

WFP Food Security and Market Monitoring Report provides up-to-date information on access and availability of basic food commodities in the occupied Palestinian territory (oPt). This report examines food security and markets analysis determinants in the occupied Palestinian territory (oPt), addressing: (i) the market in terms of price fluctuations and differentials (ii) economic access to food by the poorest households and food availability in rural and urban areas; (iii) areas and populations most affected by food insecurity; and, (iv) recent food security studies.

This information, coupled with other socio-economic indicators, will enable WFP and other key actors to monitor trends and changes regarding the food security sector, and contribute in strengthening the targeting process of the most food insecure geographical areas and population.

The Food Security and Market Monitoring Report aims to support WFP and other key actors to monitor trends and changes in the food security sector, and to strengthen food assistance targeting to prioritize the most food insecure areas and target groups.

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This report focuses on the food security situation in the Gaza Strip as of 9th of August 2007.

1. Recent socio-political and economic events:

In the aftermath of the Hamas take-over of the Gaza strip in June, security and public safety have been restored in the streets of the urban centers. Nevertheless, the consequences of the change in the political setting are resulting into a severe slowdown in the economy of the Gaza Strip with rising unemployment, poverty and tangible social frustration. The freeze in export opportunities for agricultural and fishing products coupled with the import restrictions on raw materials are still the driving factors impacting the economic survival of the Gaza Strip.

Approximately 86% of the 20,320 HSC in Gaza Strip received their cash allowances (1,000 NIS) through TIM mechanism during the month of July. MoSA updates the list of HSC for inclusion/exclusion of cases every 3 to 4 months hence, given the situation in Gaza and the high possibility of additional population falling into the criteria of the HSC, an increase in the total number of HSC in Gaza could be expected.

WFP is continuing to import the food requirements needed to carry out the planned distributions despite preoccupation over the continuing closure and the worsening safety (i.e. shelling and mortar attacks) of the crossing points. As a result, during the past two weeks a **49.5% of commercial and humanitarian import needs have been met** with the number of truck loads entering Gaza down to 525 (87.5 truck loads per day/6 days week) in the week 30/07-05/08 compared to 730 truck loads (121 truck loads per day/6 days week) reached in the week 22-29/07.

2. Physical and economic access to food:

With most of the food items available on the Gazan markets, poor economic access is increasingly becoming the first and sole cause contributing to the food insecurity of the poorest quintiles –and possibly draw more people into the hunger trap – of the Gaza Strip population.

Markets visit showed that more and more poor people buy food on credit and have switched to least preferred and less nutritionally rich food. As an example, meat traders in Gaza city reported that poor people unable to afford better meat cuts are increasingly buying waste meat such as chicken back and turkey neck whose price is considerably cheaper -3 to 5 NIS per kg compared to 10 NIS per 1 kg chicken and 32 NIS for 1 kg beef-.

Additionally, both poor customers and small petty traders are getting more indebted. The former due to lack of income sources and unemployment opportunities, the latter due to reduced sales and consequent financial constraints to pay back suppliers.

Poor small farmers still unable to sell their cash crops to export traders are forced to leave the vegetables rotting in the fields (tomatoes, eggplants) so as not to incur in labour costs and/or to sell vegetables to local markets – already flooded- at low prices resulting in minimal (1/3 of export profit) or no profits just to meet, whenever possible, production costs. Some farmers have switched to less labour intensive cultivations such as molokeia or cabbage –even if off season- in order to save on production costs.

2.1 Stocks versus requirements of basic food supplies in the Gaza Strip:

The occasional closure of the crossings due to either security reasons or strikes by the Israeli workers restricted the inflow of commodities through Gaza.

Table 1 shows the remaining stock of basic commodities. The calculation was done deducting daily requirements from the total imports since 29/05. These figures are an approximation. It needs to be stressed that, as a rule of thumb, traders and mills should have at least one month of available stock in case of abrupt import restrictions.

**Table 1 Commercial imports versus requirements since 29/05 and remaining stocks* as of 5 August
Stock as of 5th August 2007**

Food commodities	Commercial stocks as of 29-05-07	Commercial imports from 30 May till 5th August	Total (Stock+Commercial imports)	Commercial daily requirements	Remaining stock days (as of 5th August)
Flour	10565	18864	29429	450	0
Sugar	2075	7342.5	9417.5	111	18
Rice	1670	2269.5	3939.5	72	0
Oils	1305	2086	3391	43	12
Beans	1790	1517	3307	22.5	80
Total	17405	32079	49484	698.5	

***The stock as of 5th August 2007 (commodities have moved into Gaza since this date and these figures will be included in the next report).**

Gaza Strip Mills	Milling capacity/day	Quantity in stock as of 8 August (MT)
Al Falestenia mills	80 Mt	450
Al Bader mills	220 Mt	3,000
Al Eman mills	70 Mt	500
Al Salaam mills	120 Mt	400
Al Huda mills	20 Mt	250
Al Faiyhaa mills	60 Mt	370
Total	570 Mt	4970

Given that commercial wheat requirements in the Gaza Strip amount to 450 Mt of wheat flour per day, the above stocks will last approximately **11 days**. However, part of the wheat flour at Al Bader mills, Al Salaam, and Al Eman mills is contracted to and supplies UNRWA's daily requirements.

As a result of the prolonged reduction in imports of wheat grain, most of the mills have reduced their daily milling activities and operate at half of the production level compared to before the closure.

Moreover, mills' owners are stressing that the weekly wheat grain imports are concentrated in only one day hence, the amount entered is not enough to cover the requirements.

2.1.2 Shortages of basic commodities in the market

Market visits showed that most basic commodities are available throughout the Gaza Strip's main markets despite very high retail prices. Nevertheless, shortages of wheat grain is affecting the milling production of Gazan mills lowering wheat flour availability, in addition vegetable oil is also reported to be running short especially in northern Gaza, Khan Younis and Rafah. Red meat availability is decreasing due to the freeze in cattle imports since June. Local meat traders quantified their stocks between 2 to 4 months in absence of imports.

Moreover, the shortage of milk powder seems to have subsided with the introduction of a new brand on the markets that substitutes Nido.

To recap, the following commodities were found to be running short as of the 5th of August (based on WFP market visits):

- Wheat flour and grain.
- Fresh red meat. No cattle imports reached Gaza Strip since June.
- Vegetable Oil (shortage in north and south Gaza Strip)

2.1.1 Food Imports

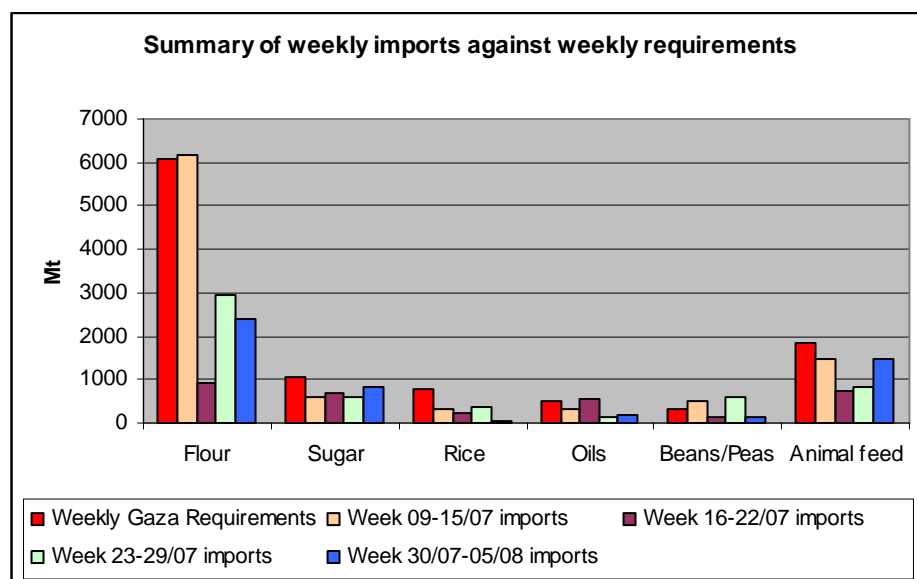
As mentioned in the previous Food Security and Market Report, WFP and UNRWA need 553 Mt of food per day combined (16,590 Mt/month) to meet beneficiary food needs (WFP provides 100% of basic daily food needs whereas UNRWA provides a partial ration representing 61% of daily needs). The remaining basic daily food needs of the Gaza population are 21,000 Mt per month or 700 Mt of commercial basic commodities (wheat flour, sugar, rice, oil and beans).

During the past two weeks, only 49.5% of humanitarian and commercial import needs were met (52% during week 23-29/07 and 47% during week 30/07-05/08) compared to 31% and 88% in the earlier weeks; showing that the functionality and stability of the crossings is still precarious.

Quantities imported in Gaza during the week 30/7-05/08 through the 3 terminals

Commodity	Total imports (Mt) both commercial and humanitarian	Weekly Gaza Requirements	% of imports against requirements	WFP imports (included in total)	% of WFP import against total imports
Flour	2379	6069	40%	1437	60%
Sugar	831	1071	78%	4	1%
Rice	48.5	770	6%	0	0%
Oils	165	525	31%	0	0%
Beans/Peas	129	343	38%	24	19%
Animal feed	1467	1841	80%	0	0%
Total	5019.5	10619	47%	1465	29%

Bar chart 1



The Bar Chart 1 above depicts Gazas weekly basic commodity food imports versus needs over the past five weeks. All commodities' imports are well below requirements except for sugar (78% of requirements) and animal feed (80% of requirements), as a result wheat flour import meets only 40% of requirements, rice meets 6%, vegetable oil reaches 31% and pulses import meets 38% of the needs.

2.1.2 Market analysis

Due to the confluence of limited imports, reduced stocks and high international prices for selected commodities - among which wheat flour, corn and fuel- market prices are continuing the upward trends. Market visits confirm the un-sustainability of high market prices in an environment of poor purchasing capacity and as a result the market functionality—especially true for petty traders- is de-facto stalling. Despite the recent resumption of part of the salaries and its arrears to the local authorities' employees, the current market outlook is the result of the

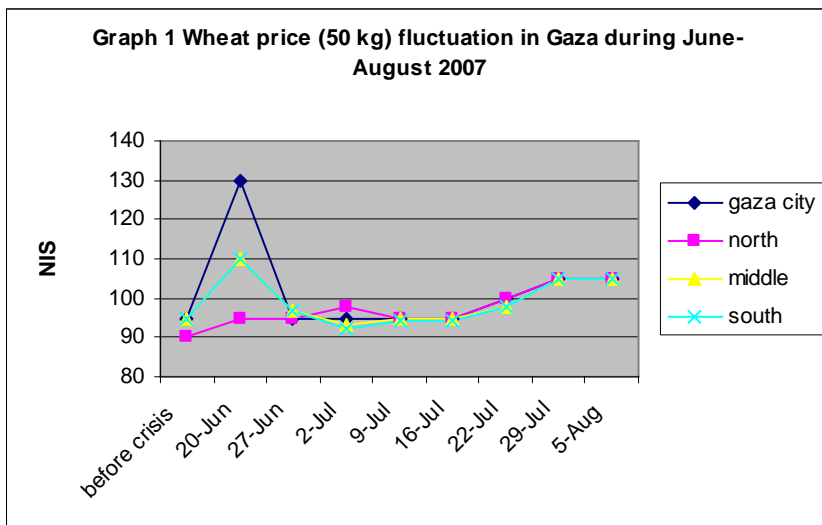
slowdown affecting the Gaza strip economy due to import and export restrictions and is particularly detrimental to the economic resilience of the poorest quintiles.

The analyzed market prices are nominal and do not take into account inflation rate. However, recent PCBS data on CPI (Consumer Price Index) shows that the food CPI in Gaza Strip has raised by 3.26% in June 2007 compared to the same month in 2006 so that poor quintile's might have to either reduce the quantity of food, increase the share of expenditure devoted to food over the total expenditure or buy lower quality food.

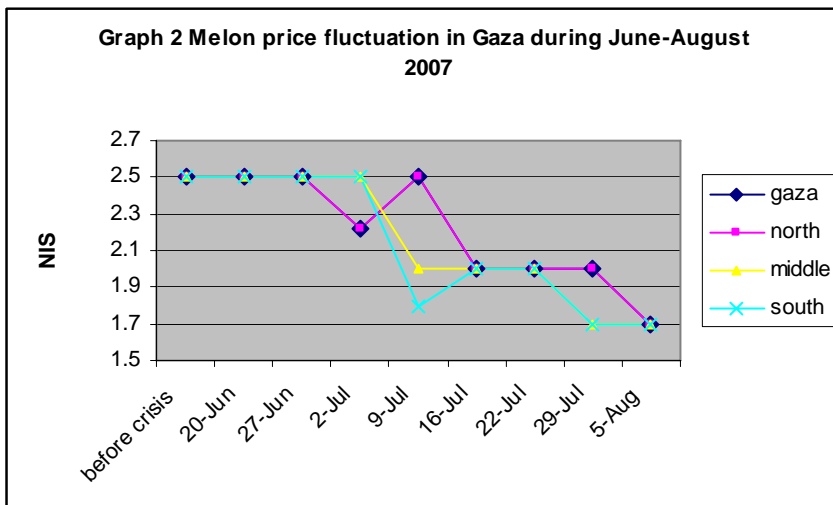
Wheat flour, animal feed, fresh and frozen meat and chicken prices are still much above pre crisis levels.

The market price survey per governorate shows that the cost of wheat flour is rising again, both due to high international prices and reduced availability, as shown in the graph 1 below.

During the week 30/07-05/08, wheat prices rose to 105 NIS per 50 kg in all Gazan markets, 11% higher compared to pre-crisis levels.

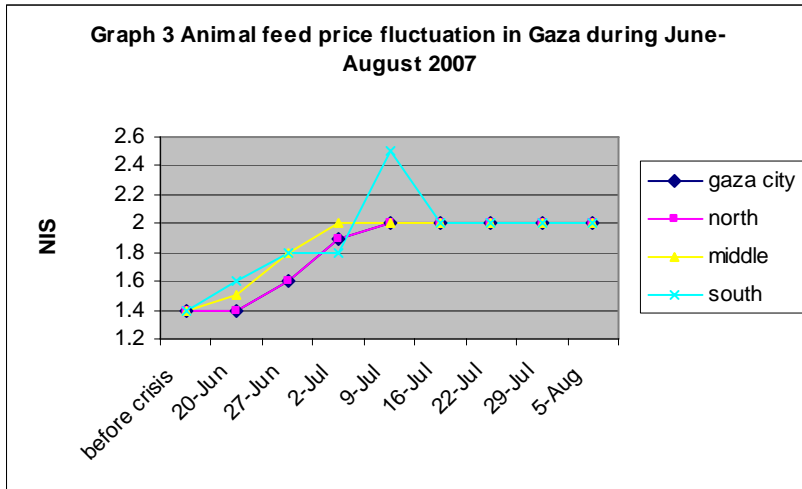


The marketing of local vegetables has been seriously undermined by the export freeze, with large quantities of agricultural produce for Israeli and West Bank markets flooding the markets causing a reduction in selling prices with associated revenue losses for farmers. As an example, the price of melon dropped by 32% in the recent weeks.

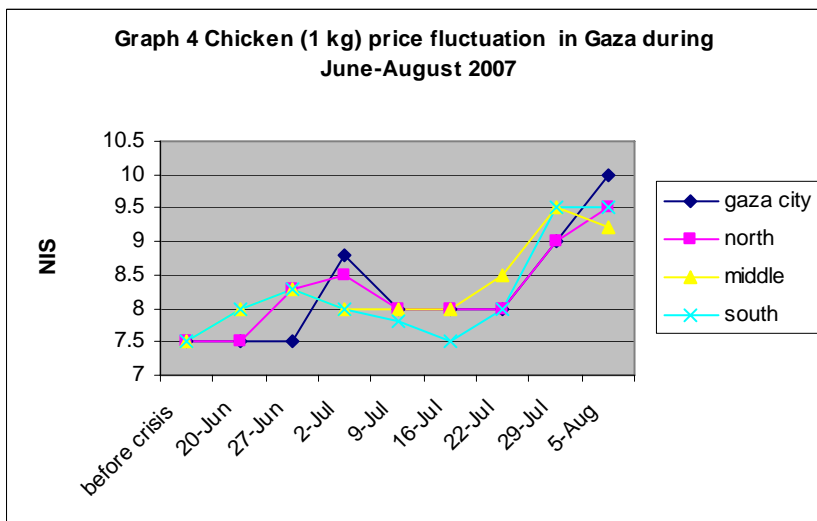


Consequently to the export freeze, also the price of local fish dropped substantially directly affecting the profit of approximately 5,000 fishermen (up to 35,000 including their family) relying on this source of livelihood.

Furthermore, the market price time series shows that animal feed (graph 3 below) price is stabilizing at the upper end.



High animal and poultry feed prices coupled with suspended cattle import are resulting in inflated prices of both fresh (red meat and chicken) and frozen meat. For example, chicken prices reached an average of 9.5 NIS per kg, peaking to 10 NIS per kg in Gaza city (mainly due to higher demand pressure), with a total increase of 26% compared to pre-crisis figures.



3. Recommended actions

- **Immediately revamp the import of live animals especially cattle**
- **Immediately restart the export of locally produced fruit and vegetables as well as fish**
- Increase the import of raw materials, cement, spare parts
- Foster the unhindered import of wheat flour (to replenish stocks) and vegetable oil

4. Most Affected Social Economic and vulnerable groups:

4.1 Social Hardship Cases in the Gaza Strip

The high dependence of SHC on safety nets –whose assistance components didn't always reach in full the beneficiaries- coupled with soaring cost of basic food items, is increasingly putting at risk the fragile economy of this vulnerable group.

4.2 Children under 5 pregnant and lactating women

An agreement has been reached between the nutritional technical committee whereby information on Gaza's main nutrition indicators will be updated bi-monthly as way to monitor the nutritional status of the vulnerable population. Baby milk is highly needed and its imports should be reactivated as soon as possible.

4.3 Fisher folk

The imposed export freeze on fish products destined to the Israeli and West Bank markets is causing serious losses to the fishing economy. MoA estimated that the daily fish catch volume in Gaza Strip was –before the limit of 6 nautical miles was imposed- in the range of 8-10 Mt/day. However, since the start of the fishing restrictions in the second Intifada, the daily fish catch went down to 3 Mt per day, out of which 2 Mt per day were devoted for export.

As a result of the current export freeze, the fishing sector is losing 2 Mt of fish exports at a value of 32,000 USD per day.

4.4 Manufacturing/construction sector

The manufacturing and construction sectors (Manufacturing, mining and Quarrying sector absorbs 7% of Gaza's work force) have been severely hit by the economic sector collapse originating from the June crisis, this resulted into temporary closure and/or production cutbacks leading to large number of employees being laid-off.

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