

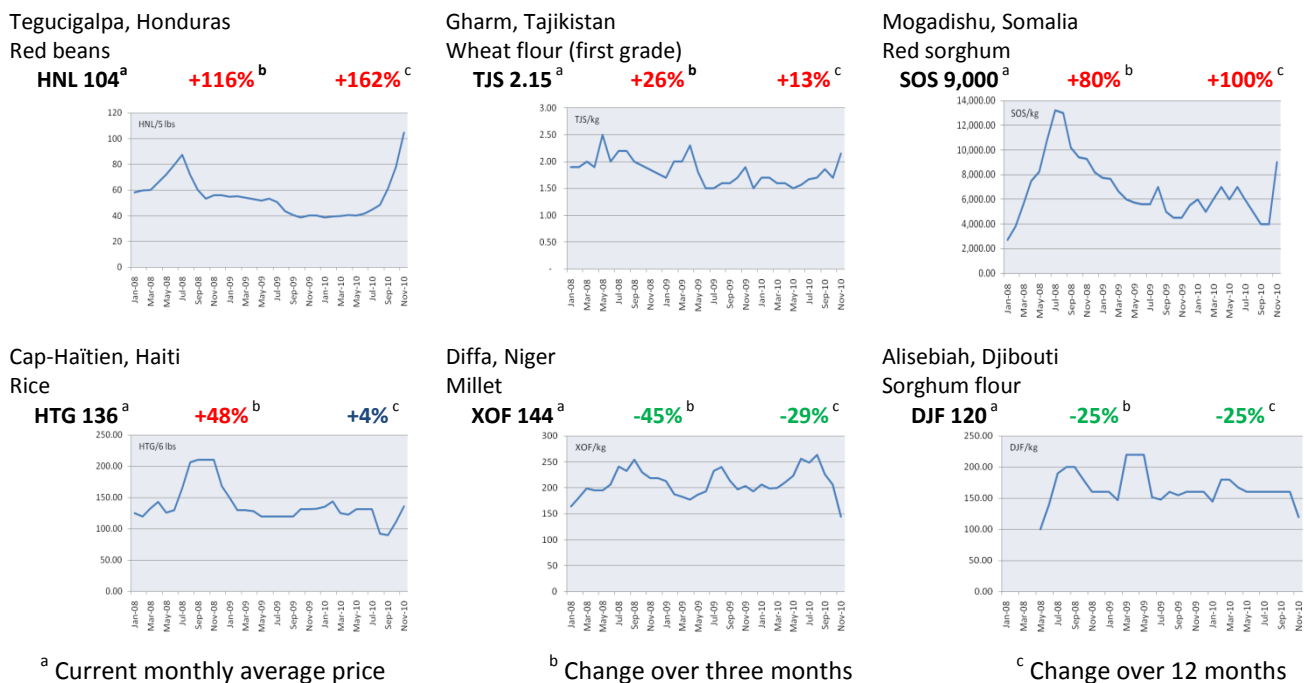
PRICE WATCH: November Food Prices*

December 23, 2010

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.[†]

- Good harvests and sufficient stocks in Sub-Saharan Africa are causing most cereal grain prices to fall or to experience the usual seasonal stabilization or slight rise. These prices should benefit net food purchasing households.
- In exceptions to the general African trend, local conditions have led to an increase in prices of maize in coastal West Africa and cereal grains in southern Somalia.
- In Central America, red bean prices have stabilized at high levels or continued increasing due to concerns about a dry *postrera* season.
- Prices in import-dependent countries increased with international prices, like the price of rice in Haiti or the price of wheat in Mauritania.
- Wheat and wheat flour prices in Central Asia showed limited movement from October to November.

Figure 1: Food commodity prices in selected reference markets



* Please note that the December Price Watch is an abridged edition. The regular Price Watch will return in January.

[†] 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.

In November, the Food and Agriculture Organization (FAO) Food Price Index, a weighted average of prices for a variety of food products in major export markets, rose to a level not reached since 2008 during the peak of the previous food price crisis. The recent increase in the FAO index has largely been driven by a rise in sugar and oils prices. While these increases lead to higher worldwide food import bills, the impact on food insecure populations may be more limited. Sugar and oils are important components of the food basket of the poor, but cereals are the primary component.

Large international cereal grain price increases have been much more subdued in local markets in food-insecure countries. For example, while the U.S. wheat price increased by 49 percent from May to November, the average price of wheat across selected reference markets in Central Asia (Afghanistan, Pakistan, and Tajikistan) rose only 28 percent. Prices did increase more rapidly in Tajikistan, most likely due to diminishing exports from Kazakhstan, but, in most markets, eventually stabilized; except in Gharm, where the prices of wheat, wheat flour, and other food commodities have continued to rise. In general, across countries monitored by FEWS NET, bread and cooking oil prices have risen moderately.

Similar to the case of wheat, maize prices in local reference markets have diverged from the prices of maize exported from the U.S. and Argentina. The price of white maize in Central America remained steady from May to November, with the average price across selected markets in Guatemala, El Salvador, Honduras, and Nicaragua down 5 percent, while the U.S. maize price (No. 2 yellow maize) jumped by 45 percent. The average price of maize across selected markets in East, Southern, and West fell 9, 3, and 7 percent, respectively, during the period from May to November.

In general, cereal grain prices in Sub-Saharan Africa have been falling for several months because of good harvests and healthy trade flows from surplus to deficit areas in the northern hemisphere and equatorial areas. In Southern Africa, sufficient stocks and expectations of a good rainy season have contributed to relatively stable prices in most markets. In some areas, declining prices have yielded to normal seasonal trends of stabilization or a slight upward movement.

There are exceptions to these trends to monitor in Africa. In Nigeria and other areas of West Africa, maize prices have increased unseasonably possibly due to localized production shortfalls in the coastal countries and expectations of high prices in export markets over the medium term.

Sorghum prices have been rising in several reference markets in Southern Sudan. While an increase right before the harvest of long-term sorghum crops in December and January is not unusual in Southern Sudan, building up stocks before the January referendum and increasing demand from new returnees could also be playing a role. Large price rises have also been observed in several reference markets in southern Somalia. In both Mogadishu and Qoroley, significant increases between October and November for both sorghum and maize may be attributable to drought, supply disruptions due to insecurity, and the suspension of food aid.

Red bean prices in Central America, which had rapidly increased in the preceding months, stabilized or slightly declined in some markets while they continued to rise in others. A supply shortfall due to flooding in the summer and expectations of a poor *postrera* season are sustaining these high prices, despite efforts by governments in the region to encourage more imports and to subsidize the purchase of beans for poor consumers. More favorable to food security prospects is the stability of white maize and rice prices.

As an import-dependent country, prices in Haiti are rising along with international prices. The price of imported rice, primarily from the U.S., continues to rise reflecting international rice prices. Prices in Cap-Haïtien rose 23 percent from October to November though other reference markets in Haiti had less significant price rises. Local products are not experiencing a similar rise in price, though most prices remain above the five-year average.

Figure 2: Increase in average wheat price from May to October

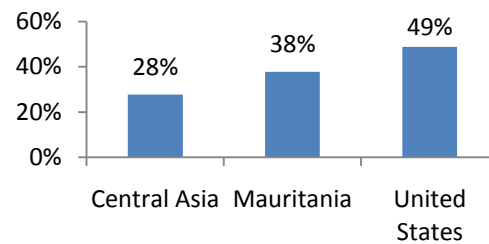


Figure 3: Changes in average maize price from May to November

