

PRICE WATCH Urban Food Markets

August 2009

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 much longer list of commodities and markets are available at www.fews.net.

Key points:

- Prices remained stable or declined for about 80 percent of all commodities covered this month (see Price Watch Annex), largely due to improved local harvests and falling international commodities prices.
- West African markets dominate the highest increases in prices as the hunger season progresses. Forty-five percent of the commodities monitored increased in July.
- All commodity prices monitored in Somalia fell below last year's levels in July but remain 20 – 70 percent above the 5-year average in most markets.

This month's Price Watch monitors 133 markets in 30 countries and now includes Togo and Ivory Coast.

- Table 1 lists the five largest increases and decreases in the current month's prices of staple food commodities consumed by urban populations.
- Special Market Focus: "Trends in Consumer Prices and Cost of Living in Somalia".

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Table 1. Five largest price increases and decreases from June to July 2009

Largest increases in primary food commodity prices				Largest decreases in primary food commodity prices					
Urban Center	change month	Observation	Urban Center	change year	Urban Center	change month	Observation	Urban Center	change year
Tadjourah Djibouti (Sorghum Flr.)	82	Prices increased as households purchased more sorghum flour for the Ramadan holidays	San Salvador El Salvador (Golden Rice)	117	Eldoret Kenya (Potatoes)	-57	Prices fell following normal seasonal trends and driven by enhanced supply of a cheaper potato variety grown in Marakwet and Nyaru areas.	Qorioley Somalia (Wh. Maize)	-68
Malanville Benin (Cassava Flr.)	62	NO FEWS NET PRESENCE	Kitui Kenya (Sorghum)	98	Mbarara Uganda (Matoke)	-39	Prices decreased as supply increased from the ongoing harvests.	Abidjan Ivory Coast (Yams)	-66
Gorongosa Mozambique (Maize)	62	Prices rose as maize demand increased from local millers, small-scale traders and WFP local purchases for food distribution.	Dandume Nigeria (Sorghum)	86	Kisumu Kenya (Sorghum)	-33	Prices decreased due to above average sorghum harvests in Nyanza and Western Provinces.	Mogadishu Somalia (Wh. Maize)	-64
Jibia Nigeria (Millet)	37	Prices increased as traders reduced their market activity, in anticipation of higher selling prices later in the season.	Chokwe Mozambique (Rice)	82	Nairobi Kenya (Potatoes)	-31	Prices dropped as supply increased from the ongoing harvests in the Central and Rift Valley Provinces.	Qorioley Somalia (Sorghum)	-61
Tahoua Niger (Millet)	33	Prices rose as households purchased more millet for the Ramadan holidays.	Cotonu Benin (Cowpeas)	82	Dandume Nigeria (Rice)	-30	Rice prices decreased as households purchased more millet and sorghum for the Ramadan holidays.	Mogadishu Somalia (Sorghum)	-57

SPECIAL MARKETS FOCUS: Trends in Consumer Prices and Cost of Living in Somalia

Despite a sharp decline in international commodity prices and overall good cereal harvests, prices remain high in markets monitored by FEWS NET. An analysis of domestic food prices for the 30 developing countries shows that there is an overall tendency for the prices to move towards the long-term average. East African countries are lagging behind. Thirty-six percent of the commodities monitored in East Africa remain above last year's level. Somalia, on the other hand, is the only country in the region where all commodity prices have dipped below last year's level. For instance, rice prices decreased by 46 percent in Dhusamareb market, 51 percent in Baidoa, 53 percent in Burao and 29 percent in Bakaara last month compared to a year ago.

Even though prices in Somalia are declining, the cost of living in the country is still very high and especially detrimental to the urban poor who rely on markets for food access and most other basic goods and services. Therefore, an analysis of high food prices alone is not sufficient to assess overall food security. A person's access to food is determined by his/her income and assets and the value of these assets on the market relative to the price of food. As a measure of food access, FEWS NET and its partners within the FSNAU, collect and analyze market data in order to measure the impact of hyperinflation on the cost of the minimum consumer expenditure basket relative to the average income of the urban poor. The minimum food and non-food expenditure basket consists of essential basic food items such as sorghum, vegetable oil, and sugar (comprising 2100k/cal/pp/day for a household of 6-7 for one month) and basic non-food items (e.g. water, kerosene, firewood).

Using March 2007 as the base year, the expenditure basket declined steadily from November 2008 to March 2009. The decline is attributed to a decrease in cereal prices, especially sorghum, as cereal constitutes 50 to 60 percent of the minimum expenditure basket. Similar price decreases in other basic food and non-food items have also contributed to the overall decline, though to a lesser extent. Indices for the four monitored regions ranged from 116 to 204 percent in March 2008 to 111 to 180 in March 2009. From March to June 2009, the expenditure basket decreased in the central and south regions and increased in the northeast and northwest Somaliland regions. Looking at just the non-food portion of the expenditure basket (removing sorghum, cowpea and wheat flour) the results show that in June, the non-food portion decreased in the north and increased in the south and north Somaliland. The central region's index was stable.

The urban poor largely rely on casual unskilled labor in order to earn income. An analysis of labor wage rates over the last 12 months indicates that average wages have had mixed trends since the beginning of the year. Wage rates in Mogadishu in July are 33 percent higher than for January 2009. Nineteen percent higher in Baidoa, 38 percent higher in Qorioley but 5 percent lower in Togwajale (Somaliland). In general, wage rate increases and the declining commodity prices have resulted in increases in

the terms of trade between cereal and daily wage rates (kilo of cereal per daily wage rate), a measure of the poor's purchasing power, by 16 to 30 percent between January and July 2009. For instance, in Baidoa a daily wage bought 11kg of cereal in July 09, compared to 9kg in January 09. However, wages decreased in July by 5 to 11 percent compared to the June, subsequently affecting the purchasing power of the urban poor households.

Looking ahead, for Somalia FEWS NET expects that between August and December 2009, food insecurity will worsen among the urban population in the drought affected regions of Hiran, Galgadud, Mudug, Nugal, Sool, Sanag, and Togdheer. Income and food sources of the poor urban households in these regions are strongly linked to livestock marketing and trade, which is seriously affected by the drought. The near-normal 2009 *gu* harvest of the south, especially in Bay, Juba, and Shabelle regions is not expected to reach these drought-affected regions due to increased conflict on the main road linking the south and central regions. Normal cereal flows will be impeded, and no significant further reduction in current food prices is expected. This, combined with the declining wage rates, will severely limit purchasing power and food access for most of Somalia's urban population, particularly the poor and IDPs because they depend on markets for food access. Therefore, while prices in nearly all FEWS NET monitored markets continue to decline and approach the five-year average, the Somalia case illustrates that declining food prices do not necessarily translate directly into improved food security outcomes.

