

Price Monitoring for Food Security in the Kyrgyz Republic

Situation Update

The developments in Ukraine and its economic consequences continue to affect global grain and energy markets, pushing food prices higher. While we see stabilization trends and some Q1 positive figures in the Kyrgyz Republic, the situation is volatile and the effects of this remain to be born by the most vulnerable. **After significant depreciation in March 2022** (99 KGS per USD compared to 86 KGS in February), as of 20th May, the **Kyrgyz Som appreciated by 19 percent against the dollar reaching 80 KGS per USD**. The national retail prices for fuel (AI-92) and for diesel continue to be stable.

Notwithstanding the challenges for the Kyrgyz economy to recover from the effects of the COVID-19 pandemic, some improvements were observed in early 2022. In January – April 2022, monthly **Global Domestic Product (GDP) increased by 5.4 percent**, compared to the previous year, **adding a net 189 billion Kyrgyz Soms (USD 2.3 billion)** to the economy. IMF is projecting that GDP will increase by 2.8 percent this year. On the other hand, in April 2022, **inflation was at 14.5 percent** (NBKR) compared to April 2021, **the highest in the region**. High inflation reduces the purchasing power of households, thus hindering their access to a nutritious diet. In March 2022, the volume of remittances was 20 percent lower than in February 2022. Remittances in January-March 2022, are 3 percent lower than the same period last year.

Increasing geopolitical risks in the world and the region have already begun to negatively impact the recovery in the Kyrgyz Republic, most notably seen in **rising consumer prices**. In January – April 2022, the Consumer Price Index (CPI) increased by **12.4 percent for all goods and services and by 17 percent for staple foods**, as compared to January – April 2021. As reported by the Government, in March 2022, in the state reserve there are still five-month national stocks of vegetable oil, three-month stocks of sugar and 60 thousand tons of wheat flour.

Due to the events in Ukraine, the sanctions imposed on the Russian Federation and the related destabilization of global and regional markets, importing commodities to the Kyrgyz Republic could be potentially harder this year. The CPI for **fuel and lubricants is estimated to have increased by 55 percent**, leading to an increase of transportation costs, which in turn has affected all other prices.

Both the Russian Federation and Kazakhstan have posed export bans on wheat and sugar, with quotas provided to the EAEU states, including the Kyrgyz Republic. These restrictions, introduced until June, could be subject to re-consideration, as the situation unfolds. Despite the record wheat harvest expected in the Russian Federation in 2022, Russian regulators continue to tightly control grain exports, fearing re-export, and may extend the restrictions on supplies to the EAEU. The Kyrgyz Republic has a high dependency on imports: 30 percent for wheat, 84 percent for vegetable oil and 37 percent for sugar. Out of the imported wheat, vegetable oil and sugar, 95 percent, 81 percent and 99 percent respectively comes from the Russian Federation. The Government has prepared a decree for the Cabinet Ministers on the introduction of a temporary ban starting from 15 February until 15 August 2022 on the export of wheat, wheat flour, sugar, vegetable oil, eggs and feed crops from the Kyrgyz Republic to other countries outside the EAEU, to ensure the food security of the country, prevent critical shortages of food and promptly respond to internal and external threats to the food market. To stabilise the market, the Government has introduced Zero VAT for the import of sugar and vegetable oil.

Fertilizer prices have been rising sharply worldwide and rising input costs could impact next season's harvest, leading to elevated food prices in the longer run. The Russian Federation is one of the world's most important exporters of the three major groups of fertilizers – nitrogen, phosphorus and potassium, but its exports are affected by sanctions. Fertilizer prices have risen nearly 30 percent since the start of 2022, following last year's 80 percent surge. Fertilizer prices are projected to rise by almost 70 percent in 2022 before easing in 2023.

Last year abnormally high temperatures and lack of irrigation water led to significant lower yields across multiple key crops: wheat (-42 percent), barley (-46 percent), oil crops (-25.4 percent), sugar beet (-18 percent) and melons (-14 percent). This year, favourable weather conditions observed in April led to an increase in the pace of spring field works. Thus, as of 23 April 2022, the planting areas increased by 14 percent compared to the previous year, more specifically +20 percent for potatoes, +15 percent for vegetables and +16 percent for oil crops (sunflower, cotton and safflower). Yet, according to the European Centre for Medium-Range Weather Forecasts, **rainfall from May to July 2022 is likely to be below average conditions**, with only a 10-30 percent possibility remaining of exceeding the median rainfall across the country. **In the same period, above average temperatures are forecasted** (with an 80 percent possibility of exceeding median temperature). Above average temperatures may lead to flash floods and landslides caused by earlier than normal snowmelt that could result in crop damage in the next coming months. After last year losses, the resilience of smallholder farmers may be further challenged if abnormal dryness is also experienced this year, due to forecasted lower rainfall and higher temperatures.

The following section discusses average prices for the two weeks from 06 to 20 May 2022, in comparison to the previous two weeks in 2022 and to the previous month, April 2022, the monthly average in February 2020 (before the COVID-19 outbreak began in the country) and the annual average of May 2021.



- **Wheat:** During the current reporting period (from 06 to 20 May 2022), the national retail price of wheat remained stable compared to the previous month, with an average price of almost 32 KGS/kg. As of 20 May 2022, the highest price for wheat was observed in Jalal-Abad province (35 KGS/kg) and the lowest price in Naryn and Yssyk-Kul provinces (28 KGS/kg). Prices were 30 percent and 68 percent higher, compared to May 2021 and February 2020 respectively, and continued to be higher than normal annual price fluctuations (within the benchmark of 15 percent).



- **Wheat flour (1st grade):** The national retail price of wheat flour (1st grade) increased by 3 percent compared to the previous month, with an average price of 49 KGS/kg. As of 20 May, the highest price for wheat flour (1st grade) was observed in Naryn province (56 KGS/kg) and the lowest price in Jalal-Abad and Yssyk-Kul provinces (44 KGS/kg). Prices were 26 percent and 46 percent higher compared to May 2021 and February 2020.



- **Oil (Cooking):** The national retail price of vegetable oil decreased by 2 percent in comparison to April 2022, at an average price of almost 190 KGS/L. As of 20 May 2022, the highest price was in Naryn province (201 KGS/L) and the lowest price was in Talas province (171 KGS/L). The prices were 7 percent higher compared to May 2021 and 99 percent higher compared to February 2020. The Kyrgyz Republic has a high import dependency on vegetable oil due to its low internal production and its low capacity for processing oil seeds.

Situation Update



• **Sugar:** The national retail price of sugar increased by 1 percent compared to last month, with an average price of 87 KGS/kg. As of 20 May 2022, the highest prices were observed in Batken province (94 KGS/kg), while the lowest prices were in Chuy and Yssyk-Kul provinces (85 KGS/kg). The price of sugar was 33 percent and 112 percent higher, compared to May 2021 and February 2020 levels, which represents a significant increase above normal annual price fluctuations. The international sugar market is characterised by production shortfalls in some major producing countries for the third consecutive year, resulting in a tight global sugar outlook and an upward pressure on prices.



• **Potatoes:** The national retail price of potatoes decreased by 2 percent compared to April 2022, leading to an average price of almost 41 KGS/kg. As of 20 May 2022, the highest prices were observed in Bishkek city and Jalal-Abad province (43 KGS/kg) and the lowest price in Naryn and Chuy provinces (37 KGS/kg). The price of potatoes was 3 percent and 85 percent higher than May 2021 and February 2020 respectively.



• **Milk:** The national retail price of milk decreased by 3 percent compared to the previous month, at an average price of around 52 KGS/L. As of 20 May 2022, the highest prices were observed in Bishkek city at 58 KGS/L and the lowest in Naryn province at 35 KGS/L. The price of milk rose by 43 percent and 35 percent compared to May 2021 and February 2020 respectively, these increases are above normal annual price fluctuations.



• **Eggs:** The national retail price of eggs decreased by 2 percent, leading to an average price of 101 KGS/10 pcs. As of 20 May 2022, the highest prices were observed in Osh province (111 KGS/10 pcs), and the lowest in Yssyk-Kul province (90 KGS/10 pcs). Egg prices were 4 percent lower compared to May 2021 but remained 31 percent higher compared to February 2020. Since January 2022 egg prices have increased following seasonal fluctuations and due to higher prices for forage crops. As of April 2022, producer prices for wheat and barley remained 61 percent higher for both products, compared to April 2021.



• **Exchange Rate:** National Bank continues to intervene in the domestic foreign exchange market to prevent sharp fluctuations in the exchange rate due to the high volatility as the result of Ukraine events. During the weeks from 06 to 20 May 2022, the Kyrgyz Som appreciated by 2 percent from almost 82 KGS to around 80 KGS against the US Dollar, the Russian Ruble significantly appreciated from 66 RUB to around 62 RUB against the US Dollar, and the Kazakh tenge depreciated from 428 KZT to 431 against the US Dollar. Compared to May 2021, the Kyrgyz Som and Russian Ruble appreciated by 5 percent and 16 percent respectively against the US Dollar, and Kazakh tenge depreciated by 1 percent. 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:** After significant increase of the national retail price for fuel (AI-92) and for diesel, the prices have gradually begun to stabilize. As of 20 May 2022 compared to May 2021, the prices remained 31 percent (AI-92) and 43 percent (diesel) higher respectively, and 67 percent and 68 percent higher compared to February 2021 levels (when oil retail prices went up), reaching almost 65 KGS/l for fuel (AI-92) and 64 KGS/l for diesel. The subsequent stabilization of prices for fuels and lubricants in the domestic market will continue, taking into account available stocks of fuel purchased during the volatility of the exchange rate according to the Oil Traders Association. The Russian Federation is considering decreasing export volumes of oil to EU for the next three months to avoid internal shortages. However, it should not impact the Kyrgyz Republic due to the established agreements with the Russian Federation. Kyrgyz Association of Oil Traders keeps prices down to prevent sharp price changes and shortages of petroleum products in the fuel market of the Kyrgyz Republic by applying mechanisms to equalize prices to a break-even level, ensuring the necessary reserves of petroleum, oil and lubricants to saturate the market and avert shortages. Moreover, they are tightening the control to prevent infringements of consumer rights due to underfilling of petroleum, oil and lubricants at the filling stations, and they are providing feedback to the Government in case of changes in the market situation, allowing them to take preventive measures.

Globally, prices are likely to remain volatile in the coming weeks. From 2 to 16 May 2022, WTI price increased significantly from USD 105 per barrel to USD 114 per barrel and Brent remained stable at almost USD 106 per barrel. As of 2 May 2022, WTI and Brent prices increased significantly from 105 USD per barrel to 115 USD per barrel respectively. The WTI and Brent prices remained 75 percent and 69 percent higher compared to May 2021 levels, and 144 percent and 119 percent compared to March 2020.

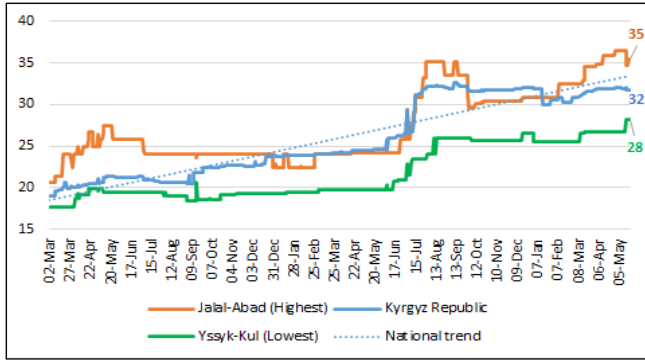
Trends of Retail Prices of 12 Staple Foods (Weekly Trends) - Kyrgyz Republic

	06—20 May 2022 (KGS/kg)	22 Apr—06 May 2022 (KGS/kg)	Trend		06—20 May 2022 (KGS/kg)	22 Apr—06 May 2022 (KGS/kg)	Trend
Bread (1st grade)	60.82	60.89	0%	Rice (medium)	86.57	86.57	0%
Milk	52.29	52.98	-1%	Sugar	86.94	86.07	1%
Meat (beef)	481.65	481.78	0%	Wheat	31.90	31.99	0%
Meat (mutton)	507.99	492.51	3%	Wheat flour (1st grade)	48.62	47.94	1%
Oil (cooking)	190.36	193.38	-2%	Wheat flour (high-)	58.67	57.60	2%
Potatoes	40.85	41.41	-1%	Eggs	100.79	102.54	-2%

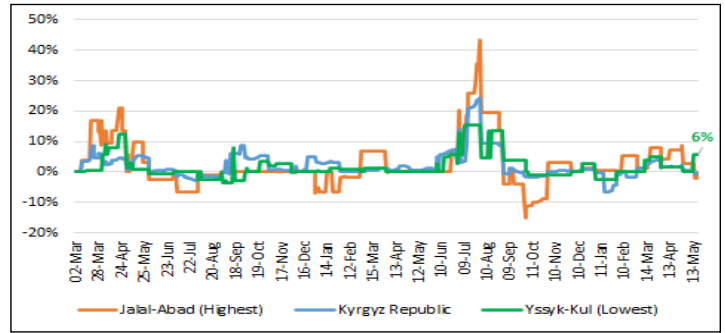
This issue of the Price Monitoring Bulletin is prepared based on the operational daily food price data collected by the National Statistics Committee from 18 markets across the country and disaggregated at province level as the average value (Chuy province - Tokmok, Kara-Balta; Osh province - Osh, Uzgen,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

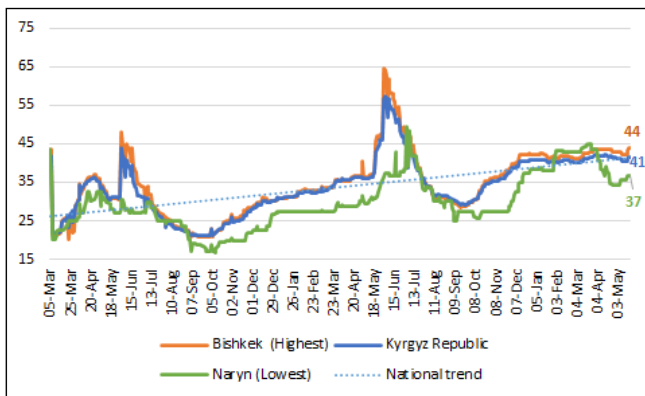


Pic 2. Growth rate of wheat, as a percentage of the daily prices from the previous average monthly price

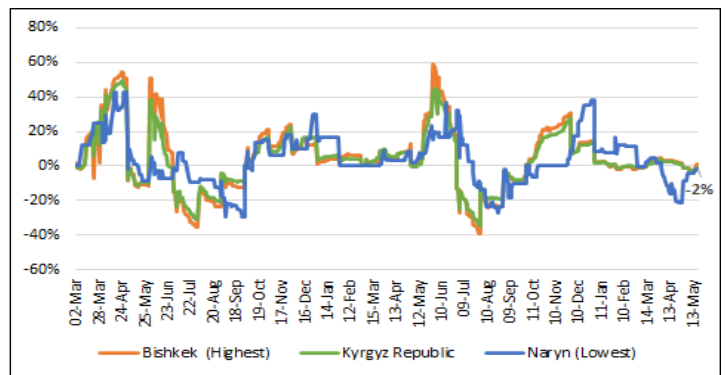


POTATO

Pic 3. Retail potatoes prices (KGS/kg)

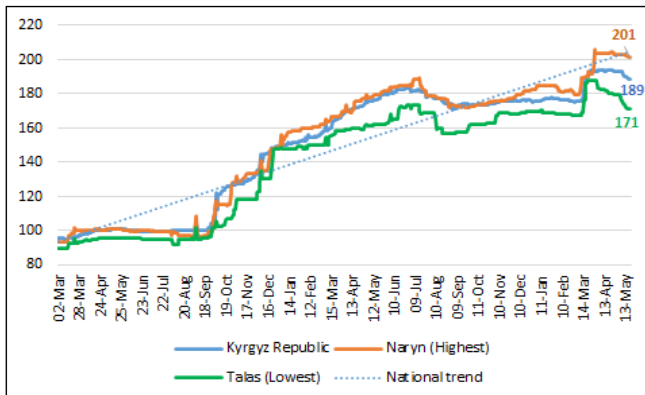


Pic 4. Growth rate of potatoes, as a percentage of the daily prices from the previous average monthly price

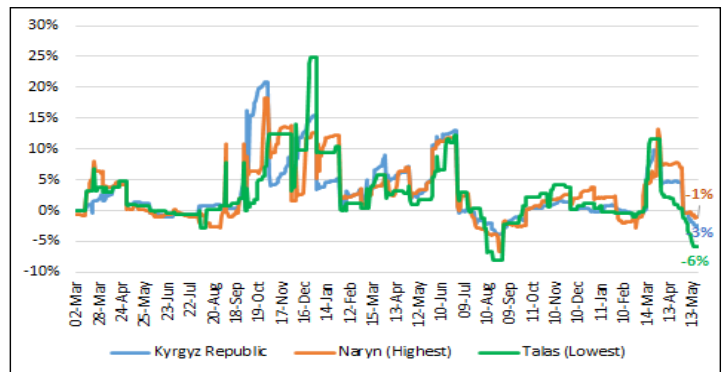


OIL (COOKING)

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

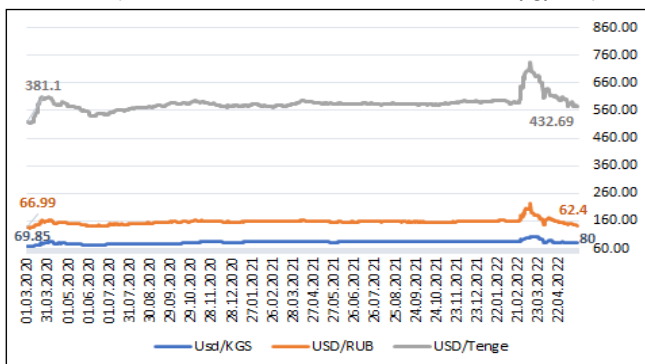


Pic 6. Growth rate of vegetable oil, as a percentage of the daily prices from the previous average monthly price



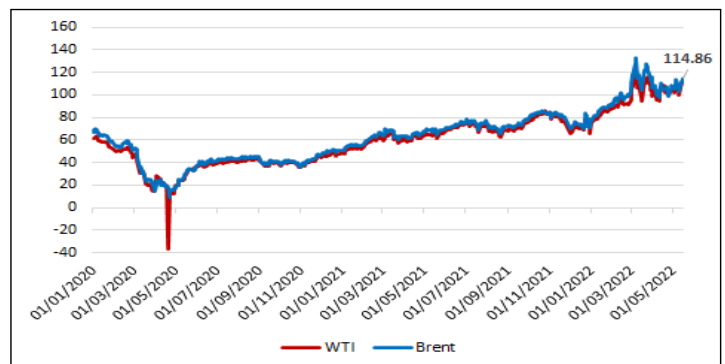
EXCHANGE RATE

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)



GLOBAL OIL PRICES

Pic 8. Daily WTI, Brent prices (Jan 2020 to 02 May 2022, source: US Energy Information Administration)



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	May 20 Price (KGS)	BIWEEKLY PRICE / April 2022	BIWEEKLY PRICE / May 2021	MONTHLY PRICE / Feb 2020	BIWEEKLY PRICE / April 2022	BIWEEKLY PRICE / May 2021	MONTHLY PRICE / Feb 2020	Commodity	May 20 Price (KGS)	BIWEEKLY PRICE / April 2022	BIWEEKLY PRICE / May 2021	MONTHLY PRICE / Feb 2020	BIWEEKLY PRICE / April 2022	BIWEEKLY PRICE / May 2021	MONTHLY PRICE / Feb 2020
	Bread (1st grade)	67	0%	18%	32%	▶	▲	▲	Potatoes	39	1%	-9%	50%	▶	▶	▲
	Bread (lepesotka)	81	1%	29%	35%	▶	▶	▲	Rice (medium)	83	0%	1%	10%	▶	▶	▲
	Eggs	102	-2%	4%	24%	▶	▶	▲	Sugar	94	1%	30%	111%	▶	▲	▲
	Meat (beef)	465	0%	8%	36%	▶	▶	▲	Wheat	34	2%	31%	70%	▶	▶	▲
	Meat (mutton)	525	3%	6%	50%	▶	▶	▲	Wheat flour (1st quality)	47	-1%	18%	39%	▶	▶	▲
	Milk	46	1%	22%	30%	▶	▶	▲	Wheat flour (high grade)	58	1%	18%	32%	▶	▶	▲
	Oil (cooking)	187	-2%	1%	95%	▶	▶	▲								
		Bread (1st grade)	60	3%	26%	37%	▶	▲	▲	Potatoes	44	-2%	5%	0%	▶	▶
Bread (lepesotka)		82	0%	22%	31%	▶	▶	▲	Rice (medium)	81	0%	10%	10%	▶	▶	▲
Eggs		97	-2%	-6%	31%	▶	▶	▲	Sugar	87	3%	35%	115%	▶	▶	▲
Meat (beef)		483	0%	6%	36%	▶	▶	▲	Wheat	32	0%	30%	71%	▶	▶	▲
Meat (mutton)		508	7%	6%	62%	▶	▶	▲	Wheat flour (1st quality)	51	4%	28%	51%	▶	▶	▲
Milk		58	-2%	44%	44%	▶	▶	▲	Wheat flour (high grade)	62	4%	24%	46%	▶	▶	▲
Oil (cooking)		188	-2%	6%	96%	▶	▶	▲								
		Bread (1st grade)	55	2%	22%	40%	▶	▶	▲	Potatoes	37	-6%	-2%	74%	▶	▶
	Bread (lepesotka)	88	2%	0%	38%	▶	▶	▲	Rice (medium)	89	1%	0%	15%	▶	▶	▲
	Eggs	103	-2%	-2%	31%	▶	▶	▲	Sugar	85	3%	28%	116%	▶	▶	▲
	Meat (beef)	468	0%	0%	44%	▶	▶	▲	Wheat	30	0%	38%	62%	▶	▶	▲
	Meat (mutton)	482	0%	0%	54%	▶	▶	▲	Wheat flour (1st quality)	47	0%	15%	35%	▶	▶	▲
	Milk	48	-1%	51%	40%	▶	▶	▲	Wheat flour (high grade)	55	0%	15%	27%	▶	▶	▲
	Oil (cooking)	178	-1%	4%	97%	▶	▶	▲								
		Bread (1st grade)	72	-2%	33%	39%	▶	▶	▲	Potatoes	40	-1%	5%	72%	▶	▶
Bread (lepesotka)		85	0%	16%	16%	▶	▶	▲	Rice (medium)	93	1%	5%	10%	▶	▶	▲
Eggs		104	-9%	-5%	27%	▶	▶	▲	Sugar	89	-1%	29%	112%	▶	▶	▲
Meat (beef)		472	0%	5%	38%	▶	▶	▲	Wheat	35	1%	49%	74%	▶	▶	▲
Meat (mutton)		503	2%	8%	46%	▶	▶	▲	Wheat flour (1st quality)	44	0%	13%	26%	▶	▶	▲
Milk		44	1%	45%	14%	▶	▶	▲	Wheat flour (high grade)	56	1%	20%	33%	▶	▶	▲
Oil (cooking)		195	0%	10%	114%	▶	▶	▲								
		Bread (1st grade)	60	0%	3%	14%	▶	▶	▲	Potatoes	37	-3%	15%	81%	▶	▶
	Bread (lepesotka)	78	0%	14%	30%	▶	▶	▲	Rice (medium)	78	1%	9%	12%	▶	▶	▲
	Eggs	95	-8%	-14%	14%	▶	▶	▲	Sugar	89	6%	35%	125%	▶	▶	▲
	Meat (beef)	485	2%	3%	46%	▶	▶	▲	Wheat	28	4%	48%	57%	▶	▶	▲
	Meat (mutton)	502	4%	6%	52%	▶	▶	▲	Wheat flour (1st quality)	56	19%	49%	72%	▶	▶	▲
	Milk	35	-5%	40%	10%	▶	▶	▲	Wheat flour (high grade)	68	24%	57%	82%	▶	▶	▲
	Oil (cooking)	201	-1%	13%	115%	▶	▶	▲								
		Bread (1st grade)	67	0%	9%	11%	▶	▶	▲	Potatoes	38	-1%	2%	64%	▶	▶
Bread (lepesotka)		100	2%	29%	24%	▶	▶	▲	Rice (medium)	103	0%	6%	12%	▶	▶	▲
Eggs		111	0%	0%	99%	▶	▶	▲	Sugar	90	-4%	28%	88%	▶	▶	▲
Meat (beef)		483	0%	7%	3%	▶	▶	▲	Wheat	32	-1%	25%	69%	▶	▶	▲
Meat (mutton)		530	1%	11%	50%	▶	▶	▲	Wheat flour (1st quality)	50	1%	21%	30%	▶	▶	▲
Milk		42	1%	30%	24%	▶	▶	▲	Wheat flour (high grade)	59	0%	13%	24%	▶	▶	▲
Oil (cooking)		188	-4%	9%	99%	▶	▶	▲								
		Bread (1st grade)	67	0%	29%	47%	▶	▶	▲	Potatoes	38	-4%	3%	73%	▶	▶
	Bread (lepesotka)	80	0%	15%	33%	▶	▶	▲	Rice (medium)	74	2%	14%	14%	▶	▶	▲
	Eggs	108	0%	5%	29%	▶	▶	▲	Sugar	87	-1%	36%	116%	▶	▶	▲
	Meat (beef)	446	0%	2%	45%	▶	▶	▲	Wheat	30	1%	26%	94%	▶	▶	▲
	Meat (mutton)	466	1%	6%	51%	▶	▶	▲	Wheat flour (1st quality)	47	2%	21%	41%	▶	▶	▲
	Milk	42	-6%	33%	53%	▶	▶	▲	Wheat flour (high grade)	60	1%	22%	62%	▶	▶	▲
	Oil (cooking)	171	-5%	7%	93%	▶	▶	▲								
		Bread (1st grade)	58	0%	26%	31%	▶	▶	▲	Potatoes	38	-1%	3%	94%	▶	▶
Bread (lepesotka)		75	0%	20%	27%	▶	▶	▲	Rice (medium)	84	1%	1%	7%	▶	▶	▲
Eggs		90	-3%	-8%	21%	▶	▶	▲	Sugar	85	2%	36%	135%	▶	▶	▲
Meat (beef)		475	0%	4%	37%	▶	▶	▲	Wheat	28	3%	39%	55%	▶	▶	▲
Meat (mutton)		515	4%	13%	60%	▶	▶	▲	Wheat flour (1st quality)	44	0%	8%	25%	▶	▶	▲
Milk		40	4%	43%	60%	▶	▶	▲	Wheat flour (high grade)	58	0%	4%	23%	▶	▶	▲
Oil (cooking)		185	-3%	9%	14%	▶	▶	▲								
		Bread (1st grade)	61	1%	23%	33%	▶	▶	▲	Potatoes	41	-2%	3%	85%	▶	▶
	Bread (lepesotka)	85	0%	25%	33%	▶	▶	▲	Rice (medium)	86	0%	8%	12%	▶	▶	▲
	Eggs	99	-2%	-4%	31%	▶	▶	▲	Sugar	88	1%	33%	112%	▶	▶	▲
	Meat (beef)	485	0%	6%	38%	▶	▶	▲	Wheat	32	0%	30%	68%	▶	▶	▲
	Meat (mutton)	514	5%	8%	58%	▶	▶	▲	Wheat flour (1st quality)	50	3%	26%	46%	▶	▶	▲
	Milk	52	-3%	43%	35%	▶	▶	▲	Wheat flour (high grade)	61	3%	21%	40%	▶	▶	▲
	Oil (cooking)	189	-2%	7%	99%	▶	▶	▲								

▲ 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