

**Review of global grain market**

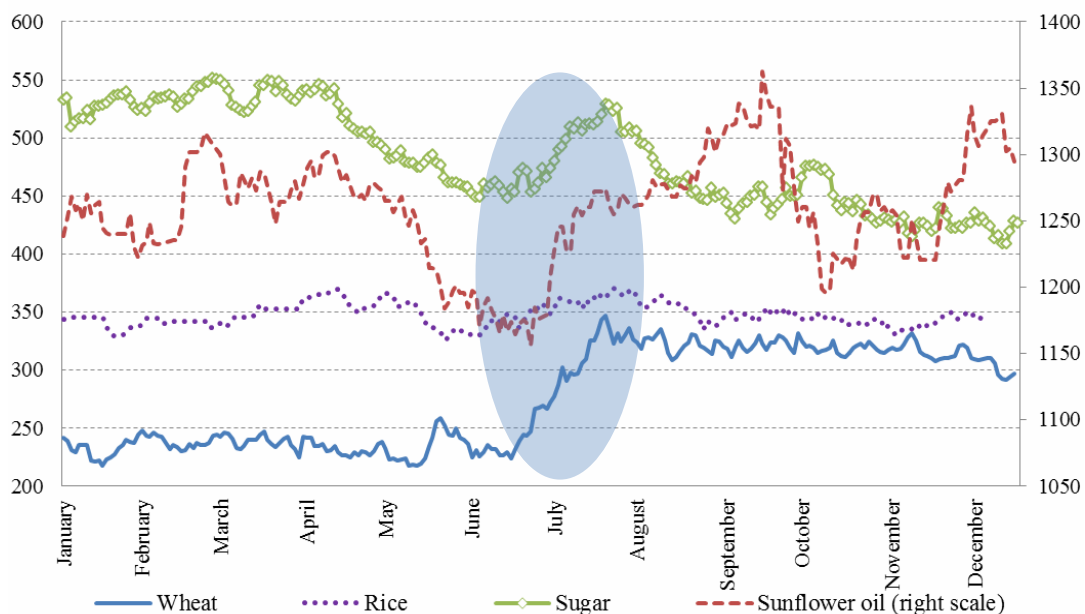
**Results of 2012**

Dynamics of global food prices in 2012 had a significant impact on inflation in Kyrgyzstan. In the first half of 2012 high yield of crop, developed in 2011-2012 MY in the producing countries, formed excess supply, which stimulated decrease of prices on the global food markets. Thus, index of import prices of food products in Kyrgyzstan by the results of the first half of 2012 has significantly decreased, resulting the decrease of inflation.

In the second half of 2012 prices on the global food markets have significantly increased on the background of negative climatic conditions in the producing countries of agricultural products, emerging at the beginning of 2012-2013 MY (June-July of 2012). Thus, for the last three summer month prices for wheat increased more than 30 percent, corn has risen more than by 50 percent.

Price increase on the global markets has affected the inflation in Kyrgyzstan, in September-October of 2012, when index of consumer prices rose by 1.1 and 1.8 percent, respectively.

**Figure 1.** The dynamics of food prices in 2012  
(US dollars per tonne)

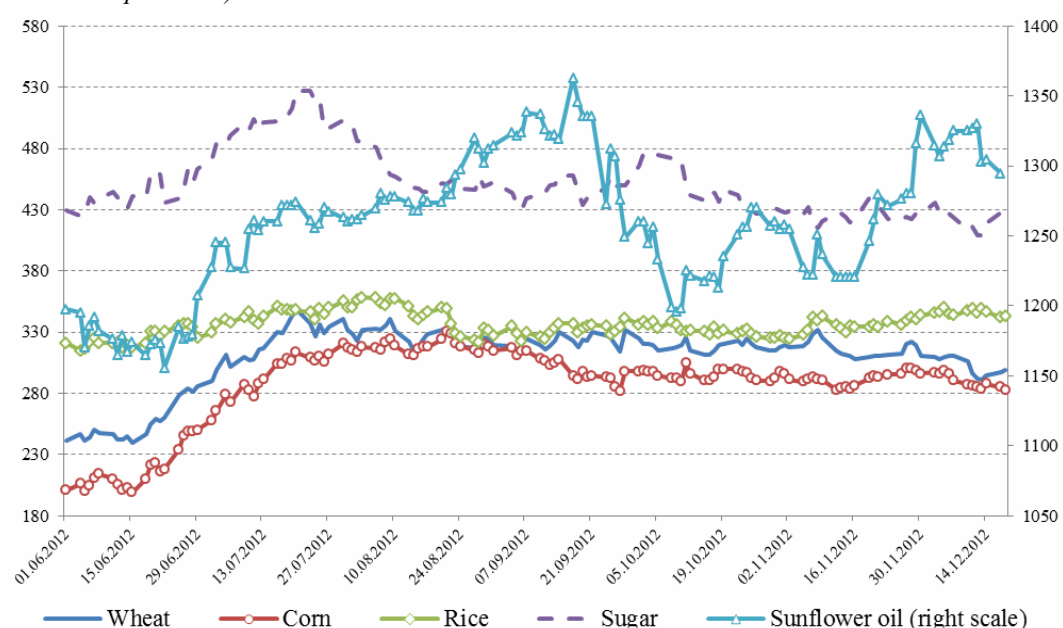


**Food market**

November's value of Food Price Index FAO amounted 211 points, decreased by 3 points (1.5 percent) compared to the October indicator and reaching the lowest level from June of 2012. With the exception of milk products, in November decrease of international prices for all groups of dairy products was noted, included in the Index, with the first place in the scale of reductions are the prices for sugar, and then – prices for vegetable oil and grains. As a result, November's index value was almost 3 percent lower than last year's value.

In the first half of December of 2012 dynamics of prices for major goods kept downtrend. At the same time prices for rice kept stability, mainly on the background of excess export supply. Wheat prices decreased most rapidly on the background of reduction of fears about export restrictions from Ukraine. In contrast, concerns about future supplies of corn and climatic conditions in the South America were an additional factor, contributing to increase of market prices for these goods.

**Figure 2.** Dynamics of prices of basic food commodities  
(US dollars per tonne)

**Crops**

Over the past five months for the first time wheat fell below the 300 US dollars per tonne. Quotations decrease is the reaction for the latest publication of report of MA of USA, which reported about increase of global final reserves of wheat. This message has removed most of the fears, related to the possible deficit of grain. It is estimated, at the end of May of 2013 reserves will amount 176.9 mln. tonnes, which is higher than the initial forecast more than 2.5 mln. tonnes of grain. With this information future contracts of wheat declined.

As for the forecasts of dynamics of prices for wheat, by experts' opinion high volatile of the prices on the agricultural markets will continue in the next year. Prices for wheat and corn in the first quarter of 2013 will be increased. High prices will encourage farmers to expand crop areas. Expected increase of the yield of grain will result to the price global price decrease in the second half of 2013. The main obstacle for implementation of this scenario is the risk of prolonged drought in the USA.

*Dynamics of world wheat prices shown in Appendix, Figure 1.*

**Russia**

Gross yield of grain in the RF on November 22, 2012 amounted 74.4 mln. tonnes in bunker weight, informs the MA of the RF. Earlier, management of the MA of the RF projected gross yield of grain in 2012 in excess of 75 mln. tonnes. By the results of 2011 gross yield of grain amounted 94.2 mln. tonnes.

In Russia, the problem of a possible shortage of grain still remains, provoked by high export demand. Thus, in the near future experts expect increase of prices for bakery products in Russia, as current reserves of grain are significantly lower than reserves of the last year. Grain reserves in agricultural, harvesting and processing organizations of the RF of November 1, 2012 decreased by 29.1 percent compared to the analogous indicator of the last year. Experts predict that prices for bread in Russian stores will increase in spring by about 25 percent compared to the beginning of 2012. In this case, Ministry of Agriculture of the RF plans to begin large-scale commodity interventions on the Russian market of grain only from February of 2013.

Low reserves and rising prices for grain have already led to a price increase of flour and bread. Thus, for October of 2012 prices of flour increased by 4.8 percent. And from October of 2011 prices for bread and bakery products increased in average in the country by 9.2 percent.

**Kazakhstan**

At the end of November of 2012 gross yield of grain in Kazakhstan amounted 14 mln. 699.2 thous. tonnes, according to independent market experts in 2013 yield of grain is projected on the level of 15.5 mln. tonnes in bunker weight.

**Kyrgyzstan**

On December 12, 2012 agreement was formed in Astana on delivery to Kyrgyzstan of 100 thous. tonnes of wheat, informs NA “Kazakh-Zerno”. The document was signed with the assistance of the embassy of Kyrgyzstan in Kazakhstan between JSC “National food corporation of the Kazakh Republic” and the Fund of state material reserves of the Kyrgyz Republic. In accordance with a contract by timely payment of Kyrgyzstan first batch of wheat (20 thous. tonnes) will be received until the end of 2012. In addition, currently Kyrgyzstan and Russia have the approval procedure of delivery schedule and pricing calculations for wheat in the amount of 80 thous. tonnes.

As of November 30, 2012 the price of wheat of 3 class on the conditions of DAP from the Lugovaya station (Kazakhstan-Kyrgyzstan) stayed on the level of October of 2012 and amounted 349-357 US dollars per tonne.

**Table 1.** Dynamics of prices for wheat on Lugovaya station (Kazakhstan – Kyrgyzstan)

(US dollars per tonne)

gluten	23.07.2012	16.08.2012	17.09.2012	27.10.2012	30.11.2012
23-24 %	214,0	269,0	338,0	340,0	349,0
27-30 %	226,0	281,0	355,0	355,0	357,0

**Sunflower oil**

Despite the increase of purchase price for sunflower in Ukraine, it industrial processing has set new records. This is due to rising prices of sunflower oil on the export market and high activity of formatting contracts for its supply between Ukrainian companies and importers. According to analysts of the market, in September-October of 2012 record volumes of sunflower were processed – a total of 1.6 mln. tonnes, which is 9 percent higher than the analogous indicator of the previous season. According to preliminary data, in November of 2012 processing volume declined by about 5.8 percent compared to October, however this is a significant indicator.

Sunflower oil production in the first two months of 2012/13 MY, also hit a record high and amounted about 700 thous. tonnes (+18 percent to the analogous indicator of the previous season).

Ukraine takes more than 55 percent in the world export of sunflower oil and is the main exporter of sunflower oil to Kyrgyzstan.

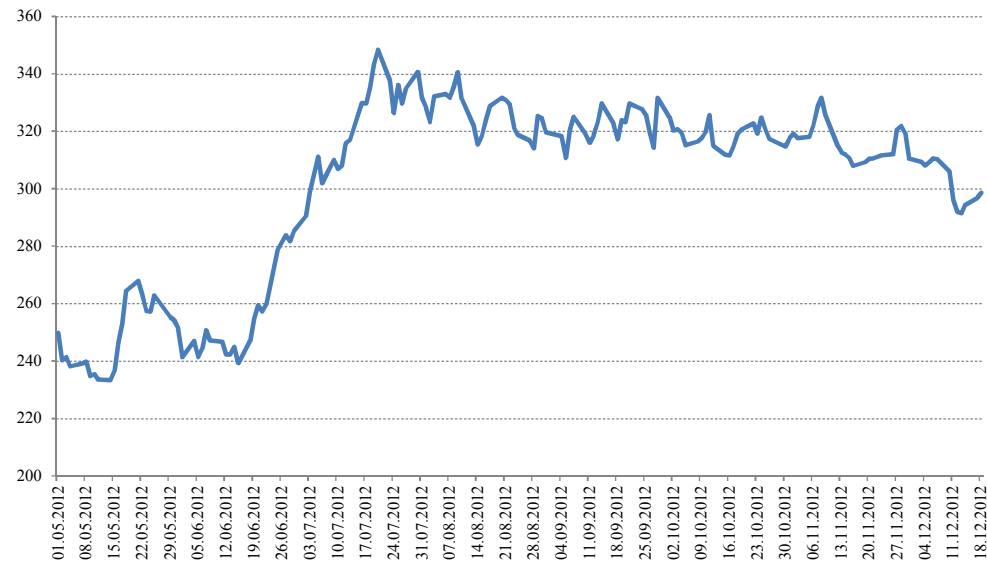
*Dynamics of world wheat prices shown in Appendix, Figure 1.*

**Table 1.** Production market (monthly dynamics of production estimates, consumption, ending stocks and food prices in 2012/13 marketing year)

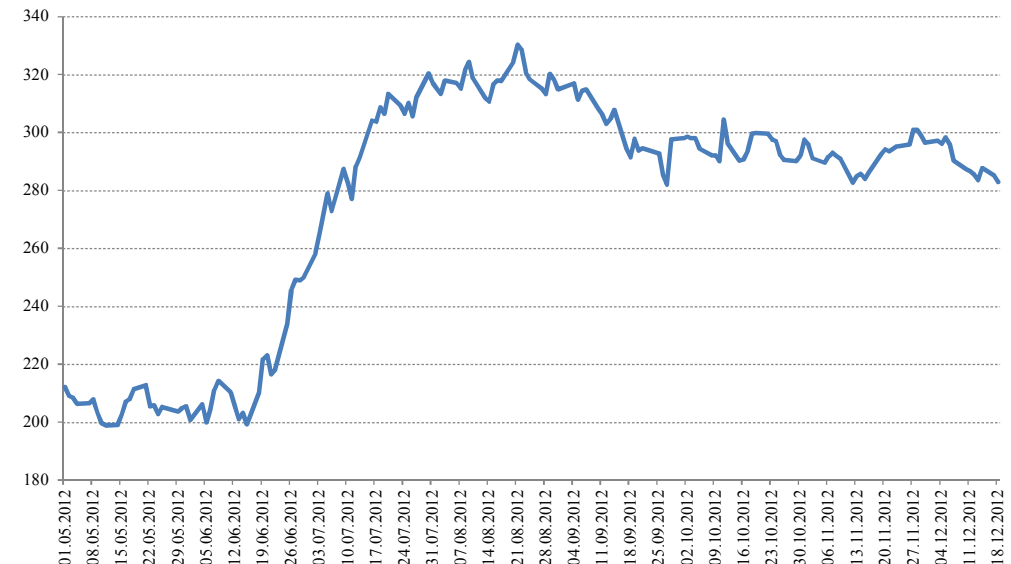
	<i>Production estimate, mln. tonnes</i>	<i>Change in a month, in %</i>	<i>Production estimate, mln. tonnes</i>	<i>Change in a month, in %</i>	<i>Production estimate, mln. tonnes</i>	<i>Change in a month, in %</i>	<i>Futures, US dollars per tonne</i>	<i>Change in a month, in %</i>
<b>Grain (global)</b>	1 762,0	+0,1	1 806,0	+0,2	324,0	-1,2	328,1	+3,7
<b>Wheat</b>	655,1	+0,6	673,9	-0,2	176,9	+1,6	341,7	+0,5
<i>Kyrgyzstan</i>	0,7	0,0	1,3	0,0	-	-	357,0	+0,6
<i>USA</i>	61,8	0,0	36,4	0,0	20,5	+7,1	298,6	-3,4
<i>Australia</i>	22,0	+4,8	-	-	5,8	+24,0	-	-
<i>EU-27</i>	131,7	-0,1	122,0	-1,2	10,0	+8,4	347,0	+0,6
<i>China</i>	120,6	+2,2	123,0	+0,8	55,5	+0,2	389,6	+3,9
<i>Russia</i>	38,0	0,0	34,5	0,0	5,9	+19,3	301,0	0,0
<i>Kazakhstan</i>	10,5	0,0	7,0	0,0	15,1	-9,9	357,0	+0,6
<b>Corn</b>	849,1	+1,1	862,5	+1,0	117,6	-0,3	299,6	+2,6
<b>Rice</b>	465,3	+0,2	468,5	+0,1	102,5	0,3	342,9	+1,3
<b>Sunflower oil</b>	13,7	+2,9	13,4	+1,1	2,1	+12,6	1 244,4	-1,3
<b>Sugar<sup>1</sup></b>	172,3	-1,2	162,8	-0,1	38,3	+15,8	436,5	0,0

<sup>1</sup> November estimates of the MA of USA

**Figure 1. Dynamics of world prices for wheat, 01.05.12-18.12.12**  
(US dollars per tonne)



**Figure 2. Dynamics of world prices for corn, 01.05.12-18.12.12**  
(US dollars per tonne)



**Figure 3. Dynamics of world prices for sunflower oil, 01.05.12-18.12.12**  
(US dollars per tonne)



**Figure 4. Dynamics of world prices for sugar and raw sugar, 01.05.12-18.12.12**  
(US dollars per tonne)

