

PRICE WATCH: March Food Prices

April 28, 2010

To more closely monitor the evolution and transmission of international and local food prices, FEWS NET is monitoring and reporting on staple food prices in key markets in urban and town centers in food insecure countries. A selection of these market centers, along with additional markets in non-presence (no FEWS NET office) countries are presented here. A longer list of commodities and markets is available at www.fews.net.

Key points:

- Prices remained stable or declined for about 87 percent of all commodities-market pairs covered last month (see *Price Watch Annex*), largely due to local harvests and falling international commodity prices.
- Food prices in most East African markets decreased as newly harvested crops entered the market, with significant declines in Kitui, Kisumu, and Eldoret, in Kenya, and in Lira and Kampala, in Uganda.
- Staple food prices in Haiti are all below February's prices, except for local maize flour and imported rice prices in Jacmel.

This month's *Price Watch* includes 137 markets in 31 countries.

- Table 1 lists the five largest increases and decreases in prices of staple foods, from both the previous month and the previous year.
- Special Market Focus: "Analysis of the Recovery of Food Markets in Haiti."

FEWS NET gratefully acknowledges national market information systems, ministries of agriculture, the Regional Agricultural Intelligence Network (RATIN), the World Food Program, various projects, foundations, and other partners for their assistance in providing these data.

Table 1. Five largest price increases and decreases from February to March 2010

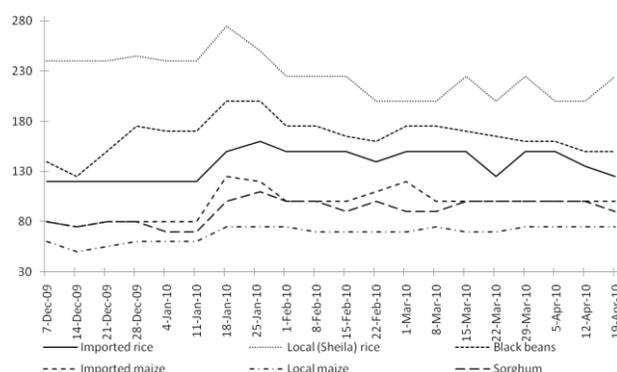
Largest increases in staple food commodity prices			Largest decreases in staple food commodity prices						
Market	% Change 1 month	Observation	Market	% Change 1 year	Market	% Change 1 month	Observation	Market	% Change 1 year
Khujand Tajikistan (Potatoes)	25	N/A	Malanville Benin (Cassava Flr.)	67	Kitui Kenya (Sorghum)	-50	Prices decreased due to above-average sorghum harvests in the southeastern marginal agricultural zone.	Eldoret Kenya (Potatoes)	-71
Dapaong Togo (Maize)	21	The price hike was a result of high demand from the south and low market supply as the lean season progresses.	Kurgan-Tyube Tajikistan (Chick Peas)	60	Lira Uganda (Sorghum)	-33	Prices fell with increased supply from producing areas in Lango and Teso (Kaberamaido district).	Kitui Kenya (Sorghum)	-58
Saminaka Nigeria (Maize Gr.)	20	Prices rose due to increased demand for maize from the poultry industry and for maize seeds from commercial farmers as the planting season draw near.	Kirundo Burundi (Sweet Potatoes)	58	Kampala Uganda (Matoke)	-33	Matoke prices dropped in response to increased supply from production areas in western and southern Uganda.	Nairobi Kenya (Potatoes)	-52
Mogadishu Somalia (Sorghum)	20	Prices rose due to an increase in demand for cheap cereals in the urban area and shrinking cereal stocks as the lean season approaches.	Qorioley Somalia (Wh. Maize)	55	Kisumu Kenya (Potatoes)	-29	Prices decreased as supply increased from the North Rift producing area.	Mitundu Malawi (Maize)	-46
Khorog Tajikistan (Potatoes)	20	N/A	Khorog Tajikistan (Potatoes)	50	Eldoret Kenya (Potatoes)	-25	Prices decreased as supply increased from the North Rift producing area.	Kampala Uganda (Maize)	-46

In the immediate aftermath of the January 12, 2010 earthquake, the food marketing system in Port-au-Prince and surrounding affected areas showed signs of disruption with a dwindling trade volume on food markets and rising food prices. To date, the recovery of food supply chains is partial and a large part of the affected population still relies on emergency food assistance. This Special Market Focus examines the factors that have affected food markets since the earthquake and provides an outlook on their recovery.

Food markets in Port-au-Prince

As shown in Figure 1, retail prices for staple foods in Port-au-Prince increased significantly over the two weeks following the earthquake and stabilized by early February at a level about 30 percent higher than before the earthquake on average (excluding the local, *Sheila* rice).

Figure 1. Staple food prices in Port-au-Prince (in Haitian Gourdes per six pounds [HTG/6 lbs])



Prices generally held relatively steady from February through March, although the price of the *Sheila* rice quickly dropped below its pre-earthquake level and the price of black beans gradually declined. In April, the price of imported rice returned to a level just four percent above the pre-earthquake level, but prices for local and imported maize remained relatively high. On average (excluding the *Sheila* rice), prices were 17 percent higher than before the earthquake as of April 19. Similar trends were observed in Jacmel.

The initial price increase reflected a multitude of factors. The combination of casualties, loss of productive assets, damage to infrastructure, and disruption to basic services raised food marketing costs (including transport costs) and capacity, thus reducing the supply of food commodities. Civil

insecurity on the marketplace of Port-au-Prince also led traders to reduce their activities. Food imports were constrained by the damage to the port infrastructure and bottlenecks due to ships bringing personnel, equipment, and commodities for humanitarian relief. The capacity of ports outside of Port-au-Prince was limited and transportation of goods from Cap-Haïtien to the capital city was costly. On the demand side, households incurred a substantial income shock because of injury, loss of employment, and asset destruction, which entailed a lower demand for food commodities (although staple food demand was most likely less affected than demand for less essential goods). The combination of these two factors, a contraction in supply and a decrease in demand, entailed a lower trade volume in local markets and a drop in imports. For some commodities, in particular imported cereals and other relatively cheap commodities, the first factor dominated, leading to abnormal price increases. For more valuable commodities such as the *Sheila* rice, the second factor prevailed, resulting in a decline in prices. This probably also applies to beans, although the arrival on the market of beans harvested in humid and irrigated plains in February also played a role in lowering prices.

The scale of emergency food assistance has matched that of the disaster. Between late January and late February, the World Food Program (WFP) delivered the equivalent of a two-week ration of rice to 2.9 million people in the metropolitan area of Port-au-Prince (the quantity distributed amounted to about two thirds of the target population's monthly rice consumption). A second phase of food aid distribution (including a two-week ration of rice, beans, and vegetable oil) that targeted the displaced population in settlements followed between February and March (the quantity of rice distributed in March was small compared to the quantity absorbed in the metropolitan area in normal times). In April, a third phase of targeted food aid distribution was initiated.

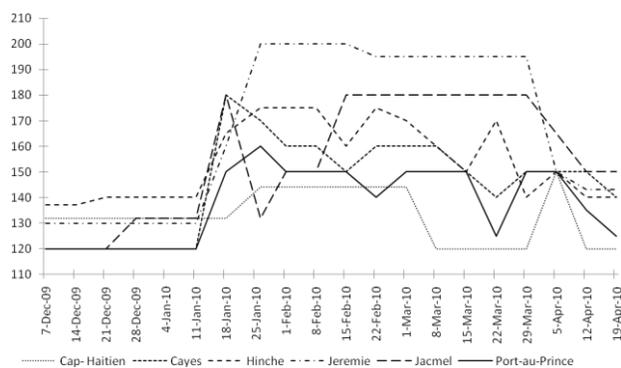
As discussed in a recent FEWS NET Executive Brief, emergency food aid has probably had a moderate effect on food markets. Between February and March, relief rice, which is a close substitute for imported rice, was frequently for sale on the market of Croix-des-Bossales in Port-au-Prince, although usually in relatively small quantities. At the same time, there were sporadic, moderate decreases in the price of imported rice that were most likely

linked to escalations in the sales of relief rice on the marketplace (for instance in late February and late March) and a decrease in the demand for rice from beneficiaries of food aid. Anecdotal evidence thus suggests that the distribution of relief rice may have kept prices in check in the face of a significant increase in marketing costs and supply capacity. This may have been to the detriment of suppliers, in particular the large traders who usually have higher fixed costs (and presumably incurred relatively large increases in these costs after the earthquake), but to the benefit of consumers, especially poor and vulnerable households. While food aid distributions have probably displaced some sales for importers and large wholesalers and uncertainty with respect to the duration and magnitude of these distributions may have delayed new purchase orders, some of them have also benefited from sales to humanitarian organizations after the earthquake.

Food markets outside of Port-au-Prince

Although the earthquake struck a relatively limited geographical area, it indirectly affected food markets in other locations. As shown in Figures 2 and 3, the price of imported rice and black beans exhibited abnormal variations across provincial cities after the earthquake. Price dispersion increased significantly for both commodities, especially for imported rice.

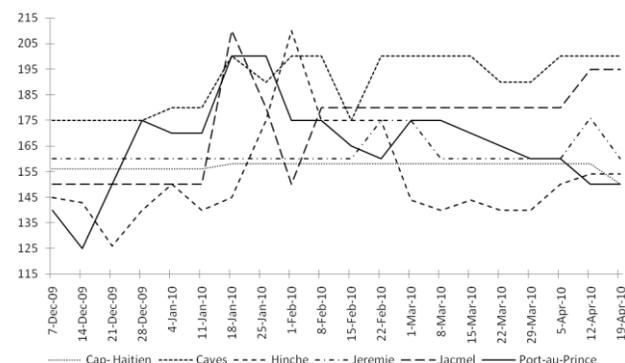
Figure 2. Imported rice prices in provincial markets (HTG/6 lbs)



Because rice is imported mostly through Port-au-Prince, its price is usually higher in other markets. After the earthquake, some markets, for instance in Jérémie, exhibited a disproportionate price increase. This may have been caused by several factors, an increase in transport costs (due to the lack of vehicles, lower fuel availability, damage to transport infrastructure, road congestion, civil insecurity, etc.) most likely being one of them. Another factor could

have been the inflow of displaced people from Port-au-Prince and other affected areas, raising the demand for food in host destinations. About 600,000 internally displaced people left the metropolitan area of Port-au-Prince for other departments and about 120,000 moved to the *Grande Anse* department (where Jérémie is located), which represents more than 20 percent of this department's population. Given the imperfect integration of markets, this large population inflow probably caused upward pressure on local staple food prices. A smaller presence of humanitarian organizations initially (and presumably less food assistance) may have been another factor.

Figure 3. Bean prices in provincial markets (HTG/6 lbs)



In contrast to the price of rice, the price of beans in Jérémie, which is near a major area of production, was more stable than in Port-au-Prince in the aftermath of the earthquake, which suggests that increasing transport costs led to a reduction in shipments bound to the capital city area, easing the pressure on local prices. In Cap-Haïtien, both the prices of imported rice and beans have been very stable in the post-earthquake period. This is most likely due to good access to international markets through the port, significant food aid distributions (relief rice was for sale on local markets in many occasions), and, perhaps, a relatively small inflow of displaced people from the capital city (only one percent of the *Nord* department's population).

By mid-April, rice prices had returned to a level closer to their level prior to the earthquake in all markets, although they remained relatively high in inland markets and coastal markets without a major port. This may indicate the reestablishment of internal trade flows. This trend is likely to be sustained if the tendency for displaced households

to return to the metropolitan area of Port-au-Prince persists. Bean prices remained high in some markets such as Les Cayes and Jacmel but this is consistent with the seasonal trend according to which bean prices generally rise until April and then fall until August while the major harvests for pulses are brought to the market.

Outlook on the recovery of the food system

As the recent decline in the price of imported rice in Port-au-Prince and other locations indicates, there has been an uptake in trading activities and supply has been rebounding. Information recently collected through market visits and interviews with traders confirms this view. Between late March and early April, commercial rice import deliveries and orders were on the rise, the number of traders on the Croix-des-Bossales market steadily increased, approaching its level before the earthquake, and civil insecurity on the marketplace came down. This also suggests that confidence among importers and wholesalers has been improving. The rehabilitation of port and transport infrastructure in Port-au-Prince and surrounding areas will facilitate the recovery of the food marketing system. For imported staple commodities (rice, maize, wheat flour, and pulses), the downward price trends in international markets in the recent months will act to keep domestic prices at moderate levels in the medium term.

However, the recovery of food supply chains remains uncertain. Part of the decrease in prices over the past weeks could be due to further weakening of purchasing power among the many households who have not regained their livelihoods. The lack of purchasing power is likely to be a long-lasting obstacle to the recovery of the food system, although the reopening of schools, employment creation in the construction sector, increasing labor demand in the agricultural sector, and cash-for-work programs are expected to provide households with income and prop up demand in the short to medium term. Stocks of rice held by wholesalers have remained small as they have been discouraged from rebuilding inventories by the lingering uncertainty about future demand and constrained by the low propensity of market intermediaries to provide credit. The low availability of fuel in Port-au-Prince over the last couple of weeks, if sustained, could be another hurdle on the way to recovery.

As humanitarian organizations, chiefly WFP, continue to shift away from in-kind food distribution

towards more cash-based or more targeted food assistance, that is, cash-for-work, food-for-work, and nutrition programs, the risk that food assistance provokes disincentives for market intermediaries and agricultural producers should diminish and increased confidence among market intermediaries should boost imports and trade at all levels of food supply chains. The rice distributed as food aid is not a very close substitute for the variety that represents a large share of the domestic rice output, that is, the *Sheila* rice, whose perceived quality by domestic consumers is greater, and the value of which is unlikely to be significantly depressed by ongoing and upcoming food assistance interventions. However, another variety of lower value that constitutes over half of the rice output in the *Artibonite* valley is more prone to sales displacement by the relief rice. But as long as price levels remain at or above pre-earthquake levels, and provided that input costs did not increase significantly, the likelihood that producers scale down production plans during the April planting period seems fairly small.

In rural areas, the Food and Agricultural Organization (FAO) and non-governmental organizations implemented agricultural production-support programs on a significant scale in March, amidst the planting period of the main season for black beans, peas, maize, banana, and sweet potato in many areas. These programs raised the probability that production will be normal this year. The FAO distributed seeds and tool kits to 68,000 farm households in the areas directly affected by the earthquake, the southern departments, and the *Artibonite* department. At a smaller scale, it also implemented emergency rehabilitation projects such as the cleaning of irrigation canals in the region of Léogâne through cash-for-work programs that should have provided additional income to farm households from this most affected area, allowing them to invest more resources in the current agricultural season. As of late March, plans for distributing more cereal, pulse, and vegetable seeds, banana plants, root and tuber cutting, fertilizer, and tools were in preparation. If the geographic extent and magnitude of these interventions to support agricultural production are adequate, in particular in the areas that received a large number of displaced households, agricultural output will most likely be normal, which will ensure normal availability in markets later in the year.