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FEWS NET FAMINE EARLY WARNING SYSTEMS NETWORK

PRICE WATCH: March Food Prices

April 28, 2011

The Famine Early Warning Systems Network (FEWS NET) monitors trends in staple food prices in countries vulnerable to food insecurity. The Price Watch *provides an update on trends in selected urban centers. Prices for key markets and commodities monitored (mostly at the retail level) are made available in the* Price Watch Annex.[*]

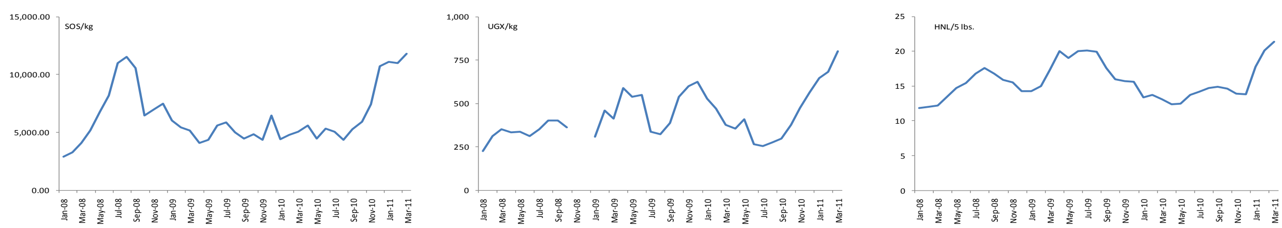
- Despite surging international grain prices, many countries monitored by FEWS NET, especially in West and Southern Africa and Haiti, have still been showing relatively low grain prices or only typical, seasonal price increases.
- The international wheat price rise has been transmitted to Central Asia, Yemen, Mauritania, and Djibouti.
- The international maize price rise has been transmitted to Central America.
- Maize and sorghum prices have increased due to local factors in much of East Africa.
    - High demand for exports is driving up staple food prices in Uganda, Rwanda, and Tanzania.
    - Strong demand and stock-holding may be driving up prices in Kenya's grain belt and Central Ethiopia, but prices in these areas are starting at a relatively low level due to last year's good harvests.
    - The current drought and the failure of last year's *deyr* harvest are driving up prices in Southern Ethiopia, Southern Somalia, and pastoral areas of Kenya from their already elevated levels.

Figure 1: Food price increases in selected reference markets, 2008-11

Baidoa, Somalia
Red sorghum
SOS 11,775[a] **+10%**[b] **+134%**[c]

Mbarara, Uganda
Matoke (cooking banana)
UGX 800[a] **+41%**[b] **+113%**[c]

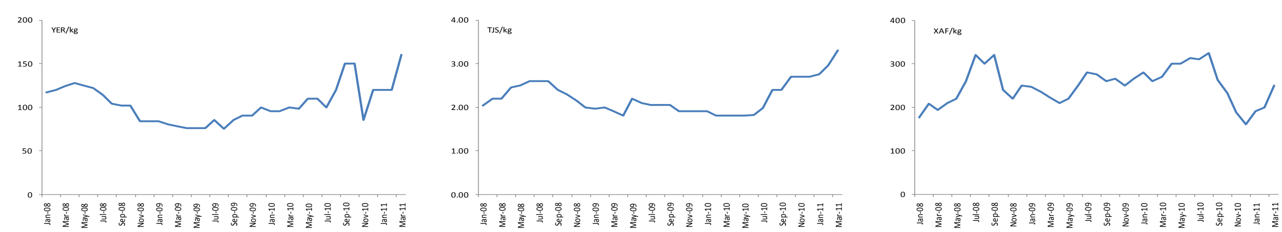
Tegucigalpa, Honduras
White maize
HNL 21[a] **+55%**[b] **+63%**[c]



Sana'a, Yemen
Wheat
YER 160[a] **+33%**[b] **+60%**[c]

Kurgan-Tyube, Tajikistan
Wheat flour (first grade)
TJS 3.30[a] **+22%**[b] **+83%**[c]

Moussoro, Chad
Pearl millet
TJS 2.70[a] **+56%**[b] **-7%**[c]



[a] Current monthly average price [b] Change over three months [c] Change over one year

Sources: Food Security and Nutrition Analysis Unit-Somalia (FSNAU), FEWS NET, Farmgain Africa Ltd., Sistema de Información de Mercados Productos Agrícolas de Honduras (SIMPAH), and World Food Program (WFP)

[*] *FEWS NET gratefully acknowledges partner organizations, ministries of agriculture, national market information systems, the Regional Agricultural Intelligence Network, the Food and Agriculture Organization, the World Food Program, and other partners, for assistance in providing price data.*

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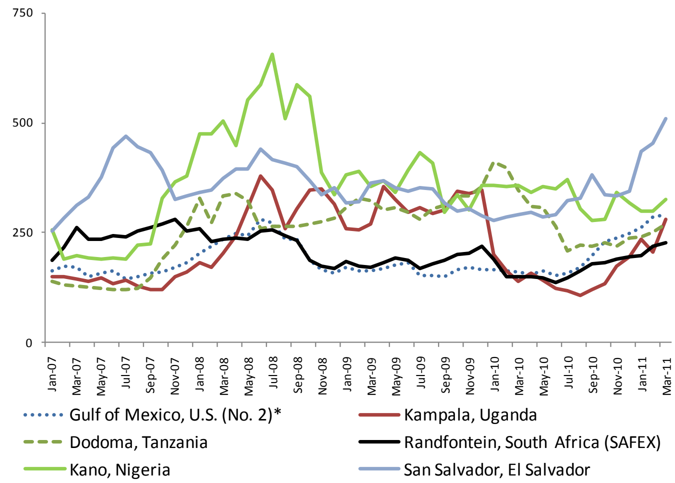
OVERVIEW

Current situation. While the prices of rice and wheat were down, maize prices increased between February and March. Maize prices have been under upward pressure as demand has remained strong and maize stocks in the United States (U.S.) have diminished more rapidly than previously expected (U.S. Department of Agriculture). Utilization for feed and for industrial purposes particularly for ethanol production has been high. Under the current policies of the U.S. with the recent rise in oil and ethanol prices, ethanol production is profitable. Maize demand for ethanol production is strong. Maize demand for feed in China and Europe is strong as well. The export price of yellow maize from the U.S. is now higher than it was at its peak in 2008, and stocks are projected to fall to historical lows by the end of the marketing year.

Figure 2: International and regional white maize export or wholesale prices per metric ton (MT) in USD, 2007-11



Sources: Food and Agriculture Organization of the United Nations (FAO), Ministry of Industry, Trade, and Finance of Tanzania (MITF), Regional Agricultural Trade Intelligence Network (RATIN), South Africa Futures Exchange (SAFEX), Dirección General de Economía Agropecuaria (DGEA)
**Denotes yellow maize. All others are white maize.*

Despite a recent easing in prices, wheat markets remain tight, as large precautionary purchases from deficit countries have continued, export restrictions in the Black Sea region have remained in place, and milling wheat stocks are dwindling. However, in contrast to the food price crisis of 2007 – 2008, international rice prices have remained relatively low. They have declined since October due to ample supplies in the major exporting countries in Asia.

The rise in international food prices has been transmitted to domestic markets in many countries, yet with some differences across regions. **Countries relying on wheat imports to feed their population have been the most affected.** These include the countries of the Middle East and North Africa region, the wheat-deficit countries of the Central Asia region, and countries in Latin America. The transmission of the rise in international maize, rice, and wheat prices to markets monitored by FEWS NET has also varied in magnitude and timing.

In East Africa's western trade basin, Uganda is a key supplier of maize and beans to deficit areas such as the urban centers of Kenya and Southern Sudan. **In Kampala, maize wholesale prices have been increasing rapidly since the third quarter of 2010,** faster than benchmark international prices in the U.S. and Argentina. This price rise is due to several factors, particularly a strong demand in the region as stocks are being depleted during the lean season, as well as expectations of a supply shortfall due to actual and forecast poor rainfall conditions in the Horn of Africa during the March-to-May (MAM) cropping season. Also, white maize prices have been rising in South Africa's export sector. The rise in the price of yellow maize in the U.S. and in major exporting countries has probably played a modest role as white and yellow maize are imperfect substitutes in food consumption and as East Africa imports little maize from outside Africa.

In other parts of Africa, maize price trends have differed. Export prices for white maize in South Africa have been increasing less rapidly than international benchmark prices since 2010 and are currently well under the latter reflecting adequate supplies in the region. South Africa is the main supplier of maize within the trade basin of Southern Africa. South Africa supplies nearby deficit areas of southern Mozambique and Zimbabwe and supplies Zambia and Malawi when supplies fall short of consumption requirements. East African countries also import South African maize in periods of deficit.

The maize surplus areas of southern Tanzania are also important in the trade basin encompassing Kenya, to the north, the north of Mozambique, Malawi, and Zambia, to the south, and the Democratic Republic of Congo (DRC), to the east. In the regional export market of Dodoma, maize prices have been trending upward since 2010, but less steeply than the benchmark international price. These movements reflect adequate regional supplies as in Southern Africa, but a rise in import demand from East Africa and high international prices may keep pushing prices up.

Cereal production has been good throughout West Africa, with localized exceptions. The cereal output in the Sahel region is estimated to be up by about 45 percent above the five-year average and about 10 percent above in the coastal region.

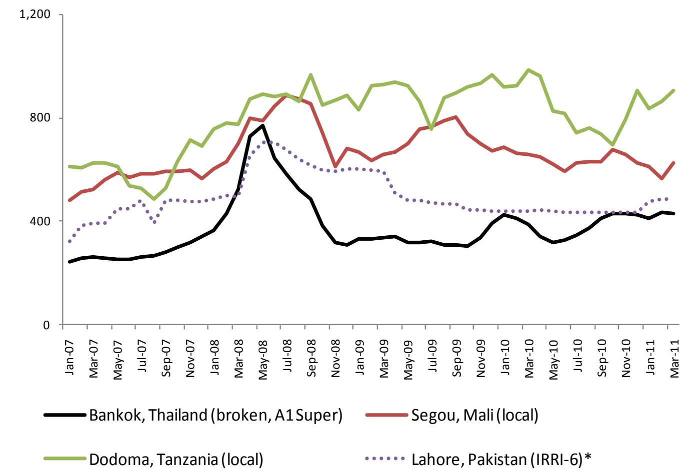
Adequate availability is reflected so far in relatively low maize prices in Kano, Nigeria, a hub for regional food commodity trade. Prices in Kano rose between February and March as the demand from deficit areas increased.

In El Salvador, in the market of San Salvador, a key wholesale market for Central America for local and imported maize, maize wholesale prices have been increasing rapidly in recent months. **The pressure on white maize prices is indirectly linked to the price rise in the U.S. market as white maize is being substituted for yellow maize for livestock feed.** Maize price increases have subsequently spread to other countries of Central America and trickled down to consumer prices for maize-based food products such as tortilla.

In East Africa, the price of local rice in Tanzania increased in recent months, but this increase appears to bear little relationship with the rise in the price of Thai rice several months ago. Strong demand in the East Africa trade basin and from DRC could explain this rise. In Pakistan, which supplies many countries of East and Southern Africa, supplies appear to be adequate and prices stable. In Ségou, Mali, in one of the main rice producing areas of West Africa, the price of local rice has been trending downward through 2010 and into 2011. A recent increase in March might be due to the rise in demand from the western trade basin of West Africa.

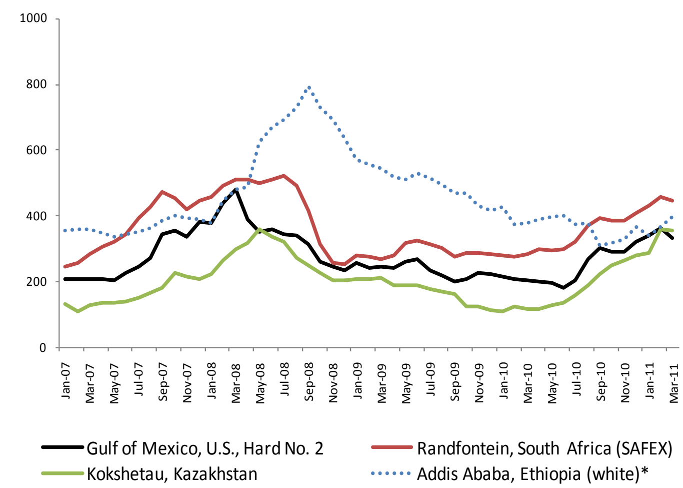
Trends in wheat prices across international export markets and regional export markets are more consistent. In Kazakhstan, prices increased rapidly in 2010 and 2011, following major production shortfalls locally, in Russia, and in Ukraine along with strong demand from importing countries. Price increases in Kazakhstan have been transmitted to deficit markets in Central Asia. The price of wheat in South Africa has closely followed the price of U.S. wheat. More recently, wheat prices started to increase both in Northern Sudan due to a local shortfall and in Addis Abba, Ethiopia, the center of the major wheat-producing area of Ethiopia. These prices rises reflect some transmission from international markets but are primarily due to local factors such as the poor harvest in Sudan and rising prices for all cereal grains in anticipation of the rain failure in *belg*-dependent areas of Ethiopia.

Figure 3: International and regional rice export or wholesale prices per MT in USD, 2007-11



Sources: FAO, MITF, Observatoire du Marché Agricole (OMA), WFP

Figure 4: International and regional wheat export or wholesale prices per MT in USD, 2007-11



Sources: FAO, KazAgroMarketing, SAFEX, WFP
**Denotes retail prices. All others are wholesale or export.*

Outlook. Except for yellow maize, stocks of cereals in major exporting countries are relatively adequate. Supplies of rice are important in Asia, and the exportable surplus from South America is growing. Rice prices should continue to remain steady or decline slightly as a result. In Kazakhstan, wheat prices could stabilize if international prices remain steady as supplies are adequate. Oil prices may lead to a rise in trade costs, but so far ocean freight rates have been declining under downward pressure from surplus capacity. There are preliminary signs of a significant supply response for maize and wheat in the U.S. and Latin America with above-normal actual or forecast plantings and favorable agro-climatic conditions. In Russia and Canada, however, wheat planting is behind schedule due to excessively wet weather. Prices are not expected to surge in the coming months in Southern and West Africa. However, in East Africa, prices could keep increasing through June or later as stock holders in Uganda, Kenya, and Ethiopia anticipate high cereal grain prices between now and the arrival of new harvests in grain belt areas. In Southern Somalia, relief will not come until later due to the failure of the *gu* rains.

EAST AFRICA

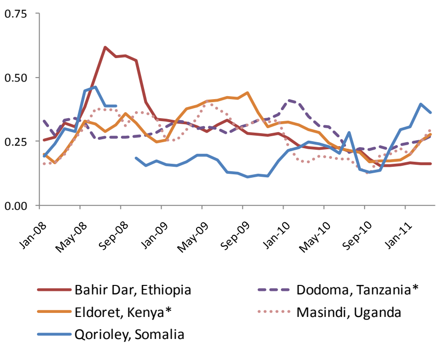
Current situation. Prices of locally produced staple foods have significantly increased in most markets across the region. For local staples such as maize, sorghum, and beans, this increase is attributed to increasing marketing costs caused by high fuel prices, a reduction in local stocks, and stockholding by farmers and traders in anticipation of higher prices in the coming months as the prospects for the rains from March to May (MAM) in Ethiopia, Kenya, and Somalia are poor. Maize prices rose significantly in key surplus markets such as Eldoret, Kenya where they were up 17 percent from February to March. While the month-on-month rise was steep and larger than usual for the season, prices in Kenya in production zones are only slightly above prices from last year. In the pastoral areas of northeast Kenya, price rises were larger. **Strong demand in Kenya, Southern Sudan, and the Democratic Republic of Congo (DRC) for maize exports from Uganda and Rwanda along with higher fuel prices and dwindling stocks are driving up staple food prices in these countries.** In Ethiopia, famers are holding stocks due to the poorly performing *belg* (MAM) season this year in spite of the previous normal to above normal *meher* harvest in 2010. This has affected market availability though fuel prices and the subsequent increase in marketing costs have probably also played a role. In contrast, prices for staple foods in Burundi are relatively stable or declining.

In Southern Somalia, sorghum prices continued to rise and remain up to 151 percent above prices from last year. In the maize belt, the price of maize dropped seven percent in Qorioley, following usual seasonal trends, but the price remains well above last year's price. Food aid distribution in Central Somalia may have reduced demand for sorghum and maize leading to this minor loosening of the market. As livestock prices remain low, terms of trade for pastoralists and agro-pastoralists continued to deteriorate in Southern Somalia and throughout the Eastern Horn of Africa from February to March.

In Sudan, sorghum prices are relatively stable in the north though wheat prices are still rising due to the previous poor harvest and high prices in international markets. In contrast, millet fell in price in key markets in Darfur and eastern areas between February and March. While a FEWS NET assessment estimated that commodity flows from the North to the South dropped by as much as 30 percent following the referendum in Southern Sudan, grain appears to be once again moving into major southern markets where prices are stable or have fallen slightly.

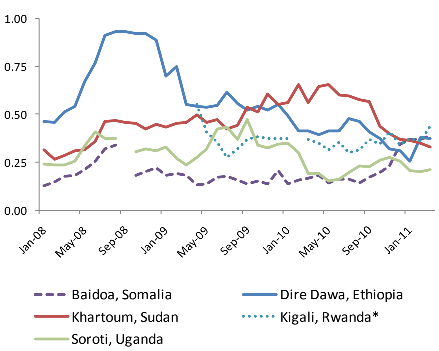
For imported staples such as rice and wheat flour, the recent price increase in Djibouti, Ethiopia, and Somalia is attributed primarily to high freight costs associated with high fuel prices. For wheat, slow price transmission from international markets may have also played a role. For example, the month-on-month increases in the prices of wheat flour in Djibouti ranged between 4 to 30 percent. While international wheat markets have had price increases continuously since May of 2010, the price of wheat flour in Djibouti City moved up between February and March for the first time since February of 2010.

Figure 5: Maize price in USD per kg in key surplus markets in East Africa, 2008-11



Sources: FEWS NET, FSNAU, WFP, Farmgain Africa Ltd., Ministries of Agriculture, MITF

Figure 6: Sorghum price in USD per kg in key surplus markets in East Africa, 2008-11



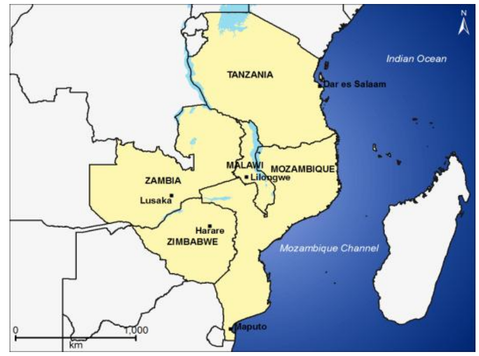
Sources: FEWS NET, FSNAU, WFP, Farmgain Africa, Ltd., RATIN, Ministries of Agriculture
**Wholesale prices, all others are retail.*

Outlook. Prices of both local and imported staples are expected to increase in most markets driven by rising fuel prices and intensification of traders and producers' stock holding due to poor onset of MAM rains in the Eastern Horn. Price increases in Kenya will be more pronounced if millers no longer source maize supplies from Tanzania and have to resort to imports from South Africa during the May to July period. Price rises are likely to be highest in the eastern part of the Horn, in pastoral areas of Kenya, Somali region of Ethiopia, *belg*-dependent cropping zones of southern Ethiopia, and Southern

Somalia, as poor rains limit local supplies in the surplus-producing areas of Southern Somalia, which tends to supply maize, sorghum, and cowpeas for much of the region. Uganda may also experience unusually high prices.

In Southern Sudan, possible civil insecurity around Malakal could reverse the new price stability there. If cereal grain flows from northern to southern markets continue, price rises in most southern markets should be moderate.

Increased pressure on prices should start to be relieved in June to July as new harvests become available from the key grain basket areas of Kenya, Uganda, Tanzania, and Ethiopia. The increased supply should spur decreasing prices for most areas other than Northern Sudan which enters the lean season in May and does not expect a new harvest until October or November. As wheat prices are high, Northern Sudan could be adversely affected by the high international price of wheat while covering its food import needs during the lean season.



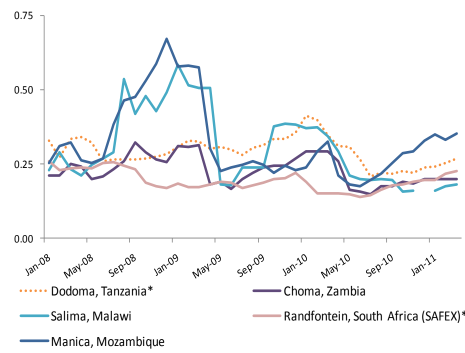
SOUTHERN AFRICA

Current situation. Staple food prices are stable or increased slightly across much of the region with trends that are typical for this time of the year when the lean season is ending. Meanwhile, most markets are adequately stocked with this season's green and early harvests and also with last season's stocks that traders are now off-loading in preparation for the new crops. The highest price increases have been observed in Mozambique and some markets in the chronically food insecure areas in Southern Zimbabwe and Southern Malawi as demand in these areas continues to be high.

In most markets of Malawi, Mozambique, Zambia and Zimbabwe, white maize prices have remained relatively stable throughout the lean season. In contrast, the spot price of white maize on the South Africa Futures Exchange (SAFEX) has been rising since November 2010 despite a large surplus in the country and an expected bumper harvest in 2011/12. These increases are largely the result of traders' reactions to international price trends.

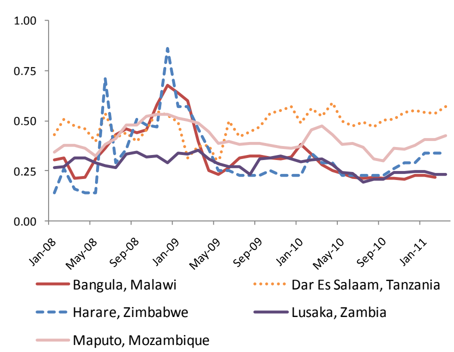
Outlook. A seasonal decreasing trend in staple food prices is expected to last until the end of the harvest period in July to August when prices should stabilize. Market supplies are expected to remain good across the region due to expected good harvests and remaining carryover stocks from last year. However, increased transportation costs and high inputs costs being incurred by most farmers in the region could drive prices up or prevent significant price falls. The SAFEX prices in South Africa are expected to continue roughly tracking international price trends.

Figure 7: Maize price in USD per kg in key surplus markets in Southern Africa, 2008-11



Sources: Ministries of Agriculture, MITF, SAFEX

Figure 8: Maize price in USD per kg in key deficit markets in Southern Africa, 2008-11



Sources: Ministries of Agriculture, MITF
**Wholesale prices. All others are retail.*

WEST AFRICA

Current situation. Supply on markets across the region is decreasing as producers have finished marketing their surplus and cash crop sales in the Sahel have ended. At the same time, **demand is increasing with the beginning of the lean period in the Guinean zone and the exhaustion of stocks among some households in the Sahel.** Generally, availability is sufficient compared to demand, and prices are following a normal, seasonal evolution of either stability or gradual rises. In general, due to the strong stocks in the Sahel, trade based from Nigeria is at a lower level this year than in previous years.

Compared to March 2010, the nominal price of millet is lower in almost all the markets monitored in the region. Prices in Chad are especially low, but they have started to increase since January. Maize prices, in general, are higher in nominal terms than last year, but there are important exceptions to this trend in Cape Verde, Chad, and Mauritania. In Chad, a combination of strong recent grain harvests, low demand, and government policies designed to control prices have held prices low. In Mauritania and Cape Verde, strong regional harvests have kept supplies high.

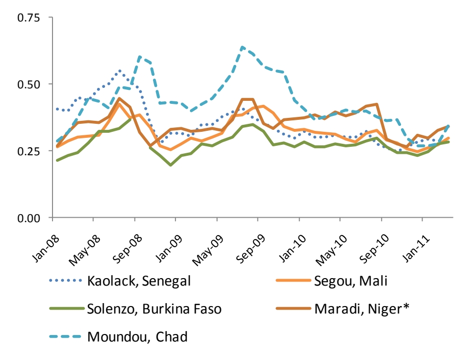
Markets in areas of civil insecurity have experienced rising prices. In Côte d'Ivoire, markets are paralyzed, commercial and households stocks are dwindling, and there are media reports of significant price increases. The inaccessibility of the port in Abidjan and of the rest of Côte d'Ivoire, which serves as an important destination market for livestock, continues to disrupt typical trade flows across the region. In northern Niger and Chad, returnees from Libya along with the disruption of usual trade flows from Libya of fuel, processed foods such as pasta and vegetable oil, and other goods are causing strains on many households. In extreme northern Nigeria, for example, in Kebbi state, some markets have been disrupted by election-related disorder.

Outlook. As the lean season approaches and households become more reliant on markets, price increases and increased volume of trade can be expected. Any inaccessibility to northern areas of Nigeria could limit the ability of traders to move grains to deficit areas, so relative stability in Nigeria will be a key for normal supply and normal seasonal pricing trends in the Sahel. Higher prices may limit access to basic cereals for poor households that lack stocks or that have exhausted their stocks earlier than expected.

For rice, April generally marks the period of rising imports with the exhaustion of locally produced rice stocks. **West African markets should follow the recently stable trend of international rice markets.**

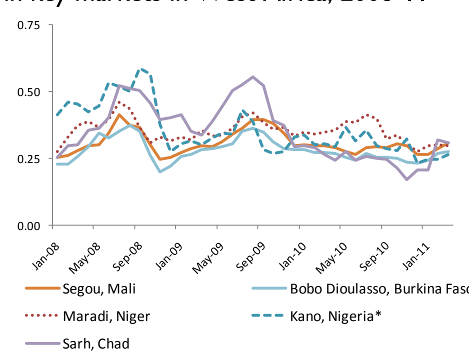
Government interventions in markets in Chad and Mauritania could hinder the functioning of markets. In Chad, government-set price ceilings may have deterred traders from moving food commodities from surplus areas in the south to deficit markets in the Sahel. As the rainy season starts and Sahelian households begin to source more foods from markets, available supplies might not suffice to satisfy the demand, which would rapidly drive prices up. The current upward trend in prices in markets other than Abéché may provide incentives for traders to move cereals from the south to the north. However, trader capacity to respond may be limited.

Figure 9: Millet price in USD per kg in key surplus markets in West Africa, 2008-11



Sources: Ministries of Agriculture, Système d'Information sur le Marché Agricole (SIMA), OMA, FEWS NET

Figure 10: Sorghum price in USD per kg in key markets in West Africa, 2008-11



Sources: Ministries of Agriculture, SIMA, OMA, FEWS NET
**Wholesale prices. All others are retail.*

In Mauritania, Operation Solidarity seeks to use 600 government-run retail stores to supply low-cost, imported rice, wheat flour, and vegetable oil. However, supplies in these stores are limited, and displaced traders may cease to supply poor neighborhoods or curtail the availability of credit for poor households. In Nouakchott, there are already reports of traders limiting or refusing purchases on credit. As credit is one key tool used by households to smooth consumption despite irregularly-timed income sources, this could adversely impact the very households that the policy intended to protect.

CENTRAL ASIA and MIDDLE EAST

Current situation. Wheat prices in Northern Kazakhstan, a key surplus wheat area in the region held steady following a hike in February. **In Pakistan, wheat and rice prices showed little movement** as in the preceding months. **In Afghanistan, the prices of wheat, wheat flour, and rice remained stable in most markets. In contrast, wheat prices in Tajikistan continued to increase in March.** Prices for sugar and vegetable oil in Afghanistan, Pakistan, and Tajikistan were roughly constant, reflecting stabilizing prices in international export markets.

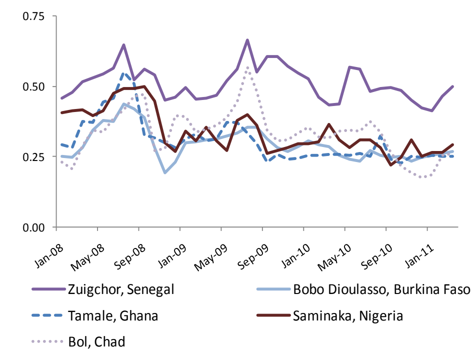
The stability of prices in Afghanistan is explained by several factors. Wheat stocks were adequate following a good harvest last year, and wheat imports from Pakistan have increased since Pakistan terminated a ban on wheat and wheat flour exports in January. Also, as the harvest period nears, the propensity of market participants to hold stocks falls. Exceptions are Kandahar and Jalalabad, where prices have increased. These markets are in wheat deficit areas and traders stocks usually dwindle in the period preceding the harvest. In addition, in Kandahar, civil insecurity most likely impeded the free flow of food commodities.

In Tajikistan, wheat prices have continued to increase despite the release of stocks from the national strategic reserve and a recent reduction in the value-added tax on wheat grain. This presumably results from the steep rise in the price of wheat in Kazakhstan in the recent months, as almost all of the imported wheat in Tajikistan originates from Kazakhstan. Compounding the surge in the price of Kazakh wheat, the rise in oil prices has been driving up the cost of importing wheat from Kazakhstan.

Although food prices in Central Asia are showing some signs of stability, they are still substantially higher than last year. In particular, wheat prices in Kazakhstan are over 200 percent above their level from a year ago. In Dushanbe, the price of wheat in March 2011 was 109 percent higher than in March 2010, but in Kabul, the year-on-year increase in the price of wheat was 31 percent as prices increased more moderately in Afghanistan due to the availability of imports from Pakistan.

In Yemen, wheat prices in Sana'a rose significantly between February and March, after having been stable since December 2010. This price increase reflects the rising cost of imports. The government's efforts to control prices appear largely ineffective. Yemen continues to purchase large quantities of wheat in the international market.

Figure 11: Maize price in USD per kg in key markets in West Africa, 2008-11



Sources: Ministries of Agriculture, SIMA, FEWS NET

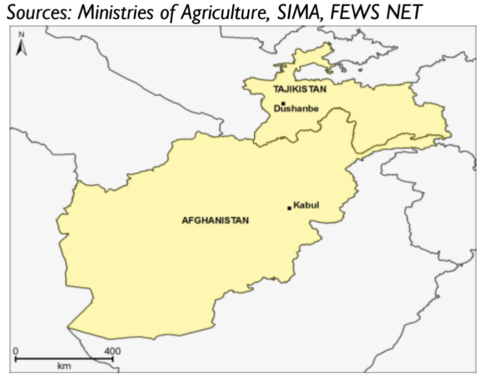
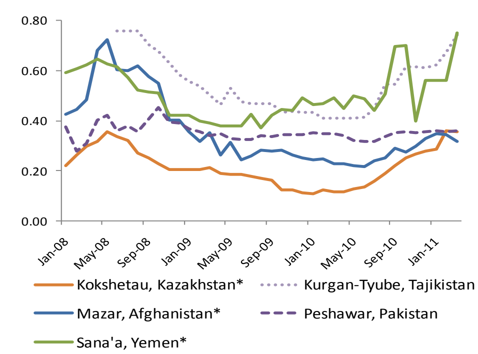


Figure 12: Wheat flour price in USD per kg in key markets in Central Asia and the Middle East, 2008-11



Sources: WFP, KazAgroMarketing
**Wheat grain prices. The price for Kokshetau is wholesale.*

Outlook. Several factors are expected to lower the pressure on wheat prices in Central Asia. Wheat stocks in Kazakhstan are currently higher than in 2008 and export volumes are reportedly normal at this time of the year. If prices in international markets stabilize, the price of wheat in northern Kazakhstan could remain stable until the next harvest. The wheat harvests in Afghanistan and Tajikistan, which starts in May, are expected to put some downward pressure on prices. **Yemen continues to import at a higher than expected rate according to USDA import estimates.** In late March, Yemen placed significant orders for U.S. wheat. As large international shipments reach the Yemeni market, wheat prices may decline.

CARIBBEAN and CENTRAL AMERICA

Current situation. In Central America, the high international price of yellow maize along with the losses of white maize to frost in Mexico continues to place upward pressure on regional white maize prices. **Across the region, white maize was up.** In Nicaragua, the rise was fairly uniform, but in the other countries, some areas experienced no movement between February and March while others had significant spikes such as a 15 percent month-on-month increase in Guatemala City. In all markets, white maize is above last year's price.

The rapid rise in red bean prices from the second half of 2010 has yielded to relative stability. **However, red bean prices remain very high.** El Salvador's expected shipment of red beans from China has yet to arrive, which lead to only a slight decline of five percent between February and March in San Salvador. The retail price remains 133 percent above last year. Black bean prices remained stable or falling in Guatemala with the arrival of the *petén* harvest.

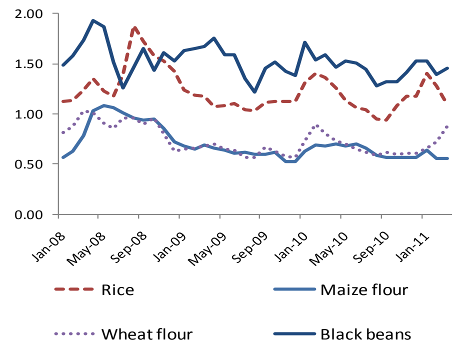
In Haiti, staple food prices were overall relatively stable between February and March. Key imported commodities such as rice and sugar declined or remained stable as they did in international markets. Black bean prices were up on some markets such as Jacmel, Jeremie, and Port-au-Prince probably due to increased demand for seed.

Outlook. In Central America, both black and red bean prices should remain stable as new harvests become available by late April. High prices along with a variety of government-sponsored incentive programs could encourage the planting of beans and help reestablish a healthy supply. However, high fuel costs are likely to offset this incentive and keep prices near their current level. **Prices are not expected to drop significantly over the next several months or at least until the arrival of the *primera* harvests in August.** So far, price rises in the region for white maize have been less dramatic than in international export markets due to the availability of locally harvested white maize. However, this gap is closing as yellow and white maize reach price parity in markets such as Guatemala City. Increasing importation of maize over the coming months into the region may drive prices higher between now and the *primera* harvest.

Rising oil prices could adversely affect prices in Haiti. High oil and fertilizer prices will impact planting this season which may lead to above-normal prices at harvest time. However, Haiti depends on imports primarily from the United States, so import prices will be the key determinant of local prices.

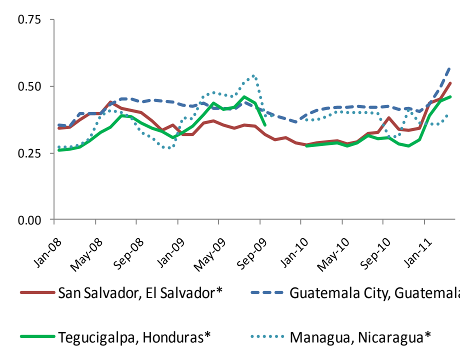
Another important factor that could affect food price is the hurricane season from June to November. Meteorological information provided by the University of Colorado for the Atlantic region predicts an active season. Local production, trade flows, and marketing activities can all be disrupted by a hurricane which often leads to price spikes or temporary shortages.

Figure 13: Key prices in USD per kg at Croix-de-Bossales market, Port-au-Prince, Haiti, 2008-11



Sources: Coordination Nationale de la Sécurité Alimentaire (CNSA), FEWS NET

Figure 14: White maize prices in USD per kg in key markets in Central America, 2008-11



Sources: Ministries of Agriculture, SIMPAH, DGEA
**Wholesale prices*