

PRICE WATCH: June Food Prices

July 31, 2010

The Famine Early Warning Systems Network (FEWS NET) monitors and reports staple food prices in cities and towns in food-insecure countries. The Price Watch presents a summary of key trends in selected markets. Prices for all commodities and markets monitored are available in the Price Watch Annex. FEWS NET gratefully acknowledges the national market information systems, ministries of agriculture, Regional Agricultural Intelligence Network, World Food Program, various projects, foundations, and other partners for their assistance in providing price data.

EAST AFRICA



OBSERVATIONS

In Ethiopia and Kenya, staple food prices were stable or slightly declined in recent months, unlike seasonal trends (although in pastoral areas of Kenya, prices remain elevated). In Tanzania, prices have decreased, in line with seasonal trends.

While prices have been relatively stable in southern Sudan, price in northern Sudan tended to increase between May and June, from levels already well above the five-year average. In southern Somalia, prices have generally increased over the first two quarters of 2010

ANALYSIS

In Ethiopia, the marketing of producer stocks and the *belg* harvest have increased the supply of maize, sorghum, and wheat. The large amount of institutional stocks and various food distribution programs have also contributed to stabilize prices. In Tanzania, the *msimu* and *masika* harvests led to lower prices.

While the increase in cereal prices in southern Somalia is somewhat a seasonal trend, it has also been driven by other factors, including low stocks from the previous *deyr* harvest, the suspension of food aid in the south, and insecurity in the southern and central parts of the country.

OUTLOOK

In Ethiopia, prices are expected to remain relatively stable. In the west, good *kiremt* rains should lead to a good harvest and increased availability. In the marginal agricultural areas in the east, prices are likely to increase during the *meher* rainy season as stocks are depleted, the reliance of households on markets rises, and transportation becomes more difficult.

In Somalia, the ongoing *Gu* harvest for maize, sorghum, and cowpea is expected to be normal to above normal, due to good rainfall. The increase in supply following the harvest is expected to stabilize or lower cereal prices.

SOUTHERN AFRICA



In Malawi, Mozambique, Zambia, and Zimbabwe, maize prices have generally been stable or falling, in line with seasonal trends, while remaining significantly higher than the five-year average. In Mozambique, in some markets, maize prices started to increase, but, generally, as in the rest of the region, markets are well supplied with maize as well as other staple foods and trade flows operate normally.

Throughout the region, the marketing of the recent maize harvest and other cereals (for instance, rice in Malawi) led to an increase in supply and a decline in prices. In Zimbabwe, the supply of staple foods has also benefitted from the liberalization of imports.

In Mozambique, prices remain high, partly because of inflation, but also due to droughts and floods in recent years, growing industrial demand, and local purchases for food assistance.

Grain prices are expected to decline further or stabilize in the near term. Further decline is anticipated in Zambia where the harvest was largely above normal. In Zimbabwe, the good availability of imported commodities may keep prices relatively low until later in the marketing season. In the central and southern parts of Mozambique, prices will begin to rise earlier than normal due to relatively low availability.

WEST AFRICA

EASTERN MARKET BASIN



OBSERVATIONS

In Niger, the availability of cereals is normal with regard to seasonal norms. Cereal imports from Nigeria, Benin, and Burkina Faso have been consistent and larger than last year. Prices are generally above those in 2009 (millet in Maradi for instance) and the five-year average. (Real prices remain below those in 2005).

In Benin, Cereal availability is stable and greater than in 2008. However, maize prices have increased significantly.

In the surplus-producing areas of southern Chad, cereal availability is normal. Sorghum prices have been stable in Moundou and slightly declining in Sarh. These prices are below the five-year average. In the Sahel, cereal availability has slightly declined and the price of millet in Abéché, Moussoro, and N'Djamena has exhibited a seasonal increase while being above the five-year average.

ANALYSIS

In Niger, government-subsidized sales and food assistance have sustained availability and mitigated the seasonal increase in prices in localized areas. The increase in the price of millet in Maradi is a repercussion of the price hike in wholesale markets in northern Nigeria and also the appreciation of the Naira and the increase in the price of fuel.

In Benin, a weakening supply and a strong demand for exports to Niger (as availability is low in the extreme north of Nigeria) led to the increase in the price of maize.

In Chad, price regulation by the government is deterring large traders from transferring commodities from the south to the Sahel. The phasing out of government-subsidized sales and food distributions led to a rapid increase in cereal prices in Abéché.

OUTLOOK

In the eastern basin, good rainfall will probably lead to an improvement in availability at harvest time. The start of maize harvests in Benin and Nigeria should entail greater availability and lower prices in Niger. The harvest of maize, sorghum, cowpea, roots, and tubers in north-central Nigeria is likely to be good, which should northwards trade flows and benefit availability in the Sahel.

In Chad, food prices are most likely to increase significantly (for millet in particular) as traders stocks are exhausted and demand increases during the Ramadan. In pastoral areas, the beginning of an improvement in pasture conditions and the strong demand for meat during the Ramadan period will lead to an increase in livestock prices.

WEST AFRICA

WESTERN AND CENTRAL MARKET BASINS



In Burkina Faso, Mali, Mauritania, and Senegal, the availability of cereals is normal and prices have been stable, in general.

In Mauritania, between May and June, prices for imported cereals and local rice slightly declined but prices for beans and sorghum in pastoral areas increased significantly. In general, in Burkina Faso, Mali, and Mauritania, livestock-cereals terms of trade have been deteriorating in pastoral areas.

In the western basin, rice and maize imports have been stimulated by lower prices in international markets and thus local prices remained stable. The rice harvest in the Senegal river valley led to increased supply and contributed to stabilize prices. Senegal also benefitted from transfers of millet from Mali.

In Mauritania, the increase in bean and sorghum prices is due to a reduction in the flow of commodities towards the east and north and the strong demand for seeds.

The availability of cereals may decrease during the remainder of the lean season, in particular for millet. However, as the harvest begins in the south of the region, cereal flows to the Sahel will improve availability.

In Mali, prices are expected to increase moderately, but institutional stocks reduce the likelihood of significant price increases. In pastoral areas of Mauritania, bean and sorghum prices will continue to increase, but livestock prices should rise in the near term with the improvement of pastures.

AFGHANISTAN



In recent months, wheat prices were stable in most markets monitored. In a few markets, prices slightly increased, in line with seasonal trends. For instance, in Kabul, prices rose 13 percent between May and June. Wheat and rice prices are currently below the five-year average in most markets.

Wheat prices have been relatively low for some time primarily due to above-normal harvests in Afghanistan and wheat-exporting countries in Central Asia in recent years. The factors having led to low cereal prices also include the relatively free flow of commodities into Afghanistan and the appreciation of the Afghani, the local currency.

Wheat prices may rise slightly until the beginning of the harvest. After the harvest, which is expected to be again above normal, prices will decrease. However, reports of expected production shortfall in Russia, Kazakhstan, and parts of Ukraine may translate into tighter markets in the region later this year.

OBSERVATIONS

ANALYSIS

OUTLOOK

GUATEMALA



In the city of Guatemala, prices for white maize, black bean and rice (which is mostly imported) have been stable since the first quarter. These prices are close to their level from last year but above their level from two years ago, before the food price crisis.

Since the start of the lean season, the reliance of households markets has increased (to a lesser extent in the surplus-producing areas in the north). However, prices have remained stable as the supply from the northern part of the country and Mexico satisfies the demand from the deficit areas.

Prices may increase during the lean season. Then, the *primera* harvest will boost availability, resulting in a decline in prices in September. Crop losses caused by tropical storm Agatha and an anticipated excess of rainfall could entail a below-normal harvest in some areas, leading to lower availability and higher prices.

HAITI



Staple food prices have been declining in most markets since March – April. Prices have tended to return to their level from December, prior to the earthquake, and they are now close to the five-year average. Cap-Haïtien is an exception, where prices for some commodities are significantly higher than the five-year average.

The beginning of the harvest of spring crops led to increased availability in the metropolitan area of Port-au-Prince and provincial markets. A good maize harvest in the southern peninsula resulted in a decline in prices. Above-normal prices in Cap-Haïtien are most likely linked to the dysfunctional port infrastructure.

Prices are expected to decline further in most markets in the coming months as the prospects for the harvest are generally good. However, starting in September, damaging tropical storms and hurricanes could lead to disruptions in transportation and economic activities preventing the normal functioning of markets.

SPECIAL MARKET FOCUS: International Food Prices Outlook

Agricultural commodity prices in international markets are currently substantially lower than at their peak in 2008. However, they are still 16 to 40 percent higher than their average during the period 1997 – 2006, in real terms. Projections from the OECD-FAO Agricultural Outlook 2010-2019 show that nominal and real international prices for staple food crops will tend to remain at relatively high levels over the next decade compared to the 1997 – 2006 decade.

The decline in prices after 2008 was primarily due to a strong supply response—bumper harvests in many parts of the world—and a fall in demand as the world economy entered a recession and support for bio-fuel production declined. A tight crude oil market, the emergence of bio-fuel markets, the recovery of the world economy, and population growth combined with rising urbanization entail that nominal prices for most crops will remain at the current levels or will increase over the next 10 years.

The price of US wheat will rise to USD 225 per ton by 2019, that is, 3 percent higher than the average between 2007 and 2009. In real terms, the price of wheat will decline, but at a slower pace than in the decades prior to the food price crisis. For coarse grains, nominal prices will rise faster than for wheat between 2010 and 2016, primarily due to the high demand for ethanol and feed production. The price of US maize will attain USD 187 by 2019, which is about the same level as in 2009. Rice production will increase about 15 percent by 2019 compared to the period 2007 – 2009, stocks will increase, and the nominal price of rice will decrease 25 percent between 2010 and 2019. While import demand from Africa will be rising, consumption will be declining in China as the population shift to a diet richer in protein.

During the period 2010 – 2019, the real prices of wheat and rice will be below their level during the food price crisis, but significantly above their level in the period 1997 – 2006. Wheat and rice will be among the commodities exhibiting the largest decrease in real prices with respect to their level in 2008. The real price of maize will not decrease to the same extent. Food vegetable oil prices will rise to a greater extent compared to the decade 1997 – 2006 relative to wheat, rice, and coarse grains. The nominal and real prices of vegetable oil will be much higher than in the decade 1997 – 2006.

Trends in production, consumption, and trade of agricultural products will be increasingly affected by developing and emerging countries. Production and consumption are increasing much faster in these countries than in the OECD area and economic growth is leading to changes in consumption patterns with a shift from traditional staples (wheat and coarse grains) to processed products and protein-rich diets. In addition, a key issue affecting international commodity markets could be increased volatility, which would have adverse effects on producers and poor households in developing and net food-importing countries. The factors leading to a rise in volatility include exchange rate

movements caused by the transmission of economic and financial shocks, the more prominent role of countries with greater exposure to agricultural production shocks, and the decrease in stock-to-use ratios for wheat and coarse grains, although stocks are projected to increase.