Highlights

- The prices for wheat flour started rising country-wide.
- The Government is attempting to regulate staples prices during Ramadan through subsidised sales from national reserves. Sales of wheat flour in Dushanbe are estimated at 10% of market supplies.
- Tajikistan decreased the import of fuel from Russia by 24% for the past 7 months. The gap was filled by increasing the delivery from other countries and additional import of liquefied gas from Kazakhstan.
- The inflation rate since the beginning of the year was 2.9%, according to the National Bank of Tajikistan. The Economist Intelligence Unit (EIU) predicts inflation for 2012 to be at around 7.5%.
**Wheat flour** prices increased by 1% in Dushanbe and 8% in Khujand throughout July due to demand outweighing supply. The Government continued monitoring the markets, regulating prices for main staples, including wheat flour. That led many traders holding back their stocks until the Ramadan ends. As a result, sharp increase of prices was observed by the end of July and beginning of August, when inadequate supplies pushed up the prices for first grade wheat flour in all markets. The highest increase was observed in Dushanbe and Khujand, where in comparison with the first two weeks of July prices increased by 17%.

The prices for locally produced **wheat grain** dropped by 5% country-wide and 10% in Dushanbe and Kurgan-Tyube markets respectively due to the on-going domestic harvest.

Country-wide, prices for wheat flour are down 19% and wheat grain 5% compared to the same period last year.

**Vegetable oil** slightly decreased (by 1%) in Dushanbe and remained unchanged in all other markets due to adequate supplies, including locally produced cotton seed oil. Vegetable oil was 3% lower than July 2011. 5% increase over a 1 year period was observed in Gharm due to additional expenses for transportation from Dushanbe.

**Meat** prices increased by 1.5% country-wide. High prices for animal feed and transportation costs reduced availability of meat driving up the prices. Mutton increased by 8% and beef by 5% in Khorog due to insufficient supply resulting from the tense security situation faced in July and difficulties in transportation of meat from the regional markets. However, mutton dropped by 1% and beef by 4% in Dushanbe, following the decision of the city administration to fix prices of meat at lower levels (TJS29.00/USD7.55 per 1 kg) during Ramadan period.

The rise year on year was 20% for meat. The highest increase was observed in Gharm and Dushanbe markets, where meat prices increased by 28% and 35% respectively since July last year.

**Potato** prices increased on average 4% due to high demand but limited supplies entering markets. The highest increase in the prices for potato was observed in Khorog and Kurgan-Tyube markets, where, compared to the previous month, prices rose by 8% and 11% respectively.

High transportation costs and lack of return cargo (particularly from Kurgan-Tyube) resulted in delivery of insufficient supplies from other regions driving prices up by 40% in Dushanbe and 50% in Kurgan-Tyube over July 2011.

Country-wide, prices for potato are up by 29% in comparison with the same period of last year.

**Rice** prices remained stable in all markets. However, the prices remain high compared to the same period last year. Rice rose by 15% over July 2011 country-wide, following the loss of the rice harvest due to early snows and frost last fall. The greatest increase in rice prices was in Kurgan-Tyube (39%).
Diesel prices remained stable in all markets with a very slight increase in Khujand (1.3%) because of adequate availability. Diesel prices have increased by 5% country-wide and by 10% in Dushanbe fuel stations since July 2011.

Petrol prices rose by 1% country-wide. 3% increase was observed in Khorog due to insufficient supply from Dushanbe, following temporary closure of the highway connecting the capital with Khorog due to security reasons.

Petrol prices remain 2% higher than in July of the previous year country-wide and 5% in Dushanbe and Khorog.

Special focus on: Grain harvest in Kazakhstan. According to the Kazakhstan’s Ministry of Agriculture due to insufficient precipitation, the country’s net grain harvest will be reduced by 50% compared to 2011 and is projected at 14 million metric tons. In 2011, Kazakhstan enjoyed a record harvest. The country’s grain harvest exceeded 29 million metric ton, including 24 million metric tons of wheat. However, reduced harvest this year may well put upward pressure on prices of exported wheat and wheat products, including for Tajikistan, which imports 95% of its external wheat requirements from Kazakhstan.

Outlook for the next three months

There are indications of reduction in wheat production in Kazakhstan, but there are still significant stocks and large sales are expected in coming months to free storage space for the new crop. Therefore, Kazakhstan good harvest of 2011 will further contribute to adequate supplies of wheat flour to Tajikistan. However, increase of the export price by about 6% in July 2012 on a month-on-month basis, will put upward pressure on wheat and wheat flour prices in Tajikistan.

According to the Ministry of Agriculture, Tajikistan expects an increased grain production in 2012 due to favourable weather and when farmers switched from growing cotton after a fall in world prices. That should help keep wheat prices stable.

The Government interventions, particularly the use of strategic reserves and subsidized sales may contribute in stabilizing food prices during Ramadan celebrations, when food prices in general rise, however, the scale of these interventions is too small to significantly influence price trends and sales do not target the neediest and poorest consumers.

Fuel price will rise, particularly in September and October, when the fall cultivation starts in the country and the demand for fuel, especially for diesel, increases.

The Cost of the Minimum Food Basket

The cost of the Minimum Food Basket this month was TJS135.96/US$28.09, slightly higher than in June (TJS134.97/US$27.62). The difference was due to higher prices for wheat flour and vegetables (particularly cabbage) in Dushanbe markets, where prices are used for the calculation of the Minimum Food Basket.