



# The Market Monitor

## Trends and impacts of staple food prices in vulnerable countries

This bulletin examines trends in staple food and fuel prices, the cost of the basic food basket, terms of trade and consumer price indices for 71 countries in the second quarter of 2012 (April to June, Q2-2012)<sup>1</sup>.

## Highlights

The **global cereal price index declined further by 15 percent in Q2-2012** following a year-on-year decrease of 10 percent in the previous quarter. This downward trend is partially driven by global wheat and maize prices which declined by 21 and 14 percent respectively during Q2-2012. The cereal price index would have fallen even more had it not been for a 19 percent increase in global rice prices during the same quarter.

The impact of staple commodity price changes on the cost of the basic food basket (Figure 1) is severe (*above 10%*) in only 4 out of 71 countries (Burundi, Congo Democratic Republic, Sudan and South Sudan), and high (between 5 and 10%) in 8 countries (Malawi, Mali, Mozambique, Sri Lanka, Syria, Tanzania, Timor-Leste and Zambia).

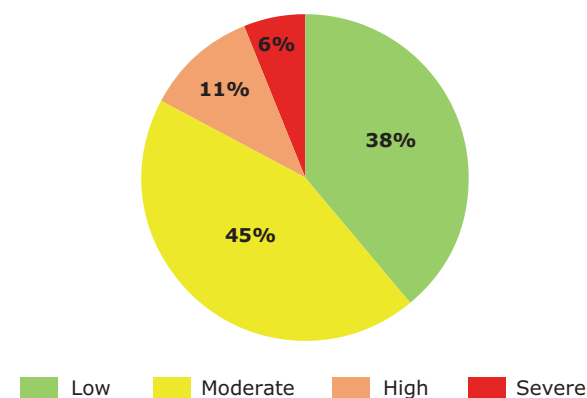
**The most severe effects are driven by sweet potato prices in Burundi and sorghum prices in Sudan and South Sudan** (Figure 2).

When compared to the 5-year averages, **the impact of staple food price variations on the cost of the basic food basket remains very high in 48 out of 53 countries** for which data is available<sup>2</sup>. This is beginning to show a structural change whereby the real prices of food commodities in many countries are increasing significantly.

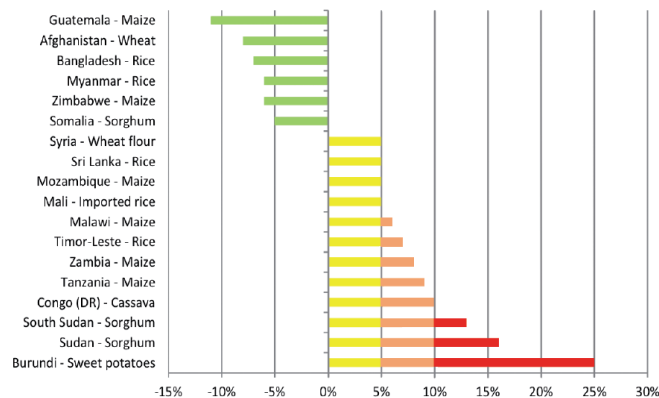
The sharp contraction in fuel prices globally has started to take effect in some of the developing countries which is a welcome respite for consumers. Several countries, however, are still experiencing fuel price increases.

It is likely that the recent political developments in the Middle East can further disrupt oil supplies, thereby putting additional pressure on global fuel prices. More worrisome is the global impact of the drought in the United States, which has led to a rally in grain prices reviving fears of 2008 food crisis.

**FIGURE 1. Impact of price changes on the cost of the basic food basket (in % of countries)**



**FIGURE 2. Most significant impacts on the cost of the basic food basket (by commodity)**



1. Data were collected and collated by WFP country offices and are available at: <http://foodprices.vam.wfp.org>. Further data-sources are FAO Food Price Index, FAO/GIEWS Food Price Data and Analysis Tool, FSNAU and IMF Primary Commodity Prices as of July 16<sup>th</sup>, 2012.

2. The seasonally adjusted price change from last quarter is calculated as a percentage change from the previous quarter. The adjustment is made using real prices, calculated by dividing each monthly price by its 5-year (2003-2007) average and then quarterly averaged.

# Price Trends and Impacts by Region

## (Change from Last Quarter)

**Impact Codes** Low (< 0%) Moderate (0-5%) High (5-10%) Severe (> 10%)

### Asia

**Hotspots:** The effect of April-June staple food commodity price changes on the cost of the basic food basket is high in **Sri Lanka** and **Timor-Leste** and moderate in **India**, **Indonesia**, **Lao PDR** and **Pakistan**.

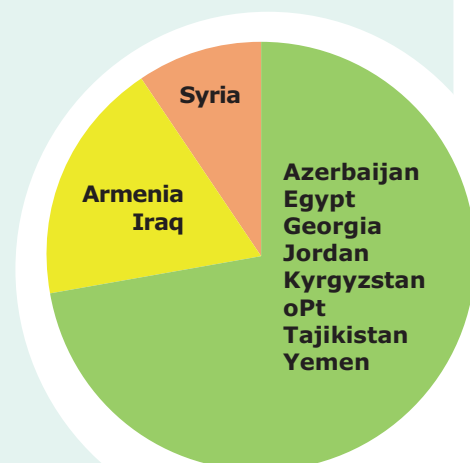
- **Prices:** Prices of rice are on an upward trend in several countries of the region. Rice prices increased by 23 percent compared to the previous quarter in **Timor-Leste**. Seasonally adjusted staple food commodity prices rose in **Sri Lanka**, namely rice by 11 percent and wheat flour by 6 percent. Wheat prices in **India** rose by about 5 percent. Meanwhile, rice prices in **Afghanistan** and **Bangladesh** declined by 16 percent and 10 percent, respectively.
- **Fuel prices:** In **India** petrol prices increased by 15 percent from last year. In June, **Nepal** reported diesel price increase of about 36 percent compared to the previous year. Food and non-food commodity price changes are generally transmitted from India to Nepal.
- **Purchasing power:** The combination of increases in unskilled wage rates and rice prices portrays a mixed picture in the region in terms of purchasing power. The terms of trade have deteriorated in the **Philippines** as opposed to an improvement in **Cambodia** and **Nepal**.



### Middle East and Central Asia

**Hotspots:** The impact of April-June staple food commodity price changes on the cost of the basic food basket is high in **Syria** and moderate in **Armenia** and **Iraq**.

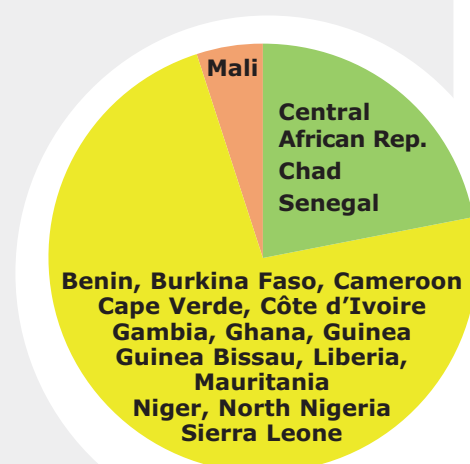
- **Staple commodity prices:** Prices within the region have remained steady or decreased during the quarter, except in **Syria**, where fighting is severely undermining economic activities and pushing up staple food commodity prices. Wheat prices have already increased by 11 percent with a grim future outlook anticipating limited cereal availability due to further disruptions in local supply chains.
- **Fuel prices:** Gasoline prices in the **occupied Palestinian territory** have increased by 9 percent since the beginning of the year. Similarly, **Tajikistan** and **Kyrgyzstan** reported annual fuel inflation of 13 percent and 8 percent, respectively.
- **Purchasing power:** Protracted instability in Syria is eroding the purchasing power of refugees in neighbouring countries, particularly **Jordan**. In **Yemen**, despite the civil insecurity remains a major concern, slight improvements in the purchasing power of the population was reported. Seasonal casual labour opportunities in agricultural activities and improved remittance inflows are reportedly having a positive impact on households' purchasing power in **Tajikistan** and **Kyrgyzstan**.



## West Africa

**Hotspots:** The effect of April-June staple food commodity price changes on the cost of the basic food basket is high in **Mali** and moderate in most of the West African countries except **Central African Republic, Chad, and Senegal** where the impact is rated low.

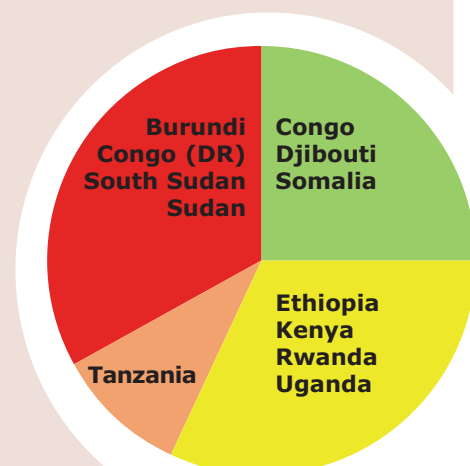
- **Staple commodity prices:** Millet prices have significantly increased in **Burkina Faso** (24%), **Guinea Bissau** (40%), and **Mali** (17%). Sorghum and maize prices have also increased in Mali by about 14 and 8 percent respectively when compared to the previous quarter. Conflict and insecurity in Mali continue to force people into neighbouring Mauritania, Senegal, Burkina Faso and Niger. Refugee flows are putting pressure on markets through increased demand for staple food even in the host countries. **Ghana** is experiencing significant food price inflation, compared to last quarter, mostly driven by unseasonably high prices of plantains (52%), cassava (22%), maize (11%) and yams (21%). Seasonally adjusted prices of palm oil in **Guinea** have also sharply increased by about 76 percent over the quarter.
- **Fuel prices:** No major fuel price changes are reported in the region, except in Liberia where fuel prices increased by 7 percent in May compared to last year.
- **Purchasing power:** The combination of broader insecurity and drought is undermining traditional transhumance routes in the region. An unusual large number of livestock is putting heavy pressure on pastures, with negative impact on the overall health status of herds, and therefore on their market value. Combined with persistent high cereal prices, the depreciation of livestock prices is further diminishing the purchasing power of pastoralist communities in several countries including **Burkina Faso, Chad, Mali, Mauritania, and Niger**.



## Central and Eastern Africa

**Hotspots:** The impact of April-June staple food commodity price changes on the cost of the basic food basket is severe in **Burundi, Congo (DR), Sudan and South Sudan**, and high in **Tanzania**.

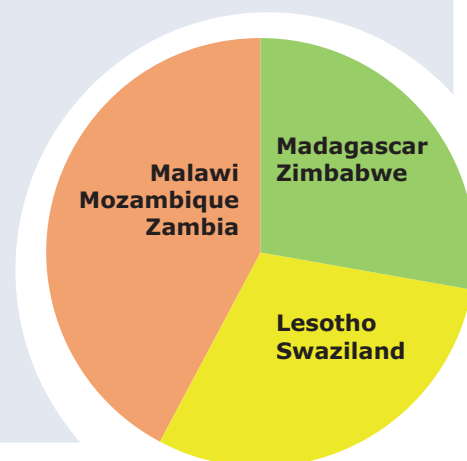
- **Staple commodity prices:** The increase in food commodity prices during April-June was significant and widespread within the region, except mostly in **Somalia** and **Djibouti**. Seasonally adjusted prices in the Great Lakes region were high, particularly in **Burundi** where sweet potatoes prices rose by 105 percent, cassava flour by 24 percent, maize by 14 percent and beans by 12 percent. The prices of beans also increased in **Rwanda** (19%) and **Uganda** (16%) along with maize in **Tanzania** (33%). Substantial increases in sorghum and maize price were also reported in **Sudan** (24% and 15%) and **South Sudan** (29% and 30%).
- **Fuel prices:** Diesel prices in **South Sudan** have increased by 168 percent over the last year largely due to the conflict with Sudan which has resulted in importation of fuel commodities via Uganda. The electricity, gas and fuel inflation in Sudan has been at about 17 percent ever since the subsidies on fuel were eliminated. In **Djibouti** kerosene prices reported rose by about 24 percent during the quarter.
- **Purchasing power:** Improved casual labour opportunities have partially mitigated the adverse effects of price rises in most countries within the region, namely **Ethiopia, Kenya, South Sudan** and the northern **Somalia**. Pastoralists' purchasing power has also improved due to increased demand and good livestock conditions.



## Southern Africa

**Hotspots:** The effect of April-June staple food commodity price changes on the cost of the basic food basket is high in **Malawi, Mozambique and Zambia**, and moderate in **Lesotho and Swaziland**.

- **Staple commodity prices:** Despite an overall decline in prices for the most consumed staple commodities within the region, the quarterly increase in seasonally adjusted maize prices is significant for **Mozambique** (25%), **Zambia** (16%), and **Malawi** (12%). After some stability in maize prices in March-April, prices increased again in May, due to below average production and the devaluation of the Kwacha in Malawi.
- **Fuel prices:** Fuel prices increased significantly between May and June 2011 in **Lesotho** (diesel, 14%) and **Zimbabwe** (gasoline, 13%).
- **Purchasing power:** Markets remain well-stocked prior to the start of the lean season in August due to the good harvests in 2011 and 2012. Consequently, the food purchasing power of households is partially intact, except for certain locations in southern **Malawi, Mozambique and Zimbabwe** where food security conditions are expected to worsen.



## Latin America and Caribbean

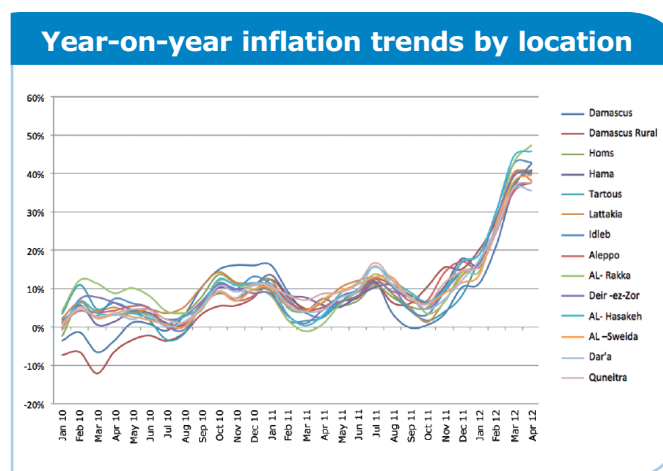
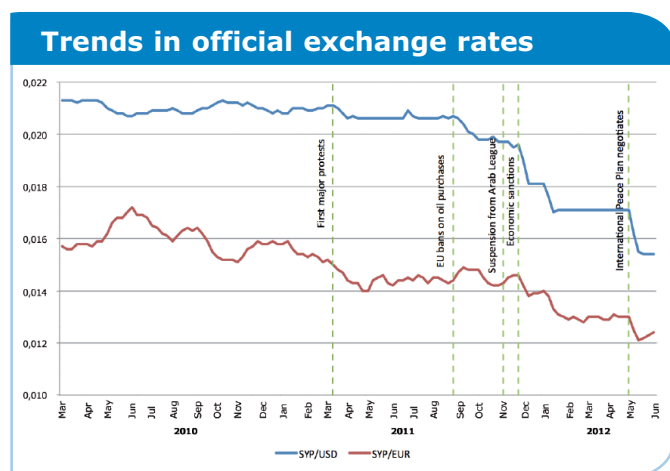
**Hotspots:** The impact of April-June staple food commodity price changes on the cost of the basic food basket is low to moderate in most of the countries within the region.

- **Prices:** Overall, prices are stable in the region, except in few countries. Prices of rice increased slightly in **Colombia** (6%), **Costa Rica** (8%), and **Ecuador** (7%). Similar trends were observed for maize in **Peru** (11%). Seasonally adjusted prices of rice increased by 5 percent in Ecuador, whereas seasonally adjusted prices of maize increased by 7 percent in **Peru**. In contrast, maize prices declined in **Guatemala** (30%) and **El Salvador** (15%). In **Colombia**, the prices of both maize and wheat flour declined by 12 percent and 11 percent, respectively.
- **Fuel prices:** No major change in fuel prices was reported.
- **Purchasing power:** Decreasing prices and increased seasonal labour opportunities have boosted households' purchasing power in **El Salvador, Nicaragua**, and partially in **Haiti**.



# Special Focus: Syria

- The **economic situation of Syria is gradually weakening**. The Government still has significant international reserves at its disposal to import the necessary food and non-food commodities but at a **higher cost due to currency devaluation** and economic sanctions.
- **Localized food shortages are inevitable** and likely to increase due to uncertain local production outlook and the escalation of the conflict which is further disrupting internal distribution mechanisms.
- The local population is experiencing serious loss of purchasing power due to the **escalation of inflation, population displacement and uncertain employment and income generating opportunities** in the conflict affected areas.



## Economic overview

The **overall economic performance of Syria is expected to further deteriorate in 2012**. Real GDP shrank by **3.4% in 2011** due to political unrest exacerbated by EU's sanctions on oil exports and is expected to further decrease by about 8% in 2012.

**Oil production has decreased by 35 million barrels**, resulting in losses of US\$3 billion of revenues, higher inflation and depreciation of the Syrian pound (official rate: - 23%; black market - 50% compared to pre-crisis levels). Total **international reserves are expected to decline by about 25% in 2012**, from US\$19.5 billion in 2010, due to reduced oil exports and tourism revenues as well as subsequent depreciation of the currency.

## Prices and purchasing power

As of April 2012, **both general and food inflation are alarmingly higher: about 31% and 40%**, respectively, compared to April 2011.

**Al Raqqah and Al Hasakah cities are facing the highest inflation rates** (+47% and +46%, respectively), due to the effects of the conflict and poor crop performance compounded by augmented tariffs and taxes on Turkish goods.

**Unemployment rate is expected to average 14% in 2012**, compared to 8.6% in 2010. In the absence of

mitigating measures, these levels of general inflation and food inflation would result into a **deterioration of the food purchasing power of the most vulnerable households by about one-third**.

## Prospects of food availability

The depreciation of the national currency compounded by higher inflation is leading to **localized shortages of basic food and non-food commodities**. The general increase in international food commodity prices compared to 2010 and the decline in foreign exchange earnings **will undermine food imports, which account for almost half of domestic needs**. Imports from Turkey – third largest wheat exporter to Syria after Russia and Ukraine, plummeted to 20% due to the doubling of customs duties and an additional 30% tax on Turkish goods. This was partially compensated by increased food imports from Ukraine and Russia, where wholesale wheat prices remain relatively high, partially due to the impact of dry weather and low temperatures on the 2012 wheat crop in the Black Sea region. After a 10% decrease recorded in 2011, **the FAO outlook for the 2012 Syrian winter cereal crops is uncertain** given possible disruptions in overall agricultural activities and limited availability and access to inputs.

## Average prices in Aleppo, Hajar Aswad, Latakia and Tartous markets

	Wheat flour KG / SYP	Rice (imported) KG / SYP	Bread KG / SYP	Beans (White) KG / SYP	Tomatoes 650 KG / SYP	Sugar KG / SYP
2012-Q1 (Jan-Mar)	40.00	56.67	14.17	105.00	44.50	65.00
2012-Q2 (Apr-May)	45.00	68.13	10.00	115.63	83.13	67.00
Quarterly change (Q2/Q1)	<b>13%</b>	<b>20%</b>	<b>-29%</b>	<b>10%</b>	<b>87%</b>	<b>3%</b>

# Country Summaries

## Consumer Price Index, Terms of Trade and Fuel Prices

Asia					
Summary		CPI		Fuel prices	
		Month on month	Year on year	Month on month	Year on year
<b>Afghanistan</b>	Overall, the terms of trade (casual labour wage/wheat) improved by 6.9% in June compared to May, with significant increases in Faizabad and Jalalabad (10.7% and 34.2%, respectively). During the same period, the average sheep/wheat terms of trade dropped by 2.5%. The deterioration of the pastoralists' purchasing power is attributed to a decrease in sheep price by 3.8%. The highest drop occurred in Maimana (-15.4%), as a consequence of combined decrease in sheep price and increase in wheat price. However, in Maizar and Faizabad pastoralists' purchasing power enhanced by 10.3% and 13.3%, respectively, due to the increase of sheep price and the decrease of wheat price. Fuel prices decreased by 7.1% in June compared to April, as a consequence of increased imports of diesel from Pakistan and Iran.	N/A	N/A	-5.1% <i>June</i> (Diesel)	1.1% <i>June</i> (Diesel)
<b>Cambodia</b>	The terms of trade of unskilled labour and lowest quality rice in the rural areas were 8.1 Kg/day in May, improved by 1% on a month-on-month basis. In the same time period, the terms of trade in urban areas increased by 0.4% to 7.9 Kg/day, as a result of reduced rice prices that offset the losses in unskilled wage rates.	0.5% <i>April</i>	4.8% <i>April</i>	N/A	N/A
<b>Nepal</b>	The annual Consumer Price Index in May escalated at about 9%, with food and non-food price inflation estimated at 7% and 10%, respectively. Localized food shortages and inflation in the far-west, east and the Terai Belt were mainly due to trade disruptions caused by general strikes in May. Recent rise of petrol in India also inflated prices in Nepal (about 36% above June 2011). The good harvest of winter crops is expected to improve employment opportunities and bring relatively regular supply of food to the local markets.	1.2% <i>May</i>	8.7% <i>May</i>	4.5% <i>June</i> (Diesel)	35.8% <i>June</i> (Diesel)
<b>Philippines</b>	The terms of trade between rice and unskilled labour wage rates worsened in April compared to March. In Central Mindanao, terms of trade in April were 14% lower than the month before. The increase in the price of rice was the main cause of the weakening of the terms of trade. Fuel prices continue to decrease since March 2012. In April, the average retail price of gasoline decreased by 2.3 % and the price of diesel decreased by 3.5% compared to March. In May, gasoline prices dropped by 5.6%.	0.1% <i>May</i>	2.9% <i>May</i>	-5.6% <i>May</i> (Gasoline)	-1.3% <i>May</i> (Gasoline)

## Middle East and Central Asia

Summary		CPI		Fuel prices	
		Month on month	Year on year	Month on month	Year on year
<b>Kyrgyzstan</b>	After three months of consecutive increases from November 2011, the consumer price index remained unchanged for the last four months since January 2012. In April, year-on-year inflation stood at -0.5%. In May 2012, the prices of petrol and diesel increased 8% and 9%, respectively, compared to a year ago. The purchasing power increased in the winter of 2011-2012 as a result of declining prices of some staple foods (wheat flour, cabbage, onion, carrot and potatoes), increased inflow of remittances, pensions and social transfers. The qualified labour to wheat terms of trade decreased by 6% compared with last quarter, while in the same period it increased for unqualified workers (10%).	N/A	-0.5% <i>April</i>	1.8% <i>May</i> (Petrol)	8.4% <i>May</i> (Petrol)
<b>Tajikistan</b>	Inflation rate has remained low, but it is expected to reach 10% by the end of the year. Petrol prices are stable as a result of the reduction of export duties on fuel in May 2012 by the Russian Federation. However, they are 13% above May 2011.  In May-June, agricultural labour opportunities increased with the spring planting and preparation of the winter harvest, boosting the purchasing capacity of agricultural labourers in terms of wheat. Wheat prices remained below the levels of 2011 in most markets as a result of the good regional harvests and low export prices in Kazakhstan. Furthermore, the inflow of remittances from seasonal labour migrants went up in May, thus benefiting the food purchasing capacity of receiving households.	N/A	N/A	-0.5% <i>May</i> (Petrol)	12.6% <i>May</i> (Petrol)
<b>Yemen</b>	The purchasing power of casual labourers improved from April to May, due to stable wage rates and declining prices of some staple foods (wheat and rice) compared to last year. Decreases in staple food prices were driven by the international price trend as most of the country food needs are covered by imports. The terms of trade have also improved for pastoralists as the price of sheep increased in several markets. However, large displacement of people by the civil conflicts has led to reduced purchasing power for labour-dependent households in destination areas because of high supply of labour.	N/A	N/A	N/A	N/A

# West Africa

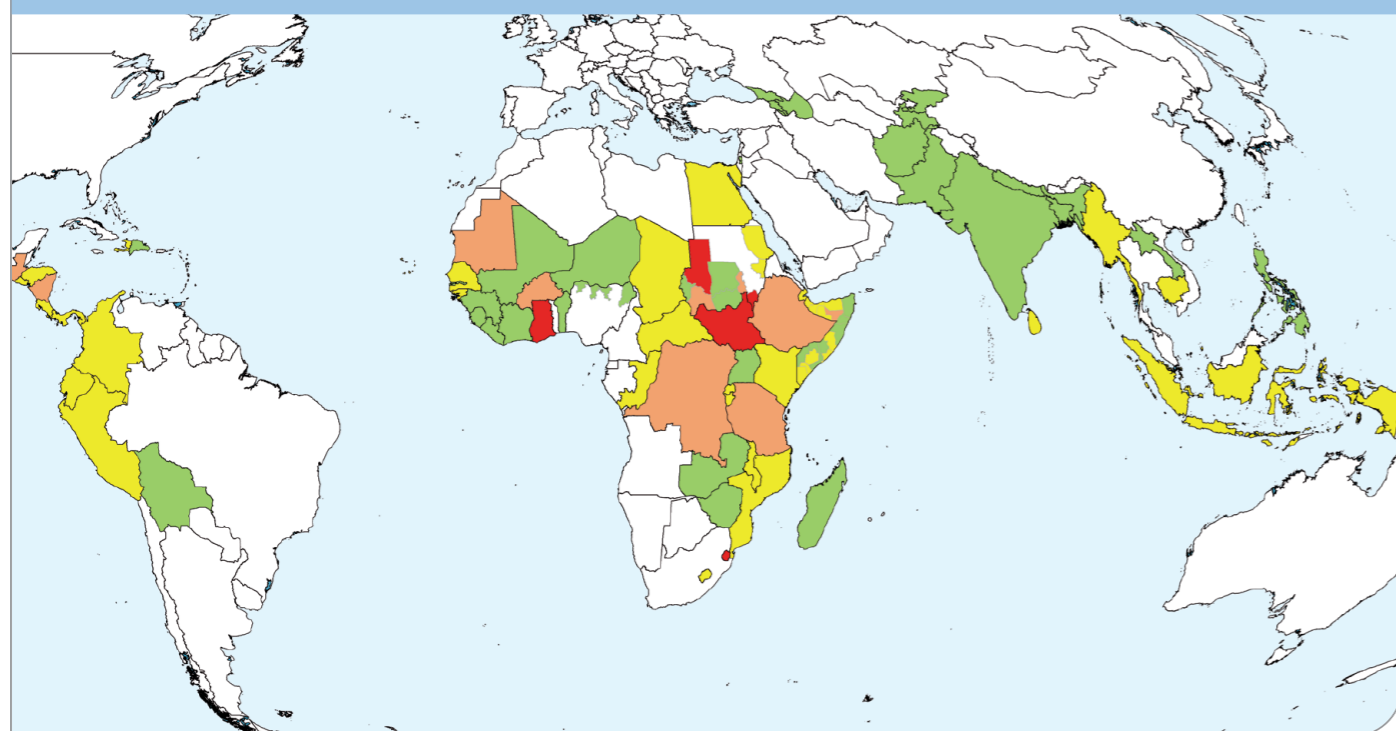
Summary		CPI		Fuel prices	
		Month on month	Year on year	Month on month	Year on year
<b>Burkina Faso</b>	The terms of trade of livestock against grains are deteriorating as a result of sharp increases in cereal prices across the country since early 2012 and livestock price decreases. As an example, in April 2012 the terms of trade of goat against millet in Djibo decreased by 51% compared to April 2011. On a longer term perspective, the decline is by 45% compared to the five-year average, mainly due to the continuous rise of millet prices. Refugees flow from Mali is putting further pressure on the Northern region, already affected by high food insecurity and poor harvesting in 2011. Local demand for pasture increased with movement of refugees and their livestock. Small animals are largely sold on markets as a coping mechanism to acquire grains.	N/A	N/A	N/A	N/A
<b>Chad</b>	Despite the introduction of subsidies in February 2012 by the Office National de la Sécurité Alimentaire (ONASA), the price of cereals is increasing since March as households are building up stocks to face the upcoming lean season. As the market has not been able to respond to the increasing demand, prices have gone up particularly on rural markets. For instance in Mongo, grain prices rose by 7% between April and May 2012 and are 48% above the five-year average. As a result, the purchasing power of pastoral households is deteriorating despite improved incomes from the sale of livestock throughout April. As in previous months, deteriorating terms of trade were observed in May compared to last year although a slight improvement was observed along the Sudan border and the East of the Sahel.	N/A	N/A	N/A	N/A
<b>Côte d'Ivoire</b>	In May 2012, wage labour increased in the East (by 30%) due to high demand for labour for the planting season. In the North, wage labour has however remained stable. The terms of trade for cocoa against rice have significantly decreased as indicative cacao prices are not respected. Farm-gate prices were fixed at 1,000 FCFA, however in rural areas, 1 Kg of cacao has been sold at around 630 FCFA. Thus, a cacao farmer can buy only 1.6 Kg of rice instead of 2.5 Kg in April 2012. The Government has adopted new regulations on price ceilings for commodities of first necessity. It has issued maximum prices on imported rice since early April 2012.	0.2% May	-1.2% May	N/A	N/A
<b>Ghana</b>	General inflation is moderately high (9% from May 2011). The Ghanaian Cedi depreciated in April alone by 5% against the US\$, shifting from GH¢1.72 to GH¢1.81. With the weakening of the local currency, the purchasing power of the poorest households has deteriorated. Cereal prices in the North increased since the beginning of the year due to poor supply from the Sahel region. Further price increases are expected with the lean season starting in August.	2% May	9.3% May	N/A	N/A
<b>Liberia</b>	The terms of trade of casual labourers has diminished due to increases in rice prices and reduced casual labour wages in the agricultural and construction sector. The most dramatic decline is recorded in Zwedru and Bo-waterside markets, where the purchasing power of a daily wage rate of an agricultural labourer decreased by almost 40% between April 2011 and April 2012. The current domestic price of a 50 Kg bag of imported rice is substantially higher than last year, increasing up to 40% above April 2011 figures in some markets. On average, the price for a 50 Kg bag of imported parboiled rice in April 2012 is 31% higher than in April 2011. The rising prices of gasoline, coupled with the depreciation of the local currency, will affect transport costs across the country, putting further pressure on domestic food prices.	N/A	N/A	4% May (Gasoline)	7% May (Gasoline)

Summary		CPI		Fuel prices	
		Month on month	Year on year	Month on month	Year on year
<b>Mali</b>	Overall inflation is high (8% from May 2011) compared to the regional standards recommended by the stability pact of the West African Economic and Monetary Union. The terms of trade (ToT) of pastoralists (livestock/cereals) have substantially dropped. In June 2012, ToT of goat against millet stand below 50% of the five-year average. As trade flows continue to be disrupted by civil insecurity particularly in the North and the region around Gao, pastoralists, who are highly dependent on markets for food, have limited access to local markets and cereal prices continue to rise. Wage farm labour demand is also affected (by 50%) as agricultural activity is reduced due to insecurity even in the current growing season.	1.5% <i>May</i>	8.2% <i>May</i>	1.1% <i>May</i> (Gasoline)	1% <i>May</i> (Gasoline)
<b>Mauritania</b>	There is a high pressure on the demand for cereal and fodder, following the influx of refugees from Mali arriving with their livestock. At the end of 2011, a household was able to buy 166.6 Kg of millet with the sale of a sheep at the best price, against only 52.6 Kg in May 2012. As rain is erratic and imports are limited, prices tend to rise weakening the purchasing power of poor households. However, it is expected that the start of rains in mid-July will offer new sources of income and improvements in pasture conditions.	N/A	N/A	N/A	N/A
<b>Niger</b>	The terms of trade for livestock against cereals has decreased up to 30% in certain areas. As an example, in Abalak market, a goat could be sold for 71 Kg of millet in April 2012, compared to 89 Kg in April 2011. Like other surrounding countries of Mali, Niger is facing influx of Malian refugees, which puts pressure on markets. Prices have been stable since April but remain very high compared to 2011.	1% <i>May</i>	1% <i>May</i>	N/A	N/A
<b>Nigeria</b>	In urban areas, cuts in governmental fuel subsidies and higher electricity tariffs have increased transportation and manufacturing costs. In rural areas, 2011 production shortfall continues to affect the purchasing power of the poorest households. In the South, food prices are on the rise with the starting of the lean season. The situation is mostly critical in the extreme North, where civil insecurity is disrupting trade flows towards deficit areas and fuelling inflation. In Maiduguri-Borno state in the Northeast of the country, 100 Kg of millet, maize and sorghum were respectively sold at NGN 7,800, NGN 7,300 and NGN 7,000 in mid-June, about 10-17 percent higher than on Dodoru market (Kebbi state) and Gujungu market (Jigawa state) areas of the northwest and northeast, with less security challenges.	0% <i>May</i>	-3.9% <i>May</i>	N/A	N/A
<b>Senegal</b>	The terms of trade against imported rice have improved during the quarter (April-June) for peanut, livestock (200% in Dakar) and wage labour (25% in Dakar). Prices of staple commodities (mainly imported rice, oil and sugar) have started to decrease thanks to agreements between the Government, importers and traders that aim at improving access to food for the poorest households. Nevertheless, local prices of cereals still remain high compared to 2011 and the 5-year average (13% and 20%, respectively).	1.1% <i>May</i>	0.6% <i>May</i>	N/A	N/A

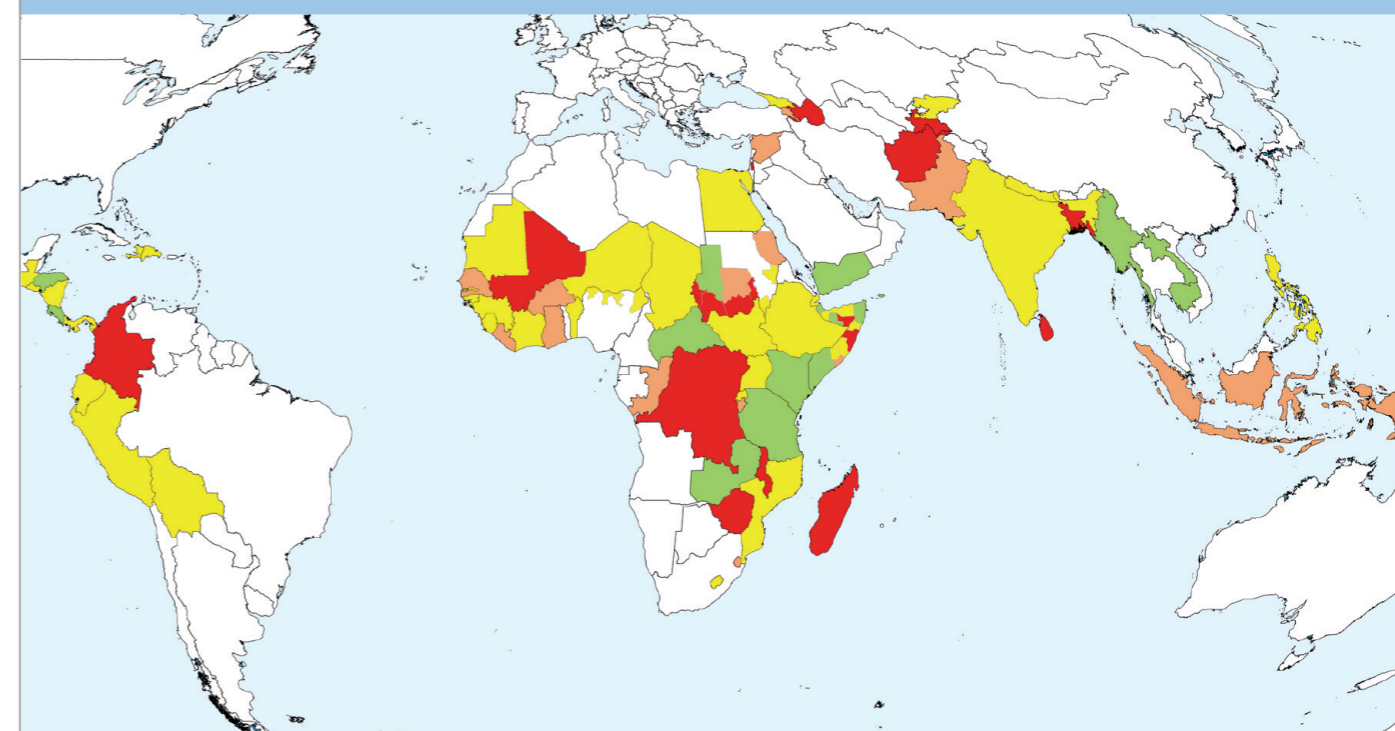
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# Impact of staple commodity price changes on the cost of the basic food basket

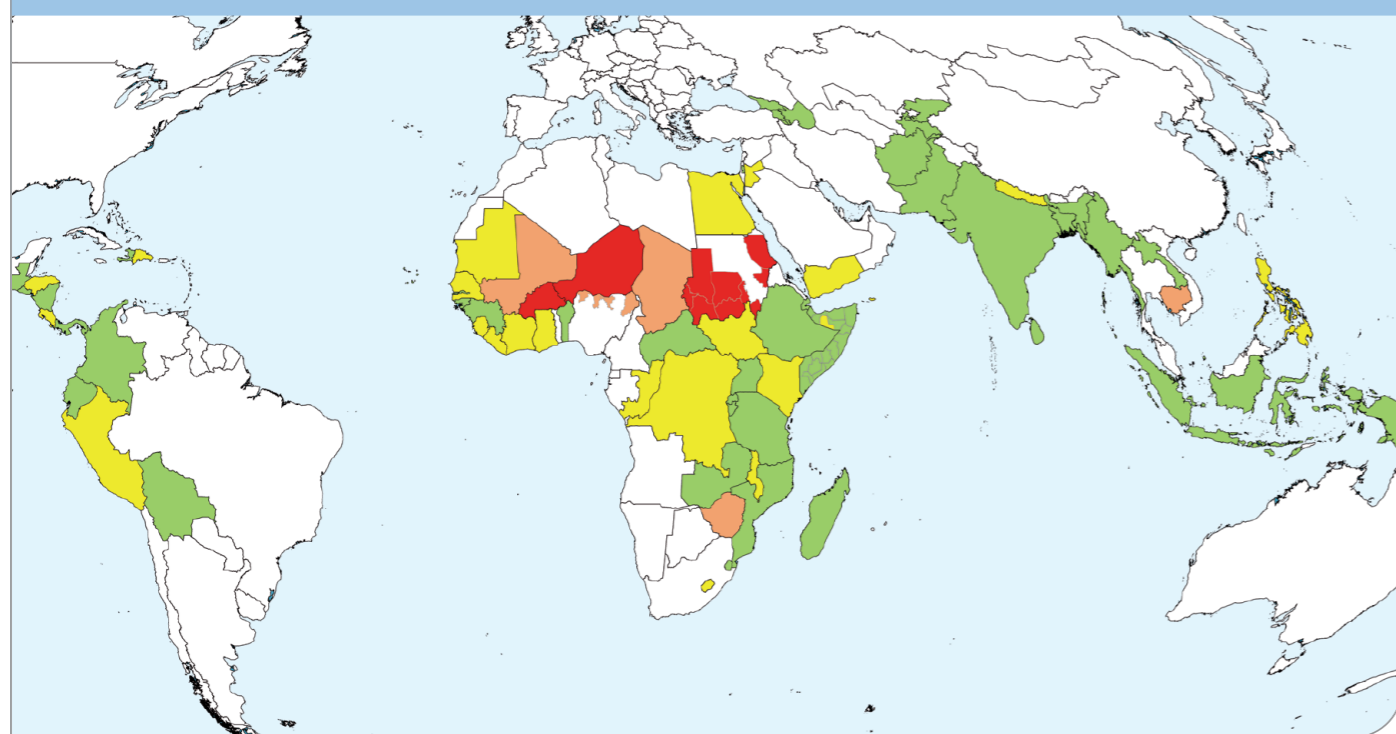
**Q3-2011** (July to September 2011)



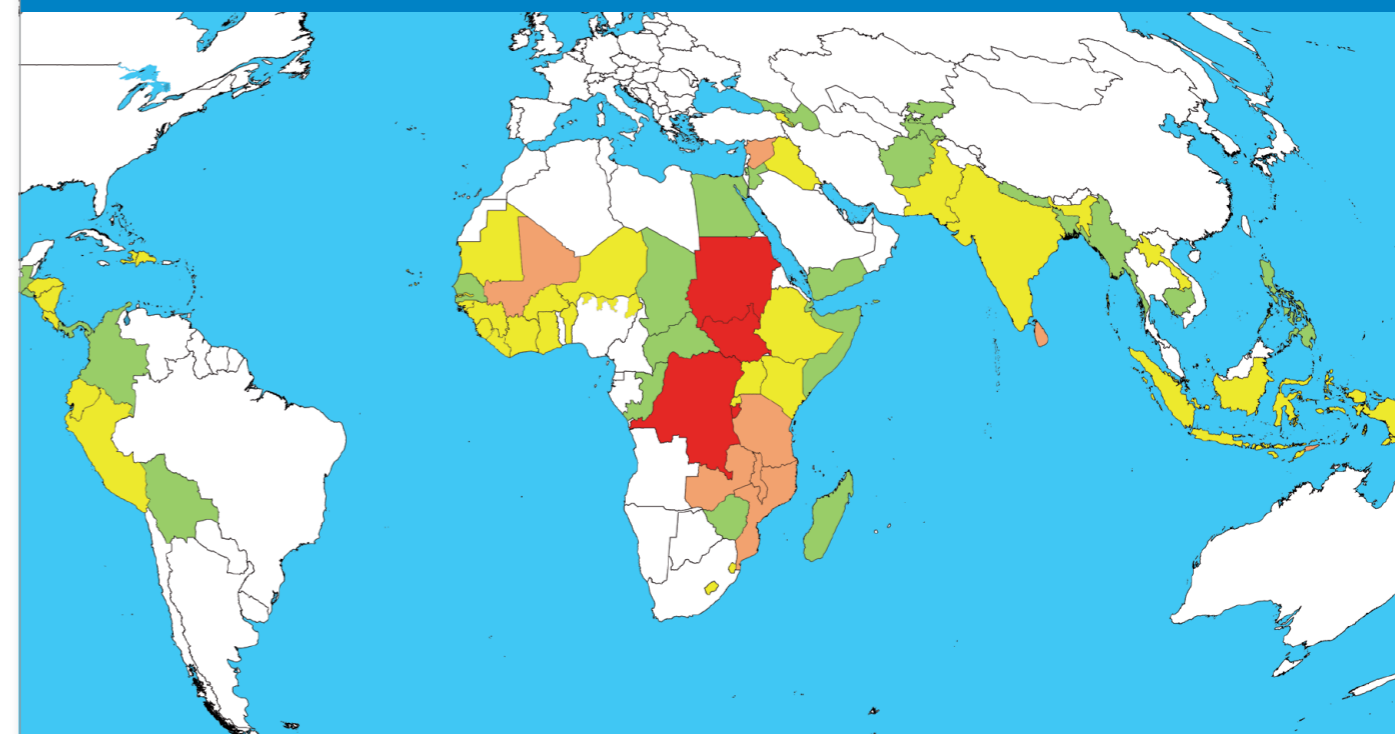
**Q1-2012** (January to March 2012)



**Q4-2011** (October to December 2011)



**Q2-2012** (April to June 2012)



**Impact Codes**

<span style="color: green;">■</span> Low (< 0%)	<span style="color: yellow;">■</span> Moderate (0-5%)	<span style="color: orange;">■</span> High (5-10%)	<span style="color: red;">■</span> Severe (> 10%)
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**Note:** Map based on pages 15-19 (Column J)  
Map produced by: VAM - Food Security Analysis (ODXF)  
Data sources: WFP, GAUL.

The boundaries and names shown and the designations used in this map do not imply official endorsement or acceptance by the United Nations.

(Continue from page 9)

Central and Eastern Africa					
Summary		CPI		Fuel prices	
		Month on month	Year on year	Month on month	Year on year
Djibouti	The prices of wheat flour and rice have stabilized during the past year, below the levels reached in 2008-2009. However, purchasing power continued to deteriorate due to protracted rainfall deficit which has resulted in asset depletion in rural areas. The increase in fuel prices (24% from June last year) is further contributing to the increase in the cost of living. For the most affected households, whose food expenditure share accounts for some 75% of total expenditures, per capita expenditure level collapsed from 80 to 57 DJF compared to 2011.	N/A	N/A	0% <i>June</i> (Kerosene)	24.4% <i>June</i> (Kerosene)
Ethiopia	Overall inflation remains high (25%), driven partly by food inflation (29% in May 2012 compared to May 2011). However the impact on households' purchasing power differs at local level. The terms of trade (ToT) of shoa-to-cereals has improved significantly in Gode (48%) and Jijiga (22%) due to a quarterly price decrease of maize and sorghum prices (-19% and -38%, respectively), high demand for livestock from Somalia and the positive effect of the Gu season on livestock body condition. In contrast, the purchasing power of pastoralists decreased by 31% in Dire Dawa during the same period, as a result of a substantial increase in cereal prices (maize, +54%, sorghum, +81%, and wheat, +50%). Prospects of shrinking demand from the Gulf countries will negatively affect pastoralists' purchasing power.	0.9% <i>May</i>	25% <i>May</i>	0% <i>May</i> (Benzene)	-5% <i>May</i> (Benzene)
Kenya	General inflation is moderately high (12% in May compared to last year), with persistent food price pressure. However, casual labour opportunities in agricultural zones are tempering the impact of food price increases on households' purchasing power. Meanwhile, the pastoralists' purchasing power has been hampered by price increases despite above average livestock prices resulting from an overall satisfactory breeding environment in several regions.	0.3% <i>May</i>	12.2% <i>May</i>	2.2% <i>May</i> (Gasoline)	5.4% <i>May</i> (Gasoline)
Somalia	The terms of trade of pastoralists has increased in terms of red sorghum (specifically, goats/red sorghum 43%, camel/red sorghum 29%, and cattle/red sorghum 27%). This improvement is attributed to enhanced livestock conditions, increased demand on the eve of Ramadan, replenishments of stocks from severe losses in 2011 and continued declines in the prices of major staple commodities (red sorghum, white maize, wheat flour and rice). Substantial improvements of the terms of trade are also reported for wage labourers in Lower Shabelle (66%), in Bari (28%), and in Mogadishu (29%), mostly driven by enhanced security conditions. However, the purchasing power has slightly deteriorated for pastoralists in Awdal and Middle Shabelle and for casual labourers in Awdal and Nugaal, due to above seasonal average increases in red sorghum prices.	N/A	N/A	1.1% <i>May</i> (Petrol)	-7% <i>May</i> (Petrol)

Summary		CPI		Fuel prices	
		Month on month	Year on year	Month on month	Year on year
South Sudan	General inflation is extremely high (about 80% compared to May 2011). Non-food inflation is exacerbated by significant diesel price increases (168% from May 2012). The overall increase in agricultural and non-agricultural casual labour wages (respectively, 5.1% and 15.8%) has not fully compensated the loss in the purchasing power caused by deficit food production in 2011 and high food inflation. The price of sorghum (the main staple food) increased by 25% compared with last quarter. Disruption of major trade routes from Sudan continues to put further pressure on commodity prices.	29.5% <i>May</i>	79.5% <i>May</i>	46.5% <i>May</i> (Diesel)	168.2% <i>May</i> (Diesel)
Sudan	Despite attempts by the Government to stabilize prices, overall inflation remains very high (37% from June 2011) and staple food prices increased significantly from Q1-2012 (millet, 27.4%, sorghum, 36.5%, and sorghum food aid, 31%). The main drivers of food inflation are high demand in view of the Ramadan celebrations and the recent cut in fuel subsidies. Livestock price increased in almost all the country, resulting in an improvement in the terms of trade of pastoralists in areas where early rains triggered a decline in sorghum prices (i.e. South Darfur, South Kordofan, and West Darfur). In contrast, the purchasing power has dwindled in other states where the rainy season is yet to arrive (Blue Nile and North Darfur) while the gains in livestock prices increases have been undermined by staple food inflation.	9.7% <i>June</i>	37.2% <i>June</i>	3.8% <i>June</i> (Electricity, gas and other fuel)	16.8% <i>June</i> (Electricity, gas and other fuel)

## Southern Africa

Summary		CPI		Fuel prices	
		Month on month	Year on year	Month on month	Year on year
Malawi	The terms of trade of cotton against maize decreased by 30%, due to low cotton production that was triggered by pest infestation. In fact, cotton prices dropped from 120 MWK/Kg at the beginning of the year, to 90 MWK/Kg in May 2012. After the maize harvest, prices decreased in the North (-6.5% between April and May) but remained stable in the South at 44.87 MWK/Kg. Furthermore, the devaluation of the Malawi Kwacha induced an increase in prices of basic commodities and cereals in May. Poor households living in deficit areas of Southern Malawi are expected to be affected by high transportation costs from food supplied from the central and Northern regions of the country.	1% <i>May</i>	16% <i>May</i>	N/A	N/A
Mozambique	Following the recent harvest, the prices of maize grain have been steadily decreasing since February (-8% in April, -18% over 3 months). However, not all three regions are experiencing the same changes: prices in the South are stuck above 10 MZN/Kg, while prices in the Centre and North have decreased by 28% and 11% respectively in the past 3 months. Prices in the South are also significantly more expensive than in the two other regions. On the other hand, maize meal is slightly cheaper in the South (29 MZN/Kg against 32-34 in Centre and North). In April, prices of cow peas in the North continued to increase, leading to a very wide price-range, going from 15 MZN/Kg in Milange to 85 MZN/Kg in Cuamba. On a month-on-month basis, prices fell by 0.34% in June compared with a 0.53% decline in May. Mozambique's inflation has remained stable at 2.8% (year-on-year) in June.	N/A	N/A	N/A	N/A

Summary		CPI		Fuel prices	
		Month on month	Year on year	Month on month	Year on year
Swaziland	The introduction of the Value Added Tax in April has fuelled general inflation. The annual inflation rate stood at 9.6% in April 2012 from 8.8% in the previous month. The annual inflation rate for April 2012 was higher than the 6.7% recorded during the same period in the previous year. On average, prices increased by 1.7% between March and April 2012. The price of maize meal, the main staple food, has remained high since the beginning of 2012, mainly driven by prices in South Africa. Inflation also affected the labour market through upward wage rate adjustment which triggered additional unemployment.	1.7% <i>April</i>	9.6% <i>April</i>	N/A	N/A
Zambia	According to the 2012/13 purchase programme, The Food Reserve Agency (FRA) continues buying maize from small scale farmers at ZMK 65,000 per 50 Kg. However, poor households in need of cash, have start selling their production to private traders at prices ranging from ZMK 650 to ZMK 900 per Kg, which is the prevailing market price based on the maize supply and demand situation. In fact, considering the good harvest 2011, prices decreased in May compared to April, by 20 percent in Kasama (Northern Province) and by 10 percent in Livingstone (Southern Province). In most markets, maize prices were below the five-year-average and the previous seasonal prices. Market demand remains low as rural households rely on their own production.	0.4% <i>May</i>	6.6% <i>May</i>	N/A	N/A

## Latin America and Caribbean

Summary		CPI		Fuel prices	
		Month on month	Year on year	Month on month	Year on year
El Salvador	Agricultural wage labourers' purchasing power and incomes improved in May, as job opportunities increased during the maize planting season. Coffee plantations are expecting to have good production this year, incrementing unskilled labour opportunities. Wholesale prices for white maize and red beans are significantly lower in June compared with last year (respectively, -48% and -50.2%).	-0.3% <i>June</i>	1.2% <i>June</i>	N/A	N/A
Haiti	The purchasing power of agriculturalists is stable to increasing, due to new employment opportunities in the wet mountain plantations. Despite poor rainfalls, main crops planted in February/March are now being harvested in many areas of the country. Although there were significant losses related to drought in the midst of the quarter, local products are largely available in the markets, and prices have been stable during the quarter. This trend will remain until the starting of the second rainy season when seasonal price increases are expected.	-0.5% <i>May</i>	5.2% <i>May</i>	N/A	N/A
Nicaragua	In April, silk red beans wholesale prices increased by 47% compared with March, following temporarily market speculation after Apante crop losses. In May, prices started again to decline, falling respectively by 23% and 27% in June. This bouncing trend might not have severely influenced the purchasing power, considering most households had quite adequate food reserves. However, employment prospects from May onwards are expected to be significantly reduced, leaving the ground mainly to casual labour activities related to grain production.	-0.3% <i>May</i>	7.5% <i>May</i>	N/A	N/A

# Magnitude of quarterly price changes and contribution to the cost of the food basket, by country and commodity

**Impact Codes** (columns J and K)

Low (< 0%)
Moderate (0-5%)
High (5-10%)
Severe (> 10%)

**Price Trend Codes**

Decreasing (< 0%)
Stable (0-5%)
Slightly increasing (5-10%)
Increasing (> 10%)

(columns L and M)

↓
→
↗
↑

All staples within the food basket have the same price trend

(column M)

↓
→
↗
↑

Staples within the food basket have different price trends: major caloric contributor used

Regions	Countries	Main staple food	Caloric contribution (%)	Change from last quarter (% Change)	Seasonally adjusted quarterly change (% Change)	Monthly change from last year (% Change)	Quarterly change from last year (% Change)	Quarterly change from 5-year average (% Change)	Contribution to the cost of the food basket (%)		Price trend of the main staples	Cumulative (BLACK arrow: all staples, WHITE arrow: main caloric contributor)
									Cumulative impact of the quarter	Cumulative impact from 5-year average		
A	B	C	D	E	F	G	H	I	J	K	L	M
Asia	Afghanistan	Wheat	58	-6	-7	-5	-3	80	-8	54	↓	↓
		Rice	22	5	-16	6	4	36			↓	↓
	Bangladesh	Boro-HYV-Coarse	70	-8	-10	-14	-18	54	-7	42	↓	↓
		Atta-Packet	9	1	-1	5	4	45			↓	↓
	Cambodia	Rice	65	-2	-3	-5	1	101	-2	66	↓	↓
	India	Rice	31	3	2	9	7	87	2	39	→	↗
		Wheat	22	2	5	3	0	56			↗	↗
	Indonesia	Rice	50	-1	0	18	18	134	0	67	→	→
	Lao PDR	Rice	64	0	N/A	-9	-10	N/A	0	N/A	→	→
	Myanmar	Rice	55	-10	N/A	-4	11	N/A	-6	N/A	↓	↓
	Nepal	Rice	32	0	-8	-4	-5	61	-2	28	↓	↓
		Wheat flour	15	2	0	-4	-6	58			→	↓
	Pakistan	Wheat flour	37	1	4	9	7	135	2	62	→	→
		Rice	6	7	0	27	25	195			→	→
	Philippines	Rice	48	1	-2	4	4	63	-1	30	↓	↓
	Sri Lanka	Rice	41	4	11	-1	-4	77	5	54	↑	↑
		Wheat flour	14	7	6	14	10	163			↗	↑
	Timor-Leste	Rice	32	23	N/A	N/A	N/A	N/A	7	N/A	↑	↑
		Maize	26	0	N/A	N/A	N/A	N/A			→	↑

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									Cumulative impact of the quarter	Cumulative impact from 5-year average		
A	B	C	D	E	F	G	H	I	J	K	L	M
Middle East, Central Asia and Eastern Europe	Armenia	Wheat flour	40	2	1	-6	-10	28	1	11	→	→
	Azerbaijan	Wheat flour	57	0	-2	-8	-8	110	-1	63	↓	↓
	Egypt	Wheat flour	35	-5	N/A	11	16	N/A	-2	N/A	↓	↓
		Rice	12	2	N/A	3	18	N/A			→	
	Georgia	Wheat flour	41	-4	-5	-19	-18	45	-2	18	↓	↓
	Iraq	Wheat flour	25	1	N/A	N/A	N/A	N/A	0	N/A	→	→
		Rice	8	1	N/A	N/A	N/A	N/A			→	
		Bread	8	-1	N/A	N/A	N/A	N/A			↓	
	Jordan	Bread	38	0	N/A	0	0	N/A	-1	N/A	→	→
		Rice	8	-6	N/A	-20	-17	N/A			↓	
	Kyrgyzstan	Wheat	40	-3	N/A	-19	-19	N/A	-1	N/A	↓	↓
		Milk	12	-2	N/A	25	24	N/A			↓	
		Potatoes	8	2	N/A	-13	-29	N/A			→	
	occupied Palestinian territory	Wheat flour	40	-3	-3	-5	-6	39	-2	20	↓	↓
		Rice	7	-5	-6	-10	-9	38			↓	
		Olive oil	5	-4	-5	13	12	31			↓	
	Syria	Wheat flour	39	11	N/A	50	50	N/A	5	N/A	↑	↑
		Sugar	13	3	N/A	29	42	N/A			→	
	Tajikistan	Wheat	54	-2	-6	-11	-8	211	-3	114	↓	↓
	Yemen	Wheat	38	-6	N/A	-20	-8	N/A	-2	N/A	↓	↓
West Africa	Benin	Maize	19	6	-7	-9	-5	44	0	23	↓	↓
		Cassava products	16	5	7	8	7	44			↗	
		Rice	13	0	-1	8	10	58			↓	
	Burkina Faso	Sorghum	26	16	4	60	57	74	4	49	→	→
		Millet	22	24	13	59	56	87			↑	
		Maize	16	12	1	39	39	65			→	
	Cape Verde	Rice	19	2	-2	8	6	56	0	28	↓	↓
		Wheat flour	13	1	3	0	-1	42			→	
		Maize	12	1	1	6	6	101			→	
	Central African Republic	Cassava	18	3	-1	3	4	-10	-1	-2	↓	↓
		Maize	13	6	-3	12	26	-9			↓	
		Rice	4	-3	-1	-12	-8	17			↓	
		Wheat flour	4	-1	-4	1	0	15			↓	
	Chad	Sorghum	18	4	-16	41	41	44	-2	23	↓	↓
		Millet	15	15	6	33	33	68			↗	
		Maize	5	4	-7	39	39	76			↓	
		Imported rice	3	0	4	-7	-3	32			→	
	Côte d'Ivoire	Imported rice	20	0	2	11	6	63	1	18	→	→
		Palm oil	9	6	4	18	17	36			→	
		Maize	7	21	6	10	3	33			↗	

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									Cumulative impact of the quarter	Cumulative impact from 5-year average		
A	B	C	D	E	F	G	H	I	J	K	L	M
West Africa	Gambia	Rice	21	2	0	12	11	39	0	13	→	
		Millet	19	-6	-2	-23	-23	25			↓	
	Ghana	Cassava	21	22	23	38	31	175	2	122	↑	
		Maize	12	11	-7	70	71	292			↓	
		Yams	11	21	-6	22	23	216			↓	
		Plantains	10	52	11	85	79	198			↑	
		Local rice	8	-3	-26	21	23	79			↓	
	Guinea	Local rice	37	-1	-6	-12	-11	167	2	73	↓	
		Palm oil	6	15	76	1	-8	195			↑	
	Guinea Bissau	Imported rice	35	7	N/A	11	5	100	4	32	↗	
		Maize	8	-22	N/A	-40	-22	-40			↓	
		Millet	8	40	N/A	67	21	-25			↑	
		Wheat	4	-8	N/A	-42	-18	67			↓	
	Liberia	Butter rice	32	4	1	26	26	117	1	55	→	
		Cassava	21	-1	N/A	37	36	N/A			↓	
		Palm oil	15	0	5	16	14	115			↗	
	Mali	Imported rice	21	1	0	3	6	36	5	60	→	
		Millet	20	17	15	88	89	130			↑	
		Sorghum	13	14	11	86	85	130			↑	
		Maize	9	8	4	56	56	108			→	
	Mauritania	Wheat	30	2	N/A	11	14	N/A	1	2	→	
		Imported rice	11	5	3	19	10	20			→	
	Niger	Millet	39	14	5	39	40	64	2	35	↗	
		Sorghum	11	9	0	31	33	53			→	
		Imported rice	7	1	0	-1	-1	52			→	
		Maize	1	4	-1	7	10	43			↓	
	North Nigeria	Sorghum	13	11	2	27	25	47	1	19	→	
		Millet	11	15	6	32	28	57			↗	
		Rice	8	1	-4	15	12	27			↓	
		Maize	8	11	3	17	15	51			→	
	Senegal	Imported rice	30	-7	-10	0	3	37	-3	19	↓	
		Maize	10	1	3	25	23	58			→	
		Millet	8	2	-1	16	14	27			↓	
	Sierra Leone	Imported rice	40	0	N/A	0	5	N/A	0	N/A	→	
		Palm oil	9	5	N/A	-1	-10	N/A			↗	

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									Cumulative impact of the quarter	Cumulative impact from 5-year average		
A	B	C	D	E	F	G	H	I	J	K	L	M
Central and Eastern Africa	Burundi	Sweet potatoes	17	88	105	89	80	332	25	116	↑	↑
		Beans	16	11	12	-14	3	140			↑	
		Cassava flour	13	28	24	13	29	200			↑	
		Maize	13	6	14	17	22	87			↑	
	Congo	Cassava	32	0	N/A	23	26	N/A	-1	6	→	→
		Wheat flour	18	-6	-6	1	5	34			↓	
	Congo DR	Cassava products	53	16	N/A	40	28	N/A	10	N/A	↑	↑
		Maize	14	8	N/A	30	37	N/A			↗	
	Djibouti	Wheat flour	34	-5	N/A	-6	-7	N/A	-2	N/A	↓	↓
		Rice	17	-1	N/A	-1	-2	N/A			↓	
	Ethiopia	Maize	21	5	-2	20	22	264	0	102	↓	↓
		Wheat	12	4	-2	4	11	178			↓	
		Sorghum	12	5	5	53	59	211			↗	
	Kenya	Maize	35	1	0	8	16	151	0	53	→	→
	Rwanda	Beans	11	23	19	1	5	111	2	18	↑	↑
		Maize	5	5	5	18	33	121			↗	
	Somalia	Sorghum	29	-7	-5	-42	-39	227	-5	122	↓	↓
		Maize	18	-4	-9	-43	-42	172			↓	
		Wheat flour	10	-3	-9	-26	-24	123			↓	
		Imported rice	9	-9	-15	-26	-24	146			↓	
	South Sudan	Sorghum	26	25	29	50	121	474	13	177	↑	↑
		Wheat flour	15	24	N/A	57	114	N/A			↑	
		Millet	7	20	30	7	161	766			↑	
	Sudan	Sorghum	60	37	24	135	106	329	16	226	↑	↑
		Millet	9	27	15	113	89	318			↑	
	Tanzania	Maize	26	17	33	16	15	130	9	50	↑	↑
		Rice	10	2	0	36	51	165			→	
	Uganda	Cassava flour	13	6	4	16	8	132	3	36	→	→
		Maize flour	9	20	16	10	14	140			↑	
		Beans	5	32	16	7	8	130			↑	

Regions	Countries	Main staple food	Caloric contribution (%)	Change from last quarter (% Change)	Seasonally adjusted quarterly change (% Change)	Monthly change from last year (% Change)	Quarterly change from last year (% Change)	Quarterly change from 5-year average (% Change)	Contribution to the cost of the food basket (%)		Price trend of the main staples	Cumulative (BLACK arrow: all staples, WHITE arrow: main caloric contributor)
									Cumulative impact of the quarter	Cumulative impact from 5-year average		
A	B	C	D	E	F	G	H	I	J	K	L	M
Southern Africa	Lesotho	Maize	56	7	N/A	27	27	N/A	4	N/A	↗	↗
		Wheat flour	14	-1	N/A	4	5	N/A			↓	
	Madagascar	Domestic rice	49	-12	-5	11	8	22	-3	11	↓	↓
	Malawi	Maize	53	-23	12	60	54	145	6	77	↑	↑
	Mozambique	Maize	20	-12	25	9	1	100	5	33	↑	↑
		Rice	8	0	0	-4	-4	159			→	
	Swaziland	Maize meal	25	0	N/A	37	66	N/A	0	N/A	→	→
		Rice	8	-1	N/A	-7	57	N/A			↓	
	Zambia	Maize	51	-6	16	-3	-8	37	8	19	↑	↑
	Zimbabwe	Maize	41	-17	-16	-1	3	693	-6	284	↓	↓
Latin America and Caribbean	Bolivia	Wheat flour	19	-4	-6	-1	-3	44	-2	16	↓	↓
		Rice	14	-7	-3	-10	-16	25			↓	
		Maize	13	-12	-4	-31	-38	28			↓	
	Colombia	Maize	13	-5	-12	36	34	109	-2	16	↓	↘
		Rice	12	6	N/A	2	4	N/A			↗	
		Wheat flour	8	-9	-11	-18	-18	29			↓	
	Costa Rica	Rice	17	8	N/A	1	0	N/A	1	N/A	↗	↗
		Maize	3	-5	N/A	2	3	N/A			↓	
	Dominican Republic	Rice	17	1	-1	-9	-3	26	0	4	↓	↓
	Ecuador	Rice	19	7	5	9	9	50	1	20	↗	↗
		Wheat flour	13	0	0	9	10	78			→	
	El Salvador	Maize	25	-2	-15	-48	-36	30	-4	11	↓	↓
		Beans	4	6	-3	-50	-46	38			↓	
		Rice	4	0	-2	6	9	46			↓	
	Guatemala	Maize	36	-28	-30	-49	-40	15	-11	5	↓	↓
	Haiti	Imported rice	23	-2	-2	2	-1	47	0	20	↓	↘
		Wheat flour	12	0	2	4	5	59			→	
		Domestic maize	9	3	0	1	2	28			→	
	Honduras	Maize	26	2	N/A	-40	-38	N/A	0	N/A	→	→
		Rice	5	-4	N/A	-3	-5	N/A			↓	
	Nicaragua	Maize	23	-3	N/A	-47	-38	N/A	0	N/A	↓	↘
		Rice	17	2	N/A	6	7	N/A			→	
	Panama	Rice	24	2	N/A	8	7	N/A	-1	N/A	→	→
		Maize	7	-13	N/A	11	19	N/A			↓	
	Peru	Rice	21	0	-1	0	2	4	0	13	↓	↘
		Wheat	14	-1	-1	2	1	28			↓	
		Potatoes	8	2	4	12	15	41			→	
		Maize	7	11	7	28	18	76			↗	



# Approach

This bulletin provides information on price changes for the most commonly consumed staples and their potential impacts on the cost of the basic food basket. Staples contribute 40 – 80 percent of energy intake for the most vulnerable population groups in developing countries. Therefore, even a small increase in staple food prices has a high impact on overall food consumption, especially when the food basket is composed of very few food items. The analysis is based on quarterly price indices<sup>3</sup> of the main caloric contributors to household food consumption (Output Table 3):

- i) Nominal price change from last quarter calculated as a percentage change from the precedent quarter. Nominal prices change is calculated by dividing the average quarterly price by the average of the previous quarter. The change between the two quarters is reported in column E.
- ii) Seasonally adjusted price change from last quarter calculated as a percentage change from the previous quarter. Real prices are calculated by dividing each monthly price by its 5-year (2003-2007) average and then quarterly averaged. The 5-year average is called long-term seasonal average. The change between the two quarters is reported in column F.
- iii) Monthly (year-on-year) price change calculated as a percentage change from 12 months earlier. Column G reflects the percentage change of the most recent monthly price data available in the quarter compared with the same month of the previous year.
- iv) Quarterly price change from the last quarter calculated as the yearly percentage changes of the latest month available in the quarter (Column H). This average percentage change indicates whether the price has changed from the recent quarter compared to the same quarter of the previous year.
- v) Quarterly price change from the 5-year baseline period, calculated as the quarterly average of monthly percentage change from the corresponding 2003-2007 average prices (Column I). This estimate indicates whether there is a structural shift of the current price from its long-term seasonal pattern<sup>4</sup>.

The percentage changes of these quarterly price indices indicate the extent to which recent price changes can be considered normal or abnormal as compared to the quarter before. Column D displays the caloric contribution of each food item to households' total energy intake.

Assuming that the caloric contribution is a proxy of the relative importance of the food item in the food basket<sup>5</sup>, the likely impact of the last quarter average price change on the cost of the food basket is captured in column J (i.e. the percentage price change in column F weighted by the caloric contribution of the food item in column D). The long-term likely impact is presented in column K (i.e. the percentage price change in column I weighted by the caloric contribution of the food item in column D). The likely impact of price changes is considered low when the estimated cumulative percentage impact on the cost of the food basket is below 0 percent (Column J). Between 0 and 5 percent it is considered moderate. Between 5 and 10% the likely impact on the cost of the food basket is considered high and severe above 10 percent. Households with diverse calorie sources are likely to be less affected by price rises than households with a single calorie source, unless significant price increases are witnessed for each major caloric contributor of the food basket.

While this approach can be used for early warning, results should be interpreted with caution as they do not capture the impact of the long-term trend in food prices. Furthermore, the approach measures only direct impacts while an indirect impact is not accounted for. For instance, substitution and income effects due to price changes are disregarded. Similarly, it does not provide insights into the causes of the price increases. Finally, this approach does not account for the severity of the likely impact which may differ between households due to different incomes and food baskets by wealth or livelihoods groups and coping capacity.

3. Prices are calculated as indices, using reference years, i.e. last year to capture 12-month percentage changes and last 5 years to capture percentage changes from the long term patterns.

4. Prices normally vary throughout a year due to seasonal patterns of the production cycle. Accounting for seasonality helps differentiating between normal seasonal price variations with additional changes which can be considered abnormal, depending on the magnitude of those changes.

5. Caloric contributions are based on FAO 2005-2007 estimates. Comparing FAO estimates of calorie contribution of each food item with a study by Reardon (1993) for selected countries in Africa, it appears in rural areas that the majority of households get most of their calorie intake from a few food items. The national patterns will likely reflect the rural patterns, assuming most of households leave in rural and semi-urban areas in the developing countries.

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