

WFP SOUTH SUDAN MARKET PRICE MONITORING BULLETIN



FEBRUARY 2015

HIGHLIGHTS

- *The month of February witnessed a further increase in the cost of food and other non-food commodities amidst dwindling food production and income for majority of urban dwellers, primarily fuelled by an increase in the parallel exchange rate and unavailability of foreign currency to traders. This will continue to erode purchasing power, especially for the poorest households, with implications for food security in several areas of the country.*
- *The South Sudan annual Consumer Price Index (CPI) increased by 8.5% over a one year period, between February 2014 and February 2015. The increase was mainly driven by high prices of food and non-alcoholic beverages.*
- *In February 2015, the unofficial exchange rate ranged from SSP6.00 to SSP6.50 compared the official exchange rate that is pegged at SSP3.17. The divergence of the parallel exchange rates and the unavailability of foreign currency at the official rate to traders impact the purchasing power of consumers and hence food security of households.*
- *Retail prices of diesel and petrol remained the same at previous month's levels but with wide variation across markets. Fuel prices are high with a litre of diesel price reported at SSP10 in Aweil, Northern Barh el Ghazal; SSP16 in Malakal, Upper Nile state; and SSP35 in Bentiu, Unity state. Similarly, a litre of petrol costs SSP15 in Aweil), SSP18 in Malakal and SSP35 in Bentiu. On the other hand, fuel prices remain relatively low and stable at SSP6 – 8 within the Greater Equatoria.*
- *Compared to a month ago, the price of white sorghum dropped in Juba, Central Equatoria by 9% but increased in Wau, Western Bahr el Ghazal (13% higher). Maize prices decreased in Torit, Eastern Equatoria (7%), in Juba (11%), in Malakal (29%) and in Bentiu (14%) compared to the previous month. Bentiu market recorded exceptionally high prices (more than double the prices of elsewhere) of commodities including staples, such as sorghum and maize, and fuel. The price of cassava, a widely consumed root crop in the Greater Equatoria states, decreased in Juba (8%) but remained stable in Torit.*
- *Comparatively, higher prices of food commodities in conflict affected states were attributed to high transport costs, disruption of supply routes and limited production. Disruption of supply routes was characterized with increased checkpoints but also security*

related-fears by traders leading to exceptionally high transaction costs in most parts of the conflict states. For example, the transaction costs accounted for 60% of sorghum selling price in Guit market in Unity state.

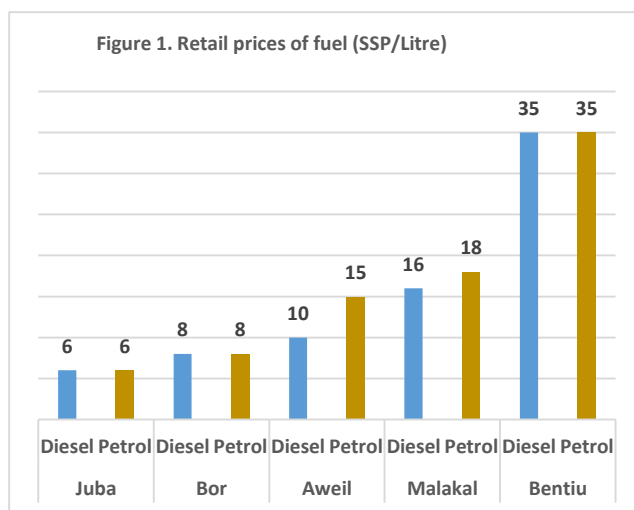
- *In February 2015, the average daily wage rate of non-agricultural labour ranged from SSP 28 in Bor, Jonglei state to the highest at SSP 40 in Aweil, Northern Bahr el Ghazal followed by Juba, at SSP 35. Compared to last month, the non-agricultural labour wage has increased in Aweil, Wau, Malakal and Bor which has been reflected in improvements in terms of trade.*

I. CONSUMER PRICE INDICES

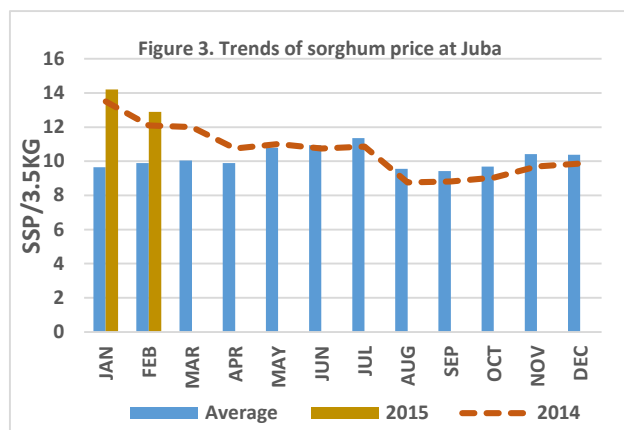
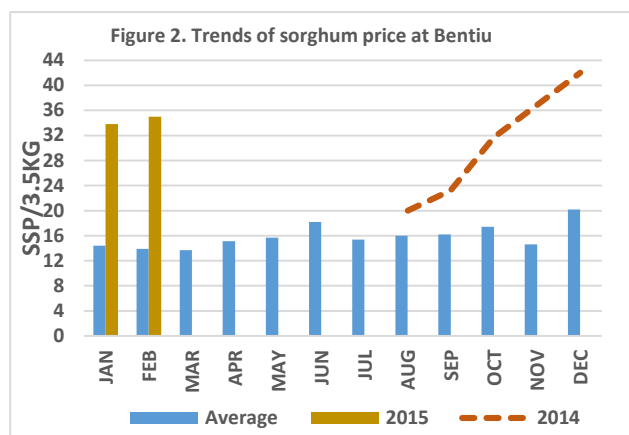
According to National Bureau of Statistics, the South Sudan annual Consumer Price Index (CPI) increased by 8.5% over a one year period, between February 2014 and February 2015. The increase was mainly driven by high price of food and non-alcoholic beverages (5.22%), housing, water, electricity, gas and other fuel (68.67%), health (47%), clothing and footwear (29%) and other components of the CPI. The components of food CPI have shown mixed changes as compared to February 2014. Whereas CPI for bread and cereals increased (+12%), meat (+15%), fruits (+24%), oil and fats (+4%) other components like fish decreased (-22%), sugar, jam and honey (-12%) and vegetables (-6%). Increases in CPI mean that the cost purchasing those commodities in February 2015 was higher while decreases imply reduced costs as compared to the same month in 2014. Poor and very poor households who earn low and fixed incomes as well as those dependent on markets are the most affected segments of the population by the increased cost of living.

II. OIL PRICES AND FOREIGN EXCHANGE RATES

Retail prices of diesel and petrol remained similar to the January 2015 levels but with wide variation across markets. The prices of a litre of diesel and petrol stood at SSP6 in Torit and at SSP8 in Bor. Markets closer to the main trading routes from Uganda to Juba are relatively benefiting from the minimum selling prices set by the Government of South Sudan. In markets further to the interior of the country, the prices are high. For instance diesel prices stood at SSP10 in Aweil, at SSP16 in Malakal, and at SSP 35 in Bentiu. Similarly, a litre of petrol retailed at SSP15 in Aweil, SSP18 in Malakal and SSP 35 in Bentiu (Figure 1). In many of the villages and along the main roads, it is common to observe fuel for sale by non-formal traders at higher prices, primarily sold in plastic bottles.



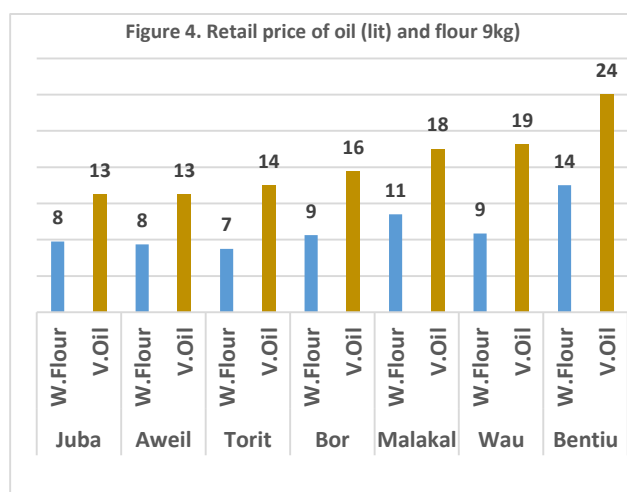
The divergence between the official and unofficial exchange rates has been increasing over the recent months. In February 2015, the unofficial exchange rate ranged from SSP6.00 to SSP6.50. The divergence of exchange rates and unavailability of foreign currency at the official rate to traders impact the purchasing power of final consumers. In the process of these transactions, traders incur considerably high costs which subsequently increased commodity prices for consumers.



III. STAPLE FOOD COMMODITIES PRICES

Compared to January 2015, nominal retail prices of staples including maize and sorghum were generally elevated in most areas although depicted varying trends in different markets. The prices were either stable or decreased in few markets but still at higher levels than the five-year average (Figure 2 and 3). Compared to a month ago, white sorghum price dropped in Juba (-9%) but increased in Wau (13%); maize price decreased in Torit (-7%), in Juba (-11%), in Malakal (-29%) and in Bentiu (-14%). The decreased prices either reflected a post-harvest in some locations in Greater Equatoria or the relative ease in the movement of commodities during the dry season.

Cassava is a widely consumed root crop in the Greater Equatoria states and a staple commodity in some households. In February 2015, the cassava price decreased in Juba (-8%) but remained the same in Torit. Bentiu market reported the highest prices (more than double the prices recorded elsewhere) of food commodities including staples and fuel prices. A malwa of maize retailed at SSP7 in Torit compared to SSP31 in Bentiu. The sorghum price varied from a low of SSP13 in Juba to SSP35 in Bentiu. The extremely high prices in Bentiu is a reflection of the effects of the ongoing conflict that has curtailed commodity movements into the area in addition the lowered local production capacities. Instead of receiving commodities from Mayom or Renk, the primary source of commodities currently in Bentiu is Juba through air cargoes, a very expensive transport means, the costs of which are shouldered by consumers.



The price of vegetable oil has increased across all markets in South Sudan when compared to the previous month. The price changes ranged from 9% in Juba to 55% in Bor. A litre of vegetable oil retails at SSP13 in Juba, SSP18 in Malakal and SSP24 in Bentiu market (see Figure 4). With the exception of Bor, conflict affected states have the highest price of vegetable oil and wheat flour. A kilogram of wheat flour in Bentiu is 75% higher than the cost in Juba and 20% higher than the cost in Malakal market.

Other commodities especially fruits and vegetables have shown significant price increases, as a result of the dry weather conditions in the country. For instance, one orange and avocado that were retailing at SSP2.00 -2.50 by December 2014 are currently being sold at SSP3.50 to SSP4.00 (an increase by up to 40%). Similarly, a five-piece bundle of average sized red onions retailed at SSP5 two months ago compared to only 4-piece bundle of the same onions which are now retailing at SSP5.00, an increase of 25%. The increases in prices of fruits and vegetables is observed across the country.

Terms of Trade

In February 2015, the average daily wage rate of non-agricultural labour ranged from the lowest at SSP28 in Bor to the highest level of SSP40 in Aweil followed by non-agricultural wage rate at SSP35 in Juba. Compared to last month, the non-agricultural labour wage has increased in Aweil, Wau, Malakal and Bor. This has been reflected in improved terms of trade in favour of poor labourers. A daily wage rate for non-agricultural labour was able to purchase about three malwas (at least nine kilograms) in Juba, Aweil and Malakal. In both Wau and Bor markets, the daily wage rate of the labourer was still able to buy two malwas (about six kilograms). Variation in terms of trade was observed in the different markets. For instance, terms of trade has increased in Juba by 6%, in Bor (13%), in Malakal (18%) and in Aweil (72%). Aweil market recorded the most favourable terms of trade primarily due to increases in wage rate by 40% at a time when sorghum prices remained relatively stable compared to January 2015. It is however notable that whereas the terms of trade might be favourable, the labour opportunities have declined relative to the agricultural seasons when there are more labour opportunities.

IV. Food security outlook

Prices of commodities have remained higher than the five-year averages and even the same period in 2013. Some markets have recorded declines in prices in the last one month although such prices still remained above the average prices typically observed during harvest and post-harvest (dry weather) periods. Prices also remain much lower in non-conflict states compared to the conflict affected areas. Thus, consumers are diversely affected.

The stalemate in the peace pursuit may continue to erode confidence of traders and heighten uncertainty among the business community. As a result, traders are likely to be reluctant to adequately restock before the onset on the rainy season. To date, stockpiling for non-perishable items has been extremely limited. Furthermore, the scarcity of foreign currency is also affecting traders' ability to procure commodities. All the above mentioned factors have variable implications on consumers—with the conflict affected communities worst hit.