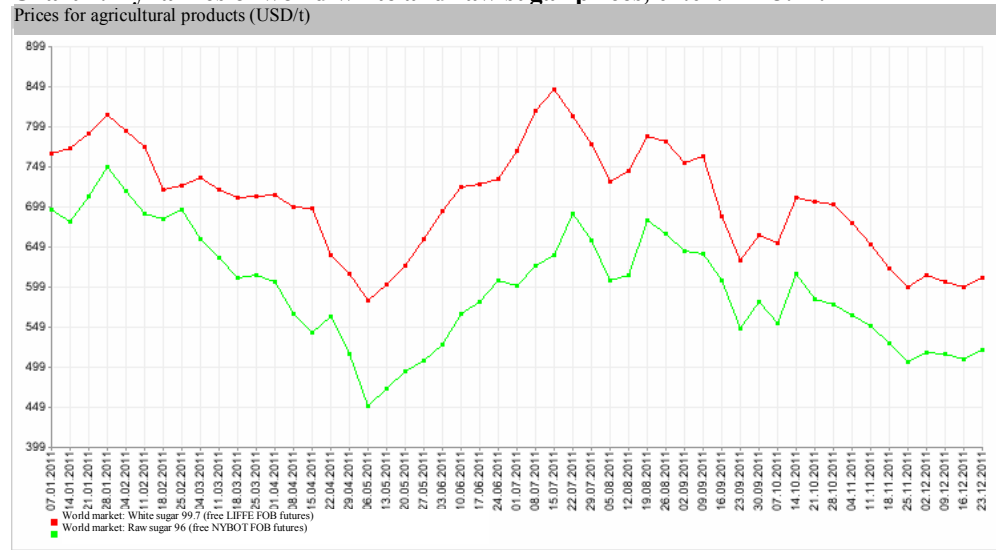
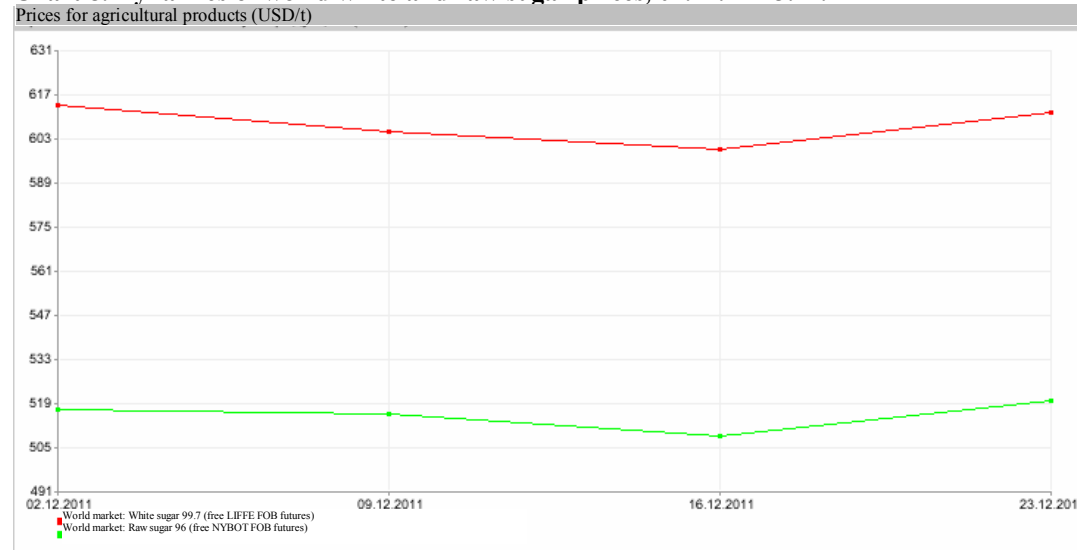


Chart 8. Dynamics of world white and raw sugar prices, 02.12.11-23.12.11



The review was prepared based on the data submitted by the National Statistical Committee of the Kyrgyz Republic (NSC KR), the State Agency on Antitrust Policy and Development of Competition under the Government of the Kyrgyz Republic, State Customs Service of the Kyrgyz Republic, International Grains Council (IGC), MOA RF, USDA, MOA RK, Statistics Agency of the Republic of Kazakhstan, Federal Service for State Statistics of the Russian Federation, Internet resources: News Agency “AKIpress”, News Agency “24.kg”, News Agency “KirTag”, News Agency “APK-inform, News Agency “Soyuzrossahar”, News Agency “AgroNews”, News Agency “Newsru”, “Oil World”, News Agency “KazakhZerno” News Agency “Reuters”.