

Tajikistan Market Price Report May 2011



Highlights

- Retail food prices are at their highest levels since WFP started to monitor food prices in 2002.
- Fuel prices increased by an average of 9% and are expected to stay high, further impacting food prices.
- Prices of local and imported food commodities are expected to increase due to rising fuel prices, increased transportation costs, bad weather conditions and external factors in the region.

Overview of Tajikistan's main markets in April

Monitoring revealed that prices continued to rise. The primary reason was the increase in the price of fuel (both diesel and petrol), which reached its highest levels ever recorded. This follows the decision by Russia to impose additional export duties in March and April 2011.

The increase of rail tariffs (15% for wagons and 74% for a container) for the transit of Tajikistan cargos by Uzbekistan in March 20, 2011 also led to higher transportation costs, consequently pushing up the prices of food and other products imported to Tajikistan.

Current prices and trends

Although during April the prices for some staple food commodities changed only slightly compared to the previous

month, they remain substantially higher than last year. Wheat flour and wheat grain prices reached their highest level since 2008 and they are now the highest since WFP started monitoring food prices in Tajikistan in 2002. Prices for wheat grain have increased by 63% and for wheat flour first grade has risen by 74% since April last year.

Average retail prices for wheat, meat, vegetable oil and diesel for April are presented on the next page.

Higher prices were reported for oil, wheat flour high quality, meat and vegetables.

The sharpest price increase was for cooking oil due to rising prices in international markets.

Increasing exchange rate of the domestic currency to the US dollar was another factor putting pressure on the prices for imported oil and other food.

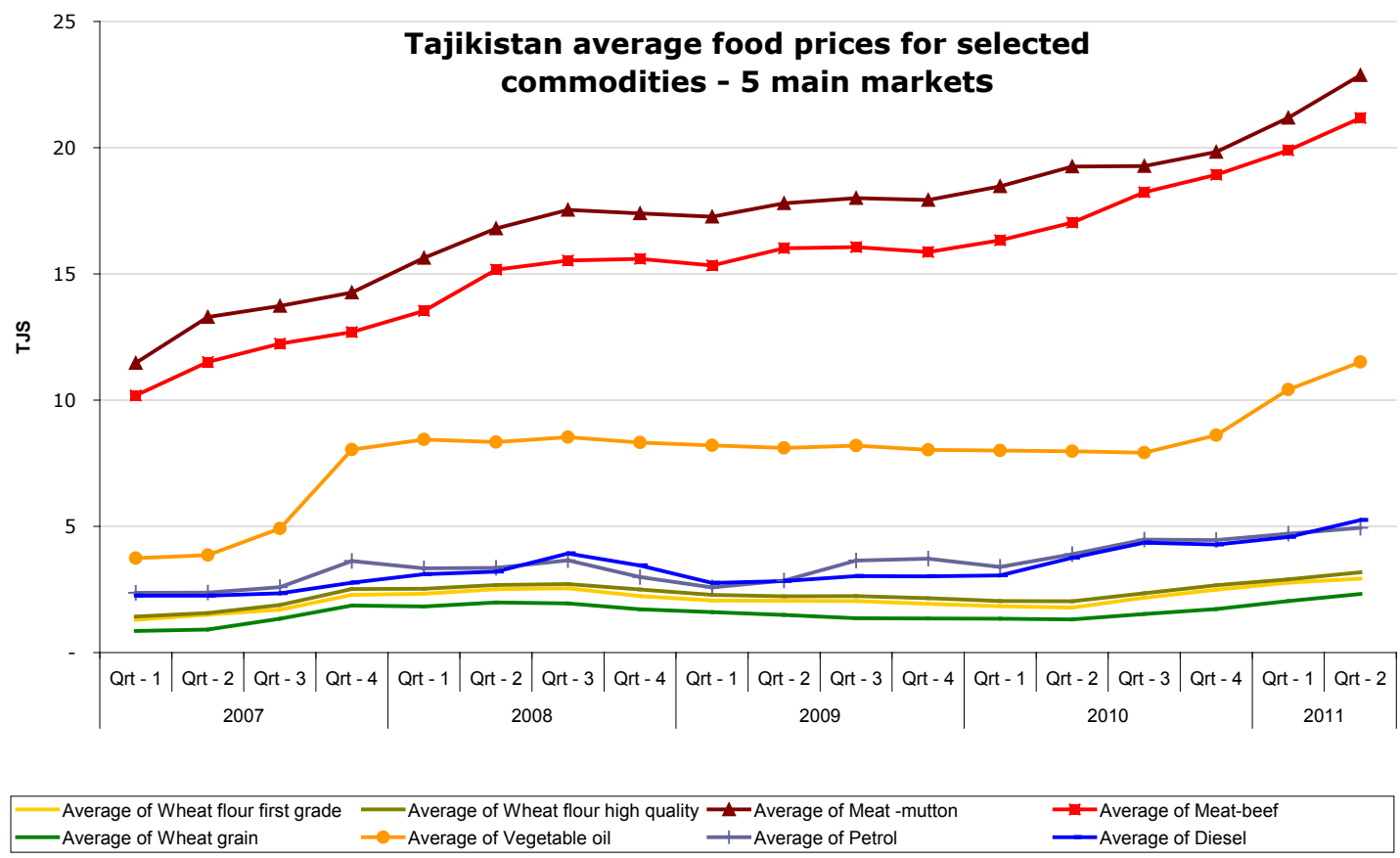
Oil prices increased on average 6.3% for vegetable oil and



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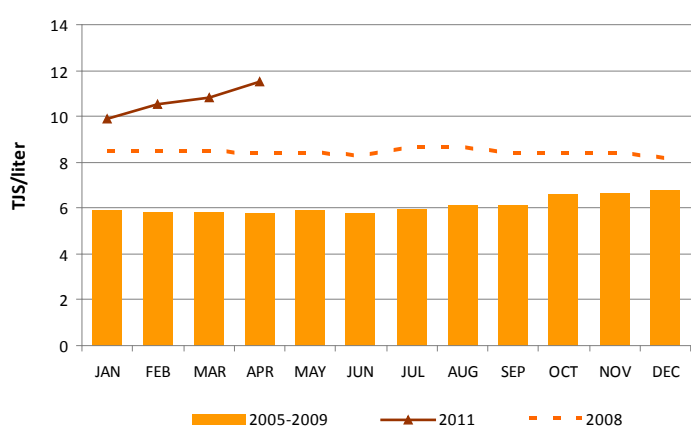
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WFP monitors weekly food prices in the five main markets of Tajikistan: Dushanbe, Kurgan-Tuybe, Khujand, Gharm and Khorog. This report presents an overview of the month of April 2011 prices for food commodities and fuel and consumer trends and the outlook for the next month.



4.7% for cotton oil, rising well above the peak in 2008. Prices are 44% higher for vegetable oil and 33% for cotton oil in comparison with the same month of 2010.

Vegetable oil: Average nominal retail prices in Dushanbe, Gharm, Khujand, Khorog & Kurgan-Tyube



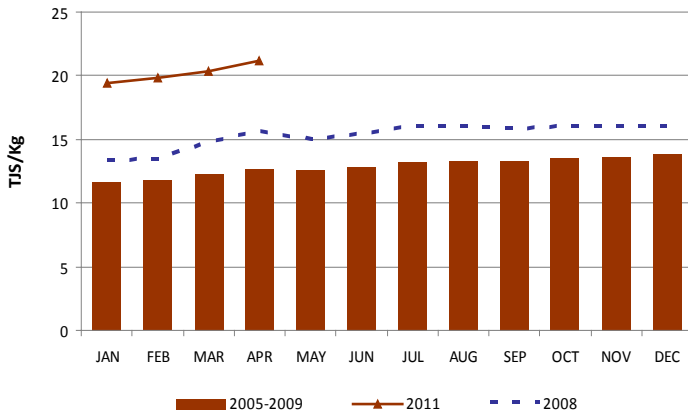
The highest price for vegetable oil has been recorded in Gharm, with a 41% increase compared to the previous month and 68% compared to the same period of 2010. The primary reasons for the sharp increase in the region were low stock of the commodity in local markets and higher transport expenses, related to transportation from Dushanbe markets.

Prices for meat (mutton and beef) rose by 4%, as the cost of fodder for livestock increased as a result of seasonal shortages and an increase in the price of fuel and transportation costs.

The highest increase in the price for meat was observed in Kurgan-Tube, where, compared to the previous month, prices for beef meat increased 8.5% and for mutton 11.2%. Meat prices increased in other markets as well, reaching around \$5 per kilo for mutton and \$4.70 for beef, an increase of 20% and 24.7% respectively compared to the same period last year.



Beef: Average nominal retail prices in Dushanbe, Gharm, Khujand, Khorog & Kurgan-Tyube



Fewer stocks and consequent higher prices were observed for vegetables and tubers (carrot, cabbage, potato, onion, etc.) in all markets. Additional expenses for transportation of the stocks from the Dushanbe to other regions adversely affected the prices for vegetables in regional markets, driving them up and reaching record levels as well. The upcoming harvest should relieve the pressure on prices of vegetables. The same should happen for fruits later in the season.

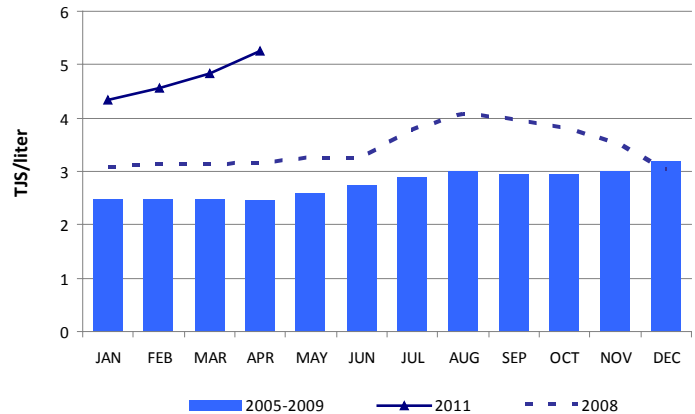
To keep food prices stable, the Dushanbe Mayor's office earmarked 20 million somonis (\$4.5 million) for procurement of food commodities both from abroad and local manufacturers for sale in Dushanbe markets.

Fuel prices hit new high levels

In April prices for diesel in Tajikistan rose by 8.6% compared to March. This represents an increase of 64% in comparison to April 2010. The price increase is the result of a combination of factors: i) increase in world oil prices, ii) increment in Russia's export duties for fuel imported to Tajikistan by 5.3 percent in March and in April 2011, iii) increase in transit duties by Uzbekistan on Tajikistan-bound cargoes and iv) the on-going cultivation season in the country, when the demand for fuel, specially for diesel, normally increases.

By the end of April, prices for fuel show a sharp rise of 10% in Khujand and 13% in Kurgan-Tube fueling stations compared to the week before.

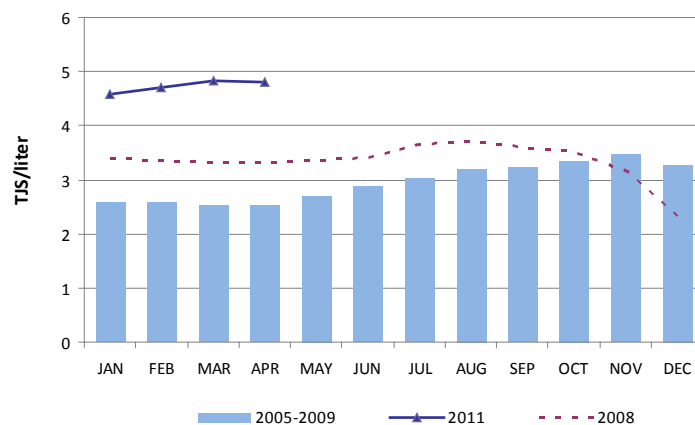
Diesel: Average nominal retail prices in Dushanbe, Gharm, Khujand, Khorog & Kurgan-Tyube



The hike occurred when news of a possible ban and higher export duties for fuel was announced by Russia to curb its oil exports and prevent further fuel shortage in its domestic market.

Prices for petrol also had a 2.2% rise compared to previous month and are now 44% higher than April 2010, reaching average of \$1.1 per litter from \$0.78 of the April last year.

Petrol: Average nominal retail prices in Dushanbe, Gharm, Khujand, Khorog & Kurgan-Tyube



Impact of high prices of fuel on food and other prices

Higher prices for oil products directly affect the cost of food in the country. In addition to the increase in costs of transportation of food and others products, the rise of prices of fuel also puts pressure on costs related to the planting season such as agricultural machines and irriga



tion pumps leading, according to dehqan farm associations to less sowing in many parts of the country.

Rising prices for oil will also ultimately work their way through to the prices of vegetables and animal fodder affecting prices for milk and dairy products depriving households of essential nutrients intake such as proteins and vitamins.

Cost of the Food basket

The cost of the minimum food basket is at its highest since November 2007: TJS134.7/\$29.8 per person per month. It has never been more expensive in Tajikistan to buy the minimum required 2,100 kg needed to be healthy. The increase of the cost of the minimum food basket is the most important threat to households' food security right now as the inflation of food and fuel price ultimately reduces the purchasing power of poor families in both urban and rural areas.

As witnessed all over the country, households have reduced their food intake and coped by relying on less expensive and therefore food of a lesser quality. Tajikistan already has the highest rate of chronic malnutrition in the CIS region. On the long term, a high-priced food basket will greatly affect further the nutritional status of the most vulnerable.

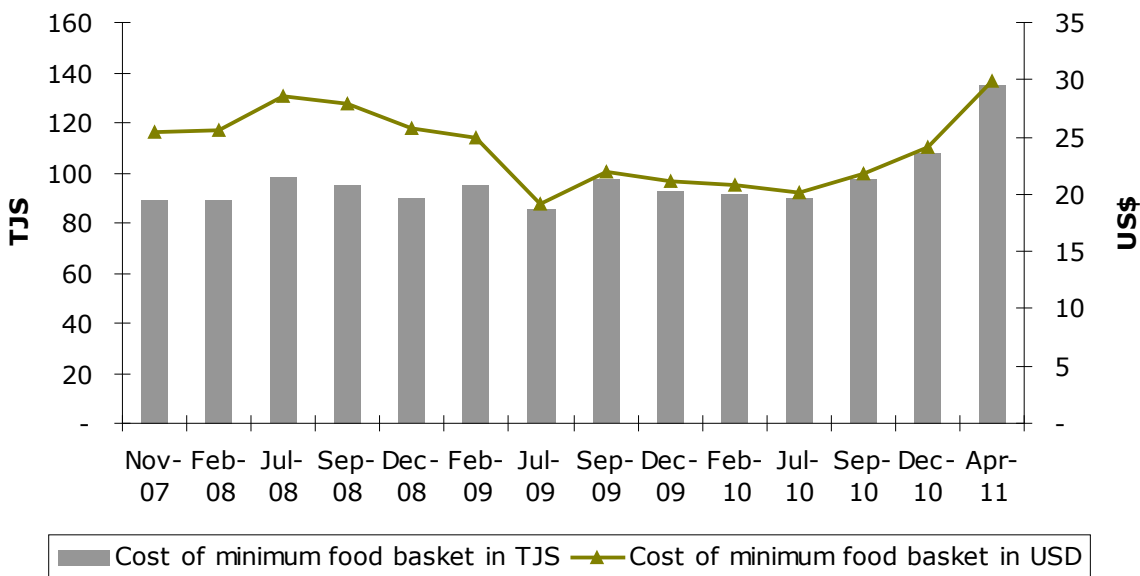
Outlook for the next three months

Prices of both local and imported food commodities are expected to increase in the country's five main markets, driven by rising fuel prices and increase of transportation costs.

The rise in fuel and food prices is expected to push up the demand for foreign exchange to finance imports, which leads to the local currency's depreciation and higher prices for imported food products. The depreciation could nonetheless help mitigate some of the high food costs as many families in Tajikistan depend on remittances as a main income, bringing or sending foreign currency, which will compensate for the decrease in purchasing power.

The outcome of the 2010/2011 agricultural campaign is still unknown but experts estimate that the cereal harvest will be reduced this year, probably by between 20 to 30% compared to last year due to the lack of rains since October 2010. Until the harvest, prices for wheat grain and locally produced flour should remain fairly stable. The increased pressure on prices for vegetables should start to be relieved in May/June. Some of the Government's interventions should also help mitigate the increase of food prices but fuel prices are not forecasted to decrease in the short term.

Cost of minimum food basket (per person per month)



The Tajikistan Market Price Report is produced by the World Food Programme.

For more information on prices trends in Tajikistan, visit: www.wfp.org/food-security

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