

EXECUTIVE BRIEF: Update on Wheat Prices in Central Asia

April 20, 2011

- Wheat prices in Central Asia are showing some signs of stability after months of steady rise, with wholesale prices in Kazakhstan holding steady in March and retail prices remaining stable in Afghanistan. In Tajikistan, however, retail wheat prices continued to increase.
- The outlook for wheat prices in Kazakhstan remains uncertain, however, as it depends on trends in international markets. In Afghanistan and Tajikistan, food security prospects are also dependent on the upcoming wheat harvests.

Wholesale wheat prices in northern Kazakhstan remained roughly stable in March, after a jump in February (Figure 1). This favorable development came as wheat prices in international export markets declined. Nevertheless, as of March, the price of wheat in Akmola region was still over 200 percent above its level from a year ago, following a 40-percent drop in Kazakhstan's wheat output from 2009/10 to 2010/11.

Wheat prices in Tajikistan have followed the trend in the Kazakh market, as almost all of the wheat imported in Tajikistan originates from Kazakhstan. In Dushanbe, Tajikistan, the retail wheat grain price in March 2011 was 109 percent above its level in March 2010. Wheat flour prices rose similarly. Prices increased more moderately in Afghanistan, as wheat is also sourced from Pakistan. In Kabul, as of March, the year-on-year increase in the price of wheat grain was 31 percent.

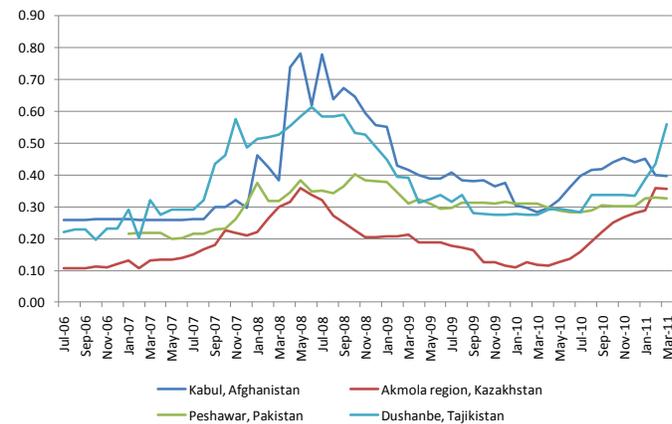
Wheat prices in Afghanistan have remained relatively stable since January, with the exception of a recent increase in Kandahar linked to localized trade constraints. This relative stability of prices might be partly due to expectations of increased supply as the harvest period approaches, but the key factor might be increased imports from Pakistan following the termination in January of a three-year export ban Pakistan had placed on wheat grain and wheat flour exports.

In Tajikistan, prices have continued to increase, despite a release of stocks from the national strategic reserve and a reduction in the value-added tax on wheat grain from 18 to 10 percent. Wheat prices were up 29 percent in Dushanbe between February and March and wheat flour prices rose by 13 percent between January and March. Prices increased in other cities as well. This rise in prices appears to be a direct repercussion of the rise in prices in Kazakhstan in the recent months.

Wheat stocks in Kazakhstan are currently higher than in 2008, when Kazakhstan banned wheat flour exports, and export volumes are reportedly normal for the season. These signs of adequate availability indicate that further increase in export prices between now and the spring wheat harvest is unlikely, unless prices in international markets keep rising. However, rail transportation costs have been trending upward in recent years, and the rise in oil prices is driving further up the cost of importing wheat from Kazakhstan to Tajikistan and Afghanistan. Tajikistan is more exposed to this cost increase as it does not have an alternative proximate source of supply as Pakistan for Afghanistan.

Favorable conditions in northern Kazakhstan during the May – September growing season for the wheat crop and a stabilization of wheat prices in international markets are critical factors for a stabilization of prices in Afghanistan and Tajikistan. The upcoming spring wheat harvest in Pakistan will also be important for overall grain availability in the region. However, wheat production in Afghanistan and Tajikistan is crucial for the food security of the rural poor. Until the next harvest, which starts in May, FEWS NET will closely monitor agro-climatic conditions throughout the region.

Figure 1. Wheat grain prices in Central Asia, July 2006 – March 2011, in current U.S. dollars per kilogram



Sources: World Food Program Afghanistan, Pakistan, and Tajikistan, and KazAgroMarketing.

Note: Monthly average prices in local currency were converted to U.S. dollars.