Overview of Tajikistan’s main markets prices in May

Prices for staples, including wheat flour, remained stable, but were still at record high levels. Price of fuel (both diesel and petrol) reached their highest levels since 2002. This follows Russia’s decision to impose new export duties on top of increased tariffs for oil as of February 2011. Increased transportation costs put upward pressure on the prices of meat and cotton oil.

Current prices and trends

After several months of increases wheat flour and wheat grain prices leveled off during April and remained stable during May. Price increases for these commodities in Kazakhstan over the past several months and higher transport expenses explain a large part of the wheat and wheat flour’s prices increases in Tajikistan. Prices for wheat grain have increased by 78% and for wheat flour first grade by 64% since May 2010. Average retail prices for wheat, meat, vegetable oil and diesel for April are presented on the next page.

Increased prices were reported for cotton oil, meat, eggs, vegetables and tubers. The steady rise in price for vegetable oil in the past months resulted in higher demand for comparably cheaper cotton oil and subsequent increase of its price in all markets.

Prices for cotton oil increased on average 7% compared to the previous month, rising well above the peak set in 2008 and at present remaining 45% higher in comparison with the same month of 2010. The higher transport expenses of cotton oil from Dushanbe to other regions is one of the reasons for the price rise in local markets.

Highlights

• Retail food prices are at their highest levels since WFP started to monitor food prices in 2002.
• An increase in petrol export duty of 44% by Russia from May 1st resulted in a price spike for fuel in country’s markets.
• The Government, at the highest levels, is expressing serious concern regarding the rise in the prices of fuel and the impact on economy.
• The Tajik Anti-Monopoly Service under the Government of Tajikistan is seeking to initiate the official regulation of retail prices for essential commodities and services. It is expected that the Government will approve.

WFP monitors weekly food prices in the five main markets of Tajikistan: Dushanbe, Kurgan-Tuybe, Khujand, Garm and Khorog. This report presents an overview of the month of May 2011 prices for food commodities, fuel and consumer trends, along with the outlook for the next months.
Prices for meat rose by 7% for mutton and 9% for beef, as the prices of fodder for livestock increased because of seasonal shortages and an increase in the price of fuel and transportation costs.

Government officials and local experts also blame speculators and illicit dealers for artificially raising prices for food products, particularly for meat.

The highest increase in the price of meat was observed in Khujand, where, compared to the previous month, prices for beef rose 11% and for mutton 15%. Meat prices increased in other markets as well, reaching around TJS24.5/US$5.3 per kilo for mutton and TJS23/US$5 for beef, an increase of 6% compared to last month and 26% and 35.5% respectively compared to the same period last year.

Fewer stocks and consequent higher prices were observed for vegetables and tubers (potato and carrot) in all markets. The price of potato increased by 22%, reaching an average of $0.57 per kilo. Additional expenses for transportation of the stocks from Dushanbe...
to other regions adversely affected the prices for vegetables and tubers in regional markets, driving them up to record levels.

A decrease was observed in prices for onions and cabbage in the last week of May, when the new harvest entered markets in Kurgan-Tyube and Khujand. The upcoming harvest should relieve the pressure on prices of some other types of vegetables as well.

Following a sharp increase in the prices of basic food products for the purpose of keeping food prices stable, the Dushanbe municipal government requested market traders to lower their prices for wheat flour and meat. Merchants selling meat have been requested to sell the commodity only at prices determined by the Mayor’s office.

In addition, the Dushanbe Mayor’s office earmarked 24 million somoni (US$5.2 million) for the procurement of food commodities, both from foreign and local producers, organizing a food reserve and providing interest free loans to entrepreneurs.

To stabilize the situation with the prices in the country’s markets, the Tajik Anti-Monopoly Service under the Government of Tajikistan has initiated a document setting up the retail margins for some essential commodities, including fuel. The draft of the document has been disseminated among the government authorities and structures for review and comments, before being put into effect.

**Fuel prices hit new high levels**

Fuel prices rose steadily in all fueling stations across Tajikistan.

In May prices for diesel rose by 18.6% compared to April. This represents an increase of 67.7% in comparison to May 2010.

The price increase is the result of a combination of factors: i) increase in world oil prices, ii) 5.3% increment in Russia’s export duties for fuel imported to Tajikistan in March and in April and 44% in May, iii) increase in transit duties by Uzbekistan on Tajikistan-bound cargoes and iv) the on-going cultivation season in some parts of the country, when the demand for fuel, especially for diesel, increases.

On 10 May, Tajikistan’s State Procurement Agency (SPA) started selling 3,000 tons of diesel fuel from government reserves to Farming Units in the country to prevent further price increases of diesel and any shortages in the domestic market. 2,000 tons of diesel from total amount have been sold to farmers in Sughd and Khatlon regions and the remainder distributed in other areas of the country.

Prices for petrol also had a 16% rise and are now 51% higher than last May, reaching on average $1.25 per liter over $0.86 of May last year. The increase occurred when the Russian government increased the petrol export duty by 44% to curb exports and prevent fuel shortages in its domestic market.
Cost of the Food basket

The food basket is calculated using the average food needs for an individual per month to reach the daily needed 2,100 kcal. It is based on 11 food groups and developed by both the World Bank and the State Agency for Statistics.

The cost of the minimum food basket this month is TJS137.82/$29.94. It remains at a similar level as last month (see graph below) and one of the highest the food crisis of 2008. The main difference between April and May is the decrease of prices of fruits and the increase in milk products and some vegetables. For the two most important items in the basket, oil increased slightly but wheat remained similar at last month - TJS45 per month per person.

Households will keep their food intake reduced and continue to rely on less expensive food of a lesser quality.

Outlook for the next three months

Russia increased the export duties for petrol by an additional 1.8% as of 1 June 2011 ($415.8 instead of $408.3 per ton).

Prices of imported food commodities are expected to increase further due to rising fuel prices, subsequent increase in 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 inflation rate was 6.9% during January-May 2011 and is expected to reach 10% by the end of the year, according to the IMF.

Crop yields from the 2010/2011 agricultural campaign are 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.

In May precipitation was generally below average and occurred at lower elevations during the first 10 days in the month. The lowest precipitation observed in April in several districts of Khatlon region, might affect crop production on non-irrigated lands. (earlywarning.tj@undp.org)

Before the harvest, prices for wheat grain and locally produced flour should remain fairly stable. The increased pressure on prices for vegetables and legumes (potato and carrots) should start to be eased in June.

Some of the Government’s interventions should also help mitigate the increase of food prices, but fuel prices are not forecast to decrease in the short term.

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1 Eleven groups are: Bread, cereals (44% of the basket); Meat (9.8%); Fish (0.1%); Milk, eggs, cheese (6.3%); Butter, oil and fats (12.4%); Fruits (7.6%); Vegetables (11.3%); Sugar, jam, honey (6.7%); Spices (0.6%); Coffee, tea (1.5%); Mineral water, soft drinks, juices (0.2%)