KEY MESSAGES

- International food prices decreased slightly in March from their historic peak in February. However, there is no evidence to suggest any fundamental changes to the recent general upward trend. Prices are also extremely volatile and are likely to remain so until stocks are replenished by the northern hemisphere summer harvests. Crude oil and energy prices are also rising rapidly.
- Some countries have seen price rises in excess of 30% for some commodities during the first quarter of 2010. According to WFP monitoring, the basic cost of the food basket has increased in 44 of 63 countries monitored during the first quarter of 2011 and is currently more than 10% above the 5-year average.
- According to World Bank estimates, since June 2010 there has been a net increase in extreme poverty of about 44 million people in low- and middle-income countries as a result of food price rises. If prices rose a further 10% from current levels, simulations show that an additional 10 million people would fall below the extreme poverty line.

GLOBAL MARKET ANALYSIS

1. The FAO Food Price Index (FFPI) averaged 230 points in March 2011, down 2.9% from its historic peak in February, but still 37% above its level of March 2010. International prices of oils and sugar contracted the most, followed by cereals. By contrast, dairy and meat prices were up. Prices of key staples that remain significantly higher than this time last year include maize (74%), wheat (69%), soybeans (36%) and sugar (21%). Rice prices have remained stable. Table 1 shows the largest changes in the prices of selected commodities at the country level over the last 3 and 12 months.
2. International grain prices were again highly volatile during March, generally declining during the first half of the month and later rebounding. Concerns about a slowdown in imports because of political instability in a number of major wheat importing countries and the crisis in Japan contributed to the initial decline. This was then counteracted by worries over dry conditions in major winter wheat producing areas of US and EU.
3. Despite the small decrease in prices, there are unlikely to be any fundamental changes to the general upward trend. Prices are also likely to remain extremely volatile, at least until the major summer harvests in northern hemisphere countries. Inventories are now being drawn down quite sharply and demand continues to grow. There is also considerable uncertainty about what effect the political instability in parts of the world and the recent disaster in Japan will have on international prices.
4. Crude oil prices increased by 10.3% in March and 21% in the first quarter of 2011. Energy price increases affect the price of food in three main ways. They: 1) Encourage greater use of food products in the production of biofuels; 2) Feed into the cost of food production through higher fertiliser prices, the cost of irrigation, and other farm inputs; 3) Increase the costs of crop transportation to markets. A 10% increase in crude oil prices is associated with a 2.7% increase in the World Bank Food Price Index.

PRICES AT THE REGIONAL AND COUNTRY LEVEL

5. In most countries in **Asia**, seasonally adjusted prices of both rice and wheat rose in the first quarter of 2011. Afghanistan, Bangladesh, Pakistan and Sri Lanka have

experienced the biggest increases. Prices have risen sharply in many countries of the **Middle East and Central Asia**. The ongoing socio-political instability is likely to further inflate prices in the Middle East. Cereal prices in Libya are 30% to 50% higher than before the conflict. The Egyptian crisis strongly affected the market in the occupied Palestinian territories where the price of rice exceeded its 2008 peak. Tajikistan, Azerbaijan and Georgia have all experienced strong price increases.

6. **West Africa** experienced moderate increases in cereal prices during the first quarter of 2011. Chad, Ghana, Guinea and Mauritania have experienced the sharpest rises in staple food prices. The escalation of conflict in Cote d'Ivoire disrupted staple food flows, putting further upward pressure on prices.

7. In **Eastern Africa**, prices remained within seasonal trends during the first quarter of 2011. Exceptions include key remote deficit areas (eastern Kenya, southern-central Somalia, Somali region of Ethiopia) where staple cereal prices saw significant increases. Food prices in several countries of **Southern Africa** increased as a result of extreme weather during the first quarter of 2011.

8. In **Latin America and Caribbean** the upward trends of staple food prices, particularly maize, continued in the first quarter of 2011. Price increases have been greatest in El Salvador, with Bolivia and Colombia also particularly affected. Prices in Haiti will likely increase significantly during the lean season, which will last until June.

HUMANITARIAN IMPLICATIONS

9. According to the World Bank, the increase in food prices since mid-June 2010 has led to an estimated 44 million net addition to the number of the global poor. In a scenario where the World Bank's Food Price Index increased a further 10% from the March 2011 levels, simulations show that an additional 10 million people would fall below the extreme poverty line. A 30% increase would lead to 34 million additional poor. The increase in food prices has also led to a deepening of poverty for many of the 1.2 billion people who were already living below the extreme poverty line of $1.25 a day.

10. According to WFP monitoring, the basic cost of the food basket has increased in 44 of 63 countries monitored during the first quarter of 2011 and is currently more than 10% above the 5-year average. 16 out of 63 countries have seen more than a 10% increase in the cost of their food basket. The increase was more than 20% in Ghana, Somalia, Afghanistan, Georgia, and El Salvador. Fuel prices have also increased in many countries during the first quarter of 2011. The highest fuel price increases have been recorded in Ethiopia, Haiti, Malawi, Mauritania and Uganda.

11. Increases in the price of food and other commodities are contributing to unrest in an increasing number of countries, but are generally difficult to separate from other factors. In addition to countries in the Middle East and North Africa, since the start of 2011 food prices have been a factor in protests or unrest in countries including Bangladesh, Chile, India, Indonesia, and Mozambique. Most recently, there have been food price related protests in Burkina Faso and Uganda.

OCHA'S INVOLVEMENT

12. OCHA will continue to monitor the situation closely and contribute to system-wide efforts through the High Level Task Force on the Global Food Crisis.

13. OCHA is working with the HLTF to analyse the relative risks resulting from high food prices in countries with humanitarian operations and will undertake a review of contingency plans in highest risk countries.

Table 1: Largest movements in the prices of selected commodities over the last 3 and 12 months. Source: World Bank based on data from the Food and Agriculture Organization (FAO) Global Information and Early Warning System (GIEWS) domestic price data set as well U.S. Agency for International Development/FEWS NET (www.fews.net).

Price change over last 12 months Country (market, commodity)	Price change (%)
Maize	
Uganda (Kampala, wholesale, $)	114
Brazil (São Paulo, wholesale)	88
Argentina (Rosaria, wholesale)	71
Somalia (Mogadishu, retail)	65
Rwanda (Kigali, wholesale, $)	48
Nigeria (Kano, wholesale)	-23
Tanzania (Dar es Salaam, wholesale $)	-30
Benin (Djougou, retail)	-34
Rice	
Chad (N'Djamena, retail)	71
Lao PDR (Vientiane, retail)	40
Mozambique (Maxixe, retail)	39
Bangladesh (Dhaka, retail)	29
Malawi (Mzuzu, retail)	26
Mexico (Mexico City, wholesale)	-15
Haiti (Port-au-Prince, retail)	-17
Rwanda (Kigali, retail)	-22
Price change over last 3 months	
Maize	
Mexico (Mexico City, wholesale)	37
Mozambique(Maxixe, retail)	29
Kenya (Nairobi, wholesale $)	27
Somalia (Mogadishu, retail $)	25
Uganda (Kampala, wholesale $)	25
Brazil (São Paulo, wholesale)	17
Benin (Djougou, retail)	16
Argentina (Rosaria, wholesale)	15
Rice	
Chad (N'Djamena, retail)	30
Tanzania (Mbeya, retail)	16
Haiti (Port-au-Prince, retail)	10
Guatemala (Guatemala City, wholesale)	-8
Mozambique (Maputo, retail)	-11

Price change over last 12 months Country (market, commodity)	Price change (%)
Wheat	
Kyrgyzstan (Bishkek, retail)	63
Mauritania (Noukachott, retail)	40
Bangladesh (Dhaka, retail)	36
Colombia (Bogota, wholesale)	34
Afghanistan (Kabul, retail)	32
Armenia (national average, retail)	22
China (national average, retail)	16
Costa Rica (national average, retail)	-15
Djibouti (Djibouti City, retail)	-17
Azerbaijan (national average, retail)	-20
Meat	
Kyrgyz Republic (Bishkek, mutton retail)	38
Azerbaijan (national average, beef retail)	38
Mongolia (Ulaanbaatar, mutton retail)	37
Price change over last 3 months	
Wheat	
Sudan (national average, wheat flour retail)	87
Ethiopia (Jijiga, retail)	18
Djibouti (Tadjourah, wheat flour retail)	15
India (Delhi, retail)	11
Colombia (Bogota, wholesale)	10
Kyrgyzstan (Bishkek, retail)	8
Afghanistan (Kabul, retail)	-10
Costa Rica (national average, retail)	-12
Meat	
Azerbaijan (national average, mutton retail)	36
Kyrgyz Republic (Bishkek, mutton retail)	15
Mongolia (Ulaanbaatar, mutton retail)	15
Azerbaijan (national average, beef retail)	13
Somalia (Disoor, local)	-53

FURTHER INFORMATION

FAO. Global Food Price Monitor (April 2011) http://www.fao.org/giews/english/gfpm/GFPM_04_2011.pdf
World Bank. Food Price Watch (April 2011)
http://siteresources.worldbank.org/INTPOVERTY/Resources/335642-1210859591030/FPW_April2011.pdf
WFP. The Market Monitor (April 2011)
http://documents.wfp.org/stellent/groups/public/documents/ena/wfp233927.pdf
HLTF on the Global Food Security Crisis. Updated Comprehensive Framework for Action (September 2010)
http://www.reliefweb.int/rw/lib.nsf/db900sid/OCHA-8C5N8B/$file/UCFA_Final%20Sep%2010.pdf

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