

Price Monitoring for Food Security in the Kyrgyz Republic

Situation Update

From January-July 2021 there was a positive inflow of foreign currencies into the country with formal remittances increasing by 31.1 percent, amounting to USD 1.1 billion compared to the same period last year. Yet, from January-August 2021, GDP remained 0.7 percent lower compared to the previous year, totalling 405 billion Kyrgyz soms, due to the decline in industry, construction and agriculture sectors. In August 2021, compared to the same period last year, the Consumer Price Index, which measures price inflation, increased by 11.7 percent for all goods and services and by 18.8 percent for staple foods. A possible increase in the cost of a number of administrative prices and tariffs could further contribute to headline inflation in 2021. The abnormally high temperature this summer and the lack of irrigation water during the growing season led to a decrease in the yield of grain crops. The harvest of wheat decreased by 45.5 percent, barley - by 55.2 percent, potatoes - by 10.1 percent, melons - by 6.7 percent, fruit and berry crops - by 6.5 percent and vegetables - by 2.4 percent. This creates the risk of a decrease in egg production during winter due to the lower availability of feeding crops and consequently higher prices.

The observed increase in food prices in world markets, the limited supply in producing countries and the possible limited availability of staple foods due to decreased yields in Kyrgyzstan will lead to continued growth in consumer prices in the country in the remaining months of 2021 and in the first half of 2022. Rising food prices worsen the purchasing power of poor households, for which food already represent 65 percent of their expenses, and are affecting households' access to a nutritious diet, vital for all-around growth and development. To mitigate a further deterioration, the Government has purchased wheat for 1.5 billion KGS (approximately 17.7 million USD), and vegetable oil and sugar for 300 million KGS (approximately 3.5 million USD), for Material Reserve and 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 27 August to 24 September 2021 in comparison to the previous four weeks, the previous month's average (August 2021), the monthly average in February 2020 (before the COVID-19 outbreak began in the country) and the annual average of September 2020.



- **WHEAT:** During the weeks from 27 August to 24 September 2021, the national retail price of wheat remained stable, with an average price of 32.19 KGS/kg. As of 24 September 2021, the highest price of wheat was observed in Bishkek city (35 KGS/kg) and the lowest price was in Talas and Naryn provinces (24 KGS/kg). Prices were 50 percent and 69 percent higher compared to September and February 2020, respectively, and continued to be higher than normal annual price fluctuations (within the benchmark of 15 percent). Globally, higher cereal prices were driven by supply shortfalls in major exporting countries, strong demand, new and rumoured export restrictions, and introduction of export wheat taxes in some major producing countries. Wheat prices rose in most major exporting countries in December and early January, reflecting reports of new export restrictions in the Russian Federation. The Russian Federation's export quota and export tax do not apply to Eurasian Economic Union (EAEU) countries. The price increase in the country is also driven by the usage of locally produced wheat for feeding livestock.



- **OIL (COOKING):** The national retail prices of vegetable oil decreased by 2 percent from the previous month, leading to an average price of 173.38 KGS/L. As of 24 September 2021, the highest price was in Osh province (177 KGS/L) and the lowest was in Talas province (159 KGS/L). Compared to September and February 2020, the prices were 65 percent and 82 percent higher, respectively, an increase above normal annual price fluctuations. 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.



- **SUGAR:** The national retail prices of sugar remained stable, with an average price of 64.61 KGS/kg. As of 24 September 2021, the highest prices were observed in Batken province (70 KGS/kg), while the lowest prices were in Yssyk-Kul province (61 KGS/kg). The price of sugar was 28 percent and 58 percent higher compared to September and February 2020 levels, a significant increase than normal annual price fluctuations. Globally, sugar prices increased in 2021 due to the lower sugar outputs in Brazil, the largest sugar-producing country, caused by drought conditions, early frost and coupled with higher global consumption. It will ensure that sugar prices remain relatively high for the rest of this year.



- **POTATOES:** The national retail prices of potatoes decreased by 8 percent from the previous period, leading to an average price of 30.10 KGS/kg. The price decrease is following seasonal fluctuations. As of 24 September 2021, the highest prices were observed in Batken province (33 KGS/kg) and the lowest in Yssyk-Kul province (23 KGS/kg). The price of potatoes was 43 percent and 37 percent higher than September and February 2020 respectively, an increase above normal annual price fluctuations.

Situation Update



• **MEAT (BEEF and MUTTON):** The national retail prices of meat remained stable for beef and for mutton compared to the previous month's levels, with an average price of 479.99 KGS/kg for beef and 492.27 KGS/kg for mutton. As of 24 September 2021, the highest prices were observed in Osh province at 483 KGS/kg for beef and at 519 KGS/kg for mutton. The prices of beef and mutton rose by 29 percent and 36 percent, compared to September 2020 respectively, and by 37 percent and 53 percent, compared to February 2020 respectively, increases are above normal annual price fluctuations. 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. The Kyrgyz Republic banned the export of livestock to reduce trade through the black market.



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 27 August to 24 September 2021, the Kyrgyz som slightly depreciated from 84.7 to 84.8 KGS per 1 USD, the Russian ruble appreciated from 73.99 RUB to 72.72 RUB per 1 USD, and the Kazakh tenge remained stable at 425 KZT per 1 USD. The Kyrgyz Som and Kazakh tenge depreciated by 8 percent and 1 percent, while Russian ruble appreciated by 1 percent compared to September 2020. However, since March 2020, according to the exchange rate of the National Bank, these currencies had a sharp devaluation of 21 percent, 9 percent and 12 percent respectively against the US dollar. Lower informal 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: The national retail prices for fuel (AI-92) significantly increased by 48 percent and for diesel by 34 percent as of 24 September 2021 compared to February 2021 levels (when oil retail prices went up), and, compared to September 2020, prices increased by 76 percent and 51 percent respectively, reaching 56.92 KGS/l for fuel (AI-92) and 51.51 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, the increased demand and limited supply. Globally, the two most prevalent grades of crude oil are Brent and WTI (West Texas Intermediate) and during the weeks from 26 July to 23 August 2021, WTI prices increased from 65.65 USD per barrel to 70.41 USD per barrel, while Brent prices increased from 69.07 USD per barrel to 73.59 USD per barrel. As of 20 September 2021, WTI and Brent prices still remained 51 percent and 40 percent higher respectively, than March 2020 levels. The increase of WTI and Brent prices were higher than the annual average in 2020. Rising cases of the Delta variant of the COVID-19 virus present an additional downside price risk because of potentially lower demand for petroleum, which adds to the volatility. 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 KGS and 4.2 KGS per litre of fuel respectively. Negotiations are underway with the Russian Federation to increase the volume of supplied motor gasoline without paying export duties. 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.

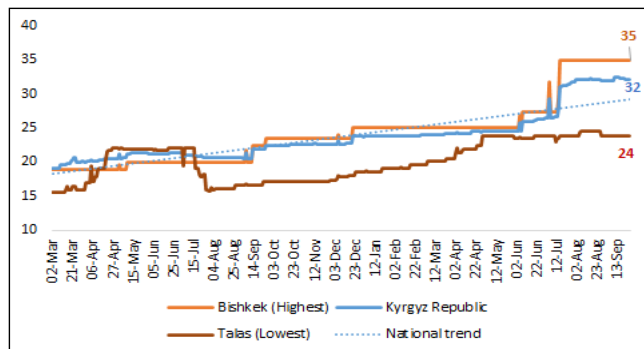
Trends of Retail Prices of 12 Staple Foods (Weekly Trends) - Kyrgyz Republic

	27 Aug—24 Sep 2021 (KGS/kg)	30 July—27 Aug 2021 (KGS/kg)	Trend		27 Aug—24 Sep 2021 (KGS/kg)	30 July—27 Aug 2021 (KGS/kg)	Trend
Bread (1st grade)	51.60	51.60	0%	Rice (medium)	80.96	81.07	0%
Milk	38.35	37.59	2%	Sugar	64.85	64.61	-1%
Meat (beef)	479.99	479.31	0%	Wheat	32.19	32.06	0%
Meat (mutton)	492.27	493.08	0%	Wheat flour (1st grade)	39.40	39.16	1%
Oil (cooking)	173.38	176.53	-2%	Wheat flour (high-grade)	49.28	49.20	0%
Potatoes	30.10	32.76	-8%	Eggs	93.82	93.60	0%

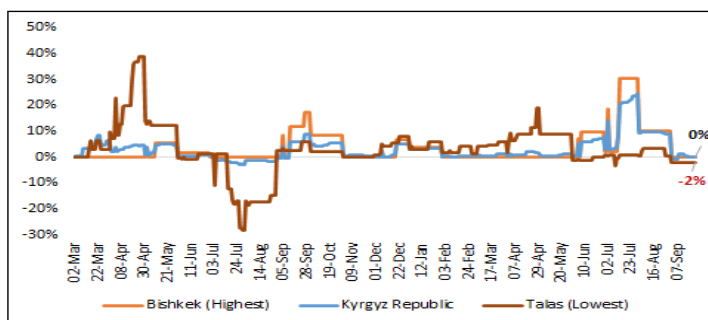
This issue of the Price Monitoring Bulletin is prepared based on the operational daily food price data collected by the National Statistics Committee from 18 markets across the country and disaggregated at province level as the average value (Chuy province - Tokmok, Kara-Balta; Osh province - Osh, Uzgen, 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.

WHEAT

Pic 1. Retail wheat prices (KGS/kg)

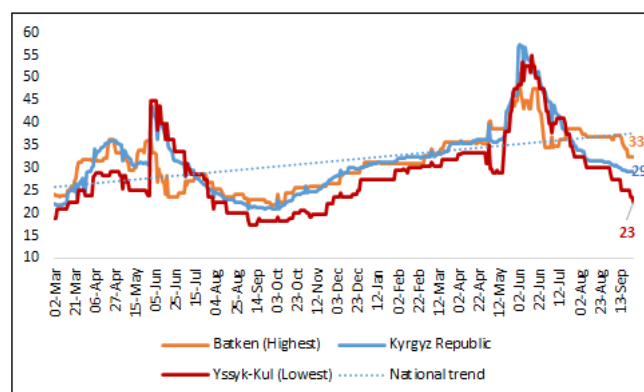


Pic 2. Growth rate of wheat, as a percentage of the daily prices from the previous average monthly price

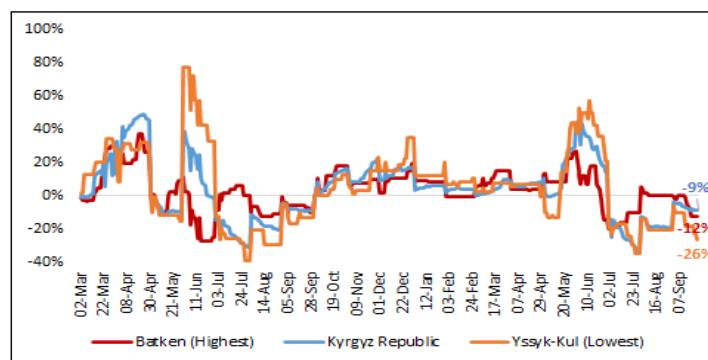


POTATO

Pic 3. Retail potatoes prices (KGS/kg)

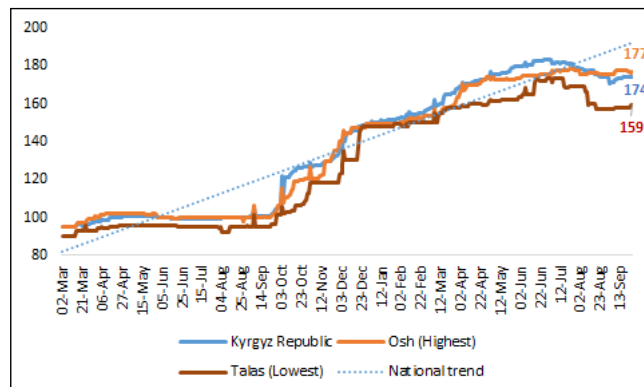


Pic 4. Growth rate of potatoes, as a percentage of the daily prices from the previous average monthly price

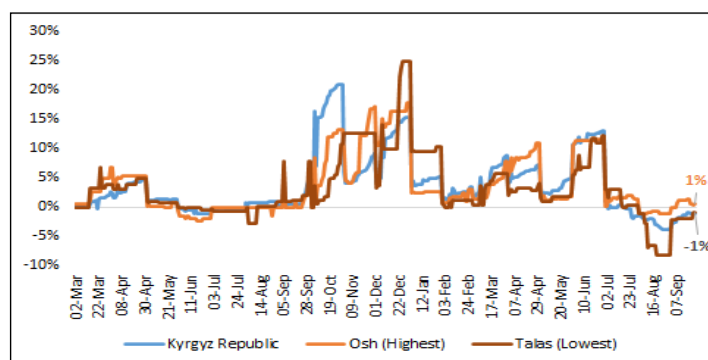


OIL (COOKING)

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

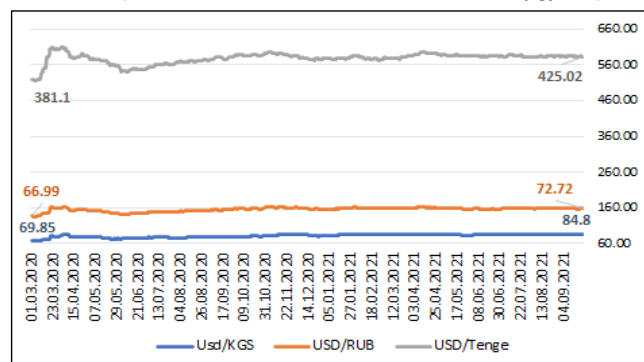


Pic 6. Growth rate of vegetable oil, as a percentage of the daily prices from the previous average monthly price












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)



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	September 24 Price (KGS)	Change in Price (%)					Level of Fluctuation					Commodity	Septemb er 24 Price (KGS)	Change in Price (%)					Level of Fluctuation				
			27 Aug - 24 Sep/30 July - 27 Aug	MONTHLY PRICE / August 2021	MONTHLY PRICE / September 2020	MONTHLY PRICE / February 2020	27 Aug - 24 Sep/30 July - 27 Aug	MONTHLY PRICE / August 2021	MONTHLY PRICE / September 2020	MONTHLY PRICE / February 2020	27 Aug - 24 Sep/30 July - 27 Aug	MONTHLY PRICE / August 2021			MONTHLY PRICE / September 2020	MONTHLY PRICE / February 2020								
	Bread (1st grade)	57	0%	0%	11%	12%	▶	▶	▶	▲	Potatoes	33	-4%	-5%	63%	45%	▶	▶	▶	▶	▶			
	Bread (lepeszhka)	69	2%	1%	15%	15%	▶	▶	▶	▲	Rice (medium)	86	-3%	-2%	5%	14%	▶	▶	▶	▶	▶			
	Eggs	98	1%	1%	26%	38%	▶	▶	▶	▲	Sugar	70	1%	1%	23%	53%	▶	▶	▶	▶	▶			
	Meat (beef)	465	1%	1%	27%	36%	▶	▶	▶	▲	Wheat	30	-7%	-7%	32%	53%	▼	▼	▶	▶	▶			
	Meat (mutton)	500	0%	0%	33%	43%	▶	▶	▶	▲	Wheat flour (1st quality)	41	-1%	-1%	4%	20%	▶	▶	▶	▶	▶			
	Milk	45	6%	6%	15%	23%	▲	▲	▶	▲	Wheat flour (high grade)	50	1%	1%	12%	13%	▶	▶	▶	▶	▶			
	Oil (cooking)	176	-1%	-1%	73%	94%	▶	▶	▶	▲														
	Bread (1st grade)	51	0%	0%	12%	15%	▶	▶	▶	▲	Potatoes	29	-9%	-6%	42%	0%	▼	▼	▶	▶	▶			
	Bread (lepeszhka)	73	2%	1%	16%	16%	▶	▶	▶	▲	Rice (medium)	75	0%	0%	0%	1%	▶	▶	▶	▶	▶			
	Eggs	92	0%	0%	26%	21%	▶	▶	▶	▲	Sugar	65	1%	1%	28%	60%	▶	▶	▶	▶	▶			
	Meat (beef)	482	0%	0%	30%	35%	▶	▶	▶	▲	Wheat	35	1%	0%	62%	84%	▶	▶	▶	▶	▶			
	Meat (mutton)	487	0%	0%	37%	56%	▶	▶	▶	▲	Wheat flour (1st quality)	39	1%	1%	-2%	21%	▶	▶	▶	▶	▶			
	Milk	39	1%	1%	6%	-3%	▶	▶	▶	▶	Wheat flour (high grade)	48	0%	0%	3%	21%	▶	▶	▶	▶	▶			
	Oil (cooking)	174	-3%	-3%	70%	79%	▶	▶	▶	▲														
	Bread (1st grade)	45	0%	0%	6%	15%	▶	▶	▶	▲	Potatoes	27	-11%	-9%	34%	25%	▼	▼	▶	▶	▶			
	Bread (lepeszhka)	70	2%	2%	2%	9%	▶	▶	▶	▲	Rice (medium)	81	-3%	-3%	-3%	7%	▶	▶	▶	▶	▶			
	Eggs	100	2%	2%	2%	26%	▶	▶	▶	▶	Sugar	66	0%	0%	35%	69%	▶	▶	▶	▶	▶			
	Meat (beef)	463	1%	1%	43%	43%	▶	▶	▶	▲	Wheat	26	-3%	-3%	53%	41%	▶	▶	▶	▶	▶			
	Meat (mutton)	478	0%	0%	0%	54%	▶	▶	▶	▶	Wheat flour (1st quality)	42	0%	0%	7%	20%	▶	▶	▶	▶	▶			
	Milk	38	0%	0%	13%	-1%	▶	▶	▶	▶	Wheat flour (high grade)	50	0%	0%	8%	14%	▶	▶	▶	▶	▶			
	Oil (cooking)	167	-3%	-2%	51%	82%	▶	▶	▶	▲														
	Bread (1st grade)	60	0%	0%	11%	16%	▶	▶	▶	▲	Potatoes	28	-8%	-7%	-4%	25%	▼	▼	▶	▶	▶			
	Bread (lepeszhka)	81	0%	0%	10%	10%	▶	▶	▶	▲	Rice (medium)	87	0%	0%	-4%	3%	▶	▶	▶	▶	▶			
	Eggs	106	0%	0%	22%	29%	▶	▶	▶	▶	Sugar	65	-2%	-2%	23%	60%	▶	▶	▶	▶	▶			
	Meat (beef)	453	-1%	-1%	22%	34%	▶	▶	▶	▶	Wheat	33	-3%	-3%	40%	64%	▶	▶	▶	▶	▶			
	Meat (mutton)	487	0%	0%	31%	43%	▶	▶	▶	▲	Wheat flour (1st quality)	40	0%	0%	5%	13%	▶	▶	▶	▶	▶			
	Milk	40	7%	7%	20%	2%	▲	▲	▶	▶	Wheat flour (high grade)	48	-1%	-1%	7%	14%	▶	▶	▶	▶	▶			
	Oil (cooking)	173	-2%	-2%	56%	90%	▶	▶	▶	▲														
	Bread (1st grade)	61	0%	0%	13%	17%	▶	▶	▶	▲	Potatoes	28	-12%	-9%	62%	39%	▼	▼	▶	▶	▶			
	Bread (lepeszhka)	71	0%	0%	12%	19%	▶	▶	▶	▶	Rice (medium)	73	3%	3%	1%	2%	▶	▶	▶	▶	▶			
	Eggs	94	0%	0%	0%	25%	16%	▶	▶	▶	▶	Sugar	64	-1%	-1%	27%	63%	▶	▶	▶	▶	▶		
	Meat (beef)	465	-1%	-1%	29%	40%	▶	▶	▶	▶	Wheat	24	-6%	-5%	40%	51%	▼	▼	▶	▶	▶			
	Meat (mutton)	465	-2%	-1%	30%	42%	▶	▶	▶	▶	Wheat flour (1st quality)	38	1%	1%	11%	20%	▶	▶	▶	▶	▶			
	Milk	28	2%	2%	10%	-15%	▶	▶	▶	▼	Wheat flour (high grade)	44	-1%	-1%	9%	13%	▶	▶	▶	▶	▶			
	Oil (cooking)	172	-2%	-2%	60%	83%	▶	▶	▶	▲														
	Bread (1st grade)	62	0%	0%	0%	2%	▶	▶	▶	▶	Potatoes	32	-4%	-3%	47%	40%	▶	▶	▶	▶	▶			
	Bread (lepeszhka)	79	1%	1%	4%	14%	▶	▶	▶	▶	Rice (medium)	100	0%	0%	2%	8%	▶	▶	▶	▶	▶			
	Eggs	107	2%	2%	2%	20%	87%	▶	▶	▶	Sugar	68	0%	0%	33%	42%	▶	▶	▶	▶	▶			
	Meat (beef)	483	0%	0%	26%	3%	▶	▶	▶	▶	Wheat	28	4%	4%	22%	42%	▶	▶	▶	▶	▶			
	Meat (mutton)	519	0%	0%	32%	48%	▶	▶	▶	▶	Wheat flour (1st quality)	41	1%	1%	2%	6%	▶	▶	▶	▶	▶			
	Milk	40	5%	0%	22%	14%	▶	▶	▶	▶	Wheat flour (high grade)	52	1%	1%	6%	8%	▶	▶	▶	▶	▶			
	Oil (cooking)	177	1%	4%	66%	87%	▶	▶	▶	▲														
	Bread (1st grade)	59	0%	0%	19%	30%	▶	▶	▶	▲	Potatoes	27	-13%	-10%	41%	30%	▼	▼	▶	▶	▶			
	Bread (lepeszhka)	75	0%	0%	12%	24%	▶	▶	▶	▶	Rice (medium)	65	0%	0%	-6%	5%	▶	▶	▶	▶	▶			
	Eggs	93	-1%	0%	12%	11%	▶	▶	▶	▶	Sugar	65	0%	0%	36%	60%	▶	▶	▶	▶	▶			
	Meat (beef)	446	0%	0%	23%	45%	▶	▶	▶	▶	Wheat	24	-2%	-2%	42%	54%	▶	▶	▶	▶	▶			
	Meat (mutton)	465	0%	0%	32%	50%	▶	▶	▶	▶	Wheat flour (1st quality)	40	0%	0%	-15%	21%	▶	▶	▼	▶	▶			
	Milk	33	3%	3%	18%	15%	▶	▶	▶	▶	Wheat flour (high grade)	52	0%	0%	25%	40%	▶	▶	▶	▶	▶			
	Oil (cooking)	159	-2%	-2%	55%	75%	▶	▶	▶	▲														
	Bread (1st grade)	48	-1%	0%	5%	10%	▶	▶	▶	▶	Potatoes	23	-15%	-13%	45%	42%	▼	▼	▶	▶	▶			
	Bread (lepeszhka)	66	-1%	0%	7%	11%	▶	▶	▶	▶	Rice (medium)	83	0%	0%	0%	5%	▶	▶	▶	▶	▶			
	Eggs	86	0%	0%	16%	15%	▶	▶	▶	▶	Sugar	61	0%	0%	23%	67%	▶	▶	▶	▶	▶			
	Meat (beef)	482	2%	2%	32%	43%	▶	▶	▶	▶	Wheat	26	4%	4%	41%	47%	▶	▶	▶	▶	▶			
	Meat (mutton)	481	1%	1%	36%	55%	▶	▶	▶	▶	Wheat flour (1st quality)	41	0%	0%	6%	15%	▶	▶	▶	▶	▶			
	Milk	28	1%	1%	-8%	55%	▶	▶	▶	▶	Wheat flour (high grade)	56	0%	0%	14%	18%	▶	▶	▶	▶	▶			
	Oil (cooking)	170	0%	1%	61%	-19%	▶	▶	▶	▼														
	Bread (1st grade)	52	0%	0%	9%	13%	▶	▶	▶	▶	Potatoes	29	-8%	-6%	43%	37%	▼	▼	▶	▶	▶			
	Bread (lepeszhka)	72	1%	1%	12%	13%	▶	▶	▶	▶	Rice (medium)	81	0%	0%	1%	5%	▶	▶	▶	▶	▶			
	Eggs	94	0%	0%	22%	22%	▶	▶	▶	▶	Sugar	65	0%	0%	28%	58%	▶	▶	▶	▶	▶			
	Meat (beef)	480	0%	0%	29%	37%	▶	▶	▶	▶	Wheat	32	0%	0%	50%	69%	▶	▶	▶	▶	▶			
	Meat (mutton)	493	0%	0%	36%	53%	▶	▶	▶	▶	Wheat flour (1st quality)	39	1%	1%	0%	18%	▶	▶	▶	▶	▶			
	Milk	39	2%	2%	10%	-1%	▶	▶	▶	▶	Wheat flour (high grade)	49	0%	0%	6%	17%	▶	▶	▶	▶	▶			
	Oil (cooking)	174	-2%	-2%	65%	82%	▶	▶	▶	▶														

▲ 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