

Food Prices in Africa: Quarterly Bulletin- Dec 2010

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Regional Price Update and Responses

Regional price update

Sharp price increases in international food markets have prompted fears of a repeat of the 2008 food crisis. FAO's October Food Price Index rose 34 points only 16 points below the peak June 2008 level. Forecasts for 2011 show tighter global supply and demand balances for key producers. The weak US dollar and productivity constraints for major suppliers have been highlighted as key factors for sustained high prices in global agriculture commodity markets.

Although cereal markets face substantial demand pressures, large crop reserves have reduced anxiety over possible protectionist measures. The size of next year's cereal crops is cited as critical in setting the tone for international price stability.

African import levels remain stable for SSA due to good domestic production. Niger's imports have fallen to 4.2M tonnes, (the lowest level since 2006/7) while in Sudan sorghum production is forecast to depress imports by at least 200,000 tonnes.

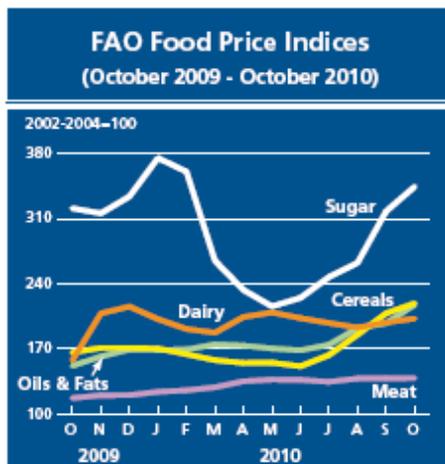
Low income food importing countries remain vulnerable to price shocks in international cereal markets according to FEWSNET reports. Rising bread prices have occurred in Kenya, Zimbabwe and Mozambique raising the issue of targeted support for poor urban populations. Conversely limited price transmission of high international food prices is

reflected in food markets for the majority of low income countries who have responded to normal seasonal price variation with limited price transmission.

In East Africa, November maize prices remained stable in Ethiopia, Kenya and Tanzania in response to favourable crop prospects. In contrast, maize prices in Uganda have increase markedly due to high import demand from neighbouring countries, particularly Kenya. Bean prices have also seen sharp increases in Burundi climbing to a record of USD 766 per tone alongside higher prices levels for cassava. In Sudan prices for sorghum (the country's main food crop) declined further in October alongside falls in millet markets in the Darfur region. Prices of basic commodities in Somalia have risen sharply as a severe drought worsens in and around Afmadow, south of Mogadishu, leading to the displacement of hundreds of people. Food prices in the area have risen dramatically with maize rising from USD12 for a 50kg to USD25 in the last quarter.

In West Africa prices for main staples have continued a downwards trend in Burkina Faso, Niger and Mali as a result of the arrival of new harvests into local markets. Coarse grain prices are at the levels of three years ago in Niger where the sharpest declines are reported. Surplus millet markets of Central & Western provinces in Senegal have also contributed to significant price drops. This contrasts with the relatively high levels of rice imports in the capital Dakar. While, irregular rainfall and expectations of low crop production have contributed to a 44% increase in maize prices in Cotonou, Benin.

Maize prices continued to remain stable for the Southern sub region following large maize exports, reflecting a build up of domestic stocks. However, Mozambique has reported strong price growth as a result of poor harvests and the depreciation of the national currency. In Zimbabwe, forecasts show improved supply of basic commodities up to March 2011. Despite this, expectations of price increases limiting access for very poor and poor households is underlined for urban areas which are likely to experience moderate food insecurity.



Country in Focus: Mozambique



Mozambique is one of Africa's fastest growing economies, expanding at 8% annually. The country's agricultural sector is a central part of economic growth employing over 80% of its workforce. Mozambique has vast unused agricultural potential with 46 percent of the land area suitable for cultivation. Cassava is the main calorie source for the average diet, and cassava production accounts for over 6 percent of the country's GDP. Reliant on wheat imports, Mozambique was hit hard by the 2008 food price crisis. In May 2009, maize prices were down by 26 percent from their 2008 peaks, but still 11 percent higher than a year earlier.

Government intervention to the agriculture sector is guided by the Action Plan for Reduction of Absolute Poverty (PARPA) which places agriculture and rural development as a priority area.

FAO Response

European Union Food Facility

In Mozambique, sustained access to inputs is a major factor in boosting food security and reducing dependence on food imports. However, the demand for quality seed in Mozambique far outstrips the country's ability to produce it, resulting in shortages and a heavy reliance on seed imports.

FAO launched a two-year project in May 2009 through the EU Food Facility worth over € 7 million to step up seed production, strengthen national seed services and provide input support to smallholder farmers.

The project, in line with the government's Food Production Action Plan, aims to improve the food security and livelihood status of 30 000 Mozambican farmers living in poor rural communities.

FAO assistance focuses on the provision of tools, fertilizers, pesticides and the coordination of a training package to around 200 farmers' associations to catalyze local production of basic seeds such as maize, rice, wheat, soybeans and sunflower. Farmers' associations will link up with private seed companies on seed marketing.

Installation of a seed processing plant – owned and operated by a farmers' association company – will enable farmers to clean, grade, calibrate, dry and package the seeds for commercial use. Targeted support will be given to rehabilitating and equipping seed testing laboratories in five provinces in an effort to boost quality control capacity at national and provincial level.

Around 25 000 smallholder farmers will receive a 50 percent input subsidy to mitigate high input prices, covering access to the types of improved seed produced by farmers associations.

Other FAO activities

FAO has been supporting the Mozambican government in its plans to transform cassava production from a subsistence activity into a profitable business for the country's poor farmers. More than USD 1 million in funding, has been put into a pilot cassava project in Zambézia province. Some 25,000 farming families are receiving cassava cuttings and seeds of high-yielding, resistant varieties.

Summary

African food markets have so far bucked the international trends of steep increases for major food commodities. Buoyed by the combination of good harvests, crop surpluses and favourable markets prospects for 2011, complacency over the impact of strong price growth in global food markets could pose a risk to African countries, particularly those who continue to rely on high levels of food imports. Vigilance over potential supply shocks and monitoring of consumer demand will be necessary to avoid the risk of delayed responses to a potential food crisis. Concurrently, development actors must continue to reinforce efforts to provide targeted support towards vulnerable populations at risk from fluctuations in food market supply.