

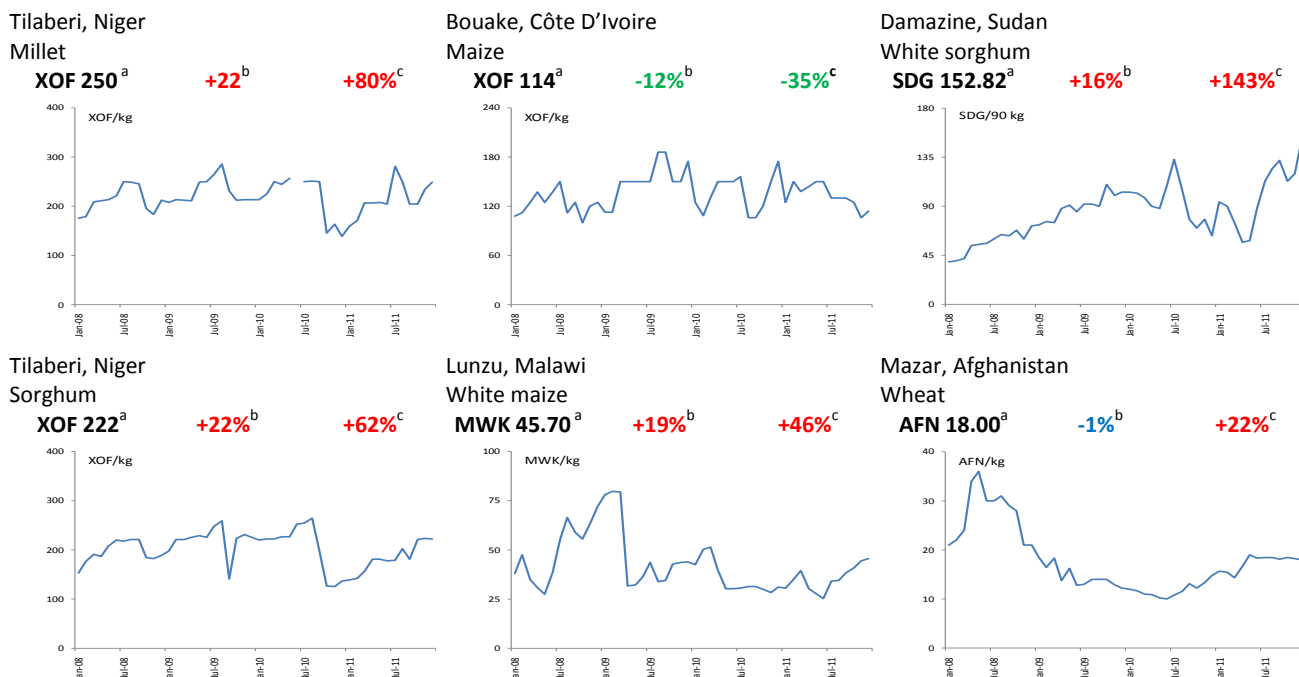
PRICE WATCH: December Food Prices

January 31, 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 are made available in the Price Watch Annex.*

- In West Africa, prices remain higher than last year but markets appear to be operating normally in most cases by transferring grain supplies between surplus markets in the Guinean zone and deficit markets in the Sahel.
- Trade restrictions and continued violence are limiting market activity in South Kordofan State and Blue Nile State in Sudan and in northern South Sudan.
- In Southern Africa, maize prices are stable or seasonally rising. In southern Malawi, price rises are more pronounced.
- In East Africa, prices in Uganda, Ethiopia, and Somalia declined as harvests came on to markets, but in Kenya, maize prices remain quite high. Prices also remained high in Somalia's Juba Valley trade basin.
- In Central Asia, a very healthy wheat harvest in Kazakhstan led to significant wheat price declines which have been transmitted to markets in northern Afghanistan, but prices of wheat and wheat flour remain high in Tajikistan.
- After good maize and beans harvests from the *postrera* season, supplies are adequate in Central America, but maize and beans prices may rise over the next several months due to high demand for regional exportable supplies in Mexico.

Figure 1: Food price trends in selected reference markets, January 2008-December 2011



^a Current monthly average price ^b Change over three months ^c Change over one year.

Sources: World Food Program (WFP), Système d'information sur les marchés agricoles au Niger (SIMA NIGER), Système d'information sur les marchés agricoles au Côte D'Ivoire (SIMA Côte D'Ivoire), Ministry of Agriculture and Food Security (MAFS) of Malawi, World Food Program (WFP), and Sudan Institutional Capacity Program: Food Security Information for Action (SIFISA)

* 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. International grain prices generally were stable or slightly up in the second half of January. Maize export prices in the United States increased in the second half of December, but they fell back to USD 260 per metric ton (MT) in January. Wheat prices in the U.S. export market returned to a level of about USD 280 per MT in late January after having risen some in late December. Despite recent declines, these grain prices remain well above their levels from early 2010.

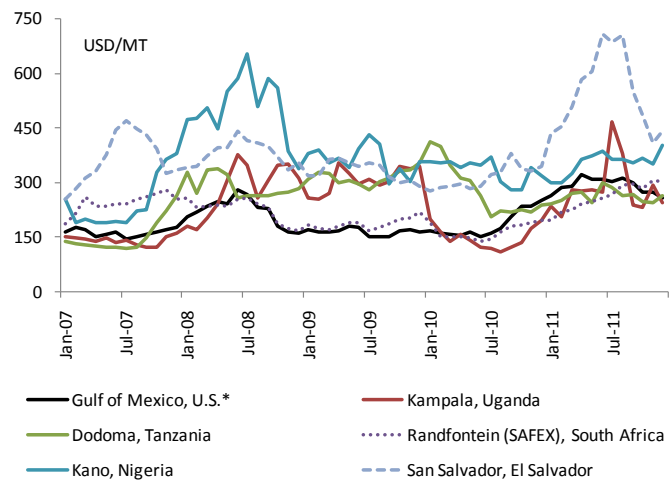
Excessively hot and dry conditions in maize surplus-producing areas in South America and some uncertainty about prospects for the next maize harvest in South Africa pushed prices up in late December (Figure 2). However, the forecast of grain supply in the United States in 2011/12 was recently revised upward for maize. Also, production prospects in China improved over the past few months, and despite the dry conditions in some areas, both Argentina and Brazil are still expecting record maize harvests. These positive production prospects led to maize prices stabilizing and showing signs of downward pressure in the second half of January.

Healthy wheat harvests in the southern hemisphere, particularly in Argentina and Australia, have brought new supplies to the market at competitive prices. These supplies are putting downward pressure on prices. Abundant supplies of low-grade wheat from several exporters have allowed for the substitution of wheat for maize for some industrial uses and livestock feed.

Rice prices continued to fall as bumper harvests arrived on markets in South and Southeast Asia (Figure 3). Supplies are particularly abundant in India. The price of the 100 percent B grade rice in Thailand dropped from USD 640 to USD 540 between late November and late January. The price of the low-quality, broken, A1 Super grade rice followed a similar, declining trend in Thailand. Export prices in Vietnam, India, and Pakistan remain lower than in Thailand. Good production in China in 2011/12 has also been a factor of the recent decline in international rice prices.

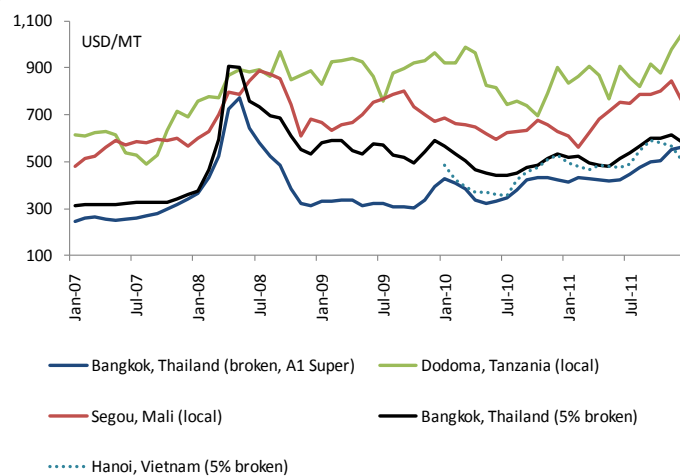
Outlook. Worldwide grain production is expected to reach a record level in the marketing year 2011/12 (International Grains Council, IGC). By the end of the marketing year, stocks are expected to marginally decline compared to last year as grain consumption continues to outpace growth in production. Although the demand for maize from the ethanol industry has fallen, feed utilization and other industrial uses of maize and barley are growing rapidly, driving a decline in the major exporters' stocks. In contrast, world wheat stocks are forecast to remain adequate in 2011/12 and increase by nine million metric tons (MMT) compared to 2010/11. Furthermore, the outlook for the next wheat crop in the northern hemisphere remains favorable. With favorable agro-climatic conditions for the winter wheat crop in the northern hemisphere and an expected increase in planted area, wheat production in 2012/13 should be relatively high.

Figure 2: International and regional white maize export or wholesale prices, 2007-11



* Denotes yellow maize. All others are white maize.

Figure 3: International and regional rice export or wholesale prices, 2008-11



* 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), Ministry of Agriculture and Livestock (MAL) of El Salvador, South Africa Futures Exchange (SAFEX), KazAgroMarketing, Ethiopia Grain Trade Enterprise (EGTE), Observatoire du Marché Agricole de Mali (OMA), and the World Bank

In the coming months, international grain prices can be expected to stabilize as many exporting countries have sizeable exportable supplies and are actively supplying the international market. As international prices remain higher than in early 2010, farmers continue to have incentives to increase planted area and improve yields. Early reports of increased winter grain crop planting in Russia reflect a continued supply response for wheat and barley. Yet, high fuel costs may limit the supply response as mechanized farming becomes relatively more expensive. Maize prices should also remain relatively stable, but they can be expected to show more upward pressure than wheat prices owing to the very low level of maize stocks in exporting countries.

Record-high rice production is also expected in 2011/12 despite the floods that caused rice crop losses in Southeast Asian in 2011. End-of-year stocks for major rice exporters are forecast to increase significantly, particularly in India and Thailand. As the new rice crop will reach markets over the next few months in a number of rice-producing countries, prices may decline further.

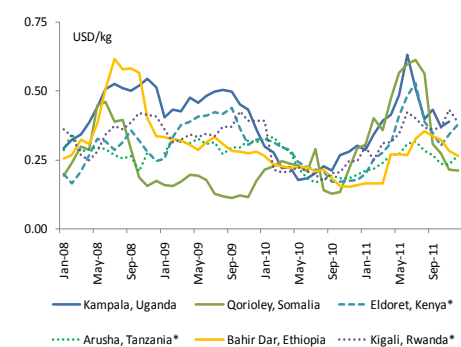
EAST AFRICA

Current situation. In Sudan, a below average harvest has led to rising sorghum prices across the country (Figure 5). In areas still under the control of the Sudan People Liberation Movement-North (SPLM-N) in Blue Nile state and South Kordofan State, the price rise may be more pronounced as supplies are likely very limited. The low supplies are ostensibly due to reduced flows from the surplus-producing, semi-mechanized areas due to conflict and trade restrictions. This market disruption has also minimized opportunities of both local populations and internally displaced persons to sell crops, livestock, charcoal, and wild foods which are all typical livelihood strategies. In some areas of Darfur, such as Geniema, slight declines in millet prices have been observed due to relatively better local production and ongoing relief food distribution. In South Sudan, even though sorghum prices are generally high as most sorghum traditionally comes from Sudan, prices are especially high this year due to on-going border conflict, Sudan's export restrictions that have cut-off formal trade, and severely restricted informal cross-border trade.

In Kenya, maize prices increased slightly in most markets as most large-scale producers continue to hold on to their stocks in anticipation for higher prices with the lapse of the duty-free maize import window (Figure 4). However, in pastoral and agro-pastoral areas, recent increases in livestock prices may be helping offset some of the increase in staple food costs. In Rwanda and Burundi, supplies from the season-B harvest have maintained relatively stable staple commodity prices despite the onset of the lean season. However, areas of Burundi in the east that are often supplied by Tanzania have seen relatively higher prices. In Uganda, export maize prices in Kampala decreased as the second season harvest continued. In Tanzania, prices were relatively stable.

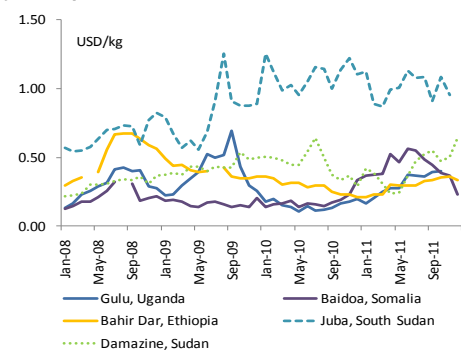
In Ethiopia, increased supplies from the *Meher* harvest have led to significant declines in prices of maize and sorghum in the western grain-belt areas and in Addis Ababa (Figures 4 and 5). In Djibouti, prices of rice *belem* and wheat flour were relatively stable between November and December. In Somalia, white maize and red sorghum prices continued to decline from November to December in markets receiving assistance, in areas with access to supplies of relief food, and in white sorghum surplus-producing areas of northern Somalia. Cowpea prices also began to decline in parts of southern and central Somalia. Imported red rice prices were relatively stable across most reference markets. In the Shabelle Valley, maize-surplus areas like Qorioley reclaimed their position as having one of the lowest white maize prices in East Africa due to good prospects for the ongoing *Deyr* harvest and good availability of relief food. Local white maize and cowpea prices continued to be high across the Juba Valley trade basin with prices rising in some markets.

Figure 4: Prices of white maize in surplus-producing areas of East Africa, January 2008-December 2011



* Denotes wholesale. All other prices are retail.

Figure 5: Prices of sorghum in East Africa, January 2008-December 2011



Sources: WFP, Food Security and Nutrition Analysis Unit Somalia (FSNAU)/FEWS NET, RATIN, WFP, MITM, FAO, EGTE, Ministry of Agriculture of Kenya, and FarmGain Africa Ltd.

Outlook. In Kenya, maize prices will most likely stabilize following the short rains harvest starting in February and improved cross-border inflows from Uganda and northern Tanzania. In Ethiopia, prices will most likely continue to decline with the *Meher* harvest in January, but high marketing costs and below-normal harvest in eastern *Meher* cropping areas might keep prices high in deficit areas. Price trends in Somalia will depend on both assistance flows and the *Deyr* harvest, but good harvest prospects, despite delays, should keep prices near their current levels. The general exception to stable prices in Somalia will be the Juba Valley trade basin where civil insecurity and a very poor *Deyr* season are limiting local supplies of maize and cowpea. Import markets for red rice and vegetable oil are thus far continuing to function in this trade basin, but military action could limit the ability of importers to serve these areas over the dry season. **In Sudan, civil insecurity in South Kordofan and Blue Nile States will continue to disrupt trade and increase prices in the affected areas. In South Sudan, on-going conflict will continue to limit both formal and informal trade and thus continue to put upward pressure on prices especially in northern states that are difficult to supply from Uganda and Kenya.**

SOUTHERN AFRICA

Current situation. Although the region has already entered the lean season, staple food prices remained stable or increased slightly in most reference markets in December (Figure 6). As the 2011 harvests were good, markets are still supplied with adequate quantities of food commodities. In much of the region, maize prices remain at or even below the five-year average.

In Zambia, prices have been relatively stable. Zambia's relatively higher prices have not made its maize surplus as competitive for export as that of Malawi, so stock levels remain high. Prices for urban consumers of maize and maize meal remain very stable. **In Zimbabwe, prices were very stable** between November and December as maize imports appear to continue to supply markets, despite Malawi's export ban. **In Mozambique, the normal seasonal pattern is more apparent as prices have started to increase slightly** due to the start of the lean season and increasing dependence on market purchases by many households.

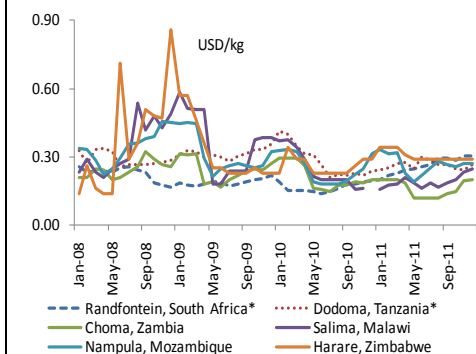
An exception to this general trend is Malawi, where maize prices in southern markets have been increasing faster than in the rest of the region. These prices spiked further in the first part of January. This price rise is mainly due to fuel shortages causing transportation bottlenecks along with cross-border flows of grain towards the deficit markets of Zimbabwe and East Africa. However, following good harvests for the past three years, prices have been relatively low this year and the country had a significant surplus. After having exported large quantities of maize this year, the Agricultural Development and Marketing Corporation (ADMARC) has raised its maize price from MWK 40 to MWK 60. Fuel shortages, related to a shortage of foreign currency for use by traders, are also driving up prices of maize and rice. To help control the rise in prices and to protect stocks, Malawi banned further exports of maize as of December 28.

In South Africa, spot prices for both white maize and yellow maize on the South African Futures Exchange (SAFEX) remained very high. The export of large quantities of maize in 2011 has pushed prices up and led to the possibility of poor supply in the domestic market. Stocks of maize by the end of the marketing year are estimated to be the lowest they have been since the drought of 1992-93. Thus, SAFEX maize prices appear to have decoupled from other international maize prices which have declined over the past several months. In response to concerns about domestic supply, various policy proposals to better track maize commitments by traders and exporters are being considered.

Outlook. Prices are expected to increase seasonally as the peak of the lean season approaches. Nonetheless, the availability of staple food commodities is expected to remain adequate in most of the region through the lean season. In Zambia, the Food Reserve Agency is holding large quantities of maize and is planning to sell part of its stocks at below-market prices to exporters, millers, and humanitarian organizations. In other countries too, public interventions in the markets will help to prevent rapid price increases during the lean season.

Even in Malawi, there is no indication that markets will run out of maize between December and February as government and private stocks are healthy. However, prices will continue to increase, particularly in southern Malawi.

Figure 6: Prices of white maize in Southern Africa, January 2008 - December 2011



* Wholesale prices. All others are retail.

Sources: SAFEX, MITM, MAFS, Ministry of Agriculture of Mozambique, Central Statistics Office of Zambia, and FEWS NET

Malawi prices may increase more than the rest of the region, due to problems of fuel availability and lack of foreign currency to facilitate trade. Malawi's maize export ban is unlikely to have a marked effect on prices in the domestic market or in destination markets as the ban occurs in the marketing year at a point when most exportable maize has already been traded.

In southern Mozambique, in parts of the Maputo, Gaza and Inhambane provinces, heavy tropical cyclone activity has caused severe flooding. Areas where significant damage to crops have occurred due to flooding and strong winds and those which are temporarily cut off from trade may experience temporary price spikes. So far, up to three percent of planted area may have been affected. Further assessments are ongoing.

WEST AFRICA

Current situation. Generally, harvests from the main crop season are completed and grain availability in markets has improved throughout the region. Markets have been functioning normally in spite of restrictions on cereal exports that were announced in Burkina Faso and Mali but have not been strictly enforced so far. Large regional trade flows have been observed, in particular, between the surplus areas of Benin, Nigeria, Côte d'Ivoire, and Togo and the deficit areas of the Sahel. Nominal prices for staple food crops have risen well above their five-year average in many markets, especially in the areas that suffered from production shortfalls. A strong upward pressure on prices between November and December was mostly due to a robust demand from traders and institutional buyers who are re-building their stocks. Prices for both imported and local rice have been relatively stable as international prices have declined and the new local rice crop is arriving on the market.

In the eastern trade basin, prices for local food crops continued to increase in markets in surplus areas between November and December. In northern Nigeria, strong demand for grain from traders, households, and institutional buyers pushed maize, millet, and sorghum prices up in December. In Benin, maize price continued to decline in some markets as availability is good but strong upward pressure from traders was felt in other markets. **A substantial price differential between Niger and Benin stimulated trade flows to Niger.** In Niger, millet prices continued to increase in December. However, there were signs of slight price declines in some deficit markets in early January. In Chad, millet prices slightly declined in the Sahel in December.

In the central and western trade basins, maize availability is adequate and prices have declined in the Guinean zone, in Côte d'Ivoire in particular, but maize and sorghum prices have increased unseasonably in the Sudanian and Sahelian zones, particularly in Mali. In general, markets have been functioning adequately. However, long-distance trade flows originating from Côte d'Ivoire and supplying the northwestern part of Mali and the southeast of Mauritania came into play earlier than usual in the marketing season. These flows essentially resulted from high grain prices in those areas of Mali and Mauritania with larger deficits than in normal times. In Ghana, grain prices are already at a high level due to a tight supply-demand balance in the domestic market and additional pressure from cross-border traders. In Senegal, the availability of local cereals slightly improved between November and December but prices there have not shown substantial declines in the post-harvest period.

Figure 11: Prices of millet in West Africa, January 2008-December 2011

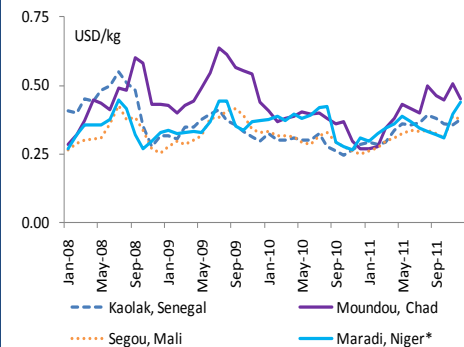


Figure 12: Sorghum prices in West Africa, January 2008-December 2011

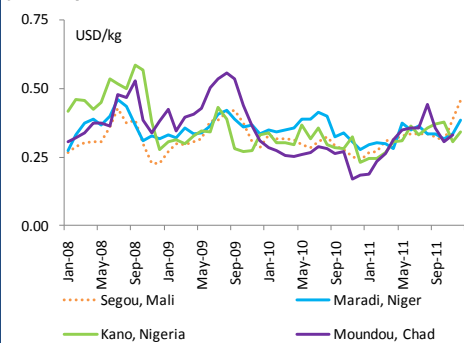
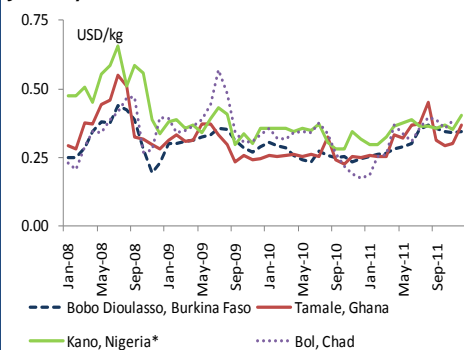


Figure 13: Maize prices in West Africa, January 2008-December 2011



* Wholesale prices. All others are retail.

Sources: SIMA NIGER, OMA, FEWS NET, and Système de l'Information sur les Marchés du Senegal (SIM)

Outlook. In the coming months, a stabilization of grain prices can be expected as institutional purchases slow down and producers begin to market their crops at favorable prices if uncertainty regarding the market outlook dissipates. Prices will likely remain higher than last year as grain production in 2011/12 was not as good as in 2010/11, but they are likely to return to seasonal levels and trends when the region enters the lean season in a few months. Furthermore, the progressive arrival of off-season crops including grains, legumes, and tubers along with the rice crop on the market over the next few months should put some downward pressure on staple food prices. Yet, potential events such as instability and insecurity in Nigeria and trade restrictions in the central trade basin could lead to disruptions of trade flows and abnormal price increases.

CENTRAL ASIA

Current situation. Wheat and wheat flour prices were relatively stable in both Afghanistan and Tajikistan (Figures 7 and 8). The low wheat prices in Kazakhstan following a bumper harvest are one factor containing seasonal price rises.

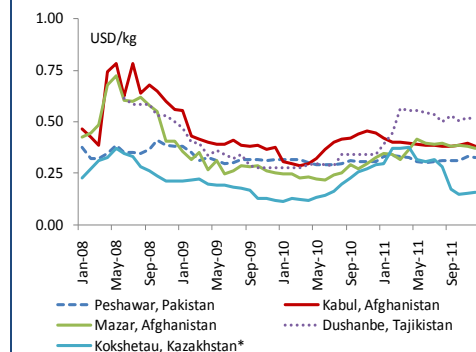
In Afghanistan, wheat and wheat flour prices remained relatively stable on most markets. Imported wheat flour in a few markets in Afghanistan is actually now below the price of local wheat grain due to the lower prices of imported flour from Kazakhstan and Pakistan. Trade of basic goods including staple foods from the north and with Pakistan continues mostly normally. Rice and vegetable oil prices were generally stable.

There was a slight increase in diesel prices in Kabul. Fuel prices in Afghanistan are under upward pressure from several sources. First, fuel prices tend to rise during the winter as transportation is more difficult and expensive. Also, Pakistan's banning the supply of North Atlantic Treaty Organization (NATO) troops via road from Pakistan has placed stress on fuel supply chains but not on those of wheat flour or other staple foods. As NATO is unable to bring in fuel by road, some small local purchases may be occurring. Also, fuel once imported by NATO is no longer leaking into the market. These trends of slightly more limited supply, relatively high demand, high international prices, and the usual, seasonal variation in fuel prices all are placing upward pressure on fuel prices and the prices of imported goods.

In Tajikistan, prices for wheat flour only declined very slightly between November and December. These stubbornly high wheat flour prices have yet to reflect the lower prices in Kazakhstan. High transportation costs are cited as one reason for continued high prices. The government of Tajikistan's Anti-Monopoly Agency recently regulated prices of certain grades of petrol provided by Gazpromneft-Tajikistan. High fuel costs may also contribute to an increase in potato prices across most markets in Tajikistan. Rice prices rose both in Khujand and in Dushanbe due to some losses of the crop in November due to cold in Panjakent Rice, Fruit, and Vegetable livelihood zone. Vegetable oil prices remained relatively stable partially due to substitution of lower-priced cottonseed oil.

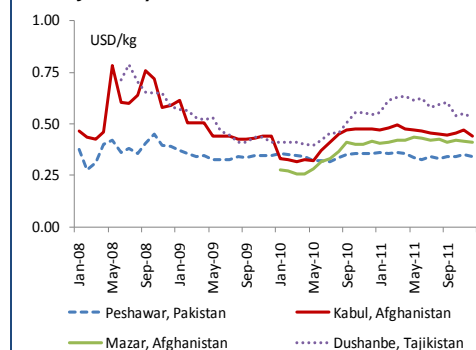
Outlook. In the coming months, there will still be upward pressure on wheat and wheat flour prices as the lean season progresses. However, this upward pressure will be eased up by trade with Kazakhstan and Pakistan. Additional relief will come from the food aid distributions currently underway in northern and central provinces of Afghanistan. Good planting conditions in Afghanistan over the past several months have led to a good outlook for next season which should cause households that produce surplus wheat to sell into markets instead of holding back their stocks. However, as supplying markets is more difficult in winter, high fuel prices both in Tajikistan and in Afghanistan could lead to higher prices of imported wheat and wheat flour throughout the region.

Figure 7: Wheat prices in Central Asia, January 2008-December 2011



* Wholesale prices. All others are retail.

Figure 8: Wheat flour prices in Central Asia, January 2008-December 2011



Sources: WFP, KazAgroMarketing

CARIBBEAN and CENTRAL AMERICA

Current situation. In Central America, prices for white maize prices were primarily stable between November and December due to supplies from the *postrera* harvest and a slight improvement of supply from international exporters (Figure 11). The recent floods due to tropical depression 12E have had little impact on food availability at the regional level, but many households were affected. In Guatemala, supplies of white maize from the *postrera* season and from the harvest in the Petén region of northern Guatemala have failed to bring prices down below those of last year at La Terminal wholesale market in Guatemala City. Prices of white maize in both Nicaragua and El Salvador increased as the *postrera* season ended. In contrast, some white maize prices continued to decrease from November to December in Honduras, probably due to the *postrera* harvest there beating expectations and weather-related losses being smaller than was anticipated earlier in the season.

Bean prices marginally declined in several markets across Central America (Figure 10). Incoming supplies from the harvest in the Petén region of northern Guatemala caused a slight decline in the wholesale price at La Terminal wholesale market in Guatemala City. In Nicaragua and El Salvador, supplies of red beans and *Seda* red beans from the *postrera* season have also led to a very slight decline in prices in both countries. In Honduras, red bean prices were relatively stable between November and December.

In Haiti, the prices of both imported and locally-produced staples have been relatively stable (Figure 9). One of the drivers of stability in the imported rice prices is that an increasing number of companies are involved in the market chain for imported rice. New market players may be stimulating competition. Maize flour and black beans were also relatively stable on most markets, but black bean prices continued to increase slightly in Jérémie and Port-au-Prince.

Outlook. In Central America, white maize and bean prices are expected to remain relatively stable over the next few months as supplies from the *postrera* harvest continue to be available. Some rural households will depend on stocks from these harvests and be well supplied in the near future. However, for households that were affected by tropical depression 12E or faced other production shocks, market purchases may begin around two months earlier this year. The slight easing of international maize prices may also reduce pressure on prices, but the ability to import will remain constrained by relatively high international maize prices and the somewhat tight stock situation on international markets. Losses of maize to cold in Mexico will likely place upward pressure on prices throughout the region from now until the *primera* harvest starts in July.

Between late February and mid-March, the *apante* harvest in Nicaragua will add substantial supplies of beans to regional availability and put further downward pressure on red bean prices. However, if the *apante* season does not fill all bean demand, imports may be relatively expensive this year. While stock levels of dry beans in the U.S. are good, prices have increased over the past year due to a low area-planted in 2011. Competition from other, higher-value crops displaced plantings for beans in the U.S. this past season. As Mexico had a disappointing harvest in 2011 and will import more beans than usual from the U.S., Canada, Nicaragua, and Argentina, supplies in the western hemisphere will be relatively tight. Both Canada and China had relatively disappointing years for dry beans due to competition for land from higher-value crops, so countries in Central America and the Caribbean that need to import beans will face higher prices from their usual international exporters. Black bean markets are the most likely to be affected.

In Haiti, the ongoing fall harvest should keep prices relatively stable through March. The increased competition in rice markets should also help maintain stable prices and stable supplies.

Figure 9: Imported rice prices in Haiti, January 2008-December 2011

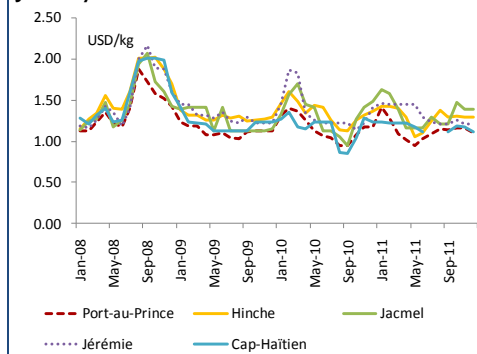
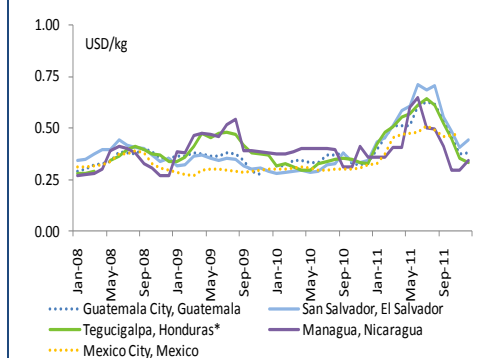


Figure 10: Wholesale white maize prices in Central America, January 2008-December 2011



* Retail price is used for Tegucigalpa. All others are wholesale.

Sources: Coordination Nationale de la Sécurité Alimentaire (CNSA)/FEWS NET, MAL, Dirección General de Economía Agropecuaria (DGEA), Sistema de Información de Mercados Productos Agrícolas de Honduras (SIMPAH), Secretaría de Economía de México, and Ministerio de Agricultura, Ganadería y Alimentación de Guatemala (MAGA)