

Price Monitoring for Food Security in the Kyrgyz Republic

This issue of the Price Monitoring Bulletin is prepared based on the operational daily food price data collected by the National Statistics Committee from 18 markets across the country and disaggregated at province level as the average value (Chuy province - Tokmok, Kara-Balta; Osh province - Osh, Uzgen, Kara-Suu and Nookat; Talas province - Talas and Manas; Naryn province - Naryn and Chaek; Batken province - Batken and Isfana; Jalal-Abad province - Jalal-Abad, Toktogul and Kerben; Yssyk-Kul province - Karakol and Balykchy; and Bishkek city). This is a secondary data analysis.

Highlights

SITUATION UPDATE: The global economy is recovering faster from the effects of the pandemic accelerated by the stimulating measures of state support and the easing of quarantine restrictions thanks to ongoing mass vaccinations across countries. For the Kyrgyz Republic, the recovery of business activities in trading partner countries also contributes to the restoration of trade and economic relations. However, high uncertainty remains regarding the development of both global and regional economies, given the risks of new strains of COVID-19. Although, there are some signs of economic recovery as the positive inflow of foreign currencies into the country shows, from January-June 2021, GDP remained 1.7 percent lower compared to the previous year, totalling 271 billion Kyrgyz soms. From January-May 2021, the net inflow of remittances from individuals increased by 45.3 percent, amounting to USD 778.1 million compared to the same period last year. In June 2021, compared to the same period last year, the Consumer Price Index, which measures price inflation, increased by 10.8 percent for all goods and services and by 17.6 percent for staple foods (+25 percent for meat, +6 percent for bread products, +11 percent for milk and dairy products, +51 percent for oils and fats, +22.3 percent for vegetables and +25.7 percent for sugar). The observed increase in food prices in world markets and the limited supply in producing countries will determine whether consumer prices in the country risk to continue to grow for the second half of 2021. Rising food prices are also affecting households' access to a nutritious diet, vital for all-around growth and development. The Ministry of Agriculture, Water Resources and Regional Development of the Kyrgyz Republic submitted a draft resolution 'On goods subject to a value-added tax at the rate of zero (0) percent to stabilize market prices for food products' to the Cabinet of Ministers for public discussion to propose a 'Zero VAT' for the period from 1 June to 31 December 2021 for the taxable imports of granulated sugar, vegetable oil and livestock. The Government continues to monitor and stabilize food markets across the country through price controls on 11 essential food items and to regulate import and export volumes.

The following section discusses the average prices for the four weeks from 2 to 30 July 2021 in comparison to the previous four weeks, the previous month's average (June 2021), the monthly average in February 2020 (before the COVID-19 outbreak began in the country) and the annual average of July 2020. The monthly monitoring of food prices revealed a significant increase in wheat prices.



- **WHEAT:** During the weeks from 2 to 30 July 2021, the national retail prices of wheat increased by 14 percent (or by 4 KGS), reaching an average price of 29.67 KGS/kg. As of 30 July 2021, the highest price of wheat was observed in Bishkek city and Jalal-Abad province (35 KGS/kg) and the lowest price was in Talas and Issyk-Kul provinces (24 KGS/kg). Globally, higher cereal prices were driven by supply shortfalls in major exporting countries, strong demand, new and rumoured export restrictions, and export wheat taxes in some major producing countries. Wheat prices rose in most major exporting countries in December and early January, reflecting the news of new export restrictions in the Russian Federation. The Russian Federation export quota and export tax do not apply to EAEU countries. The locally produced wheat is also used for feeding livestock. Prices were 21 percent higher compared to June 2021, but were 40 percent and 56 percent higher compared to July and February 2020, and continued to be higher than normal annual price fluctuations, within 15 percent of the benchmark.




- **OIL (COOKING):** The national retail prices of vegetable oil slightly decreased by 1 percent from the previous month (181.07 KGS/L). As of 30 July 2021, the highest price was in Batken province (183 KGS/L) and the lowest was in Talas province (16,974 KGS/L). The Kyrgyz Republic has a high import dependency on vegetable oil due to its low internal production and its low capacity for the processing of oil seeds. The trend of increasing vegetable oil prices was caused by increasing export prices in the Russian Federation and Kazakhstan, attributed to unfavourable weather conditions and a consequently lower harvest. Compared to June 2021 and July 2020, the prices were 2 percent and 81 percent higher, respectively, an increase above normal annual price fluctuations. The prices were 90 percent higher compared to February 2020.





- **SUGAR:** The national retail prices of sugar slightly decreased by 1 percent, leading to an average price of 65.48 KGS/kg. The past months increase in sugar prices was in line with seasonal fluctuations and global trends as historically proven by the positive correlation between global and national prices. Globally, sugar prices increased in 2020 due to the prospect of lower sugar outputs in both Brazil and India, the two largest sugar-producing countries, caused by below average rainfalls. As of 30 July 2021, the highest prices were observed in the southern region—Osh, Batken and Jalal-Abad provinces (68 KGS/kg), while the lowest prices were in Yssyk-Kul province (61 KGS/kg). The price of sugar was 47 percent and 59 percent higher than July 2020 and February 2020 levels, respectively, an increase significantly higher than normal annual price fluctuations.


Highlights

The rise in prices for sunflower oil and sugar is associated with an increase in suppliers' prices, their significant reduction in volume due to poor harvests as well as the depreciation of the national currency.

 • **POTATOES:** The national retail prices of potatoes decreased by 23 percent from the previous period, reaching an average price of 38.82 KGS/kg. The price decrease is following seasonal fluctuations. As of 30 July 2021, the highest prices were observed in Batken province (39 KGS/kg) and the lowest in Chuy province (31 KGS/kg). The prices of potatoes were 7 percent and 76 percent higher than July 2020 and February 2020, respectively.

 • **MEAT (BEEF and MUTTON):** During the weeks from 2 to 30 July 2021, the national retail prices of meat increased by 2 percent for beef and by 1 percent for mutton compared to the previous month's levels, with an average price of 469.31 KGS/kg for beef and 492.97 KGS/kg for mutton. As of 30 July 2021, the highest prices were observed in Osh province at 483 KGS/kg for beef and at 519 KGS/kg for mutton. The latest increase in the prices of meat in the Kyrgyz Republic was caused by the restrictions imposed by Kazakhstan on the export of meat and livestock, which boosted the demand from Uzbekistan and encouraged the Kyrgyz Republic to increase its exports to Uzbekistan and increase feed prices. The Kyrgyz Republic banned the export of livestock to reduce the black market trading. The prices for beef and mutton increased by 4 percent and 5 percent, respectively, compared to June 2021 levels. The prices of beef and mutton rose by 31 percent and 42 percent, compared to July 2020, respectively, and by 34 percent and 53 percent, compared to February 2020, respectively, increases above normal annual price fluctuations.

 • **EXCHANGE RATE:** The situation in the domestic foreign exchange market is relatively stable as the National Bank is continuing to conduct foreign exchange interventions to prevent sharp fluctuations in the exchange rate. During the weeks from 2 to 30 July 2021, the Kyrgyz som remained stable at 84.8 KGS per 1 USD, the Russian ruble slightly depreciated from 72.91 RUB to 73.19 RUB per 1 USD, and the Kazakh tenge appreciated from 426 KZT to 424 per 1 USD. However, since the beginning of March 2020, these currencies had a sharp devaluation of 21 percent, 9 percent and 11 percent, respectively, against the US dollar according to the exchange rate of the National Bank. Lower remittance levels were among the factors affecting the weakening of the external position of the Kyrgyz som. Currency movements are one of the main driving forces of the retail prices of imported basic food commodities, including wheat, vegetable oil and sugar.

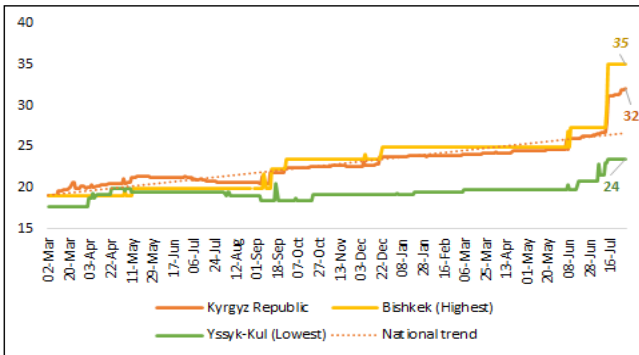
 • **GLOBAL OIL AND RETAIL PRICES:** Last year, crude oil prices slumped dramatically following the 'Russia-Saudi Arabia oil price war' in March 2020 and the decline in consumer demand with the spread of the COVID-19 pandemic further impacted the global economy. According to global forecasts, the full recovery of oil demand levels may not take place until 2022, while the demand for 2021 is expected to remain below 2019 levels. During the weeks from 28 June to 27 July 2021, WTI prices slightly decreased from 72.98 USD per barrel to 72.15 USD per barrel, while Brent prices remained stable at 74.79 USD per barrel to 74.78 USD per barrel. As of 27 July 2021, WTI and Brent prices remained 54 percent and 42 percent higher, respectively, than March 2020 levels. The oil price increase is attributed to a combination of factors, including the rollout of COVID-19 vaccines and a gradual easing of lockdown measures. The national retail prices for fuel (AI-92) significantly increased by 39 percent and for diesel by 25 percent as of 30 July 2021 compared to February 2021 levels, and by 54 percent and 36 percent, respectively, compared to July 2020, reaching 53.32 KGS/l for fuel (AI-92) and 46.53 KGS/l for diesel. The reason for the price increases was due to the global fuel price increase, a significant increase in oil producer prices (20 USD per ton) in the Russian Federation, the export ban of fuel in Kazakhstan, the devaluation of the local currency, and the increased demand and limited supply. According to the Kyrgyz Oil Association, from June to July 2021, Russian refinery prices increased by USD 70 per ton of gasoline and by USD 60 per ton of diesel fuel; this adds an additional 5.5 soms and 4.2 soms per litre of fuel, respectively. On 2 March 2021, the Kyrgyz Government banned fuel exports beyond the borders of the Eurasian Economic Union to stabilize prices for oil and oil products in the domestic market. Since the prices of diesel and petrol heavily impact food prices, the stability of diesel and petrol prices is critical, especially in rural areas across the country. At the same time, oil trading companies intend to continue the policy of stabilizing price increases and preventing abrupt changes.

Trends of Retail Prices of 12 Staple Foods (Weekly Trends) - Kyrgyz Republic

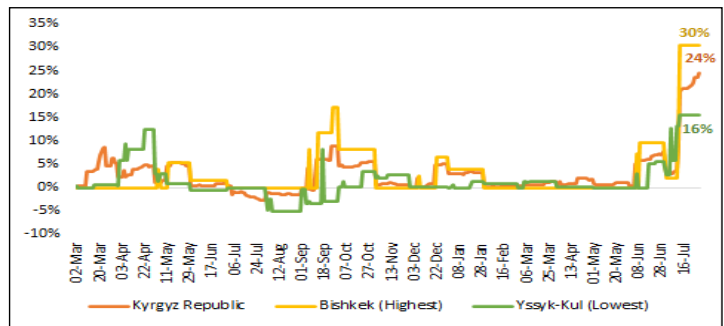
	2—30 July 2021 (KGS/kg)	4 June—2 July 2021 (KGS/kg)	Trend		2—30 July 2021 (KGS/kg)	4 June—2 July 2021 (KGS/kg)	Trend
Bread (1st grade)	50.05	49.08	2%	Rice (medium)	81.35	80.89	1%
Milk	36.86	36.96	0%	Sugar	65.48	66.34	-1%
Meat (beef)	469.31	461.86	2%	Wheat	29.67	26.02	14%
Meat (mutton)	492.97	485.48	1%	Wheat flour (1st grade)	38.67	38.48	0%
Oil (cooking)	181.07	182.20	-1%	Wheat flour (high-grade)	48.69	48.27	0%
Potatoes	38.82	50.55	-23%	Eggs	95.81	98.91	-3%

WHEAT

Pic 1. Retail wheat prices (KGS/kg)

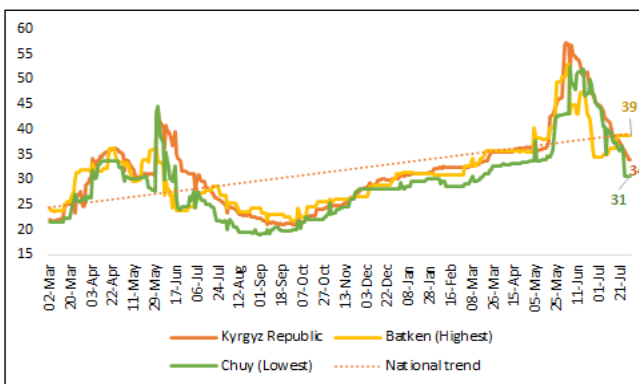


Pic 2. Growth rate of wheat, as a percentage of the daily prices from the previous average monthly price

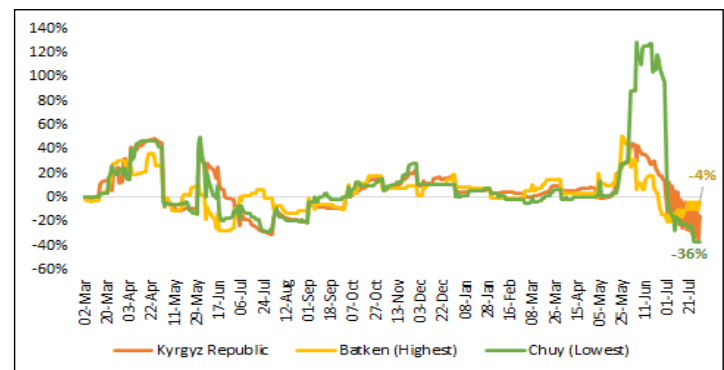


POTATO

Pic 3. Retail potatoes prices (KGS/kg)

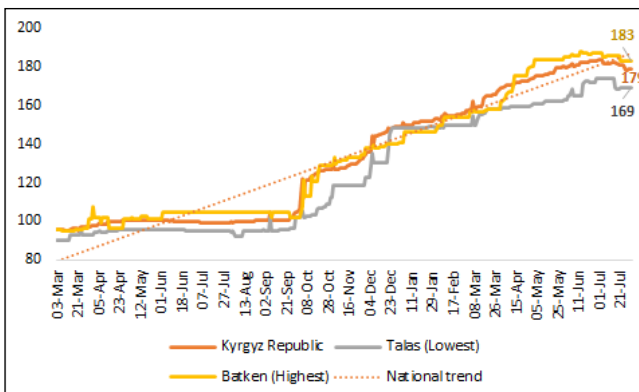


Pic 4. Growth rate of potatoes, as a percentage of the daily prices from the previous average monthly price

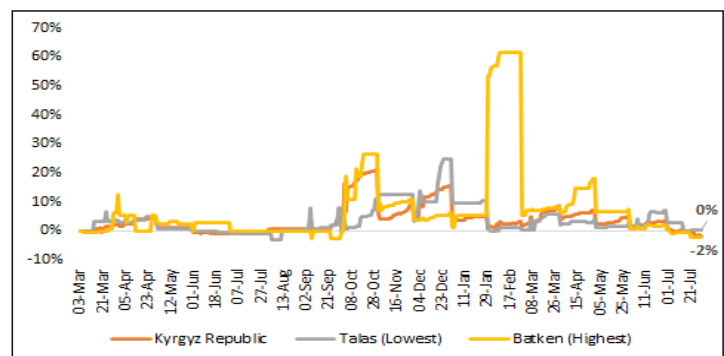


OIL (COOKING)

Pic 5. Retail vegetable oil prices (KGS/l)

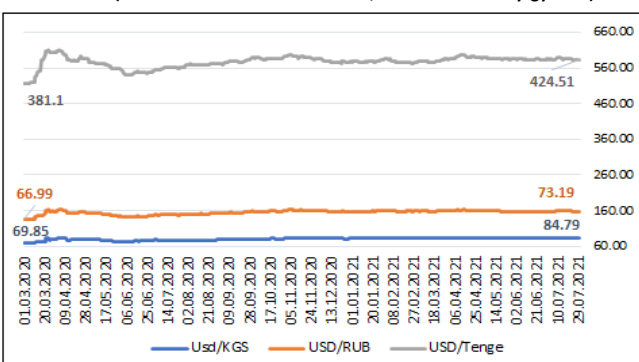


Pic 6. Growth rate of vegetable oil, as a percentage of the daily prices from the previous average monthly price



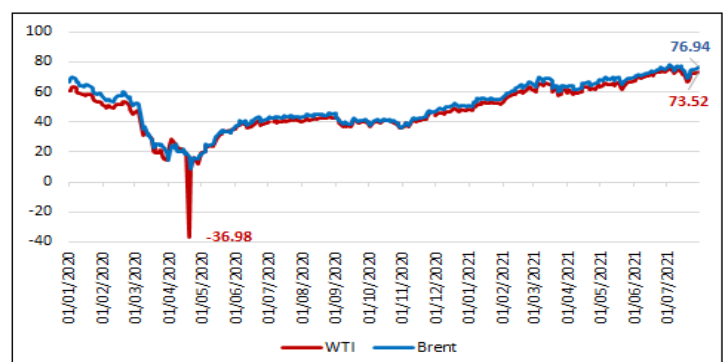
EXCHANGE RATE

Pic 7. Exchange rates of the Russian ruble, Kyrgyz som and Kazakh tenge against the US dollar (source: National Banks of Russia, Kazakhstan and Kyrgyzstan)












GLOBAL OIL PRICES

Pic 8. Daily WTI, Brent prices (Jan 2020 to 27 July 2021, source: EIA)



Annex: Prices of 13 Food Commodities

The table shows the changes of the average retail prices of the current day, current week and current month compared to the average prices of the previous month.

Province	Commodity	July 02 Price (KGS)	Change in Price (%)				Level of Fluctuation				Commodity	July 02 Price (KGS)	Change in Price (%)				Level of Fluctuation			
			02 - 30 July/04 June - 02 July	MONTHLY PRICE / PRICE/ June 2021	MONTHLY PRICE / PRICE/ July 2020	MONTHLY PRICE / PRICE/ b 2020	02 - 30 July/04 June - 02 July	MONTHLY PRICE / PRICE/ June 2021	MONTHLY PRICE / PRICE/ July 2020	MONTHLY PRICE / PRICE/ b 2020			02 - 30 July/04 June - 02 July	MONTHLY PRICE / PRICE/ June 2021	MONTHLY PRICE / PRICE/ July 2020	MONTHLY PRICE / PRICE/ b 2020				
	Bread (1st grade)	57	0%	0%	12%	12%	▶	▶	▶	▶	Potatoes	39	-12%	-8%	38%	51%	▶	▶	▶	▶
	Bread (lepeska)	66	2%	2%	8%	8%	▶	▶	▶	▶	Rice (medium)	90	1%	9%	10%	20%	▶	▶	▶	▶
	Eggs	97	-1%	-3%	23%	15%	▶	▶	▶	▶	Sugar	68	-2%	-3%	48%	57%	▶	▶	▶	▶
	Meat (beef)	457	3%	3%	30%	30%	▶	▶	▶	▶	Wheat	31	5%	9%	24%	41%	▶	▶	▶	▶
	Meat (mutton)	500	0%	1%	43%	43%	▶	▶	▶	▶	Wheat four (1st quality)	40	-1%	-1%	1%	17%	▶	▶	▶	▶
	Milk	40	0%	-2%	4%	4%	▶	▶	▶	▶	Wheat four (high grade)	48	-1%	-3%	9%	9%	▶	▶	▶	▶
	Oil (cooking)	183	-1%	0%	77%	93%	▶	▶	▶	▶										
	Bread (1st grade)	51	2%	2%	6%	10%	▶	▶	▶	▶	Potatoes	34	-25%	-1%	0%	0%	▶	▶	▶	▶
	Bread (lepeska)	72	1%	1%	9%	9%	▶	▶	▶	▶	Rice (medium)	74	0%	2%	0%	1%	▶	▶	▶	▶
	Eggs	94	-3%	-10%	27%	26%	▶	▶	▶	▶	Sugar	63	-2%	1%	45%	61%	▶	▶	▶	▶
	Meat (beef)	481	1%	3%	29%	32%	▶	▶	▶	▶	Wheat	35	19%	29%	61%	70%	▶	▶	▶	▶
	Meat (mutton)	493	1%	3%	41%	57%	▶	▶	▶	▶	Wheat four (1st quality)	39	1%	0%	-3%	19%	▶	▶	▶	▶
	Milk	38	-3%	-4%	3%	-4%	▶	▶	▶	▶	Wheat four (high grade)	48	0%	1%	3%	18%	▶	▶	▶	▶
	Oil (cooking)	182	-1%	2%	83%	88%	▶	▶	▶	▶										
	Bread (1st grade)	45	1%	-1%	6%	14%	▶	▶	▶	▶	Potatoes	31	-26%	-8%	17%	64%	▶	▶	▶	▶
	Bread (lepeska)	68	0%	1%	0%	6%	▶	▶	▶	▶	Rice (medium)	85	-3%	-2%	0%	13%	▶	▶	▶	▶
	Eggs	97	-1%	-4%	-1%	26%	▶	▶	▶	▶	Sugar	65	-1%	0%	55%	70%	▶	▶	▶	▶
	Meat (beef)	458	2%	3%	2%	39%	▶	▶	▶	▶	Wheat	27	12%	24%	35%	46%	▶	▶	▶	▶
	Meat (mutton)	478	2%	6%	2%	50%	▶	▶	▶	▶	Wheat four (1st quality)	42	2%	2%	9%	20%	▶	▶	▶	▶
	Milk	35	4%	2%	13%	-5%	▶	▶	▶	▶	Wheat four (high grade)	50	3%	3%	7%	13%	▶	▶	▶	▶
	Oil (cooking)	176	1%	2%	83%	94%	▶	▶	▶	▶										
	Bread (1st grade)	60	5%	5%	5%	9%	▶	▶	▶	▶	Potatoes	33	-22%	-8%	-6%	59%	▶	▶	▶	▶
	Bread (lepeska)	81	5%	5%	0%	5%	▶	▶	▶	▶	Rice (medium)	86	0%	-1%	-6%	3%	▶	▶	▶	▶
	Eggs	106	-1%	-4%	25%	29%	▶	▶	▶	▶	Sugar	68	1%	1%	53%	66%	▶	▶	▶	▶
	Meat (beef)	466	3%	3%	32%	36%	▶	▶	▶	▶	Wheat	35	21%	23%	15%	44%	▶	▶	▶	▶
	Meat (mutton)	490	5%	6%	39%	43%	▶	▶	▶	▶	Wheat four (1st quality)	39	-1%	-2%	3%	10%	▶	▶	▶	▶
	Milk	35	4%	19%	23%	-6%	▶	▶	▶	▶	Wheat four (high grade)	48	4%	3%	7%	13%	▶	▶	▶	▶
	Oil (cooking)	179	-1%	2%	86%	99%	▶	▶	▶	▶										
	Bread (1st grade)	62	4%	4%	10%	15%	▶	▶	▶	▶	Potatoes	34	1%	25%	42%	96%	▶	▶	▶	▶
	Bread (lepeska)	71	2%	2%	10%	17%	▶	▶	▶	▶	Rice (medium)	70	1%	-2%	-2%	0%	▶	▶	▶	▶
	Eggs	97	-6%	-12%	22%	17%	▶	▶	▶	▶	Sugar	64	2%	1%	51%	69%	▶	▶	▶	▶
	Meat (beef)	477	-3%	0%	33%	42%	▶	▶	▶	▶	Wheat	29	27%	29%	7%	36%	▶	▶	▶	▶
	Meat (mutton)	480	-3%	1%	34%	45%	▶	▶	▶	▶	Wheat four (1st quality)	37	1%	1%	12%	17%	▶	▶	▶	▶
	Milk	25	0%	-2%	-4%	-23%	▶	▶	▶	▶	Wheat four (high grade)	45	0%	0%	12%	16%	▶	▶	▶	▶
	Oil (cooking)	179	0%	3%	84%	96%	▶	▶	▶	▶										
	Bread (1st grade)	62	0%	0%	0%	1%	▶	▶	▶	▶	Potatoes	36	-18%	-1%	28%	58%	▶	▶	▶	▶
	Bread (lepeska)	78	0%	1%	3%	7%	▶	▶	▶	▶	Rice (medium)	100	1%	3%	0%	8%	▶	▶	▶	▶
	Eggs	106	-4%	-4%	20%	88%	▶	▶	▶	▶	Sugar	68	-3%	-2%	41%	44%	▶	▶	▶	▶
	Meat (beef)	483	2%	5%	36%	3%	▶	▶	▶	▶	Wheat	26	1%	1%	18%	37%	▶	▶	▶	▶
	Meat (mutton)	519	2%	2%	43%	46%	▶	▶	▶	▶	Wheat four (1st quality)	40	-1%	-3%	1%	5%	▶	▶	▶	▶
	Milk	38	7%	8%	20%	7%	▶	▶	▶	▶	Wheat four (high grade)	51	0%	-2%	7%	8%	▶	▶	▶	▶
	Oil (cooking)	178	1%	12%	78%	88%	▶	▶	▶	▶										
	Bread (1st grade)	59	10%	11%	18%	27%	▶	▶	▶	▶	Potatoes	35	-21%	6%	8%	78%	▶	▶	▶	▶
	Bread (lepeska)	75	2%	5%	3%	21%	▶	▶	▶	▶	Rice (medium)	65	0%	0%	-4%	5%	▶	▶	▶	▶
	Eggs	94	-1%	-9%	15%	12%	▶	▶	▶	▶	Sugar	64	1%	2%	51%	62%	▶	▶	▶	▶
	Meat (beef)	446	2%	2%	26%	44%	▶	▶	▶	▶	Wheat	24	0%	0%	9%	54%	▶	▶	▶	▶
	Meat (mutton)	465	1%	5%	31%	49%	▶	▶	▶	▶	Wheat four (1st quality)	40	3%	1%	-5%	18%	▶	▶	▶	▶
	Milk	30	-7%	-7%	6%	6%	▶	▶	▶	▶	Wheat four (high grade)	52	2%	2%	26%	37%	▶	▶	▶	▶
	Oil (cooking)	169	1%	6%	79%	90%	▶	▶	▶	▶										
	Bread (1st grade)	48	4%	4%	2%	8%	▶	▶	▶	▶	Potatoes	33	-23%	8%	-2%	102%	▶	▶	▶	▶
	Bread (lepeska)	66	2%	2%	3%	8%	▶	▶	▶	▶	Rice (medium)	83	0%	0%	3%	5%	▶	▶	▶	▶
	Eggs	87	-4%	-12%	25%	16%	▶	▶	▶	▶	Sugar	61	-1%	0%	48%	73%	▶	▶	▶	▶
	Meat (beef)	454	0%	2%	28%	33%	▶	▶	▶	▶	Wheat	24	13%	17%	18%	31%	▶	▶	▶	▶
	Meat (mutton)	457	0%	5%	36%	49%	▶	▶	▶	▶	Wheat four (1st quality)	41	0%	0%	6%	15%	▶	▶	▶	▶
	Milk	28	0%	5%	-17%	49%	▶	▶	▶	▶	Wheat four (high grade)	56	0%	0%	14%	18%	▶	▶	▶	▶
	Oil (cooking)	170	-1%	0%	78%	-20%	▶	▶	▶	▶										
	Bread (1st grade)	52	2%	2%	5%	9%	▶	▶	▶	▶	Potatoes	34	-23%	-2%	7%	76%	▶	▶	▶	▶
	Bread (lepeska)	71	1%	1%	6%	8%	▶	▶	▶	▶	Rice (medium)	81	1%	2%	1%	5%	▶	▶	▶	▶
	Eggs	95	-3%	-8%	25%	25%	▶	▶	▶	▶	Sugar	65	-1%	0%	47%	59%	▶	▶	▶	▶
	Meat (beef)	478	2%	4%	31%	34%	▶	▶	▶	▶	Wheat	32	14%	21%	40%	56%	▶	▶	▶	▶
	Meat (mutton)	494	1%	5%	42%	53%	▶	▶	▶	▶	Wheat four (1st quality)	39	0%	0%	0%	16%	▶	▶	▶	▶
	Milk	37	0%	1%	6%	-5%	▶	▶	▶	▶	Wheat four (high grade)	49	1%	1%	5%	16%	▶	▶	▶	▶
	Oil (cooking)	179	-1%	2%	81%	90%	▶	▶	▶	▶										

▲ Price increase above normal price fluctuation

▶ Normal price fluctuation

▼ Price decrease below normal fluctuation

Price fluctuation is considered normal if change within:
+/- 5% for 1 month, +/- 10% for 3 months, +/- 15% for 1 year

▲ Price increase above normal price fluctuation
▶ Normal price fluctuation
▼ Price decrease below normal fluctuation

Price fluctuation is considered normal if change within:
+/- 5% for 1 month, +/- 10% for 3 months, +/- 15% for 1 year