Highlights

- Retail food prices are at their highest levels since WFP started to monitor food prices in 2002.
- Russia lowered the export duties for fuel by 3.7% as of 1 July 2011.
- Rising prices for oil products and food have been pushing up the inflation rate, which has risen 7.1% since January 2011, according to National Bank of Tajikistan (NBT).

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

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**Current prices and trends**

**Wheat flour** prices decreased by around 5% over the month in Dushanbe and remained stable in other regions due to sufficient supply and availability in the markets. However, despite the recent harvest, retail prices for **wheat grain** increased in Kurgan-Tyube by 11% and Gharm by 10% possibly due to higher demand for cheaper, locally milled wheat.

Wheat grain price has increased by 74% and wheat flour (first grade) by 47% since July 2010. In Kurgan-Tyube the rise is 93% and 52%, respectively.

**Vegetable oil** prices were unchanged due to sufficient supply, but are still 49% higher than in July 2010. Vegetable oil dropped by 8% in Kurgan-Tyube in the first week of the month as the commodity was spoiling in the severe heat of the region at the same time that fresh supplies were entering the markets.

**Maize** rose by 62% in Kurgan-Tyube and 32% in Dushanbe because of high demand for seeds following the start of the cultivation season. The fall harvest will be used mainly as livestock fodder. Maize prices increased by 23% in Gharm over the month because of shrinking supplies ahead of the harvest.

**Potato** prices fell when the new crop entered the markets. However, additional expenses for transportation and a comparably lower harvest drove prices up by 43% compared to the same period of the last year.

**Meat prices** rose by 4% over the month on average. Prices were highest in Khujand because of increased price for fodder and low supply of meat in the markets. Beef prices increased by 10% and mutton by 11% over the month.

In Kurgan-Tyube, the price of mutton rose by 8% and beef increased by 11% after local authorities lifted price controls in the market. In June, the authorities put pressure on butchers in Kurgan-Tyube to sell meat at 10% reduced prices. However, the quality of beef and mutton sold at reduced prices was very poor. Moreover, the butchers retaliated by selling their meat privately out of their own homes at unregulated prices.
Petrol rose by 3%. This represents an increase of 38% in comparison to July 2010. The new supplies with lower duties arriving in the country after mid July did not have much impact on prices for petrol. Shortages were observed in some fuel stations.

According to the statistical data from the Customs Service, Tajikistan’s fuel imports have fallen 11 percent over the first five months of this year (“Asia-Plus” Newspaper, July 6, 2011).

Outlook for the next three months

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. According to National Bank of Tajikistan (NBT), the inflation rate was 7.7% during January-July 2011. The International Monetary Fund (IMF) predicts the rate will reach 10% by the end of the year.

A good wheat harvest in Kazakhstan this year may contribute to stable and adequate supplies of wheat flour to Tajikistan. In the wake of the harvest, prices for wheat grain and locally produced flour should remain stable or slightly decrease in coming months. However, imported wheat flour prices will remain high and are not expected to decrease with the onset of the autumn cultivation season. It should be aggravated if the exchange rate of the US Dollar to the Somoni continues the current trends (US$1/TJS4.72 in June 11 vs US$1/TJS4.76 in July 11).

Food prices in general will rise during Ramadan due to high demand. Food and fuel may increase later in September and October as well, when the fall cultivation starts.

A dramatically higher rate of remittances in 2011 - 129% for the first five months of 2011 compared to the same period last year -- should help mitigate the effects of the high food prices and will continue to play a crucial role in acquiring the minimum food basket.

The Cost of the Minimum Food Basket

The minimum food basket is calculated using the average food needs for an individual per month to reach the daily requirement of 2,100 kcal. It is based on 11 food groups (meat, fish, milk, eggs, cheese, butter, oil and fats, fruits, vegetables, sugar, jam, honey, spices, coffee, tea, mineral water, soft drinks, juices).

The cost of the minimum food basket this month is TJS124.81/$26.12. The main difference between June and July is the decrease of prices of wheat flour in Dushanbe and fruits/vegetables and the increase in sugar.