

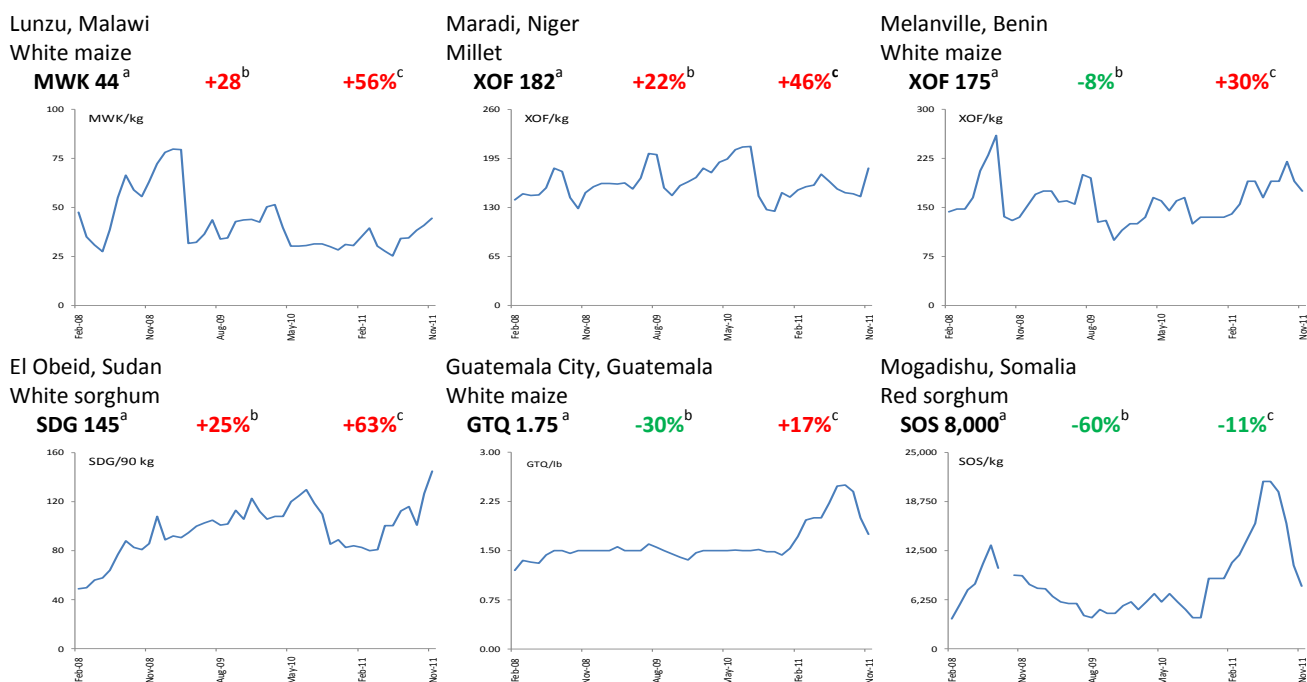
PRICE WATCH: November Food Prices

December 21, 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 East Africa, food crop prices are down in surplus-producing areas that have recently harvested grain crops and in areas of the Horn of Africa receiving substantial assistance flows. Prices in Kenya are up slightly due to heavy rains delaying the harvest.
- In southern and eastern regions of Sudan, conflict has been hindering crop production and trade.
- In Southern Africa, maize prices have been stable or rising seasonally. Robust trade flows are transferring supplies to deficit areas within the region and beyond, but also rapidly pushing prices up in exporting countries such as Malawi.
- In West Africa, grain availability has been adequate and prices in the southern areas have seasonally declined. However, prices in the Sahel continued to increase.
- In Central Asia, a very healthy wheat harvest in Kazakhstan led to significant wheat price declines, which may limit price increases in Afghanistan and Tajikistan over the winter season.
- After good maize and beans harvests, prices are down in Central America. The impact on markets from flooding due to tropical depression 12E appears to be limited in most of the region.

Figure 1: Food price trends in selected reference markets, February 2008-November 2011



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

Sources: World Food Program (WFP), Food Security and Nutrition Analysis Unit-Somalia (FSNAU)/FEWS NET, Système d'information sur les marchés agricoles au Niger (SIMA NIGER), Système d'information des marchés agricoles du Bénin (SIMA BENIN), Ministry of Agriculture and Food Security (MAFS) of Malawi, and Ministries of Agriculture

* 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. Maize and wheat prices continued to decline or were stable in most international markets between November and mid-December (Figures 2 and 3). In mid-December, maize and wheat prices in the U.S. export market were down three percent and unchanged, respectively, compared to late November. They were 24 and 17 percent lower than six months ago. In the wheat export market, abundant exportable supplies in the Black Sea region, good availability in the U.S. and Europe, and the arrival of the 2011/12 winter wheat crop in Argentina and Australia at competitive prices are putting sustained downward pressure on prices.

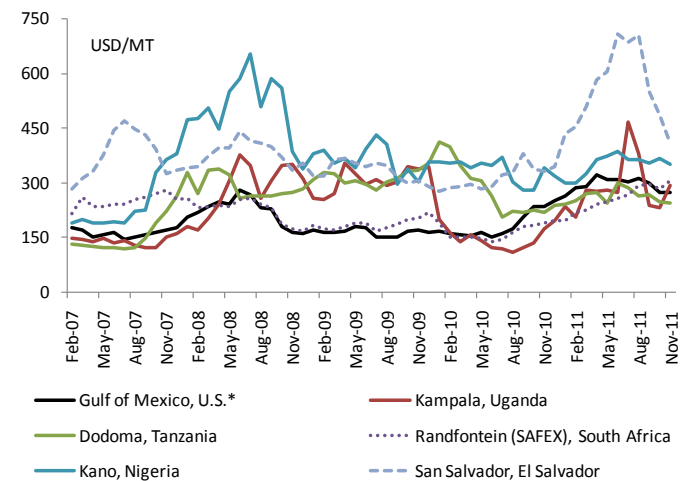
The maize supply situation has improved with the arrival of the modest U.S. harvest in the market and good production in other exporting countries like Ukraine who are filling the gap left by the U.S. for exports. In addition, in the southern hemisphere, prospects for the next maize crop are good as Argentina, Brazil, and South Africa's farmers are planting larger areas than last year under favorable climatic conditions.

Rice prices have exhibited a downward trend over the past few weeks. The prices of higher-quality grades of white rice from Thailand were up in November but they declined rapidly in the first half of December. In contrast, the price of the low-quality, broken rice A1 Super continued to increase. The price of rice from Vietnam started to decrease in November (Figure 4). The recent decline in prices in Vietnam, Thailand, and other exporting countries is partly due to the arrival of bumper harvests in Southeast Asia and South Asia and low import demand from some importing countries that are expecting a good crop.

The main rice exporters currently have very competitive prices compared to Thailand following the implementation of the price support policy. In November, the price of 5-percent broken Vietnamese rice was about USD 50 per metric ton (MT) lower than the Thai equivalent. For the same grade of rice, the export price in India was over USD 100 per MT lower than in Vietnam. With these competitive prices, India has been rapidly gaining shares of the African market. Pakistan and Myanmar are also exporting at prices much lower than in Thailand. **Over the past several months, rice exports from India and Vietnam increased rapidly, displacing exports from Thailand.** Other exporting countries such as Pakistan and Myanmar have also seen their exports increasing.

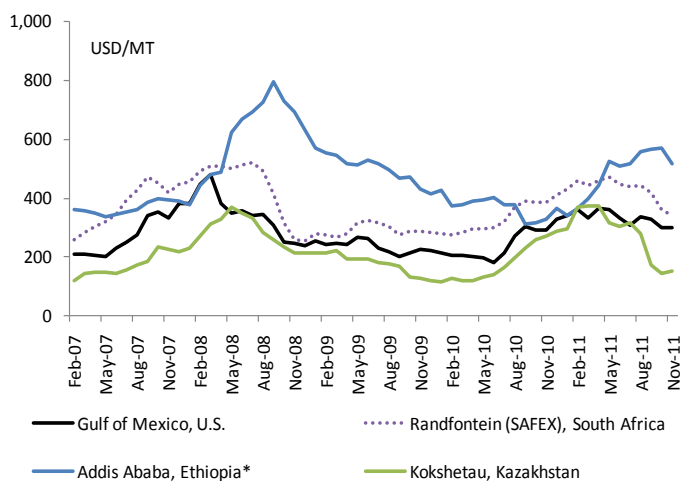
Around this time of the year, many of the countries monitored by FEWS NET are completing their main harvest of food crops. The arrival of new crops on markets has resulted in a seasonal decline in staple food prices over the past few months, a trend reinforced by the decline international cereal prices. **In Central America, maize and bean prices have declined significantly** in most reference markets.

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 wheat export or wholesale prices in USD per MT, 2007-11



* 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), and WFP

In Central Asia, wheat and wheat flour prices have been declining or stable despite a robust demand in preparation for the winter, thanks to a drop in prices in Kazakhstan following a bumper harvest (Figure 3).

In West Africa, grain prices have shown some decline. However, average, delayed harvests in most of the region have limited the decline in prices that usually follows the harvests (Figure 2). In some markets, prices have remained flat or have continued to increase, in particular in the Sahel. As the FEWS NET food price index for West Africa[†] shows, prices have already started to rise.

In East Africa, staple food prices decreased significantly in surplus-producing areas that have recently harvested grain crops, particularly in Uganda and Ethiopia (Figure 2). Yet, as the demand from the deficit areas of the region is strong, wholesale maize prices are already going up in Uganda. In southern Somalia, the recent grain harvests have put some downward pressure on prices, but relief food is most likely the main cause of the decline in prices. In western Ethiopia, the prices of wheat and coarse grains started to decline with the arrival of the *Meher* crops on the market in surplus areas (Figure 3). In Sudan, in a context of poor grain production prospects, the conflict in the south is hindering the functioning of markets, which is causing high prices.

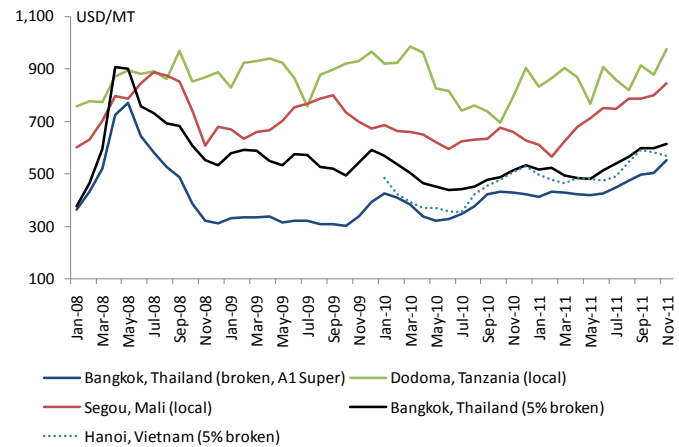
In Southern Africa, staple food prices have been stable or have seasonally increased as the region enters the lean season. Prices are still relatively low in surplus areas, and maize exports in the direction of Zimbabwe, southern Mozambique, and the Horn of Africa continue.

Many low-income, food-deficit countries are exporters of non-food agricultural commodities. Some populations earn significant revenue from the trade of these products. Between 2010 and 2011, the prices of these commodities rose rapidly due in large part to a growing demand in emerging economies, although supply constraints also pushed prices up in some cases. For some commodities, prices exhibited larger increases than in 2007/08. That is the case for Arabica coffee, cotton, natural rubber, and, to a lesser extent, cocoa (Figure 6).

Although these high prices were transmitted to local markets to various degrees, generally, higher local prices stimulated production, created labor opportunities for agricultural workers, raised wages, and provided increased revenues to local economies. East Africa, Southern Africa, and Central America are major Arabica coffee-producing regions. Cotton is grown in Mali, Burkina Faso, and other countries of West Africa. It is also produced in Afghanistan and Tajikistan. Liberia is an important rubber-producing country. In the case of cotton in Mali, anecdotal evidence suggests that growers and

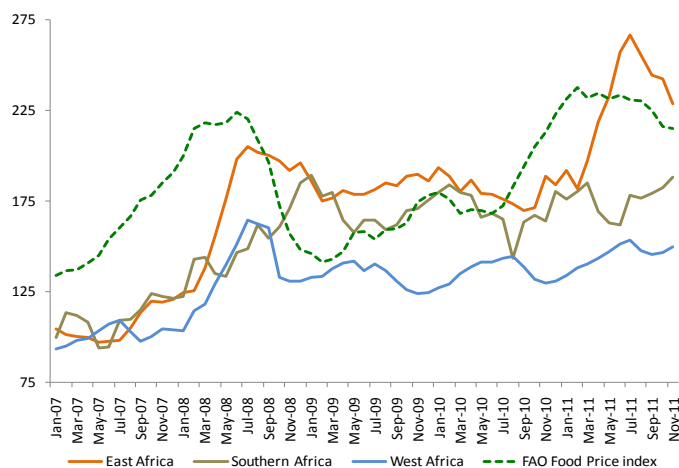
[†] To provide a better picture of how consumer prices are behaving in regions monitored by FEWS NET, a set of regional price indices were constructed. These indices are based on equally-weighted retail price quotes for staple foods consumed by the poor (cereals, pulse, and/or tuber, imported and/or local) from the reference markets of FEWS NET countries' capital cities.

Figure 4: International and regional rice export or wholesale prices, 2008-I I



Sources: FAO, MITM, Observatoire du Marché Agricole (OMA), and World Bank

Figure 5: FEWS NET African regional price indices and FAO Food Price Index, 2007-I I



Sources: FAO and FEWS NET

Note: The base years of the FEWS NET regional price indices are the regional marketing years ending in 2006. The FAO Food Price Index uses 2002-2004 as the base period. The Southern Africa index excludes Zimbabwe because of hyperinflation in 2008. This month the West Africa index excludes Burkina Faso, Togo, and Guinea due to missing or unavailable data. The East Africa index excludes South Sudan due to unavailable data.

agricultural workers have largely benefitted from high cotton prices. The price of palm oil, the production of which is sizeable in countries such as Guinea, Liberia, Sierra Leone, and Honduras, has also been relatively high.

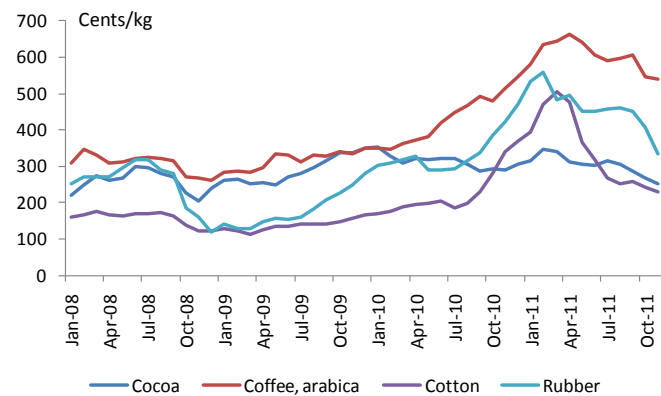
Higher earnings and expanded labor opportunities in the cash crop sector may have helped the poor to weather the rise in food prices in 2010/11 in most regions monitored by FEWS NET. The surge in the prices of minerals and metals, particularly of copper, gold, silver, and iron ore, which was largely driven by strong demand from China (Figure 7), may also have led to an increase in income among communities relying on the mining sector. In communities that depend on production of copper in Zambia and the Democratic Republic of Congo, of gold in Ghana, and of various minerals in Liberia and Sierra Leone, high prices may have increased incomes. However, in the past few months, commodity prices started to decline. As for food crops, uncertain economic prospects among advanced economies and the strengthening of the U.S. dollar against many currencies played a role in the recent decline in international commodity prices. This recent development could lead to reduced income for some poor households. For instance, in Côte d'Ivoire, the decline in cocoa prices could adversely affect migrant workers from Burkina Faso and other Sahelian countries.

Outlook. In the next few months, wheat prices may continue to decline or stabilize as many exporting countries have sizeable exportable supplies and are actively supplying the international market, particularly in the Black Sea region. As world wheat production was good this year, global carryover stocks are expected to increase again despite a rapid increase in utilization (International Grains Council, IGC). If international prices remain higher than in early 2010, farmers will have incentives to increase planting and improve yields. Early reports of increased winter grain crop planting in Russia indicate a continued supply response. Yet, high fuel costs may limit that supply response. Maize prices may also continue to decline, although they may stabilize sooner than for wheat, remaining higher than their level before the price surge of 2010/11. World maize production is still expected to be less than consumption in 2011/12, resulting in a decrease in stocks and a tight supply-demand balance.

Rice prices are likely to be more volatile over the coming year than in the past year. The floods that affected Southeast Asia in recent months caused rice crop losses in Thailand, Burma, Cambodia, Laos, and Vietnam, which added upward pressure on prices. But, at the global level, production is still expected to be good as other large producers including China and India had a large output (IGC). World rice carryover stocks are still forecast to increase in 2011/12. India holds very large stocks and will likely have another bumper harvest this year. As the new rice crop will reach markets in the next few months in a number of rice-producing countries, including in Southeast Asia, prices are likely to decline further.

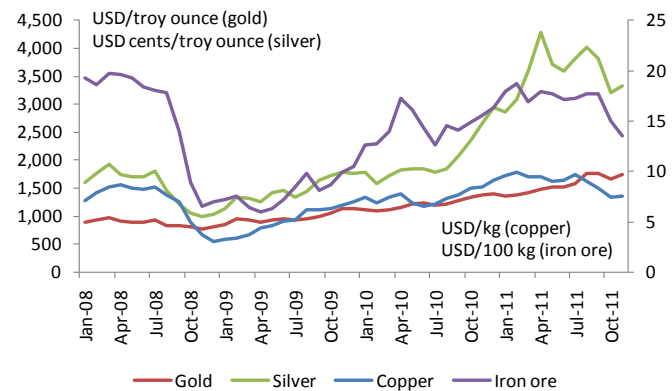
For non-food agricultural commodities and metals, demand is expected to remain robust, particularly for metals, and international prices should remain relatively high. **However, commodity prices may further decline as the economic prospects of the Eurozone remain poor, growth slows in large emerging economies due to weak demand from advanced economies, and credit markets tighten. This would have an adverse impact on food access for the poor populations relying on cash crops and extractive industries for their livelihoods. This potential market development and its effects within low-income, food-deficit countries should be closely monitored.**

Figure 6: International beverages and raw materials prices, 2008-11



Source: World Bank

Figure 7: International metals and minerals prices, 2008-11



Source: World Bank

EAST AFRICA

Current situation. In Sudan, civil insecurity and poor crop prospects in South Kordofan and Blue Nile continue to place upward pressure on sorghum prices across the country. Some small declines in millet prices were observed in markets that are having relatively better harvests, but some millet-deficit markets in Darfur had unusual month-on-month millet price increases. In South Sudan, most sorghum prices have had slight month-on-month decreases due to increasing supplies from local harvests, but prices in Bor in Jonglei state in central South Sudan continued to increase. Wheat flour prices remain high in South Sudan due to the highly curtailed trade with Sudan.

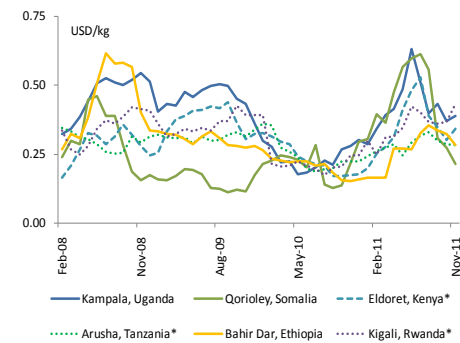
In Kenya, the delayed maize harvest in the rift valley due to high rainfall in November led to a slight increase in maize prices across the country (Figure 8). In Uganda, bean prices in surplus areas declined from October to November. Prices of maize and sorghum have remained stable perhaps due to the above-average first season harvest. In Rwanda and Burundi, supplies from the season-B harvest have maintained relatively stable staple commodity prices despite the onset of the lean season.

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 8 and 9). However, prices have remained relatively stable in deficit areas in the eastern and southern part of the country due to high marketing costs and the usual delays in price transmission. In Djibouti, prices were relatively stable between October and November, but there continues to be upward pressure on sorghum prices in some markets due to the Ethiopian export ban.

In Somalia, white maize and red sorghum prices continued to decline from October to November in markets receiving assistance or with access to supplies of relief food. The largest declines were in Mogadishu, Lower Shabelle, Bay, and parts of Gedo region. Lower prices were also transmitted to some major markets in the central trade basin and the Juba valley, but prices in these areas remain relatively high. Cowpea prices remain very high across southern and central Somalia (Figure 10). White sorghum prices in Somaliland remain relatively stable partially due to strong production prospects for the upcoming *Deyr* harvest. Imported red rice prices were relatively stable across most reference markets.

Outlook. In Kenya, maize prices will decline, seasonally, over the next several months as supplies from the long rains harvest in the grain basket reach markets in the near future and the short rains harvest begins in February. In Uganda, supplies from the second crop will lead to additional price declines starting in January. In Ethiopia, prices will most likely continue to decline with the *Meher* harvest through 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 starting in January. **In Sudan and South Sudan, trade disruption and civil insecurity along the border will limit both formal and informal trade and thus continue to put upward pressure on prices both in southern parts of Sudan and in the northern states of South Sudan.** Poor harvest prospects in southern and eastern Sudan will likely continue to place upward pressure on sorghum and millet prices across the country.

Figure 8: Prices of white maize in surplus areas of East Africa, 2008-11



* Denotes wholesale. All other prices are retail.

Figure 9: Prices of sorghum in East Africa, 2008-11

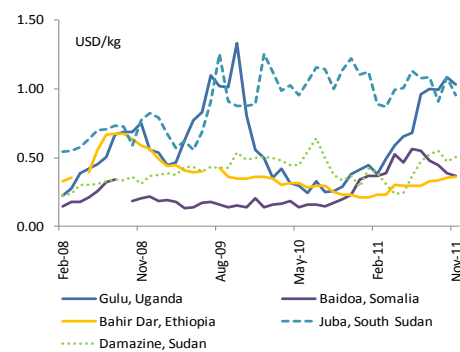
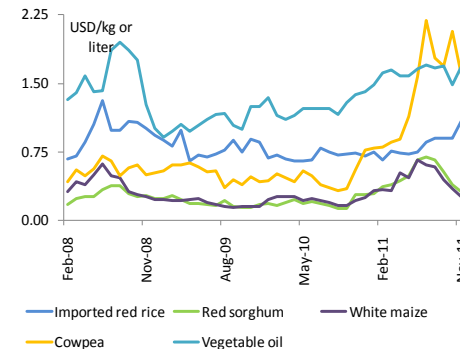


Figure 10: Prices of staples in Mogadishu, Somalia, 2008-11



Sources: WFP, FSNAU/FEWS NET, RATIN, WFP, MITM, FAO, EGTE, Ministry of Agriculture of Kenya, and FarmGain Africa Ltd.

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 November (Figure 11). As the 2011 harvests were good, markets are still supplied with adequate quantities of food commodities. In a few cases, occasional shortages were reported, particularly for beans in southern Mozambique.

An exception to this general trend is Malawi, where maize prices in the south have been increasing slightly faster than in the rest of the region. This price rise is mainly due to cross-border flows of grain towards the deficit markets of Zimbabwe, southern Mozambique, the Democratic Republic of Congo, and Kenya. However, following good harvests for the past two years, prices have been relatively low this year and the country had a significant surplus. Meanwhile, current prices levels are relatively comparable to prices from two years ago.

In South Africa, spot prices for both white maize and yellow maize on the South African Futures Exchange (SAFEX) continued to increase between October and November. The exportation of large quantities of maize in 2011 has pushed prices up and led to shortages in the domestic market. Unusually, South Africa has been importing large amounts of maize from Zambia. Yet, SAFEX prices begun to decrease in December as international prices have been declining and planting is up by 10 percent compared to last year.

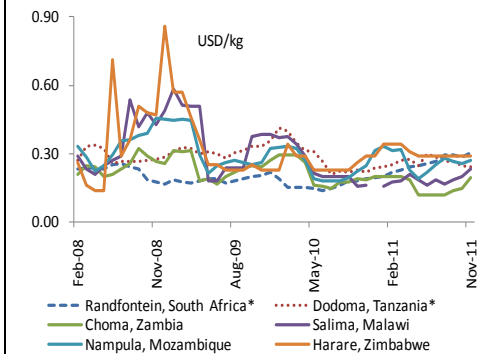
Outlook. Prices are expected to increase seasonally as the peak of the lean season approaches. Nonetheless, the availability of staple food commodities is expected to remain adequate in most of the region through the lean season. **Even in Malawi, there is no indication that markets will run out of maize between December and February, unless exports further intensify, as government and private stocks are healthy.** However, prices will continue to increase, particularly in the south. In Zambia, the Food Reserve Agency is holding large quantities of maize and is planning to sale 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.

WEST AFRICA

Current situation. The availability of grain in markets has improved since October as harvests have continued and trade flows supplied consumption markets. In the Guinean and Sudanian zones, maize prices declined significantly between October and November in some markets. Sorghum prices also decreased in the Sudanian zone. However, **in the Sahel, grain prices have not exhibited a normal seasonal decline.** In many markets, they have been stable or rising due to a weak supply of staple food crops, millet in particular, and a robust demand from local traders who are building up stocks and from institutional buyers restoring grain reserves. Due to local harvests and the recent stabilization of international prices, rice prices have been stable or declining throughout the region.

In the eastern trade basin, millet prices rose moderately in November (Figure 12). In Chad, despite a decrease in sorghum prices in the south over the past few months followed by a slight drop in millet prices, the cereal supply in the Sahel remained weak and millet prices continued to increase in the Sahel. Sahelian traders entered the market in northern

Figure 11: Prices of white maize in Southern Africa, 2008-11



* Wholesale prices. All others are retail.

Figure 12: Millet prices in West Africa, 2008-11

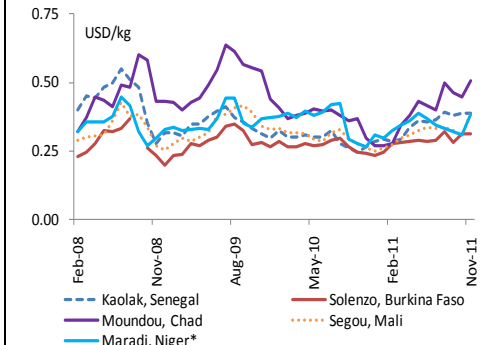
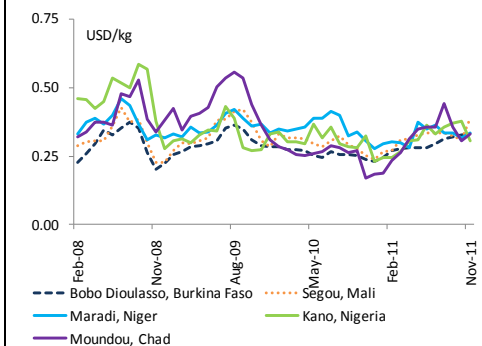


Figure 13: Sorghum prices in West Africa, 2008-11



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

Nigeria earlier than usual this year, buying large quantities and pushing prices up. In contrast, in Kano, Nigeria, maize and sorghum prices decreased in November (Figures 12 and 13). In Benin, the arrival of the new maize crop on the market led to a significant decrease in prices. Trade flows from Benin to Niger restarted as maize availability in the former improved.

In the central and western trade basins, the availability of coarse grains has improved with the arrival of the new crops on markets (Figure 14). In the Guinean zone, maize availability is adequate and prices have declined. In the Sudanian and Sahelian zones, trends are mixed. Maize prices decreased slightly in Burkina Faso, but millet and sorghum prices continued to rise as the arrival of the new crops has been delayed. In Mali, sorghum prices remained much higher than last year as the bulk of the new crop has not arrived on the market yet. In Senegal, millet prices were stable or down in November while remaining higher than last year.

Outlook. Grain availability will continue to improve through the end of the year, particularly for maize and sorghum. In Mali, the imminent arrival of the sorghum harvest will moderate the upward trend in prices. Nonetheless, grain prices are expected to continue to steadily increase. In the eastern Sahel, the supply-demand balance for millet will remain tight as the demand for grain for storage from traders, governments, and humanitarian organizations is robust, and prices will most likely continue to rise progressively. Grain prices are not expected to spike as in 2005, but, as the 2011/12 marketing year progresses, they will continue to increase at a moderate pace. Maize trade flows from Nigeria, Benin, Togo, and Ghana, where production was almost normal, should ease the tight cereal supply-demand balance in the Sudanian and Sahelian zones. The recent easing in international cereal prices will help to prevent fast price rises in the region. Further, government interventions to stabilize prices can be anticipated.

CENTRAL ASIA

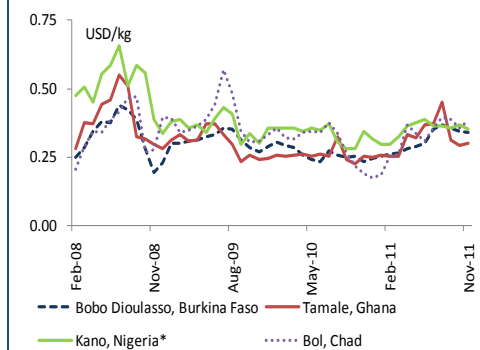
Current situation. Despite the fact that during November demand for wheat and wheat flour tends to be high as households in mountainous areas build stocks for winter, **wheat and wheat flour prices were relatively stable in both Afghanistan and Tajikistan** (Figure 15). The low wheat prices in Kazakhstan following a bumper harvest are one factor containing price rises throughout the region.

In Afghanistan, wheat and wheat flour prices remained relatively stable on most markets. Wheat flour prices in Kabul, Nili, and Kandahar rose very slightly, probably due to an increase in fuel costs being added to import prices from Pakistan. Rice and vegetable oil prices were generally stable.

In Tajikistan, prices for wheat flour continued to drop from October to November in Khujand and Kurgan-Tyube which are in wheat-producing areas. Wheat flour and wheat were relatively stable on other markets. Rice and vegetable oil prices were relatively flat on most markets. However, vegetable oil and cottonseed oil prices in Kurgan-Tyube declined probably due to supplies from the completed oilseed and cotton harvests in southern Tajikistan.

Outlook. In the coming months, there will still be upward pressure on wheat and wheat flour prices as the lean season starts. However, this upward pressure will be eased up by trade with Kazakhstan and Pakistan. Additional relief will come from 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 wheat-surplus-producing households to be willing to sell into markets instead of holding back their stocks this year.

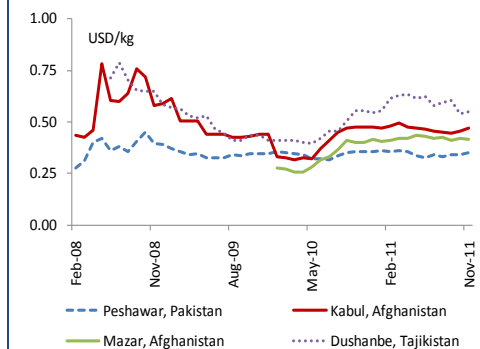
Figure 14: White maize prices in West Africa, 2008-11



* Wholesale prices. All others are retail.

Sources: Ministries of Agriculture, SIMA NIGER, OMA, and FEWS NET

Figure 15: Wheat flour prices in Central Asia, 2008-11



Sources: WFP, KazAgroMarketing

CARIBBEAN and CENTRAL AMERICA

Current situation. In Central America, prices for white maize and beans declined due to declining prices in international markets, supplies from the *primera* harvest, and good expectations for the *postrera* season harvest (Figures 17 and 18). The recent floods due to tropical depression 12E have had little impact on food availability at the regional level.

White maize prices declined in most reference markets in the region from October to November. For example, prices were down 13 percent in Guatemala City, Guatemala and 15 percent in San Salvador, El Salvador. White maize prices have substantially declined since the *primera* harvest in August, but they remain above prices from last year in Guatemala, El Salvador, and Honduras (Figure 17).

In Haiti, the prices of both imported and locally-produced staples have been relatively stable (Figure 16), primarily due to the spring harvest which was completed in August.

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 enter the market from December on. Shortly after, 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 both black and red bean prices.

In Haiti, the ongoing fall harvest should keep prices relatively stable through March. In Haiti, fertilizer costs had been subsidized by the government until recently. Since this subsidy has been discontinued for the coming season, application of fertilizer will likely decrease and productivity will likely be reduced for the spring harvest. This could mean higher prices for locally-produced staple foods in the spring.

Figure 16: Imported rice prices in Haiti, 2008-11

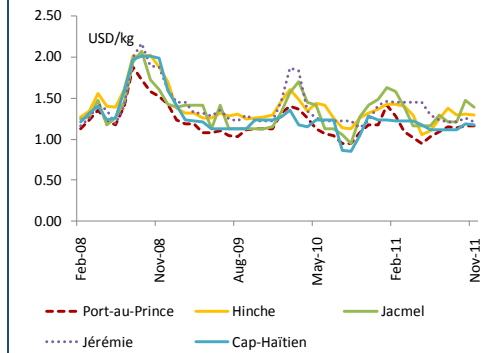


Figure 17: White maize prices in Central America, 2008-11

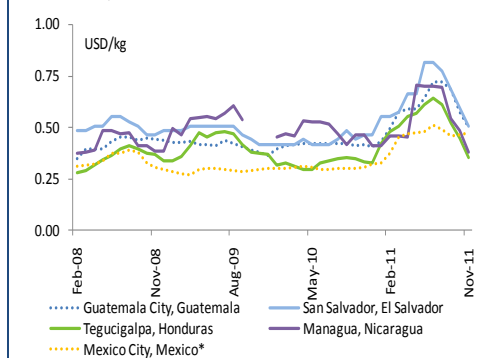
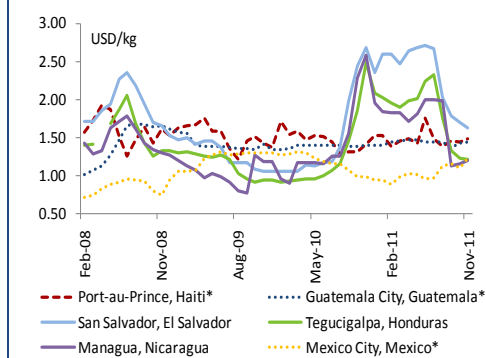


Figure 18: Bean prices in Central America and Haiti, 2008-11



* Black bean prices. All others are for red beans. Prices for Mexico City, Mexico are wholesale. All others are retail.

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