

## State price regulation becoming history

A pilot project was in effect in Ukraine from October - December 2016 under which the government “let go” prices for socially sensitive goods. As a reminder, a regulation had been in force since as early as 2007 that made it mandatory to declare price raises for all socially sensitive foods by more than 1% a month, i.e. the producers were obliged to receive permit for changing the price. The government resolution No. 656 of September 22, 2016 suspended this regulation for the period from October 1, 2016 till January 1, 2017.

Getting back on topic of retail trade in fat-and-oil products, UkrAgroConsult will analyze the behavior sunoil prices in this period. We'd like to point out at once that retail sunoil prices were relatively stable throughout the three months. Thus, fears of some analysts expecting price hikes did not come true. Moreover, according to statistical data, retail vegoil price had slid 0.6% by late December 2016 since the start of the experiment – UAH 32.11/l against UAH 32.32/l, respectively.

Ukraine: Retail sunoil price, UAH/l

Sept. 30, 2016	Dec. 29, 2016	+/- (UAH)	+/- (%)
32.32	32.11	-0.21	-0.6

Vegoil producers, having started the season with robust crushing and new-crop oilseed purchases at lower prices, thereby secured comfortable conditions for retail pricing.

The situation changed drastically in January 2017. Seeking to replenish their feedstock reserves, crushers actively struggled for real sunseed volumes and the average sunseed price consequently rose to UAH 10,600/MT (EXW) by January 20 and to UAH 10,750/MT by January 26 compared with UAH 9,900/MT at the onset of the experiment.

An additional bullish factor for prices is weakening of the national currency. So, its official exchange rate passed the mark of UAH 27/USD in January. Ultimately, statistics also shows growth of retail vegoil prices to UAH 32.44/l (as of January 20, 2017).



The current situation confirms UkrAgroConsult's expectations that exactly market factors, not state regulation will underlie pricing of socially sensitive goods. The vegoils market has made it clear that this judgment is true.

Ukraine's government, in turn, says the conducted experiment was justified and is to be extended after January 1, 2017.

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