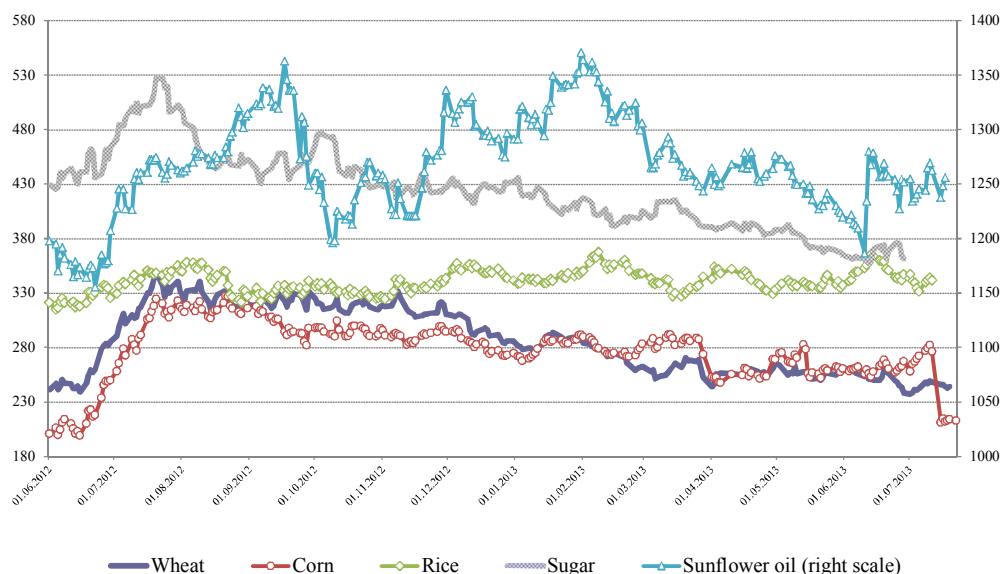


World food market

In June 2013 the average value of the Food Price Index FAO was 211.3 points, which is nearly 2 points lower than the revised data for May of this year. Occurred decrease in the past month was mainly due to the fall in sugar prices, especially for dairy products, while prices for grain and oil fell to a lesser extent. Recent reviews of the world prices for meat show that in June prices rose by 2 percent.

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



Crops

In the world's exchanges futures markets prices for the main crops continued to fall - wheat, corn and barley in June and July of this year. The fall is mainly due to the seasonal factors and expectations of a new, more generous than the last year harvest of winter crops in the Northern Hemisphere. Relatively favorable forecasts for the grain harvest in production, consumption, trade, stocks and dropped prices are much lower at the beginning of the new season than they were at the beginning of the last marketing year.

According to the updated forecast in early July, which was done by the International Grains Council (IGC) concerning the world grain production in 2013-14 MY, it is about 1.9 billion tons, which is 135 million tons more than in the 2012-13 season. Forecast of consumption was not changed - 1.9 billion tons. Forecast of total ending stocks increased to 368 million tons.

FAO estimates of world production, consumption and stocks of cereals, wheat and rice in 2012-13 MY and forecasts for 2013-14 MY are listed below. FAO experts have reviewed all the forecasts with growing potential, except for stocks of grain and wheat. However, in general, the outlook for the new marketing year remains favorable.

Crop		Estimate (million tons)	Forecast (million tons)	
			previous	current
		2012/13 MY	2013/14 MY	2013/14 MY
Cereals/Crops	Production	2 312.2	2 460.5	2 478.6
	Consumption	2 335.8	2 402.0	2 414.9
	Stocks	09.2	56.8	567.5
Wheat	Production	659.3	702.0	704.1
	Consumption	685.2	693.8	694.7
	Stocks	161.5	173.1	169.5
Feed grains	Production	1 162.4	1 259.3	1 274.8
	Consumption	1 172.4	1 216.9	1 228.8
	Stocks	173.8	213.7	215.0

Rice	Production	490.5	499.1	499.7
	Consumption	478.2	491.3	491.5
	Stocks	173.9	182.0	182.4

Source: www.fao.org

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

Russia

In Russia finally completed spring sowing: As of June 21, the sowing was held covering the area of 49.1 million hectares, or 96.4 percent of the forecast, which is 515.6 thousand hectares more than in 2012.

Table. Spring sowing in Russia.

Crop	Sowing area (mln. hectares)	% for the forecast	Off from 2012 (+/-, thousand hectares)
Crops and leguminous plants	30.6	100.9	650.5
Corn and wheat	More than 2.3	106.8	400.1
Rice	0.2	95.6	-17.2
Spring wheat	12.7	98.2	-315.1
Spring barley	0.08	104.2	0.02

According to the forecast of the Ministry of Agriculture of Russia grain harvest in 2013-14 MY will be about 95 million tons, and wheat crop - about 54 million tons. Despite the increased grain yield of this year in southern Russia, experts and practitioners in the grain market have some doubts that Russia will be able to collect planned harvest volume by the Ministry of Agriculture of Russian Federation. The main cause of this is torrid weather in excess of the minimum rate of annual rainfalls, which was established in almost all the European part of Russia. In addition to atmospheric drought and lack of water, farmers are also concerned about invasion of locusts, which was subjected to the central part of Russia. At the same time, according to Agriculture Minister there are no available objective reasons for the revision of the forecast.

As was predicted by the Foreign Agricultural Service of the U.S. Department of Agriculture (FAS USDA) Russian grain exports in the next season can rise to 24 million tons. Exports of wheat and wheat flour may reach 17.0 million tons, barley - 3.5 million tons and corn - 2.5 million tons.

Kazakhstan

During the studied period the price of wheat, barley and flour in the domestic market of Kazakhstan continued to fall under the influence of the situation on world food markets.

In the previous review in the domestic market of Kazakhstan was noted that there is a high probability of good grain harvest in the current season. However, the climatic conditions were less favorable than expected. Excessively dry June with a minimum rainfall had damaged good basis for the crops in the form of high moisture content in the soil. In this regard, the previous crop forecasts may be too optimistic. Among other things, the north-west of Kazakhstan is subjected to the invasion of locusts.

Given the forecasts of agro meteorologists and the current state of crops, independent experts and practitioners of the grain business in Kazakhstan suggest that the grain harvest in 2013-14 MY will be less than 10 million tons (in 2012 grain harvest in net weight was around 12.8 million tons). The Ministry of Economy and Budget Planning of Kazakhstan expects the harvest at 15.0 million tons.

At present, the export potential of grain is estimated at 7-7.5 million tons (2012-13 MY exports amounted to 7.1 million tons) as was estimated by the

Ministry of Agriculture. Experts of FAS USDA forecast 6.5 million tons of export shipments. But forecasts are subject to change in early months of the season, when the situation with the volume and quality of the new crop will become clear, as well as the volumes of grain balance of countries that are export competitors. Despite this, analysts say, if the grain harvest in Kazakhstan will be below the expected level, the country can count on sufficient stocks of grain from the last season.

Kyrgyzstan

In accordance with the Law of the Kyrgyz Republic "On protection measures" and government regulation dated June 27, 2013 "On the commencement of the trial and the introduction of provisional protection measures on imports of wheat flour", the Ministry of Economic Affairs initiated proceedings with the simultaneous introduction of provisional protective measures against imports of wheat flour to the territory of Kyrgyz Republic. According to the present regulation temporary special protection duties (3 KGS per kilogram) are entered into force on July 22, 2013 for a period of four months until the completion of the proceedings. The basis for the commencement of the trial is based on the decision of the Ministry of Economy. According to the announcement that is published on the official website of the department, a preliminary analysis of the imported wheat flour into the country between 2010 and 2012 is based on the reasonability of the hearing that revealed following:

- compared with 2010 the volume of imported wheat flour in 2011 increased by more than 5.3 times, while in 2012 by 4.4 times;
- for the period from 2010 to 2012 key financial and economic indicators of domestic producers of wheat flour are characterized by negative growth;
- during the period under review the capacity utilization of domestic enterprises for the production of flour decreased from 42.3 to 29.1 percent;
- volumes of flour production in 2010 compared to 2009 decreased by 6.7 percent, while in 2011 compared with 2010 - by 8.2 percent;
- in Kyrgyzstan the share of imports in total consumption of flour (with the constant consumption) increased from 5.0 percent in 2010 to 24.9 in 2012, in the 1st quarter of 2013 the figure was 33.0 percent.

In July 2013 the Ministry of Agriculture launched a campaign for the procurement of wheat from local farmers. As part of this campaign in order to support rural producers there will be purchased 50 thousand tons of wheat from poor people and those who live below the extreme poverty line. According to the Minister of Agriculture the obligation for procurement of 20 thousand tons of wheat was taken by the Fund of governmental and material resources of the state, 5 thousand tons would be purchased by "Agroprod korporatsia" and 25 tons by Kara-Balta distillery. Grain will be purchased at the price of 13-15 KGS per one kilogram, which is higher than the current market price (11-12 KGS per one kilogram).

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

gluten	05.03.2013	16.04.2013	18.05.2013	17.06.2013	29.06.2013
23-24 %	339.0	293.0	283.0	277.0	271.0
27-30 %	355.0	309.0	299.0	293.0	287.0

Sunflower oil

According to the latest report of Oil World (Germany) analysts, in 2013-14 MY gross yield of sunflower in the world will be reduced slightly - to 38.7 million tons against 38.9 million tons that was voiced in the past month. However, this is significantly more than the result achieved in the previous year (35.9 million tons). It should be noted that the downward adjustment did not affect main world producers of these products. In particular, in the 2013-14 season the oilseed crop

harvest in Ukraine will be 9.4 million tons that is by 0.6 million tons more than in the previous year. In Russia, the total yield of crops in the new season is expected to reach 8.6 million tons. At the same time the sunflower harvest in these countries will depend on weather conditions, which to date are relatively dry.

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

Sugar

Despite heavy rains and decreasing pace of the harvest in the Central-South region of the world, the world market price of sugar in the period under review continued to decline. Sugar production in Brazil is currently at the peak level, which contributes to the downward price trend.

According to the experts of the Institute for Agricultural Market the beet sugar production in Russia in 2013-14 MY can be reduced by 19 percent compared with the last year to 3.9 million tons (in 2012 - 4.8 million tons). These estimates are based on data from the Ministry of Agriculture of Russian Federation on the acreage of sugar beet on June 18 and “Soyuzrossakhar” data on the growth of sugar beet root on July 1, according to which the area under sugar beet is decreased by 20.4 percent this 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)

	<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)	1 919,0	0,2	1 883,0	0,0	368,0	0,3	274,0	-9,2
Wheat	697,8	0,4	699,9	0,8	172,4	-4,9	267,3	-4,8
<i>Kyrgyzstan</i>	0,7	0,0	1,3	0,0	-	-	287,0	-2,0
<i>USA</i>	57,5	1,6	35,7	-0,8	15,7	-12,6	244,1	-5,2
<i>Australia</i>	25,5	4,1	-	-	-	-	-	-
<i>EU-27</i>	138,6	0,8	122,0	-0,6	11,7	2,0	237,7	-14,3
<i>Russia</i>	54,0	0,0	36,5	0,0	6,3	-2,3	280,8	-0,7
<i>Kazakhstan</i>	14,5	-3,3	7,2	0,0	5,0	-28,0	287,0	-2,0
Corn	959,8	-0,1	932,4	-0,1	151,0	-0,5	212,9	-20,3
Rice	478,7	-0,1	476,1	-0,1	108,0	-0,6	341,8	-4,4
Sunflower oil	14,9	-0,6	14,0	-0,1	2,7	0,2	1 255,9	-1,0
Sugar¹	174,9	0,0	167,3	0,0	38,2	0,0	361,1	-3,5

Table 2. Changes in average prices of basic food commodities in June 2013

(increase (+) / decrease (-), percent)

	<i>Beef</i>	<i>Mutton</i>	<i>Butter</i>	<i>Молоко</i>	<i>Eggs, dozen</i>	<i>Flour, first rate</i>	<i>Bread, first rate</i>	<i>Potatoes</i>
Bishkek	+0,9	+1,4	-0,2	-4,5	-2,5	0,0	0,0	+31,1
Batkent	0,0	0,0	0,0	+1,9	0,0	-2,9	0,0	+6,8
Jalal-Abad	+0,7	0,0	0,0	-1,4	0,0	-5,1	-2,7	-2,5
Karakol	+0,5	+1,3	0,0	0,0	+2,0	0,0	0,0	+68,5
Naryn	+0,8	-1,9	0,0	-14,3	-2,3	0,0	0,0	+11,9
Osh	0,0	0,0	0,0	-3,5	-1,9	-4,0	-1,4	+1,2
Talas	-0,3	-0,9	+1,1	0,0	0,0	0,0	0,0	+51,7
Tokmok	+2,3	+1,7	+1,0	0,0	-1,5	0,0	0,0	-11,5

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

Figure 1. Dynamics of world wheat prices, 01.05.12-19.07.13
(USD per one ton)

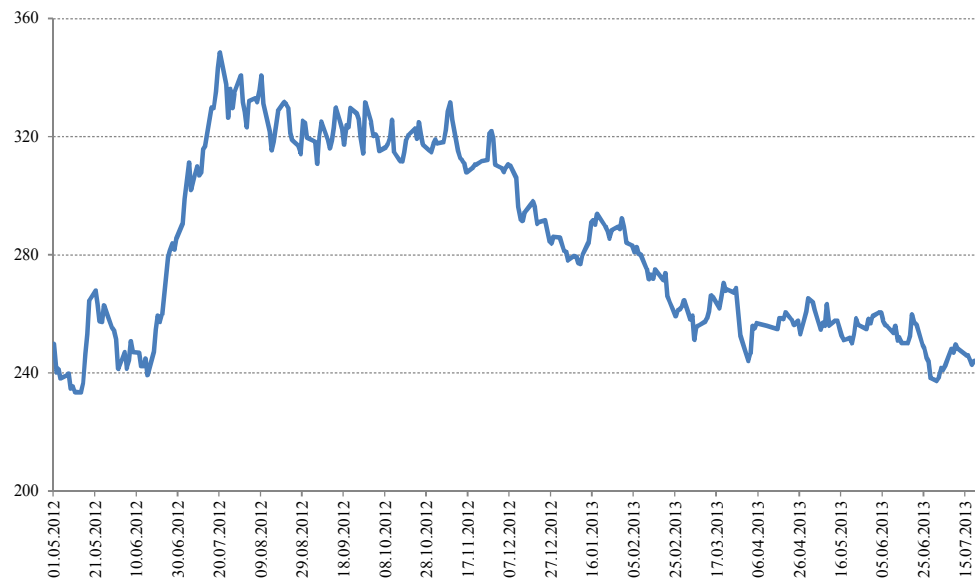


Figure 3. Dynamics of world sunflower oil prices, 01.05.12-19.07.13
(USD per one ton)

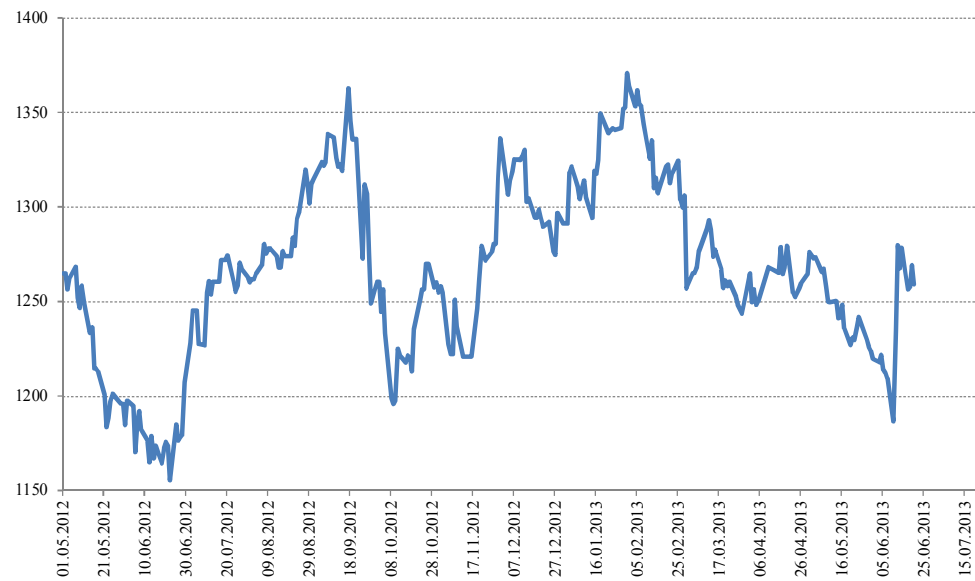


Figure 2. Dynamics of world corn prices, 01.05.12-19.07.13
(USD per one ton)

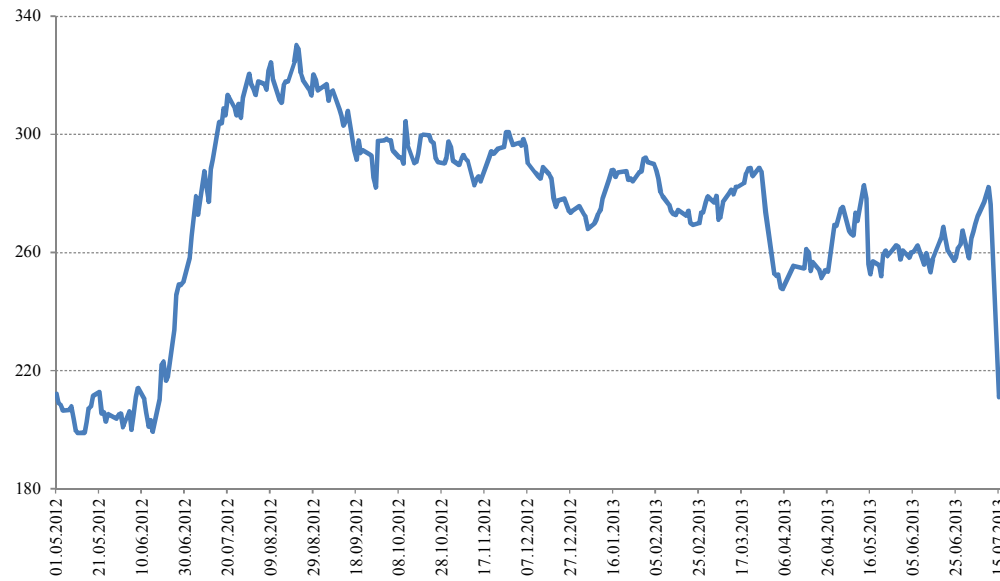


Figure 4. The dynamics of world prices for sugar and raw sugar, 01.05.12-19.07.13
(USD per one ton)

