

# Government Considers Price Caps for Food

By [The Moscow Times](#)

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The government is considering setting retail price ceilings for basic foods, Deputy Industry and Trade Minister Stanislav Naumov said Tuesday.

The worst drought in at least 50 years has slashed harvests across Russia, fueling inflation. August consumer prices rose 0.6 percent from the previous month, the most in a decade. VTB Capital on Monday revised its 2010 inflation forecast to 8 percent from 7.6 percent.

"Sharp price growth, low development of retail chains" means that the government needs to curb prices in some regions, Naumov told reporters Tuesday. "It's necessary to institute a maximum retail price for those products that are in short supply."

The government may set price curbs for 24 staple food items, Naumov said, without specifying what they would be.

President Dmitry Medvedev's top economic adviser said he opposes imposing maximum prices. "Setting a price ceiling is a risky idea," Arkady Dvorkovich told reporters Tuesday. "It may lead to goods disappearing from the shelves."

Russia will lose about 30 million tons of grain as a result of the drought, though the country has enough grain for domestic needs, Prime Minister Vladimir Putin told a United Russia conference in Nizhny Novgorod.

"Not allowing speculation on the food market" is a priority for the government, he said in televised comments.

He said the government would allot 2 billion rubles (\$65 million) to subsidize railroad tariffs for delivering grain to drought-stricken regions.

The Central Bank kept its main interest rates unchanged last month as policymakers, including Finance Minister Alexei Kudrin, said inflationary pressures triggered by the drought could not be stemmed by monetary policy. Consumer price growth may accelerate to 0.8 percent in September, Deputy Economy Minister Andrei Klepach said Monday, RIA-Novosti reported.

"A pickup in inflation would add support to our view that interest rates should begin to rise as early as October-November," Natalya Orlova and Dmitry Dolgin, analysts at Alfa Bank, said Tuesday in an e-mailed note.

Inflation is set to reach 7 percent to 8 percent at the end of the year, according to government estimates. Citigroup forecast that consumer price growth will reach an annual 9.2 percent.

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