

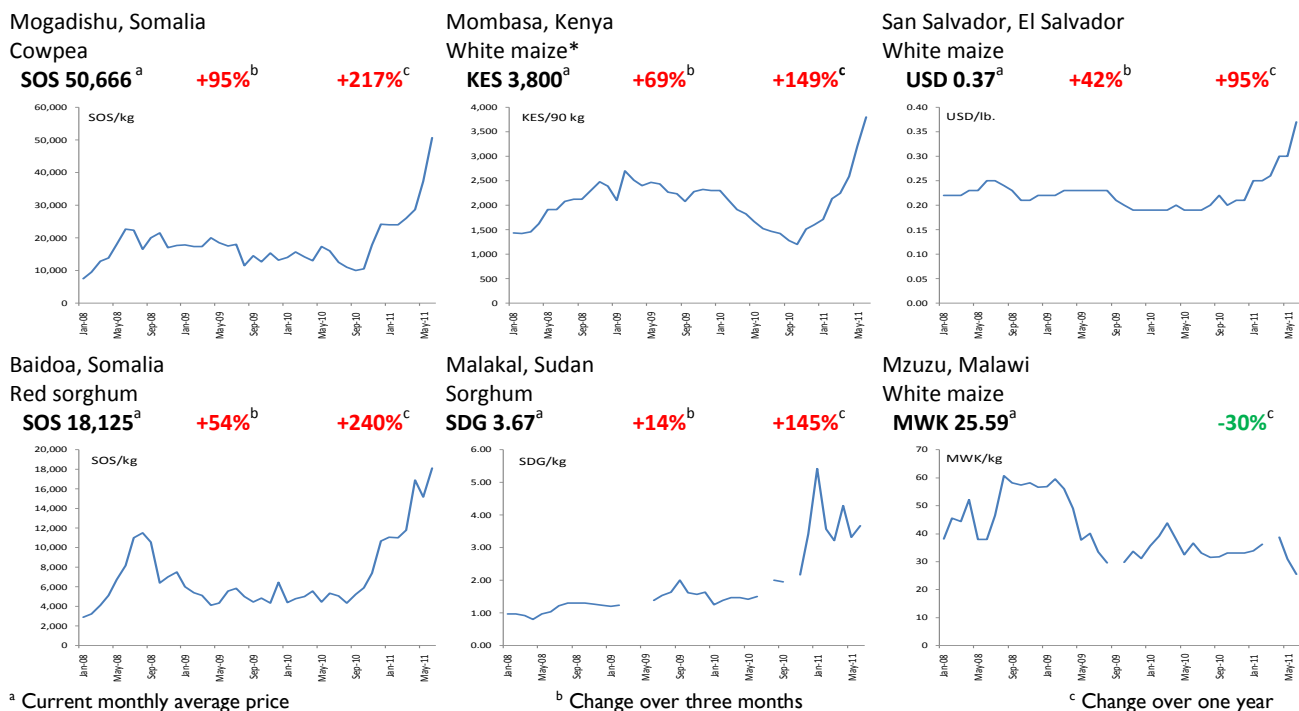
PRICE WATCH: June Food Prices

July 29, 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.*

- In southern Somalia, the prices of local grains continued to rise steeply with the upcoming harvest expected to be far below average. Imported rice prices and supplies remained relatively stable.
- In the greater Horn of Africa, prices remained high. White maize prices in Kenya continued to rise, but prices in Ethiopia stabilized. Export bans in Ethiopia and Tanzania and barriers to trade between Sudan and South Sudan continue to impede normal trade flows to deficit areas.
- White maize prices in Central America continued to increase due to the transmission of high international maize prices along with the usual seasonal trend of increasing prices during the lean season.
- Wheat prices in Tajikistan and Afghanistan were stable, remaining high following poor local harvests. Good prospects for wheat availability at the regional level played a stabilizing role.
- In Southern Africa, maize prices are following seasonal trends, continuing to decline in areas with large surpluses.
- Staple food prices in West Africa are also exhibiting normal trends for the lean season, steadily increasing. Supplies available on markets have increased with the sale of stocks by producers to finance the upcoming growing season.

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



*Denote wholesale. All other prices are retail.

Sources: Food Security and Nutrition Analysis Unit-Somalia (FSNAU), FEWS NET, Ministry of Agriculture of Kenya, Ministry of Agriculture and Livestock (MAL) of El Salvador, 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.

OVERVIEW

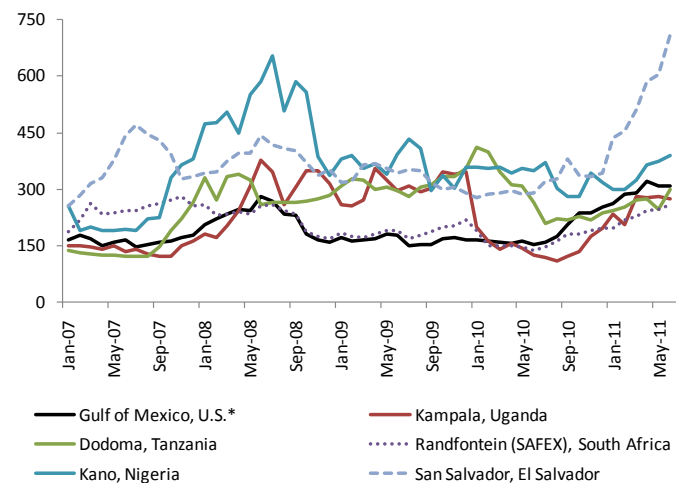
Current situation. Over the past two months, the upward pressure on maize and wheat prices in international export markets seems to have subsided. The price of hard wheat in the U.S. export market decreased by 18 percent between late May and mid-July following an upturn in export supply for wheat from the Black Sea region—Ukraine suspended its grain export quotas last month and Russia lifted its embargo on grain exports on July 1—along with an improvement in production prospects for 2011/12 among exporting countries. Meanwhile, export maize prices in the U.S. and Argentina barely declined, remaining about the same as their 2008 peak. **Maize markets have remained tight** despite the likely end of federal tax credits for blenders of ethanol in the U.S. Also, a recent spell of dry and hot weather has raised concerns about the prospects for the U.S. crop. By contrast, the prices of rice in the Thai and Vietnamese export markets increased slightly between June and July as demand from some importing countries strengthened, prospects for the U.S. crop diminished, and Thai politicians speculated on changing farmer support policies. Rice prices in Pakistan have also increased.

The surge in yellow maize prices in export markets has dramatically affected maize markets in Central America. In June, the price of white maize on the wholesale market of San Salvador, El Salvador, was over 140 percent higher than last year. The substitution of local white maize for imported yellow maize in feed combined with the normal decline in local supplies of white maize in the period preceding the harvest resulted in large and widespread price increases in the region.

Central Asia has benefited from the recent stabilization of wheat prices in export markets. Wheat prices in Kazakhstan, the largest exporter of wheat in the region, have slightly declined over the past few months, contributing to a stabilization of prices in Afghanistan and Tajikistan despite poor production in these countries. Prices in Pakistan, which currently holds large exportable supplies, have also exhibited stability.

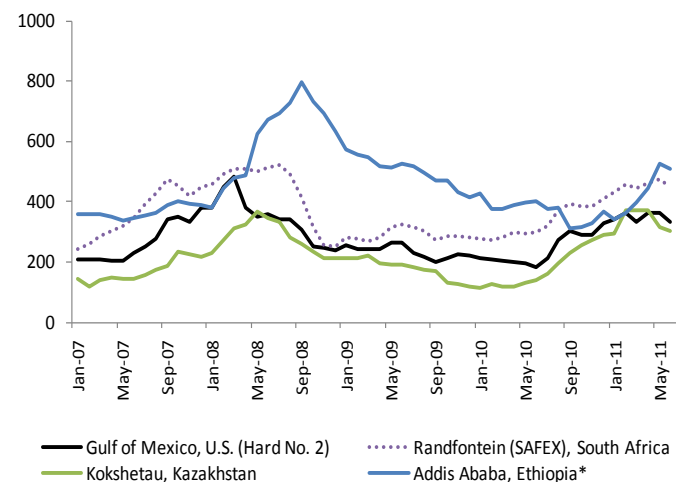
In East Africa, maize prices on wholesale markets in surplus areas have increased markedly since late 2010, due to strong demand from neighboring countries with structural deficits, the Democratic Republic of Congo (DRC), Kenya, and South Sudan in particular, and acute deficits in the eastern part of the region. In Tanzania, an important regional exporter of maize, maize prices continue to trend upward on some, but not all markets. In the Horn of Africa, eastern and northern Kenya, Somalia, and eastern and southern Ethiopia, the availability of local grains is very low. Prospects for the upcoming late harvest in southern Somalia, in *belg*-dependent areas of Ethiopia, and in marginal cropping areas of Kenya are poor. Trade flows have been impeded in a few cases in all three countries by conflict. **In conjunction with high international prices, the export restrictions imposed by Ethiopia and Tanzania have exacerbated the rise in prices. As a result, prices in the eastern part of East Africa have reached extremely high levels.**

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



*Denotes yellow maize. All others are white maize.

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



* Denotes retail price. All other prices are export or wholesale.

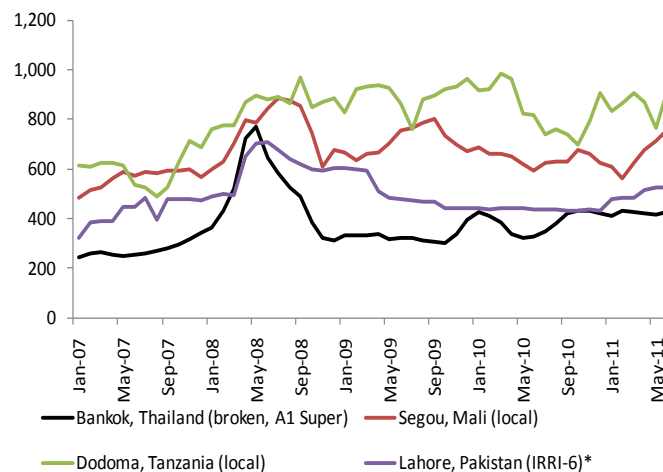
Sources: Food and Agriculture Organization of the United Nations (FAO), Ministry of Industry, Trade, and Marketing (MITM) of Tanzania, Regional Agricultural Trade Intelligence Network (RATIN), South Africa Futures Exchange (SAFEX), DGEA, KazAgroMarketing, EGTE, WFP

Food price trends have been more favorable for net purchasing households in other regions of Africa. In West Africa, maize and rice prices on key wholesale markets such as in Kano, Nigeria in the eastern trade basin for maize and in Ségou, Mali in the central-western trade basin for rice have increased significantly but within seasonal norms. In general, markets in the region have been adequately supplied, and prices have increased seasonally. **In Southern Africa, maize prices have been relatively low following a good harvest.** After having declined seasonally, they are stabilizing or already increasing in some areas. On the South Africa Futures Exchange (SAFEX) market in South Africa, maize prices continued to increase, catching up with international prices while wheat prices stabilized.

The FEWS NET food price indices[†] show that, in general, trends in food prices at the retail level in Southern Africa and West Africa have stabilized in the former and seasonally increased in the latter. Prices in the coastal countries of West Africa have been increasing faster than in the Sahel, however, due to their greater dependence on imported food commodities. **For East Africa, the FEWS NET price index shows a very steep rise starting in early 2011 that is comparable to the surge in prices in 2008.** This rise is mostly driven by markets in the Horn of Africa and South Sudan.

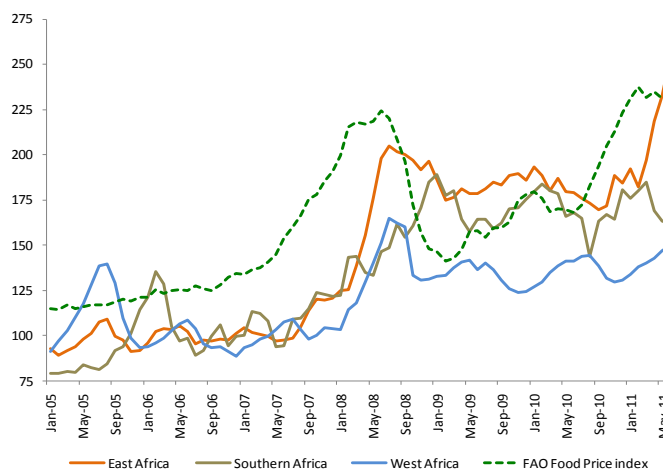
Outlook. Ongoing and upcoming grain harvests in the northern hemisphere should contribute to keep maize and wheat prices stable and possibly could lead to a decrease in price. However, prices will likely stay higher than in early 2010 as the balance between supply and demand for grains at the global level will remain tight. Grain consumption is projected to rise faster than production in the 2011/12 marketing year, and **world grain stocks are forecasted to decline again** according to the International Grains Council (IGC). Declining stocks are most significant for maize. Rice stocks are still expected to increase, and rice prices will be more stable unless there are major disruptions to production or trade. If international export prices for grains remain high, they will steadily be transmitted to deficit countries although regional production conditions will also play an important role for the determination of food prices.

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



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

Figure 5: FEWS NET African regional price indices and FAO Food Price Index, 2005-2011



Sources: FAO, FEWS NET

Note: The base years of the FEWS NET regional price indices are the regional marketing years ending in 2006. The FAO Food Price Index uses 2002-2004 as the base period. The Southern Africa index excludes Zimbabwe because of hyperinflation in 2008. This month the West Africa indices exclude Togo due to missing data.

[†] To provide a better picture of how consumer prices are behaving in regions monitored by FEWS NET, a series of regional price indices was constructed. These indices are based on equally-weighted retail price quotes for staple foods consumed by the poor (key local and/or imported cereals, pulse, and/or tuber) in reference markets of FEWS NET countries' capital cities.

EAST AFRICA

Current situation. The prices of locally produced staples, including maize, beans, sorghum, and millet, continued to rise on most markets in Ethiopia, Kenya, Uganda, Tanzania, Somalia, and South Sudan. The prices of local cereals were more stable in Djibouti and Sudan. The prices of imported cereals such as rice and wheat were relatively stable in most markets.

The combination of low stocks and the lean season is causing increasing prices in much of East Africa. In Kenya, the price of maize continued to increase from May to June, but the rise in price was not as fast as it had been since February. The slowing rise is attributed to traders and farmers releasing stock to try to get into the market before duty-free imports arrive. While some maize from the south Rift Valley has come into the market, short-cycle crops like potatoes have entered the market increasing availability and significantly decreasing their price.

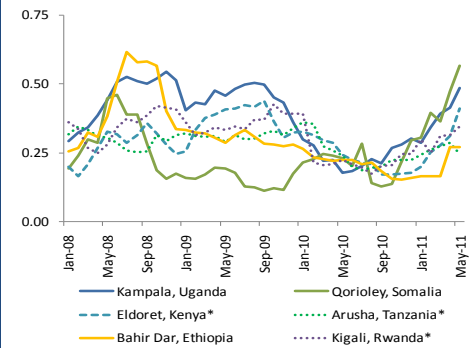
In Ethiopia, despite high consumer price inflation and a seasonal decline in availability, prices were relatively stable between May and June. The effects of the switch of the Productive Safety Net Program (PSNP) from cash transfers to food transfers, the continued distribution of food aid, and the grain export ban have helped stabilize prices in some areas by lowering market demand. However, in drought-affected regions of eastern and southern Ethiopia, prices remain very high. In Jijiga in Somali Region, both yellow maize and white wheat are twice the price they were last year in nominal terms. **Terms of trade for pastoralists and agro-pastoralists continue to deteriorate.**

In Somalia, prices of local cereals in northern Somalia in areas currently harvesting such as Burao saw a slight month-on-month decline. Meanwhile, prices in southern Somalia continued to climb. In some towns in southern Somalia such as Qorioley, prices of local grains such as red sorghum have reached or slightly exceeded the price of imported rice, prompting households to substitute rice for local grains and marginally raising the price of rice. **Prices for local grains have increased most in Bay, Middle Juba, and Lower and Middle Shabelle with many local grain prices doubling or tripling in price.** Cowpea prices in the cowpea belt also continued to spike dramatically in anticipation of near failure of the upcoming harvest due to drought and a pest infestation. Imported red rice prices were relatively stable in central and southern Somalia. In areas that re-export rice to Ethiopia, such as Burao and Hargeisa in northern Somalia, prices for rice have increased most likely as a result of high demand for rice during the lean season in Ethiopia.

In Djibouti, despite the Ethiopian restrictions on informal grain exports, prices were relatively stable. Outside of Djibouti City, the price of wheat flour slightly decreased, but it remains between 20 and 40 percent higher than last year.

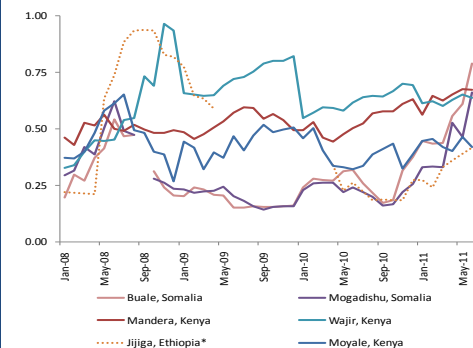
In Uganda, the ongoing harvests have brought about seasonally declining prices for matooke or cooking banana, beans, and millet. Prices remain much higher than last year. In many cases, prices have more than doubled over the past year. Commodities which have high export demand such as maize and sorghum continued to increase from May to June. Similarly, in Burundi and Rwanda, the ongoing harvest means many rural households are restocking and rely less on the market for staple foods this time of year. In Burundi, this has led to seasonally declining bean, sweet potato, and cooking banana prices in most markets. In Rwanda, prices have remained relatively stable.

Figure 6: Prices of white maize in USD per kg in surplus areas of East Africa



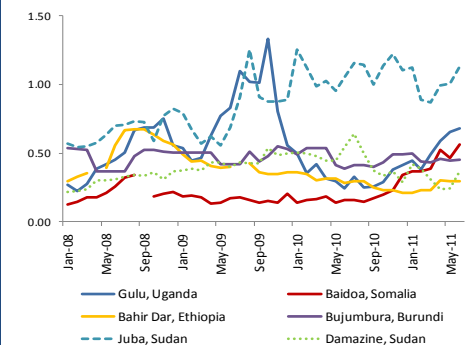
*Denotes wholesale. All other prices are retail.

Figure 7: Prices of white maize in USD per kg in the Horn of Africa, 2008-I I



*Denotes yellow maize. All other prices are white maize.

Figure 8: Prices of sorghum in USD per kg in East Africa, 2008-I I



Sources: FSNAU/FEWS NET, RATIN, WFP, MITM, FAO, ALRMP, EGTE, Ministry of Agriculture of Kenya, FarmGain Africa Ltd.

In Tanzania, maize prices have continued to increase in the northern and western parts of the country due to strong demand from neighboring countries. Rice prices have shown a similar pattern. Although a food crop export ban is in place, informal cross-border trade continues. Having built up stocks with plans to export, traders are holding substantial stocks. They may try to outlast the export ban and sell later at high prices in Kenya and other deficit areas. In the southern part of the country, prices have been more stable and even declined in markets where the ongoing harvests is better.

In South Sudan, prices in northern regions which primarily source sorghum from Sudan increased. Large increases were observed in the sorghum prices in Malakal, Wau, and Aweil. **Trade restrictions and other impediments due to insecurity along the border continue to limit sorghum exports from Sudan to South Sudan.** However, across the border in Sudan, prices in some production regions for sorghum, such as Kadugli, continued to fall, whereas in most areas prices for sorghum, millet, and wheat increased moderately as the lean season progressed.

Outlook. Prices of local cereals and pulses will continue to increase in most markets in Kenya, Uganda, South Sudan, and Somalia, but by September supply constraints may loosen in some areas as the harvest from the first-season crop reaches the market. This effect will be less pronounced in southern Somalia where the harvest is expected to be half or less of the 1995-2010 average. Harvests from northern Uganda may help ease South Sudan prices in the same period, but the effects of the Ugandan harvest on prices in South Sudan remain uncertain. In a good year, Uganda is an exporter of maize in the region. South Sudan has increasingly been importing maize from Uganda to substitute for the sorghum that traditionally was sourced from Sudan. However, this year, maize prices in Uganda are currently very high due to inflation and increased demand for exports. **Given the export ban in Tanzania, regional exportable supplies of maize will be much less than in normal times, and both commercial and institutional sourcing of Ugandan grain will most likely sustain high export prices in Uganda even after the harvest.** In Tanzania, prices will most likely stabilize as pressure on cross-border demand declines and some traders decide to release some of their stocks into the market.

SOUTHERN AFRICA

Current situation. After significant price decreases observed throughout the region in the post-harvest period, June saw divergent trends in staple food prices between deficit and surplus areas. **In northern Mozambique, Malawi, Zambia, and Zimbabwe, prices of maize were mostly stable or continued their post-harvest decline.** However, high demand in urban centers in Mozambique such as Maputo and Nampula led to increasing prices for white maize. High demand in export markets such as the Southern Africa Futures Exchange (SAFEX) brought maize prices in South Africa higher, reflecting the continued demand on world markets and aggressive marketing of the surplus.

Tanzania, a major exporter of maize, beans, and rice in the region, has imposed a food export ban focused on preventing informal maize exports. However, informal exports of maize to Kenya, Zambia, and the Democratic Republic of Congo (DRC) continued. In fact, volumes to Zambia, which are often then traded on to DRC, increased. Traders are believed to be holding large stocks of maize which they had planned to sell in Kenya and other

Figure 9: Prices of white maize in USD per kg in Southern Africa, 2008-11

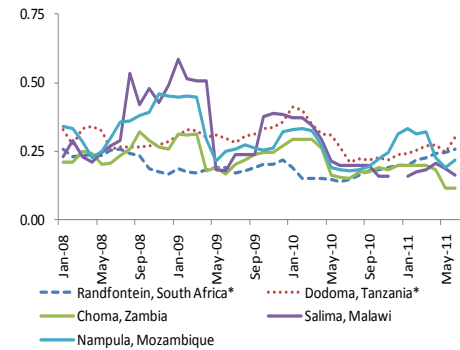


Figure 10: Prices of beans in USD per kg in Southern Africa, 2008-11

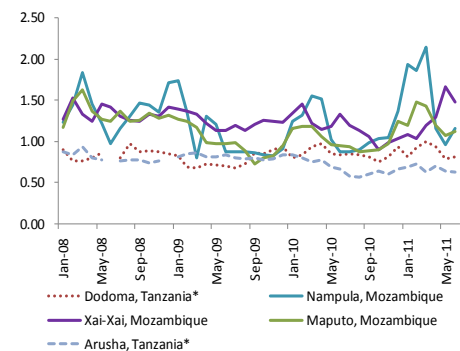
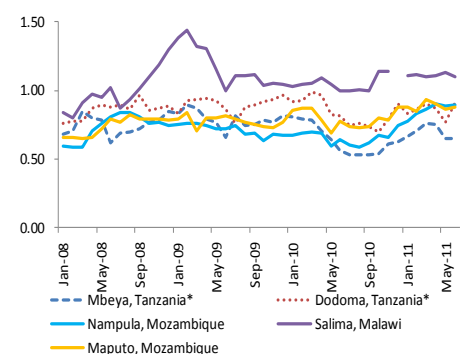


Figure 11: Prices of rice in USD per kg in Southern Africa, 2008-11



*Wholesale prices. All others are retail.

Source: SAFEX, Ministry of Agriculture of Mozambique, Central Statistics Office of Zambia, MITM, FEWS NET

countries in East Africa. Despite imposing the export ban in an attempt to hold consumer prices low, prices in Tanzania continue to rise in many markets especially near the western and northern borders. Traders are likely trying to hold stocks until the ban is lifted which may not be until next year.

In Zambia, the Food Reserve Agency (FRA) was purchasing in all regions of the country by the end of July. As the FRA purchase price is higher than the market price, most farmers are expected to sell to the FRA this year thus crowding out private sector traders. In Southern Malawi, a chronically food-insecure area, a good season has led to more households consuming maize from their own production. However, prices of maize have already started to increase in some southern markets such as Nsanje. Along with generally falling prices of maize, rice prices are also down in Malawi due to good availability and well supplied markets.

Outlook. In surplus producing areas, the decreasing trend in staple food prices is expected to continue until the end of the harvest period in August when prices should stabilize before rising again as the October-to-February lean season approaches. In deficit areas and major urban markets, prices may rise earlier. **Market and on-farm supplies are expected to remain good across the region due to good harvests and modest carryover stocks from last year.** In Zambia, with a large harvest estimated at 1.3 million MT, the FRA though will need much greater storage capacity to accommodate the surplus from this year's harvest, especially considering that large carryover stocks remain in storage. It is likely that significant quantities of maize will waste or be lost due to poor storage conditions by the FRA. **Waste and losses may be found across much of the region as storage capacity remains limited.**

WEST AFRICA

Current Situation. Cereal prices in West Africa were relatively stable in June. The supply of cereals improved as farmers and traders released stocks and as green harvests of maize, yams, and groundnuts entered southern markets in the countries on the Gulf of Guinea.

In Mauritania, the availability of local cereals continues to be adequate and prices are relatively stable. Wheat prices increased slightly due to pressure from high international wheat prices. In Nouakchott and Boghé, the wheat price increased, and wheat remains significantly above prices from last year on all markets.

In Burkina Faso, stocks at the producer and trader levels are adequate in the west and the central part of the country, but they are low in the Sahel. Household stocks are normal. Prices of local cereals remain relatively stable. Internal and cross-border trade flows are relatively low due to the absence of large deficits or large price differentials with nearby countries. In Mali, millet prices have been relatively stable due to good availability. One exception is that millet did rise in price by seven percent from May to June in Koulikoro though this slight rise is in line with seasonal trends.

In Niger, conditions continue to improve with the off-season harvest coming to the market and farmers selling into the market to buy inputs for what is expected to be a good season. Maize, sorghum, and millet prices in most major markets remained stable or declined slightly. Price changes for cowpea were mixed with a slight increase in Diffa and large decreases of price in Bakin Birji and Sabon Machi. In areas with declining cowpea prices, farmers are selling stocks to be able to purchase inputs for what is expected to be a good main season harvest starting in October. Subsidized sales by

Figure 12: Prices of millet in USD per kg in West Africa, 2008-11

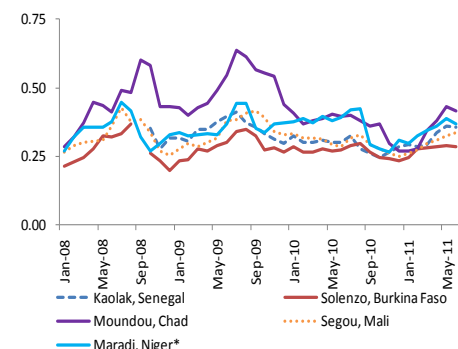


Figure 13: Prices of maize in USD per kg in surplus markets in West Africa, 2008-11

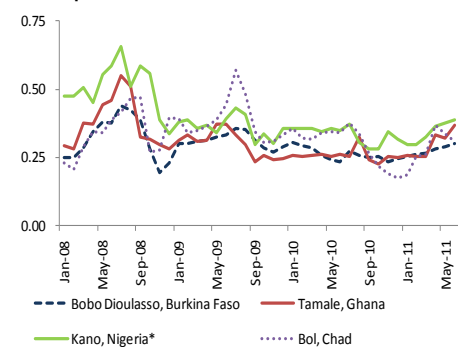
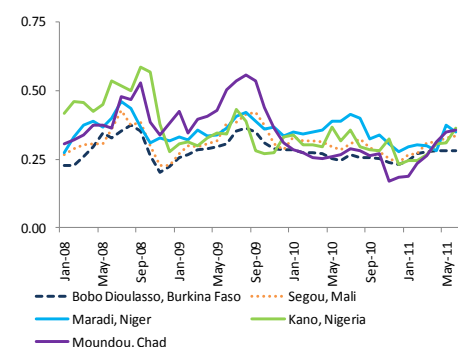


Figure 14: Sorghum prices in USD per kg in West Africa, 2008-11



*Wholesale prices. All others are retail.

Sources: Ministries of Agriculture, Systeme d'information sur les marchés agricoles (SIMA), Observatoire du Marché Agricole (OMA), FEWS NET

the government and food aid distribution have contributed to mitigating the usual seasonal rise in prices during the lean season.

In Chad, cereal prices have decreased in the central part of the country and the Sahel. By contrast, prices have increased in Sarh, possibly due to the resumption of normal northward trade flows from the surplus areas of the south to the deficit areas in the north. However, a price increase at this time of year would be following the usual seasonal pattern.

In Nigeria, most prices remained stable as farmers offloaded stocks to buy inputs and traders offloaded stocks in anticipation of new supplies becoming available in September. In the northeast, sorghum prices increased in Kano and Kaura. Increasing prices between May and June are the usual seasonal pattern though this year the rising price may reflect the below-normal level of demand for sorghum in the Sahelian countries such as Niger. Cross-border export volumes from Nigeria remain relatively low.

In Senegal, prices for millet and maize which had been increasing since the start of the year continued their seasonal increase into June. June millet prices in Dakar were up 18 percent over May. Such increases however are not outside of seasonal norms. Available supplies of major cereals and legumes were improved for the month of June. This is likely in response to increased demand for producers in anticipation of upcoming planting needs. Imports of rice and maize are within the bounds of seasonal norms and are at a level that should be sufficient to satisfy national needs.

Outlook. In bimodal areas of the Gulf of Guinea, prices are likely to decline as the harvest continues. In the Sahel, prices may continue to rise through the start of the harvest in September or October. Pressure will also be placed on Sahelian prices by higher demand during Ramadan and high transportation costs during the rains.

The government of Burkina Faso may soon implement sales of cereals at prices below current market prices in an effort to mitigate seasonal price increases.

CENTRAL ASIA

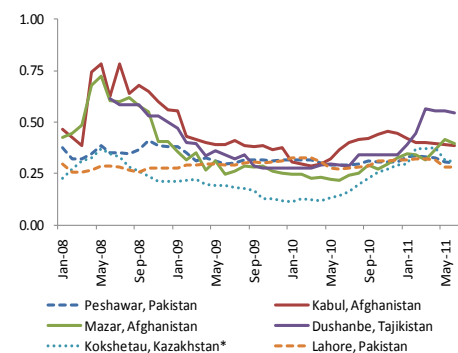
Current Situation. Wheat prices in Central Asia were relatively stable or barely declining between May and June. The recent harvests in Afghanistan and Tajikistan, although being lower than in normal years, are among the factors that have contributed to an improvement in grain availability. Abundant exportable supplies in Pakistan and good production prospects in Kazakhstan along with declining prices in other international markets have also played a role. In general, the price of wheat remains much higher than at this time last year.

In Afghanistan, wheat flour prices in most reference markets exhibited a continuing slight downward trend including marginal declines of four percent in Jalalabad and three percent in Hirat. This trend is, in part, related to strong wheat flour exports from Pakistan where prices are stable and supply remains high. In Afghanistan, wheat prices remain 60 to 85 percent higher than last year in the north of the country where production this year is considerably down. They are only 15 to 30 percent higher in eastern and southern Afghanistan where production was only moderately lower than in normal years.

In Tajikistan, wheat prices have been relatively stable between May and June. The recent decline in wheat prices in Kazakhstan may have brought some relief to the wheat market in Tajikistan, but prices for wheat and wheat flour are still between 55 and 100 percent higher than last year. Export wheat prices in Kazakhstan are down four percent from May to June partly in response to a decline in international wheat markets.

Outlook. Estimated wheat production in Kazakhstan remains unchanged at 15 million metric tons (MMT) according to U.S. Department of Agriculture forecasts, but the IGC forecast for the Kazakh production was revised up to 16.6 MMT. This level of production means adequate supplies will be available in the region for purchase by the structural deficit countries, Afghanistan and Tajikistan, though the price will be determined by demand and supply in other international markets. In the next two months, there may be upward pressure on staple food prices as demand increases slightly during the Ramadan. While politicians in Pakistan may be inclined to change policies, the absence of export restrictions during this time of adequate stock levels in Pakistan will be critical for maintaining continued availability of cereals in Afghanistan.

Figure 15: Wheat prices in USD per kg in Central Asia, 2008-11



*Wholesale price. All other prices are retail.

Sources: WFP, KazAgroMarketing

CARIBBEAN and CENTRAL AMERICA

Current situation. In Central America, the rainy season and the lean season have set in across the region. During this time of year, in Central America, more rural households depend on the market for food. This high seasonal demand and high international yellow maize prices continue to place pressure on the white maize price. **Across Central America, white maize prices continued to increase from May to June.** White maize is up at least 40 percent compared to last year in all reference markets. El Salvador and Nicaragua have the highest prices. Prices in Guatemala remain lower probably due to informal imports from Mexico.

The rapid rise in red bean prices from the second half of 2010 had yielded to relative stability. **However, red bean prices increased in June, a pattern typical for the lean season. These prices remain above their 2008 peak price.** The price of red beans remains high in El Salvador despite increased bean imports from China. In contrast, black bean prices have remained largely stable in Guatemala due to stocks left from the harvest in the northern growing areas in Peten. Also, informal imports from Mexico may play a role.

In Haiti, price fluctuations have not been dramatic over the past three months for most commodities. Imported rice had been declining in price across most markets since January, but in June, the price of imported rice increased both in Port-au-Prince and in Hinche. This closely follows the slight rise in the price of high quality Thai rice, but the vast majority of imports are from the United States where the rice price is relatively stable. In contrast, the price of imported rice in Jérémie fell. In May, prices for black beans in Cap-Haïtien in the North of Haiti had been unusually high, but incoming supplies of black beans from other regions of Haiti and from the Dominican Republic have now stabilized the price. Other commodity prices in Cap-Haïtien fell as markets were replenished with processed foods such as imported rice, maize flour, and cooking oil.

Outlook. In Central America, black and red bean prices along with maize are expected to fall with the arrival of the *primera* season harvests starting in August. The current rainy season has not had any particularly damaging events, but floods or localized dry spells could adversely affect crop yields between now and the *primera* harvest. Imports of maize from Mexico may help keep prices in Guatemala stable before and during the harvest. In Honduras and Nicaragua, announcements of additional maize imports may calm markets and help contain the rise in prices until the *primera* harvest starts in September. **As export markets in both North and South America are expected to continue to have high maize prices due to low stock levels, pressure will remain on white maize prices in the region.**

In Haiti, the early harvest in August will provide tubers, plantain, and fruits for rural populations, possibly temporarily decreasing demand for the imported staples in some areas. This trend of slight decreases in price will become stronger as fresh harvests of beans and local cereals become available in late August and September. Despite the slight uptick in imported rice in some markets this month, **imported rice is expected to be relatively steady in price over the medium term.** While disruptions during the hurricane season are certainly possible, as long as both imports and local production continue without major shocks, Haitian prices should remain relatively stable.

Figure 16: Retail imported rice prices in USD per kg in Haiti, 2008-11

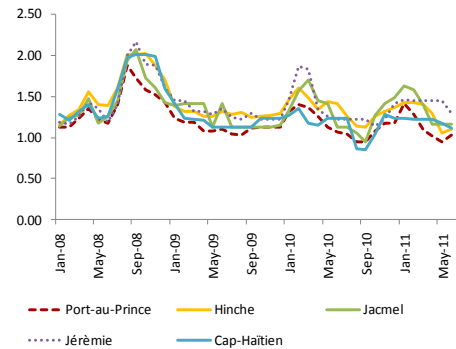


Figure 17: Retail white maize prices in USD per kg in Central America, 2008-11

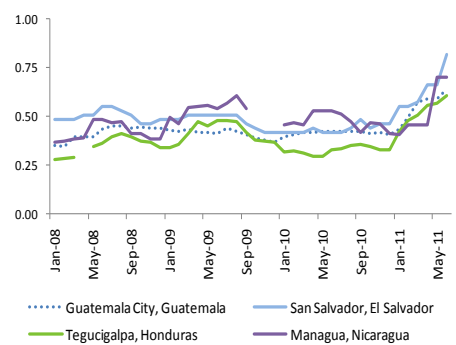
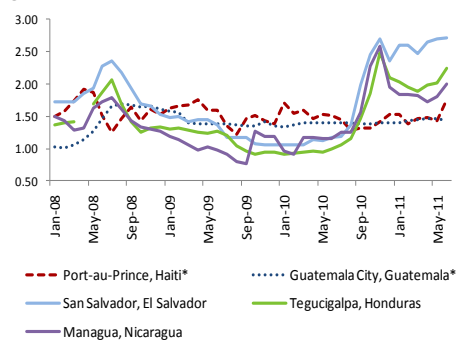


Figure 18: Retail bean prices in USD per kg in Central America and Haiti, 2008-11



*Black bean prices. All others are for red beans.

Sources: Coordination Nationale de la Sécurité Alimentaire (CNSA), FEWS NET, DGEA, Ministry of Agriculture and Livestock of El Salvador, Ministry of Agriculture, Livestock, and Food of Guatemala, Sistema de Información de Mercados Productos Agrícolas de Honduras (SIMPAH)