

PRICE WATCH: February Food Prices

March 25, 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:

- Eighteen percent of all commodity-market pairs monitored exhibited declining prices in February (see *Price Watch Annex*).
- Prices for the staple foods consumed by the poor households rose for 21 percent of the commodities-market pairs monitored.
- Prices in Haiti are all above January's prices, except maize flour prices in Jacmel and black bean prices in Port-au-Prince.

This month's *Price Watch* includes 142 markets in 32 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: "Wheat Market Seasonality in Tajikistan."

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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
Faizabad Afghanistan (Rice)	111	N.A.	Wau Sudan (Sorghum)	118	Kigali Rwanda (Maize)	-45	N.A.	Bohicon Benin (Maize)	-55
Harare Zimbabwe (Maize Gr.)	48	The price jump is due to high demand and low stocks.	Dar es Salaam Tanzania (Wh. Maize)	83	Eldoret Kenya (Potatoes)	-34	Prices fell as supply of potatoes and other food commodities increased substantially due to continued off-season rains.	Manica Mozambique (Maize)	-46
Kurgan-Tyube Tajikistan (Chick Peas)	40	N.A.	Juba Suda (Sorghum)	74	Kitui Kenya (Wh. Maize)	-33	Prices dropped with the onset of harvests in the southeastern part of the country.	Eldoret Kenya (Potatoes)	-44
Hinche Haiti (Maize Flr.)	39	Prices increased in Hinche due to a spike in maize prices in Cercacabajal, the main supply market. In addition, after the earthquake, many people left Port-au-Prince for the Central Plateau increasing demand for maize.	Kirundo Burundi (Beans)	73	Nairobi Kenya (Potatoes)	-25	Prices decreased due to the transmission of lower prices in the key producing areas to the main terminal market.	Nairobi Kenya (Potatoes)	-43
Bangula Malawi (Rice)	39	Crop losses and high transportation costs reduced maize availability, causing prices to rise, particularly in the southern part of the country.	Aweil Sudan (Sorghum)	71	Dire Dawa Ethiopia (Mix Teff)	-23	Prices dropped as poor quality teff entered the market, following successive seasons of below-average rains.	Kabul Afghanistan (Wheat Flr.)	-41

SPECIAL MARKET FOCUS: Wheat Market Seasonality in Tajikistan

Wheat is the main food crop in Tajikistan. In most areas of the country, wheat grain and flour availability is a critical determinant of food security. At the national level, the wheat balance shows a production deficit with typically 50 percent of the wheat consumed by the Tajik population produced in Tajikistan (54 percent in 2008). The rest is imported, mostly from Kazakhstan through Uzbekistan. Within Tajikistan, wheat availability varies across regions. In rural areas in the east and south, farm households to some extent rely on their own production. In urban areas in the north and west, households mostly consume imported wheat. Imported wheat is abundant in markets near the Uzbekistan border, in particular in the regions of Khujand and Dushanbe. Wheat prices are usually lower in these locations, whereas they tend to be higher in the eastern and southern parts of the country.

In Tajikistan, winter wheat is harvested between June and August and spring wheat between August and September. Storage costs are relatively high due to the lack of infrastructure (wheat flour stocks are relatively low in the country). This results in low prices at harvest time and high prices during the winter. In addition, the demand of Tajik households for wheat, the staple food, is inelastic (households are willing to pay high prices), which makes prices more variable with respect to availability. All these factors entail significant price seasonality.

The territory of Tajikistan is mountainous for the most part. The northern province of Sughd is separated from the rest of the country by a mountain range and the eastern part of the country consists of mountainous land. In the winter, snow can be a major impediment to transportation within Tajikistan and across borders. Interregional wheat trade flows are thus subject to disruption or higher trade costs in the winter (especially since the transportation infrastructure and equipments are poor in Tajikistan) and wheat deficit regions face the risk of insufficient availability during that season.

This Market Focus investigates the seasonality of wheat prices in and wheat trade flows among the main markets of Tajikistan. This analysis uses retail-level wheat flour price data collected by the World Food Program in Dushanbe, the capital city, and the regional capitals, Khujand, Gharm, Kurgan-Tyube, and Khorog. Dushanbe is close to a large wholesale market for domestic and imported wheat (in Hissar)

located by the Uzbekistan border. Khujand, in the north, is near Istravsha (southwest of Khujand), which is the main entry point for wheat imported through Uzbekistan. Kurgan-Tyube, in the Khatlon region in the south (where most of the domestic wheat production comes from), is close to Kulyab, which is a large market for local wheat in the summer and an important market for imported wheat in the winter. Gharm, east of Dushanbe, and Khorog, in the far eastern part of the country (which is particularly isolated from Dushanbe during the winter), are smaller markets. For each market, a monthly *seasonal price index* is calculated as the average, over the sample years (2002 – 2010), of the ratio of each month's price to the 13-month moving-average price. The seasonal price indices are plotted in Figure 1.

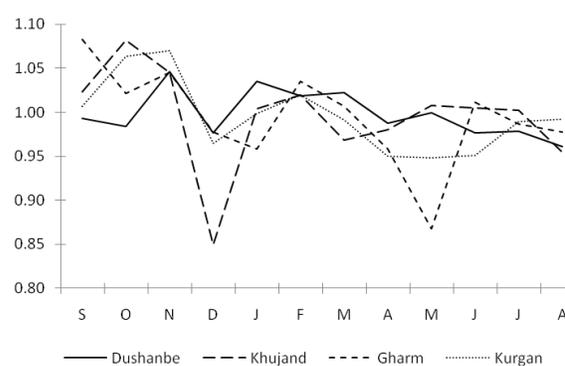


Figure 1. Wheat Flour Seasonal Price Indices

The wheat flour price seasonality pattern varies across markets. In Dushanbe, seasonality is rather low. Prices are relatively low between April and October, most likely due to the upturn in trade flows in the early spring and, later, the arrival of the successive wheat harvests on the market. Prices increase in November, possibly due to high demand from traders and households building up stocks before the winter, and remain relatively high from January through March as local wheat supplies becomes scarce and winter weather hinders imports. In Khujand, the seasonal pattern is similar with larger price variations. Prices reach low levels in December, possibly due to the slowdown in wheat shipments to Dushanbe and the rest of the country caused by higher transportation and marketing costs. Price seasonality in Kurgan-Tyube is similar to that in Dushanbe and Khujand. In Gharm, prices fall between March and May, most likely due to an increase in imported wheat availability. Prices are relatively high in the winter months in all regions,

but only to a moderate extent. Wheat flour availability may not be a critical problem during this period of the year.

The variation in price seasonality from one market to another may result from differences in the timing of harvest, storage capacity, and distance to suppliers of imported wheat. The variation in trade flows linked to winter weather may be another factor. In the absence of trade flow data, the impact of this factor can be examined based on the seasonality of price differentials between markets. Figure 2 shows plots of indices of the difference between prices in provincial cities and Dushanbe (calculated in a similar way as the previous seasonal indices).

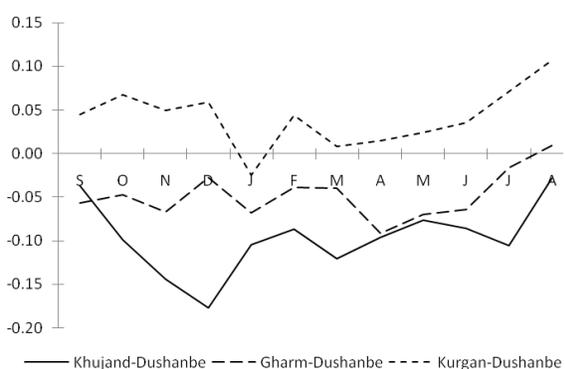


Figure 2. Wheat Flour Price Differential Indices

The plot shows that prices in Dushanbe are higher than in Khujand and Gharm but lower than in Kurgan-Tyube. Prices in Khujand are lower than in Gharm. The indices also show that the price differentials somewhat follow a seasonal pattern. The price spread between Dushanbe and Khujand is typically wider from November through March, especially in December. This could reflect the higher cost of importing wheat in the Dushanbe region during the winter (when the road between the Sughd region and Dushanbe is impassable and commodities are transported through Uzbekistan). Between August and September, the arrival of the winter and spring wheat harvests on the Dushanbe marketplace brings prices closer to those in Khujand. The price gap between Gharm and Dushanbe is high in April and May, which indicates greater availability in Gharm. It declines in the summer months as availability improves in the Dushanbe region due to its better market access. The price differential between Kurgan-Tyube and Dushanbe decreases in the winter months, which shows that prices rise less in Kurgan-Tyube, possibly due to the presence of

significant wheat stocks held by farm households and traders in the wheat surplus areas of the Khatlon region.

The winter of 2007 – 08 was particularly cold with heavy snowfall, entailing abnormally high transportation and marketing costs. To assess the impact of this shock on wheat flour marketing, the seasonal price differential index between Khujand and Dushanbe is compared to the adjusted price differential during that winter (Figure 3). The two series appear to be quite different. During that winter, the price in Khujand relative to that in Dushanbe was high compared to a typical year. This may reflect below-normal wheat availability in Khujand due to reduced trade between Kazakhstan (and other wheat exporting regions) and northern Tajikistan.

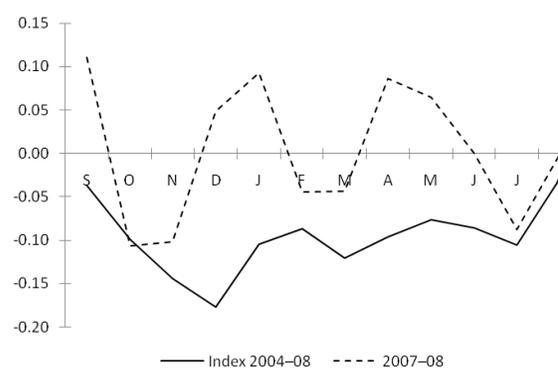


Figure 3. Khujand-Dushanbe Price Differential in 2007 – 08

Wheat output in 2009 was higher than normal (due to good water availability) and wheat prices declined throughout the year. Household stocks were relatively large at the beginning of the 2010 winter. This winter, the weather has been mild, which has been favorable to the winter wheat crop. This would have also allowed wheat to flow normally between the major wheat-producing areas of Central Asia and Tajikistan, ensuring normal level of availability in most regions of the country until the spring. Market integration within Tajikistan has improved over the past years and moderate prices in the markets near the Uzbekistan border have most likely been transmitted to the southern and eastern parts of the country.