

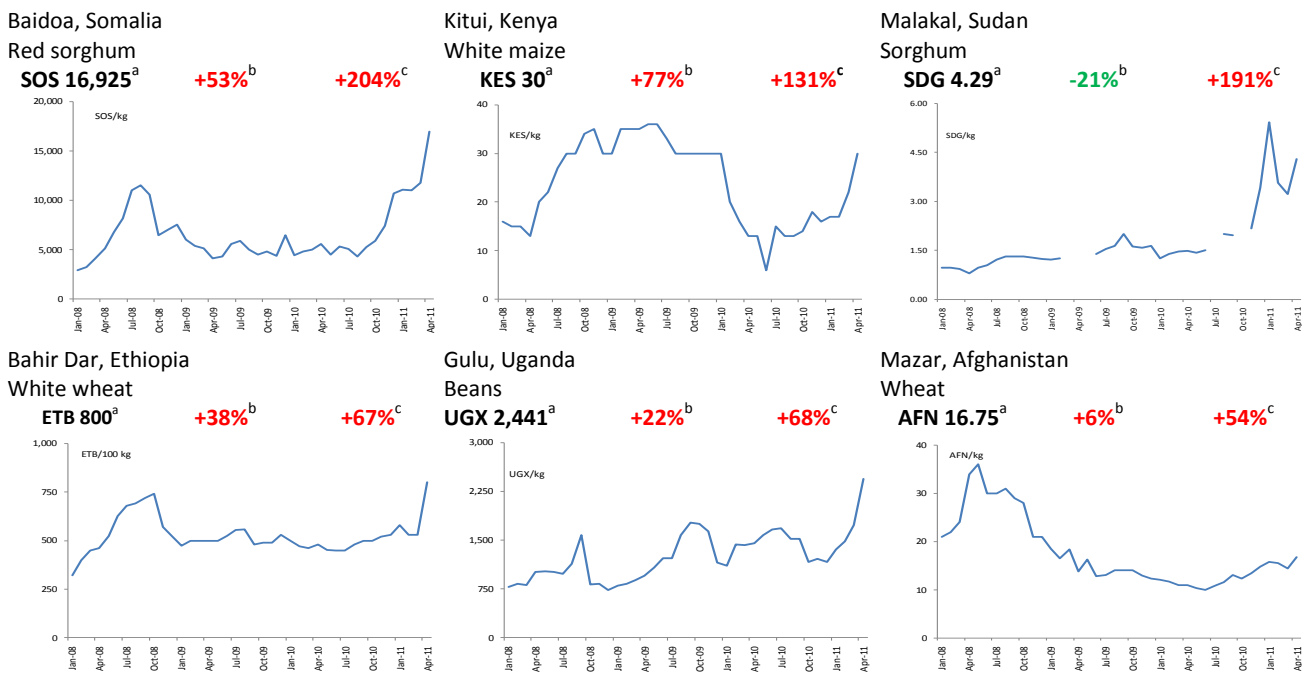
PRICE WATCH: April Food Prices

May 27, 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.*

- Maize, sorghum, wheat, and bean prices have increased in much of East Africa.
 - Price rises that started in deficit areas and areas affected by drought have been transmitted into other urban areas and the grain belts of Kenya and Ethiopia.
 - Poor progress of the March-to-May rains in the Eastern Horn of Africa is one factor driving up prices of local grains in Ethiopia, Kenya, and Somalia. Civil insecurity in Southern Somalia is another factor.
 - Trade disruptions have caused large increases in the price of sorghum in the northern portions of Southern Sudan while decreasing trade has caused unseasonable falling prices in Northern Sudan's grain belt.
- Despite increasing international grain prices, many countries monitored by FEWS NET, especially in West Africa, in Southern Africa, and Haiti, have still been showing relatively low grain prices or only typical, seasonal price increases.
- The international maize price is putting upward pressure on white maize prices in Central America.
- Wheat prices in Northern Afghanistan increased as prospects for the upcoming wheat harvest are poor.

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



^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, 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.

OVERVIEW

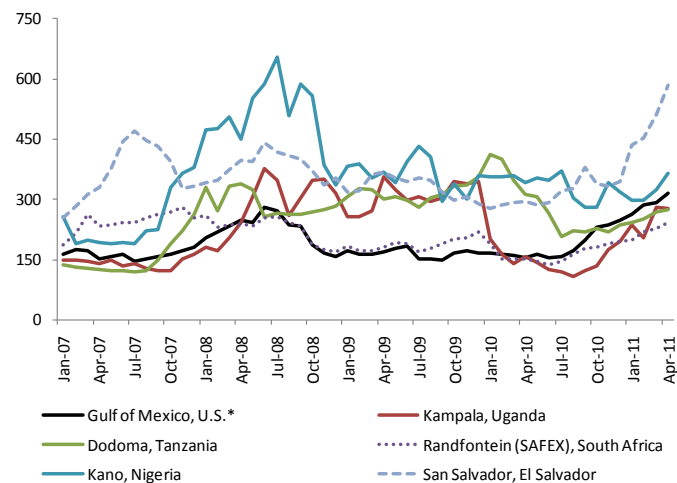
Current situation. Yellow maize on international export markets further increased between March and April (Figure 2). However, maize prices remained roughly stable between April and late May, influenced by a slight easing in crude oil prices. Maize prices in the United States (U.S.) and Argentinean export markets are currently higher than at their peak in 2008. World stocks of maize at the end of the marketing year are forecast to be relatively low due to continued high demand even at record prices.

Wheat prices increased among several major exporters between March and April, but prices were roughly stable through late May. Wheat's recent stability reflects expectations of a stronger export supply from the Black Sea region over the coming months as trade restrictions in both Ukraine and Russia are expected to be lifted. Planting delays in North America and dry weather in Europe have yet to cause a further spike in prices. Wheat is close to its peak price from the food price crisis of 2007-08. Despite some ongoing production concerns, wheat stocks are expected to remain at an adequate level, although lower than last year.

Unlike yellow maize and wheat, the rice prices on international export markets declined slightly from March to April.

While the rise in international food commodity prices has been transmitted to many countries monitored by FEWS NET, this transmission is not even and equal across all commodities and countries as regional supply and demand conditions have also exerted influence on the prices of local commodities such as white maize. In Kampala market, Uganda, a key source of white maize and beans for deficit areas such as the urban centers of Kenya and Southern Sudan, maize wholesale prices have been increasing rapidly since the third quarter of 2010, faster than benchmark export prices in the U.S. and Argentina. The rise in maize prices in surplus areas in East Africa reflects several factors, particularly a strong demand in the region as stocks are being depleted during the lean season, high fuel prices and inflationary trends, as well as expectations of a supply shortfall due to actual and forecast poor rainfall conditions in the eastern part of the Horn of Africa during the March-to-May cropping season. 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. In West Africa, adequate availability is reflected so far in moderate maize prices in Kano, Nigeria, a hub for regional food commodity trade. Prices in Kano rose recently as the demand from deficit areas and coastal countries increased. In San Salvador's market, El Salvador, a key wholesale market in Central America for local and imported maize, maize wholesale prices have been increasing rapidly since early 2011.

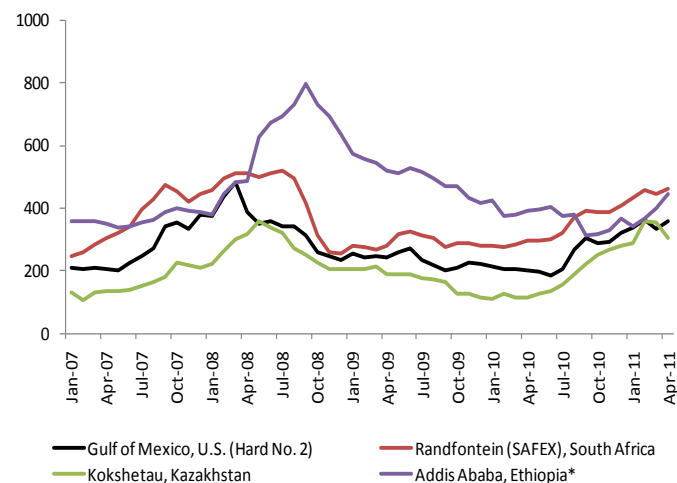
Figure 2: International and regional white maize export or wholesale prices in USD per metric ton (MT), 2007-I I



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.

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



Sources: FAO, KazAgroMarketing, SAFEX, and WFP

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

To provide a better picture of how consumer prices are behaving in regions monitored by FEWS NET, a series of regional price indices has been 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. According to these food price indices, general trends in retail food prices in FEWS NET regions are consistent with trends observed at the most important regional markets (see Figure 4). The East Africa price index shows that after a period of stability in 2010, retail food prices have spiked in the recent months following the below-normal *deyr* harvest in Somalia in late 2010 and poor prospects for the upcoming harvests in the Eastern Horn of Africa due to dryness along with other *La Niña*-related climatic anomalies in Uganda, Burundi, and Rwanda. The Southern Africa index shows the seasonal increase in food prices during the lean season that just ended and the recent decline in prices following good ongoing harvests throughout the region, in contrast to the FAO Food Price Index. The West Africa index highlights the general stability of retail food prices in the region between 2009 and 2011, and the recent, moderate increase in food prices as the region entered the lean season..

Outlook. Except for yellow maize, stocks of cereals in major exporting countries are relatively adequate. Supplies of rice are growing in Asia. Rice production is expected to exceed production again in 2010/11 for the sixth marketing year in a row according to the International Grains Council. Rice prices should continue to remain steady or decline slightly as a result of growing stock levels among the major exporters and reduced imports, especially by the Philippines.

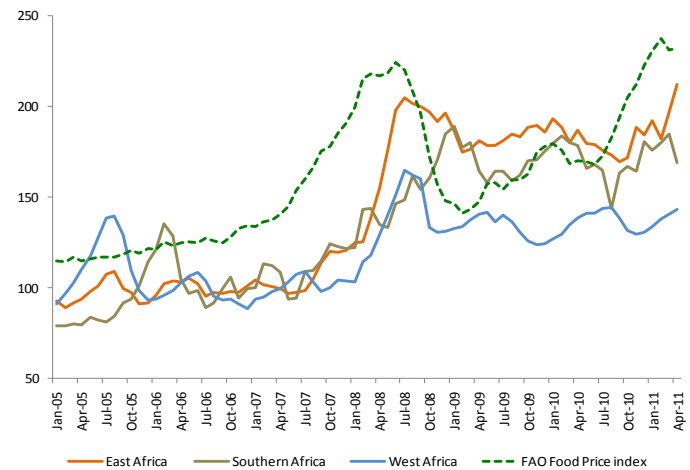
Wheat prices reflect growing uncertainty about production prospects in the face of growing demand for wheat both for food and feed. However, stocks among exporters such as the United States remain relatively high. Upcoming and ongoing harvests in the northern hemisphere producers will help determine the price over the next several months.

Yellow maize markets shows no signs of reduced demand or ability to rapidly increase supply, so prices among the international exporters are likely to remain high over the medium term..

EAST AFRICA

Current situation. Prices of local staple foods continued to increase in many markets of the region in April. Prices rose in major urban centers. In Nairobi, white maize and bean prices rose by 13 and 41 percent between March and April, respectively, and were up 22 and 53 percent from a year ago. In Addis Ababa, Ethiopia, white maize and white wheat prices increased by 30 and 12 percent in April, and were up 68 and 43 percent from a year ago. In Mogadishu, Somalia, sorghum and maize prices rose by 17 and 70 percent in April, and were 100 and 113 percent above their level from last year. The pastoral and agro-pastoral areas of the Eastern Horn of Africa have also experienced large price increases for sorghum and maize. Compared to last year, April prices were up 64 percent for white maize in Mandera, Kenya, 85 percent for red sorghum in Galkayo, Somalia, and 33 percent for white maize in Warder, Ethiopia. These price increases have been transmitted to surplus areas. The price of white maize increased by 12 percent in Eldoret, Western Kenya, 67 percent in Bahir Dar, Western Ethiopia, and 39 percent in Qorioley, Southern Somalia. Prices normally trend upward in many areas of the region at this time of year, but these price increases are larger than normal. They are due to the low *deyr* harvests in Somalia last year and poor prospects for the upcoming harvests because of dry conditions in Southern Somalia, the *belg* cropping areas of Southern and Eastern Ethiopia, the root-crop producing areas of Southern Ethiopia, and the southeast and coastal marginal cropping areas of Kenya. This has led to farmers and traders in grain belt regions of Kenya and Ethiopia to hold onto stocks. High fuel prices have contributed to the upward pressure on food prices. Importantly, unfavorable market environments have exacerbated weak supply conditions in some areas.

Figure 4: FEWS NET African Regional and FAO Food Price Indexes, 2005-2011



Sources: FAO, FEWS NET

Note: Base year of the FEWS NET African Regional Indexes are the regional marketing years that end in 2006. The FAO Food Price Index uses 2002-2004 as the base years.

Intensified conflict in Southern Somalia has led to a disruption of marketing channels for sorghum, maize, and cowpea from surplus areas in Southern Somalia to deficit areas in Southern Somalia, to Central Somalia, and to the pastoral areas of Southeastern Ethiopia and Northeastern Kenya. In Baidoa, Somalia, a key market of the sorghum belt, red sorghum prices have risen by 204 percent since last year. In Sudan, in the time leading up to and following the referendum for the separation of Southern Sudan in January, trade flows were disrupted. After declining leading up the referendum in January, flows of sorghum from Northern Sudan to Southern Sudan resumed in February and March if at a reduced level. However, in April and May, road blockages and traders' aversion to increasing civil insecurity led to a decline in flows of cereal grains and fuel from the North to the South. Sorghum prices in Malakal, a key market in the northern portion of Southern Sudan followed the availability. After shooting up in January, the price started to decline but then increased rapidly in response to road closures in April. Maize is not a traditional grain in this region, but in both Malakal and Wau, Southern Sudan maize from Uganda has been available in the market every month since January. Prices for producers in Northern Sudan's grain belt typically increase as the lean season approaches, but this year, they are decreasing as their sales to Southern Sudan decline.

In the southwestern part of East Africa, price trends have been more mixed. Prices in Northern Tanzania were relatively stable in April, although they have increased moderately since last year. In Uganda, maize, sorghum, and bean prices have increased significantly since 2010. Strong demand from Southern Sudan, Kenya and the Democratic Republic of Congo is part of the explanation but a relatively pronounced inflationary context may have also played a role. In Rwanda and Burundi, expectations of good upcoming harvests have kept prices in check, although a strong import demand for bean from Rwanda in proximate countries has pushed their prices up. In Djibouti, the government price controls on imported food commodities that have been in place since January have maintained consumer prices relatively stable though not equally in all areas of the country.

Outlook. Prices of staples are expected to continue to increase, especially in markets of the Horn of Africa as traders and producers keep holding stocks. In Ethiopia, Kenya, Uganda, and Somalia increases are likely to be significant as markets continue to tighten. However, prices should start declining in Tanzania as the *msimu* harvest start reaching the market in late June. In Kenya and Uganda, easing off should be observed in July, following the long rains harvests. The *msimu* harvest from Tanzania most likely will not affect Kenyan markets as Tanzania has placed an embargo on maize exports between April and June. In Southern Somalia, imported rice (red *belem* rice) and wheat flour were still adequately supplied in local markets, but escalating conflict may limited market access to these commodities over the coming months. An escalation in the conflict could further restrict market access and lead to even higher prices and lower food availability. In Southern Sudan, food security conditions could worsen if impediments to trade continue as the separation scheduled for July approaches. Furthermore, low sorghum prices in Northern Sudan could act as a disincentive to producers of Kordofan, Gadarif, White Nile, and Blue Nile states and lead to a below-normal harvest in November to January.



Figure 5: Sorghum prices in SDG per kg in Northern and Southern Sudan, 2008-I I

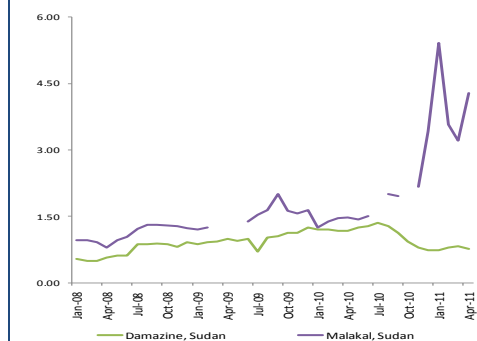


Figure 6: Retail prices in SOS per kg at Bakara market, Mogadishu, Somalia

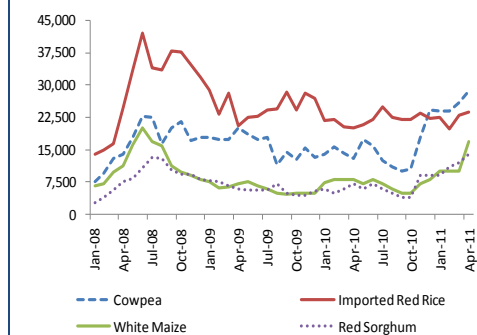
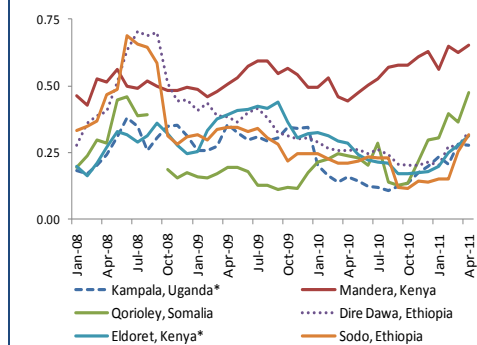


Figure 7: White maize prices in USD per kg in East Africa, 2008-I I



*Denotes wholesale. All other prices are retail.
Sources: FSNAU, FEWS NET, WFP, and RATIN

SOUTHERN AFRICA

Current situation. The month of April was characterized by adequate food availability and decreasing prices in most reference markets across FEWS NET countries. As the new, main grain harvest becomes available while being complemented by other seasonal food crops and existing stocks from the previous season, price trends have generally turned downward from the March levels. Maize prices across the region are below their level in April 2010. In Malawi and Zambia, two consecutive years of bumper harvests have resulted in a significant drop in maize prices in most markets. Similar trends have been observed in northern Mozambique, a maize surplus-producing area, in Nampula for instance. In Zambia, a lowering of the white maize price offered by the Food Reserve Agency to millers in March reached consumers through a drop in the maize meal price. In Southern Mozambique, maize prices have slightly declined since March, but they show a significant increase from last year due presumably to a rise in the price of imported foods and strong demand.

An exception to this downward trend was Tanzania where the main maize harvest comes slightly later. Both maize and rice prices in Tanzania still show a seasonal upward trend. These prices are also above last year's prices. The pressure on prices was exacerbated by poor *vuli* harvests, as well as steep increases in fuel and transport costs nationally. Another exception is observed in South Africa where spot prices of white and yellow maize on the South Africa Futures Exchange (SAFEX) have continued rising steeply despite the huge carryover stocks from the 2009/10 season and the expected 2010/11 bumper harvest. Since February 2011 both the white and yellow maize spot prices have been above last year's prices. Price increases on SAFEX are largely the result of traders' reaction to global price trends and continued strong international demand.

Outlook. 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. Market and on-farm supplies are expected to remain good across the region due to expected good harvests and modest carryover stocks from last year. However increased transportation costs and high agricultural inputs costs in the region may cause a price rise as the lean season approaches.

SAFEX prices in South Africa are expected to continue tracking international price trends and to remain well above last year's prices. Despite an abundant local supply, prices for maize from South Africa should remain at or near export parity with other major international exporters.

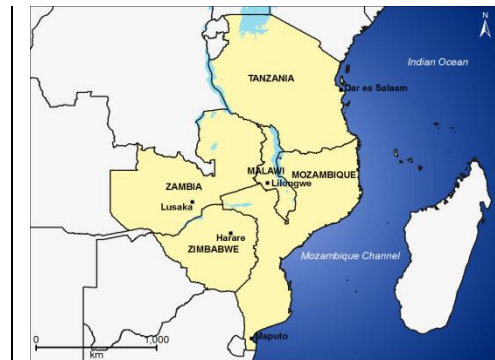
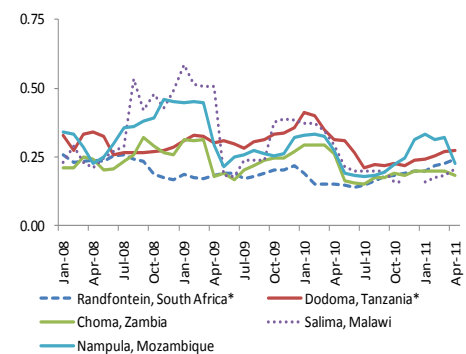


Figure 8: White maize price in USD per kg in Southern Africa, 2008-11



*Wholesale prices. All others are retail.

Sources: SAFEX, Ministry of Agriculture of Mozambique, Central Statistics Office of Zambia, Ministry of Industry, Trade, and Marketing of Tanzania

WEST AFRICA

Current situation. Demand is increasing with the beginning of the lean season and the exhaustion of household stocks in areas of the Sahel.

Generally, availability is sufficient compared to demand, and prices are following a normal, seasonal evolution of either stability or gradual rises. Due to the higher level of stocks in the Sahel, trade of Nigerian commodities is lower this year than in previous years.

Compared to April 2010, the nominal price of millet is the same or lower in almost all the markets monitored in the region. Maize prices, in general, are higher in nominal terms than last year. In coastal countries, with the start of the lean season, markets experienced significant price increases, for instance in Cotonou, Benin, and Tamale, Ghana. Flooding and localized shortfalls in Benin and also some direct or indirect transmission of international prices have certainly played a role. While seasonally normal, these increases build on the relatively higher maize prices in the coastal countries, especially when compared to prices for other cereal grains such as millet, sorghum, and rice, which are lower than last year.

Trade between Côte d'Ivoire and its neighbors along with longer distance trade through Abidjan has resumed. The resumption of trade should decrease stress on alternate routes.

While trade in staple foods is normal across much of the region, trade disruptions continue in some areas. Northern Chad and northeastern Niger continue to experience problems replacing imported processed goods such as sugar, pasta, and wheat flour that were traditionally imported from Libya. Also, especially for areas north of the Sahel in these countries, there is increasing demand for local grains to substitute for previously imported foods. While prices have increased, the ability of traders to supply northern Chad remains limited as government measures to keep prices low may have decreased incentives to supply northern deficit areas.

Outlook. As the lean season progresses in the north and households become more reliant on markets, seasonal increases in prices and in the volume of trade can be expected. Nigeria's export of local grains to the Sahel should increase, and trader supply shortages are unlikely with possible exceptions in northern Chad. Increasing demand both for households and for seeds for planting will probably lead to typical seasonally increasing prices from now through August. However, while supplies will be available, higher prices may limit access to basic cereals for poor households that lack stocks or exhaust their stocks earlier than expected.

The recent social crisis in Burkina Faso has caused the government to intervene in the market for some imported food products such as rice, cooking oil, wheat flour, and sugar on the Ouagadougou market. As local grains were already quite stable and near the five-year average, the government has not intervened in these markets. The effects of the government intervention on trade or the disincentives for moving grain into Burkina Faso from neighboring states due to social instability could lead prices to increase over the next several months.



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

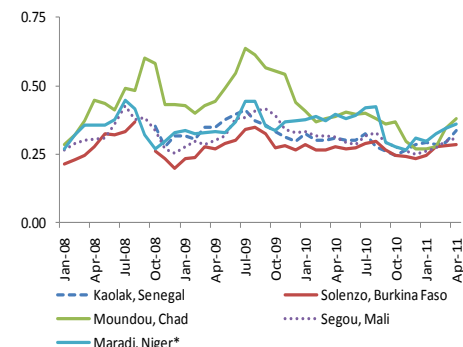
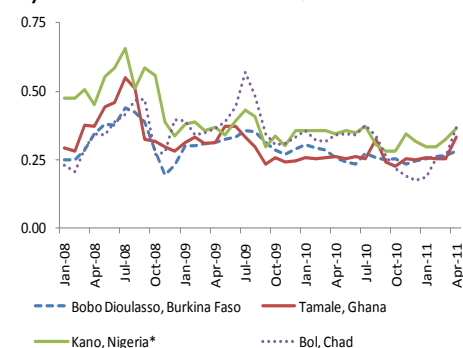


Figure 10: Maize price in USD per kg in key markets in West Africa, 2008-I I



Sources: Ministries of Agriculture, Système d'information sur les marchés agricoles (SIMA), OMA, FEWS NET

*Wholesale prices. All others are retail.

CENTRAL ASIA

Current situation. Wheat prices in reference markets were relatively stable between March and April, except in the North of Afghanistan where prices increased significantly. Wheat grain prices rose by 17 and 22 percent in Mazar and Maimana, respectively. Wheat prices in Northern Afghanistan and in particular in Mazar, an entry point for imported wheat and wheat flour from Kazakhstan, have been under the pressure from the rising price of Kazakh wheat since 2010. However, this recent, localized price increase is most likely due to both expectations of a poor local wheat harvests in this part of Afghanistan and the high price of wheat imported from Kazakhstan. As a recent FEWS NET assessment in the northeastern and northern regions of Afghanistan found, both rainfed and irrigated wheat production are down this year due to the acute dryness since the beginning of the growing season.

Yet, wheat and wheat flour prices held steady in other regions of Afghanistan. This stability of prices in much of Afghanistan reflects both a better wheat production outlook in these areas and a lower cost of imports from Pakistan, where prices held steady, as they have done since the start of the calendar year. Prices for rice and vegetable oil have remained stable over the past month as they have in Pakistan.

In Tajikistan, after several months of increase, wheat prices leveled off during the month of April. This probably may have resulted from a slight drop in the cost of imports from Kazakhstan, where wholesale wheat prices were down by about 15 percent between March and April. Rice and vegetable oil prices in Tajikistan were also stable in April.

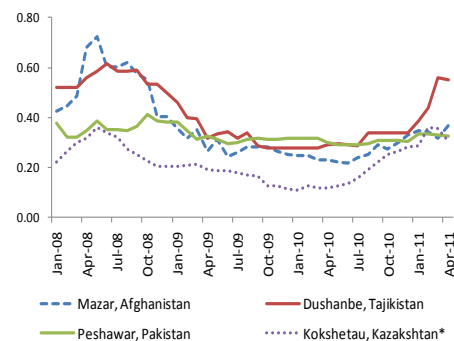
Wheat price increases in Kazakhstan over the past six months most likely explains a large part of the wheat prices increases seen in both Tajikistan and Northern Afghanistan where prices are up substantially since last year. This trend might now be reversing in Kazakhstan which should provide some relief to high price levels in Tajikistan and Northern Afghanistan.

Outlook. Pakistan's wheat production for the marketing year 2011/12 is estimated at 23.9 million metric tons (MMT) by the U.S. Department of Agriculture. While this is a production level slightly lower than last year, it indicates that Pakistan should have relatively healthy quantities of exportable wheat. In light of Afghanistan's poor upcoming harvest, favorable estimates for wheat production in Pakistan should help stabilize prices and supplies in some of the country. As in most years, continued trade is necessary though to ensure adequate levels of food availability in Afghanistan.

Kazakhstan's production is estimated at 15 MMT for the coming year. Although it is still very early to accurately prognosticate what wheat production will be for the current year as planting has just begun in Northern Kazakhstan and the harvest is not due until late August and September, a large supply response may be in the works in Kazakhstan. Favorable wheat production conditions in Kazakhstan would benefit markets in Northern Afghanistan and Tajikistan, though prices in Kazakhstan, like in Pakistan, will be largely determined by prices in other international export markets.



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



Sources: WFP, KazAgroMarketing
*Wholesale price. All other prices are retail.

CARIBBEAN and CENTRAL AMERICA

Current situation. The high international price of yellow maize continues to place pressure on white maize prices in Central America. **Across Central America, white maize tends to be higher than it was last year.** The only exceptions in April were a few markets in Nicaragua.

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 and well above their previous 2008 peak price.** The retail price of this staple food ranges from 55 to 131 percent above last year in El Salvador, Honduras, and Nicaragua despite the recent completion of the *apante* harvest in Nicaragua. Black bean prices have remained largely stable in Guatemala possibly due to supplies from Northern Guatemala's third harvest (*tardia*) completed in April.

In Haiti, staple food prices were, overall, relatively stable between February and March. Imported rice, the primary staple food, continued its slight decline reflecting a similar slight decline in international prices. While not dramatic on a month-to-month basis, the slowly declining price of imported rice has led to a reduction in the cost of the urban food basket in Port-au-Prince as calculated by FEWS NET. Driven by falling rice prices, the cost of the basket fell by more than 10 percent between January and April. The number of days of casual labor needed to maintain this basket and other basic expenses declined by two days between January and April. However, this level remains three days above the September 2009 baseline level.

In Haiti, black bean prices were up on some markets such as Hinche and Jérémie probably due to increased demand for seeds for planting.

Outlook. In Central America, both black and red bean prices are expected to fall with the arrival of the *primera* season harvests starting in August.

High prices along with a variety of government-sponsored incentive programs could encourage the ongoing planting of beans and help reestablish a healthy supply. The rainy season has started in the region, and barring dramatic climatic events such as hurricanes, the forecast is for normal or above normal rain. As a result, the *primera* harvest should increase supplies of both maize and beans in the region.

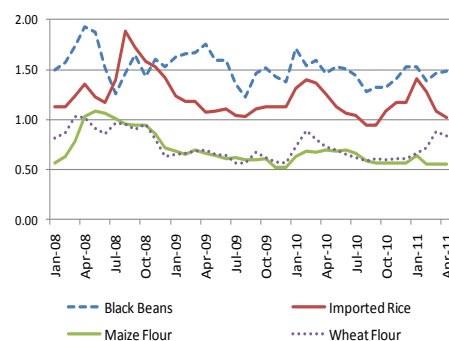
Before the *primera* harvest though, many countries in the region may need to import maize from the international market. Prices for white maize between now and August could rise further reflecting High prices in international markets in both North and South America.

As a major regional producer and exporter of white maize, Nicaragua usually holds large national stocks. As prices rose in international markets over the past few months, Nicaragua may have released a substantial part of its national stocks of white maize to maintain the relatively lower prices in the country compared to the rest of the region. As these stocks dwindle and the local supply tightens, Nicaragua could see a sudden increase in price. These new high prices could stay for the remainder of the lean season until the *primera* harvest.

Hurricane season is from June to November. **Local production, trade flows, and marketing activities can all be disrupted by hurricanes which often lead to price spikes or temporary shortages.**



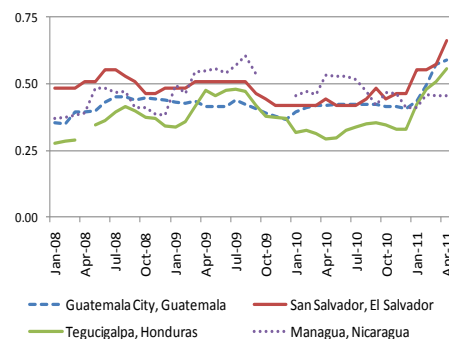
Figure 12: Retail prices in USD per kg at Croix-de-Bossales market, Port-au-Prince, Haiti, 2008-11



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



Figure 13: Retail white maize prices in USD per kg in Central America, 2008-11



Sources: 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), and Dirección General de Economía Agropecuaria (DGEA)