

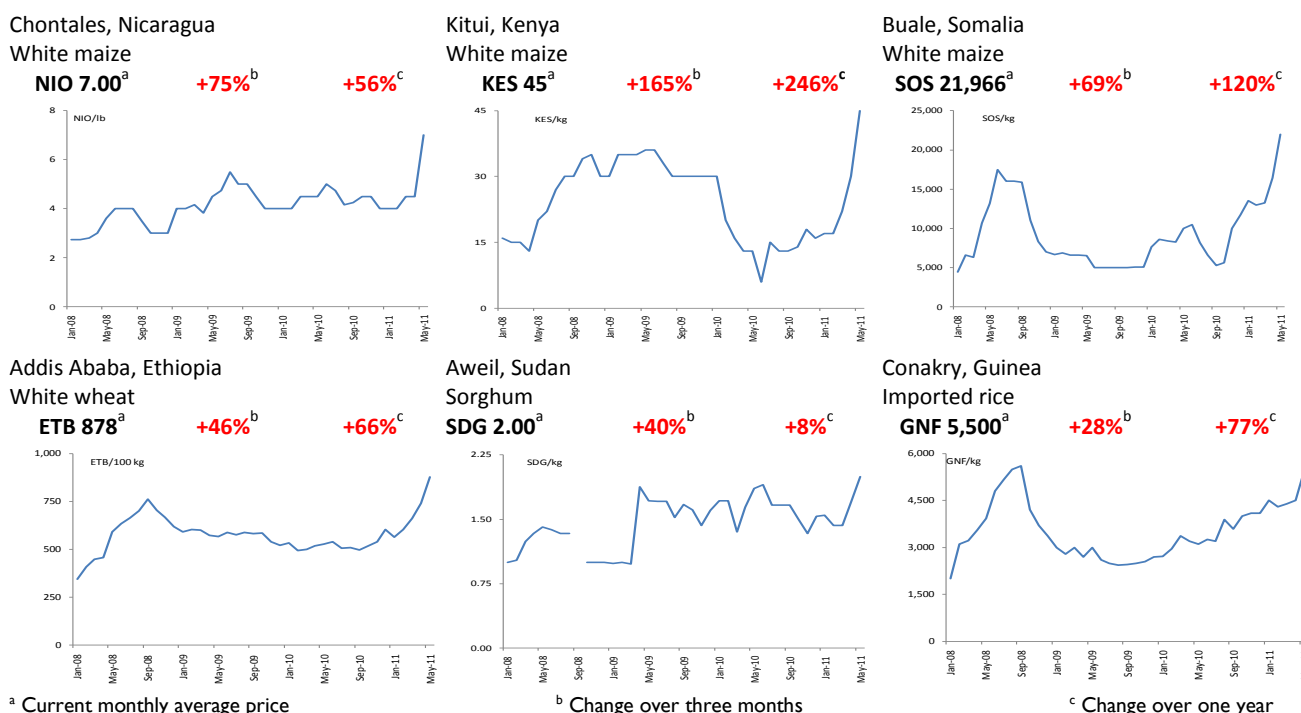
PRICE WATCH: May Food Prices

June 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 the recent surge in international maize and wheat prices, many countries monitored by FEWS NET in the Sahel and in Southern Africa have still been showing relatively low grain prices or only seasonal price trends.
- International price rises have been transmitted to some areas such as white maize markets in Central America.
- Local grain production challenges have led to price increases in some regions.
 - Poor performance of the March-to-May rains in the Eastern Horn of Africa is one of the main factors driving up prices of local grains in Ethiopia, Kenya, and Somalia.
 - Wheat prices in Northern Afghanistan increased as the rain fed wheat harvest was poor.
- Disruptions of normal commodity flows have led to price increases.
 - Grain export bans by Tanzania and Ethiopia to control domestic prices have placed additional pressure on prices in neighboring countries.
 - Commodity flow disruptions from Northern Sudan to Southern Sudan are causing price spikes.
 - Civil insecurity and movement restrictions in Southern Somalia have led to decreased supplies.

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



Sources: Food Security and Nutrition Analysis Unit-Somalia (FSNAU), Dirección General de Economía Agropecuaria (DGEA), FEWS NET, World Food Program (WFP), Ethiopia Grain Trade Enterprise (EGTE), Arid Lands Resource Management Program (ALRMP)

* 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. Maize and wheat prices in international export markets have been stable or slightly declining since April, and rice prices have continued to steadily decrease.

Maize prices slightly declined between April and late June while the price of oil was dropping and a weakening in demand for commodities in general was felt worldwide. As of late June, maize prices in the United States (U.S.) and Argentinean export markets are about at the same level as at their peak in 2008. However, low stocks and reduced prospects for the U.S. maize crops will most likely maintain upward pressure on prices.

Wheat prices in the U.S. decreased by 13 percent between late April and late June. The stabilization of prices over the last couple of months is in part due to expectations of a stronger export supply from Russia and Ukraine. Ukraine recently suspended its grain export quotas, and Russia announced it will lift its embargo on grain exports on July 1.

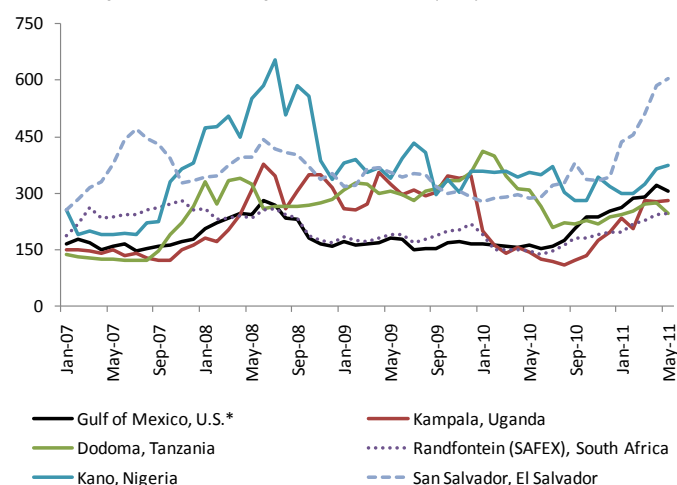
Wheat prices are likely to remain high in comparison to last year. While demand stays strong, the supply response might be constrained by a number of factors. The prospects for the new crop are down following a severe dry spell in northern Europe. The sowing of wheat in the U.S. and Canada has been impeded by excessive rainfall.

The rise in international food prices since 2010 has been transmitted to markets in regions monitored by FEWS NET to various degrees depending on their distance to export markets, their dependence on food imports, as well as their agricultural and food policies. Local supply conditions have also played a role. In Central Asia, where the rise in wheat prices was quickly transmitted to wheat-deficit countries, the recent stabilization of prices in Kazakhstan should contribute to greater price stability in Tajikistan and Afghanistan. Poor production in those countries this season will maintain upward pressure on prices. **In Central America, the surge in yellow maize prices in export markets eventually resulted in a large and widespread increase in white maize prices**, as can be seen in the wholesale market of San Salvador, El Salvador.

In Kano, Nigeria, a key wholesale market in the eastern trade basin of West Africa, maize prices have increased over the past few months, since the lean season began, but this rise does not appear to be seasonally abnormal. Availability in markets in the region has been adequate so far. **In Southern Africa, maize prices have been relatively low, and they are currently decreasing seasonally following the overall good harvest.**

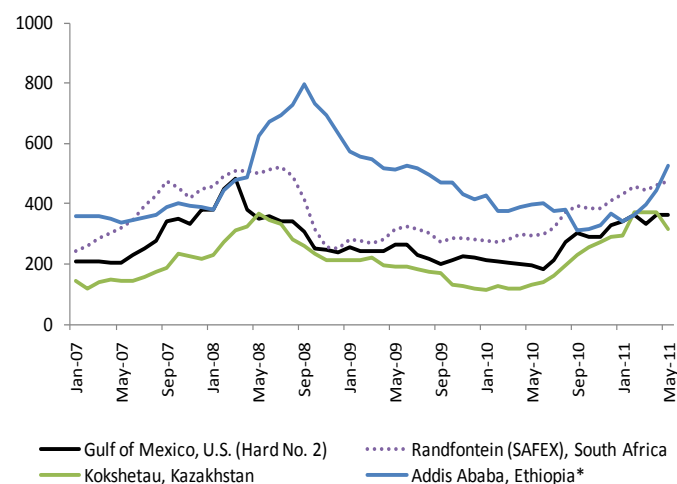
In Tanzania, an important regional exporter of grains, maize prices have moderately trended upward in the past several months in part due to high demand from the Democratic Republic of Congo and from Kenya. However, since April prices in Tanzania have actually declined due to the start of the harvest and the imposition of a food export ban.

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

In East Africa, prices on key wholesale markets have increased markedly since late 2010. Those price increases are largely due to regional conditions, in particular climatic anomalies following a *La Niña* event. The availability of local grains has declined as the lean season has progressed, while the upcoming harvests in Southern Somalia and marginal cropping areas are expected to be below average due to poor rains in the eastern part of the Horn of Africa. In Ethiopia, whose reliance on grain imports is small, the recent increase in wheat prices was mainly caused by local conditions. In the market in Kampala, Uganda, a key source of white maize for deficit areas in the region, maize wholesale prices have been increasing rapidly since the third quarter of 2010 under pressure from a strong demand in Kenya and Southern Sudan. Prices in that market were stable between April and May however.

In East Africa, the largest price increases have been observed in areas with low market access, in particular, in the pastoral areas of northern Kenya and southern Ethiopia, as well as in conflict-affected areas of Southern Somalia.

According to the FEWS NET food price indices[†], general trends in food prices at the retail level in FEWS NET regions reflect those various patterns observed at the level of important regional markets (Figures 4). In West Africa, food prices decreased after the 2010 harvest, and since early 2011 they have increased seasonally. **However, prices in coastal countries of West Africa have increased earlier and faster than in the Sahel, most likely due to their greater dependence on imported food commodities** (Figure 5). In Southern Africa, food prices, which remain relatively high and volatile after 2008, have been decreasing since the harvest of 2011. In East Africa, food prices have been rising rapidly since late 2010. This recent price surge raises serious concerns as food prices in the region remained high following the 2008 food price crisis.

Outlook. Upcoming harvests in the northern hemisphere and a recent decline in oil prices should contribute to stabilize maize and wheat prices in international export markets in the coming months. However, prices will likely stay higher than in early 2010 as uncertainty remains about the balance between supply and demand. **Grain stocks are relatively low for maize.** For wheat, concerns about domestic food price inflation in Ukraine and Russia could lead to renewed trade restrictions in the second half of 2011 which would have a similar effect to last year's disruptions to wheat supply. **Rice prices are expected to remain stable or continue to decline** while traders and surplus countries continue to rebuild their stocks.

Figure 4: FEWS NET African regional price indices and FAO Food Price Index, 2005-2011

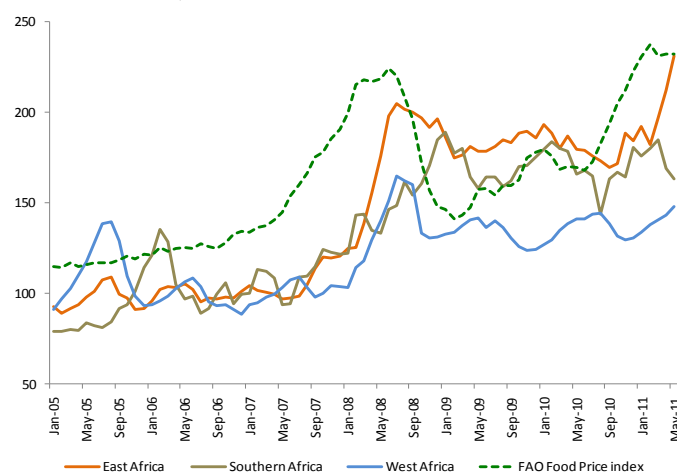
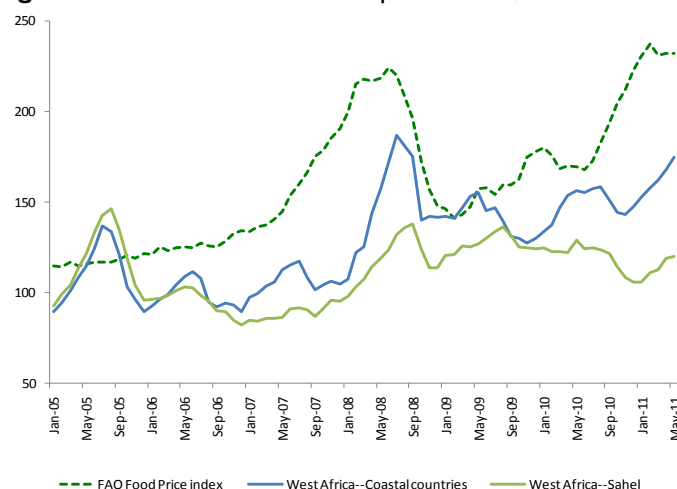


Figure 5: FEWS NET West Africa price indices, 2005-2011



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 the spell of hyperinflation in 2008. This month the East Africa index excludes Uganda and the West Africa indices exclude Côte D'Ivoire and 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. Staple food prices have continued to increase in the Horn of Africa and in Southern Sudan. In contrast, in Tanzania, prices have decreased. In Uganda, Rwanda, and Burundi, prices have been relatively stable.

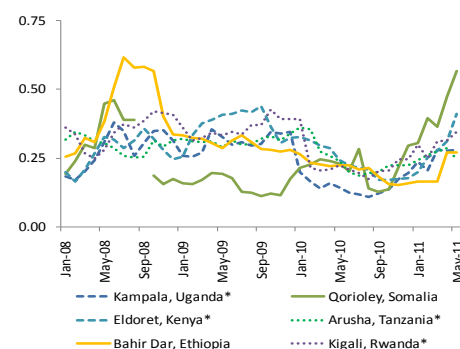
In Tanzania, significant price decreases were observed in surplus areas. They resulted from several factors: harvests that have boosted supplies; the sale of maize stocks by the National Grain Agency; and an export ban on food crops, including maize in an attempt to control food price inflation in urban areas. In Uganda, maize and bean prices have been roughly stable in May, but they are high compared to last year. Mediocre second-season harvests and strong demand from importing countries in the vicinity of Uganda, namely Kenya, Southern Sudan, and Democratic Republic of Congo, along with high inflation are the primary causes of those high prices. In Burundi and Rwanda, staple food prices have been relatively stable in the recent months, but they are also higher than last year. This is the case in particular for beans, sweet potatoes, and rice in Burundi, mainly due to poor rainfall in the recent past and strong demand in the region, and for beans, maize, and rice in Rwanda. High fuel prices are also pushing prices up in deficit areas.

In the Horn of Africa, dwindling supplies, poor prospects for the upcoming harvests in marginal cropping areas and Southern Somalia, and localized impediments to trade are driving prices further up. In Kenya, areas receiving informal flows from Tanzania had the lowest prices, but maize prices further increased throughout the country in May, in particular in Mombasa, by 24 percent, and in Kitui, by 50 percent. These are areas where the long-rains crops have totally failed. In response to large price increases, **Kenya has suspended the import duty on maize.** In Ethiopia, prices for grains have continued to increase throughout the country, despite the grain export ban. The release of buffer stocks and the distribution of food aid appear to have stabilized maize prices in some markets, but not in others. Food price and general inflation is currently high in Ethiopia.

In Southern Somalia, maize prices have reached such high levels that unusual inflows of maize from Kenya were recorded, of over 1,000 tons in April and May. These small-scale imports along with larger flows from Ethiopia have coincided with slight drops in maize prices in Mogadishu and Baidoa. Prices in Buale and Qoroley in the maize belt continued to increase as did prices in areas bordering Kenya in Gedo, Upper Juba, and Lower Juba districts despite the new trade flows from Kenya. Local red sorghum, the staple of the poor in much of Somalia, is no longer even available in some areas where access is severely limited by the conflict including Doobley, Lugh, Elwak, and Beled Weyne. In markets with red sorghum still available, it costs far more than last year, from 25 to 240 percent more than in May 2010.

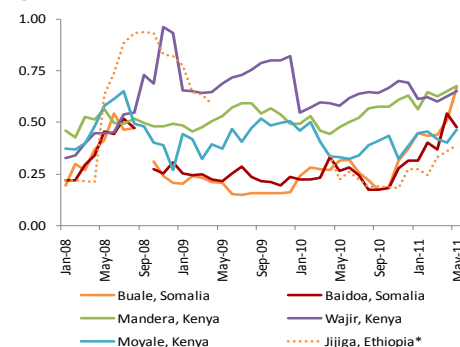
In Sudan, trade restrictions between the North and the South and disruptions caused by insecurity in the Abyei and South Kordofan areas have slowed usual trade flows of sorghum. Sorghum prices are low or slightly falling in parts of Northern Sudan while prices in areas of Southern Sudan that once received those flows are increasing. Gadarif and El Obeid in Northern Sudan saw rises in the price of sorghum, partly following seasonal trends, partly due to efforts by the government to export over one million metric tons of sorghum in the international market as a substitute for the decline in trade with Southern Sudan.

Figure 6: White maize prices in USD per kg in surplus areas in East Africa, 2008-I I



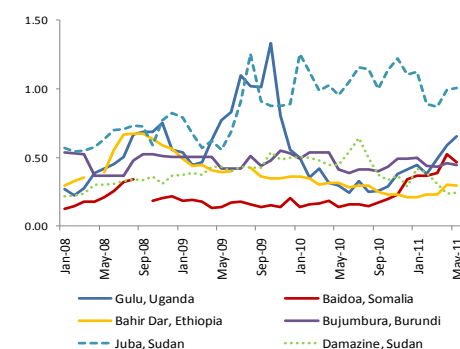
*Denotes wholesale. All other prices are retail.

Figure 7: White maize prices in USD per kg in the Eastern Horn of Africa, 2008-I I



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

Figure 8: Sorghum price 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, Uganda Bureau of Statistics

Outlook. In Uganda, Burundi, and Rwanda, prices should start declining seasonally in June or July with the arrival of the new crops from the bimodal areas. In Djibouti, Ethiopia, Kenya, Somalia, Southern Sudan, and Somalia, staple food prices will most likely continue to increase between June and July as availability diminishes until the harvests in August, with exceptions including the bimodal areas of western Kenya where the first-season harvests will arrive earlier. **The export restrictions in Tanzania and Ethiopia will restrict cereal flows to the areas relying on exports from those countries, in particular Kenya, parts of Sudan bordering Ethiopia, Central and Northern Somalia, and Djibouti, where prices are likely to go further up in the period preceding the harvests.** The stabilization of international prices should limit the price increase of imported rice in Somalia and Djibouti.

In Southern Somalia, in areas bordering Kenya and Ethiopia, Al Shabaab has restricted internal and cross-border movement. As a result, prices for both local and imported food commodities are likely to increase further.

In Northern Sudan, limitations on trade with the South and supply disruptions due to fighting in South Kordofan will likely cause decreased demand for sorghum from the grain belt areas and anomalously low prices. In Southern Sudan, areas cut off by fighting and areas dependent on commodity flows from Northern Sudan will likely continue to have rising prices due to supply restrictions. As new supplies from bimodal areas in Uganda become available in late July as do green harvests in Southern Sudan, prices in Southern Sudan may decrease slightly, especially prices for maize and for locally-produced staples.

SOUTHERN AFRICA

Current situation. May 2011 saw most local markets being adequately stocked with cereals from both the recent harvests and the carryover stocks from last year, especially for maize. Traders are currently off-loading last year's stocks onto the markets to open storage facilities for the new crops. **Adequate availability has led to significant price reductions.** This drop in food prices is typical for the harvest period.

However, there were exceptions to this general trend. In Maputo, Mozambique, there was an unseasonal rise in the white maize price probably due to supply inconsistencies. In Lusaka, Zambia white maize remained flat. The May spot prices on the Southern Africa Futures Exchange (SAFEX) were above last year's price primarily reflecting continuing high demand for international exports. Beans exhibited the expected seasonal trend in Tanzania, but in Mozambique, Xai-Xai had an unseasonal increase while most other monitored markets had decreases in bean prices.

In Tanzania, where food price increases have been observed over the past few months, a declining price trend or stability has emerged in all monitored markets following the start of green harvests in both unimodal and bimodal areas. The green harvest contributes to the price decreases, but a fall in cross-border trade as a result of a food export ban may also be playing a role.

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.

Figure 9: White maize price in USD per kg in Southern Africa, 2008-I I

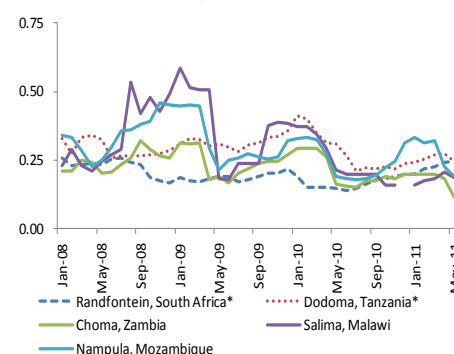


Figure 10: Bean price in USD per kg in Southern Africa, 2008-I I

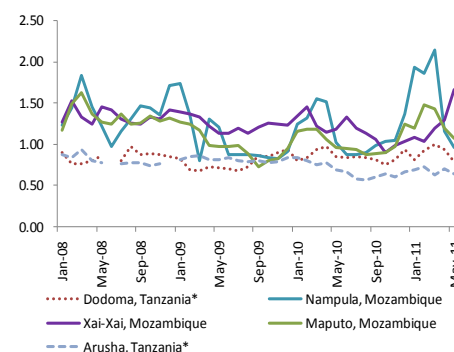
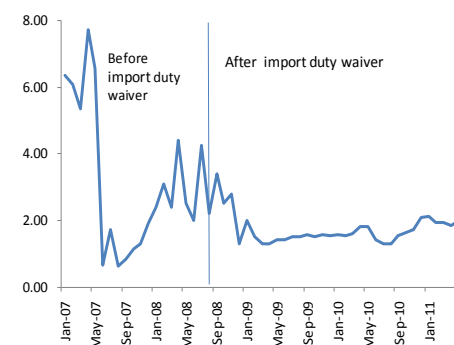


Figure 11: Vegetable oil price in USD per liter in Harare, Zimbabwe, 2007-I I



*Wholesale prices. All others are retail.

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

While seasonal trends will continue to influence prices, government actions could also contribute to changes in prices. Plans to offload older stocks of grain into the market by the National Grain Agency of Tanzania in June may lower prices and adversely affect producer prices during the usual harvest sales period. The Food Reserve Agency (FRA) of Zambia continues to purchase maize at a price higher than market price crowding out the private sector. This means much of the surplus production may not become commercially available as both smallholders and larger farmers want to get the highest possible price for their surplus and many sold to the FRA last year. Retail market prices in Malawi are already below the government-set, farm gate price, and production may far outstrip stocking capacity for both humanitarian and commercial stocks.

In Zimbabwe, if the import duty waiver which has been in place for rice, maize meal, cooking oil, salt, and wheat flour for both individual and private sector purchase is allowed to expire on June 30, cross-border purchases will decrease. This duty free trade is believed to have helped stabilize prices in Zimbabwe in the past. Presumably, households and traders will purchase in Zimbabwe at higher prices that include the import duty. As purchases shift to local markets, the increase in demand may outstrip the ability of traders to increase supply, so additional price increases would occur in Zimbabwe for the once duty-free commodities.

WEST AFRICA

Current situation. In general, **cereal prices have been seasonally increasing in the region.** As the lean season has begun, availability on markets has been adequate in part due to healthy trade flows.

In the western trade basin of West Africa, in Senegal and in Mauritania, prices for local and imported rice and for wheat have been relatively stable in the recent months. Sorghum prices in Mauritania are lower than last year due to adequate availability. But wheat and cooking oil prices remain high despite large-scale interventions of the Government of Mauritania in the market. In contrast, rice prices in Conakry, Guinea, were up 22 percent in May compared to April. As Conakry supplies imports for Guinea and sometimes for parts of Mali, the export ban on rice in Guinea has had the consequence of shifting imports to elsewhere and decreasing the supply of imported rice in Guinea. However, in Mali, the previous rice season was good and the primary import source is Senegal, so decreased supplies from Guinea may not move prices in Mali. **In Côte d'Ivoire, the ending of the political crisis has allowed market activities and internal and cross-border food commodity flows to recover, with a normalization of prices** according to a report by the World Food Program (WFP).

In the central trade basin, maize, millet, and sorghum prices have been stable in Burkina Faso and Mali. There, millet and sorghum prices remain below prices from last year. **In coastal countries, prices show a different pattern, with some significant increases compared to last year,** in Ghana for maize, for instance.

In the eastern trade basin, prices appear to have increased seasonally, and they tend to remain about the same as or below prices last year. In some areas, prices are above those of last year. This is the case with maize on the markets of Malanville in Benin and Kano in Nigeria because of a delayed start of the rainy season. Grain exports from Nigeria, especially to Niger,

Figure 12: Millet price in USD per kg in key surplus markets in West Africa, 2008-I I

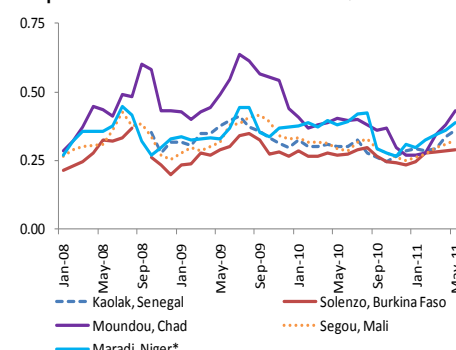


Figure 13: Imported rice price in USD per kg in key markets in West Africa, 2008-I I

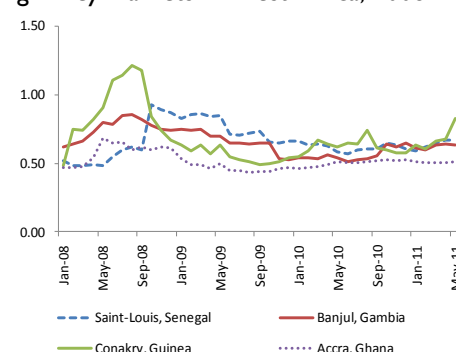
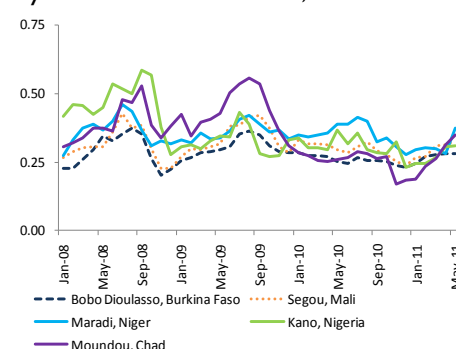


Figure 14: Sorghum price in USD per kg in key markets in West Africa, 2008-I I



*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

have been lower than normal so far, but in the past month volumes traded have increased as countries in the Sahel have seen an increase in demand on markets as households enter the lean season.

In the north of Chad, the maize price in Moussoro was up 12 percent from April to May. Lack of supply in deficit regions in Chad due to the Government's attempt at controlling prices may have led to shortages in markets and prices approaching their highs from last year. Now, rising prices may reduce access to cereals for market-dependent households.

Outlook. Staple food prices are expected to continue to rise seasonally throughout most of the region, until August or September in the Sudanian zone and September or October in the Sahel. In the region of the Gulf of Guinea, a normal onset of the rainy season in the coming weeks should lead to widespread destocking of cereals by producers and traders and a stronger market supply in the Sudanian zone. This stronger supply should prevent prices from rising too steeply on the wholesale markets of northern Benin, northern Nigeria, and Niger.

CENTRAL ASIA

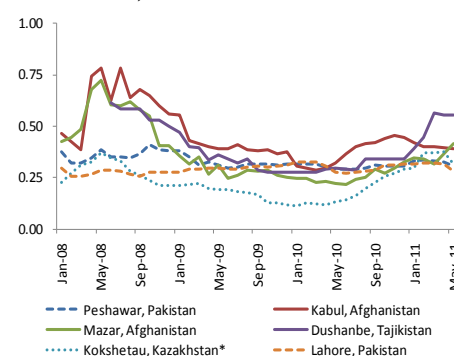
Current Situation. After increasing for the past nine months, price levels for wheat have leveled off in much of the region with the important exception of Northern Afghanistan. Wheat prices increased in Northern Afghanistan in response to a very poor rainfed wheat harvest. Wheat prices in the northern markets of Mazar, Faizabad, and Maimana were up 13, 22, and 7 percent, respectively, over April in response to the poor harvest. Wheat prices in other parts of Afghanistan did not increase as declines in production were not as severe as they were in the North. Price levels in the East and Southeast of the country may also have been tempered by expanded imports of wheat from Pakistan where wheat prices have been flat or declining slightly due to the new harvest.

After increasing since September, wheat grain and wheat flour prices in monitored markets were relatively stable between April and May in Tajikistan. Prices were down slightly in Kurgan-Tyube likely in response to the ongoing wheat harvest in Southern Tajikistan. **Vegetable oil continued to increase in price across several markets.** Vegetable oil prices have been rising since December, and while prices have stabilized, they remain well above price from last year. Potato prices rose sharply in May. Potatoes sometimes seasonally decrease in price as early as April, but having a high price in May is not abnormal. In reaction to the perception of high price levels, the Government of Tajikistan has initiated legislation targeted to regulate retail prices for essential food commodities.

The 2011 spring wheat harvest in Pakistan is reported to be good. In Kazakhstan, wheat prices are down 15 percent in May compared to April. Planting conditions for spring wheat in Kazakhstan are generally favorable.

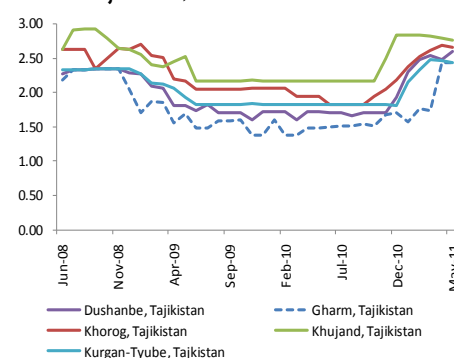
Outlook. Poor local wheat production in Afghanistan and anticipated poor production in Tajikistan coupled with increasing fuel prices will maintain pressure on wheat and wheat flour prices. Good production in Pakistan combined with favorable growing conditions in Kazakhstan to date should contribute to stable grain availability in the region. As state governments in Pakistan control most stocks, the upcoming review of Pakistan's wheat export policy could place limits on trade. Any proposals that would limit the volume of officially traded wheat would once again push wheat trade between Pakistan and Afghanistan entirely into informal channels. While an unlikely scenario with such high wheat stocks in Pakistan, this scenario would increase prices for wheat and wheat flour in Southern and Eastern Afghanistan.

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



*Wholesale price. All other prices are retail.

Figure 16: Vegetable oil prices in USD per liter in Tajikistan, 2008-I I



Sources: WFP, KazAgroMarketing

CARIBBEAN and CENTRAL AMERICA

Current situation. Guatemala, Honduras, El Salvador, Nicaragua, and Haiti are already well into the lean season. During this time of year, in Central America, more rural households depend on the market for food. This high seasonal demand along with high international yellow maize prices continues to place pressure on the white maize price. **Across Central America, white maize tends to be higher than it was last year.** White maize prices in Nicaragua had remained lower than in other parts of the region, but from April to May, all monitored markets in Nicaragua had month-on-month price increases between 20 and 60 percent. Nicaragua had been releasing public stocks into the market for several months in an effort to prevent a price rise, but these stocks have now been exhausted.

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 often above their 2008 peak price.** In Nicaragua and Honduras, the red bean price has recovered slightly from its peak, but in El Salvador prices remain near their peak from November. In contrast, black bean prices have remained largely stable in Guatemala.

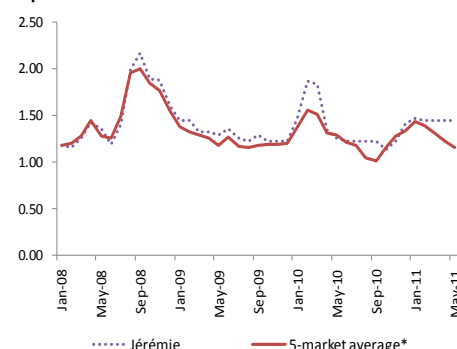
In Haiti, black bean prices have shown different trends across markets due to localized production conditions. In most regions, they have been relatively stable after rising for several months to meet planting needs. However, a localized production shortfall in the North due to dryness and last year's crop failure due to flooding from Hurricane Tomas triggered a rapid increase in price in Cap-Haïtien of 80 percent between April and May. Black bean supplies in the market are less than usual.

With the exception of black beans, in Haiti, staple food prices were, overall, relatively stable between April and May. In most markets, imported rice, the primary staple food, continued its slight decline reflecting a similar slight decline in international prices. The only exception to this trend is in Jérémie where high transportation costs and a limited number of market participants have kept the imported rice price relatively stable since December 2010.

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. 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 increase over the lean season and help prevent further dramatic rises in the white maize price and the cost of tortillas. **As export markets in both North and South America are expected to continue to have high maize prices due to low stock levels, some pressure will remain on white maize prices in the region.**

In Haiti, the upcoming harvest is expected to be below average due to low rainfall. This may lead to further increases in the price of black beans and other important local staples. **However, imported products, especially imported rice, are expected to be relatively steady in price over the medium term.** Internal trade and imports of black beans from the Dominican Republic may also bring prices in Cap-Haïtien and the North closer to prices in the rest of the country.

Figure 17: Retail prices in USD per kg for imported rice in Haiti, 2008-I I



*Port-au-Prince, Hinche, Cap-Haïtien, Jérémie, and Jacmel

Figure 18: Retail white maize prices in USD per kg in Central America, 2008-I I

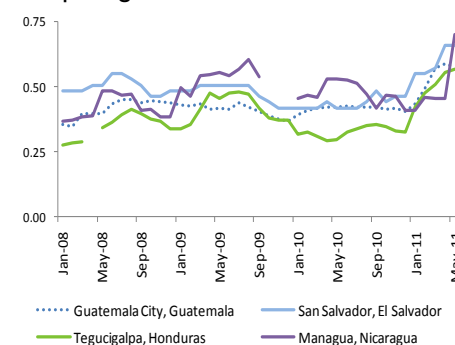
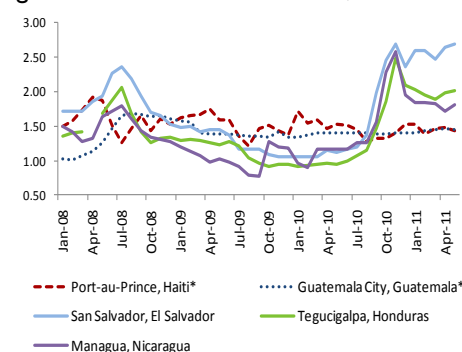


Figure 19: Retail bean prices in USD per kg in Central America and Haiti, 2008-I I



*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)