WFP SOUTH SUDAN MARKET PRICE MONITORING BULLETIN

December 2015

HIGHLIGHTS

- **Depreciation of the local currency, the South Sudanese Pound (SSP) against the US Dollar continued during the month of December 2015. The SSP lost ground to the USD, exchanging at 18.5/USD down from SSP 17.5/USD and 18.1/USD in October and November 2015, respectively. The SSP slumped further in the new year, nearly hitting the 20/USD record low in Juba parallel black market during the second week of January 2016. This comes barely a month since the South Sudan Government adopted the floating exchange rate policy. This is seriously affecting trade flows, with prices of essential food and non-food items rising, especially those of imported commodities.**

- **Nominal prices of most staples and fuel are still showing an upward trend in local currency terms across the country in November and December, periods typically associated with harvests, increased local supplies and lower prices of locally produced food. For instance, the price of white sorghum increased by 14% in Kuajok, 62% in Malakal and 82% in Rumbek between November and December 2015. In Wau, a 3.5 kg malwa of sorghum retailed at SSP 52.5, the highest in the country during the month of December 2015. The staple food prices over the reporting period were also significantly higher than both the same month in 2014 as well as the 5-year average.**

- **Shortage of fuel continued to disrupt commodity flows and passenger movements, with majority of traders only managing to get their fuel through informal channels at inflated costs. Fuel prices at petrol stations increased from 6 SSP to 22 SSP per litre as a consequence of the currency devaluation. Long queues at petrol stations is a daily occurrence in Juba and Nimule where there are functional fuel pumps.**

- **With expectations of increased reliance on markets which are already experiencing the pressure of reduced local and cross-border grain supplies, currency devaluation, insecurity, fuel and dollar shortages, there is a high likelihood of further price increases in 2016, signaling to another year of high food prices in the country**

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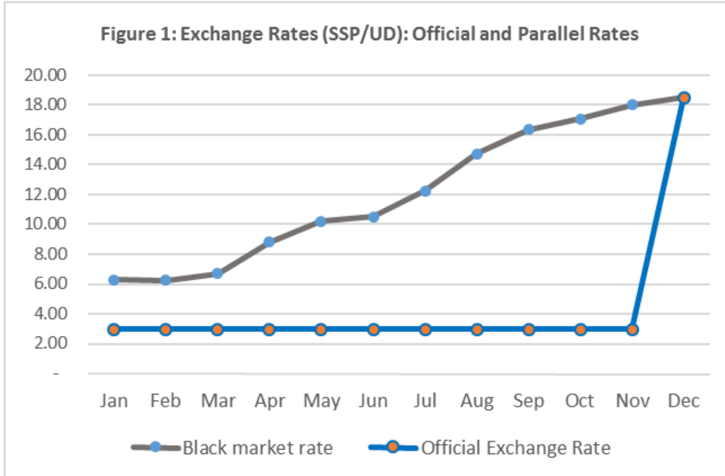
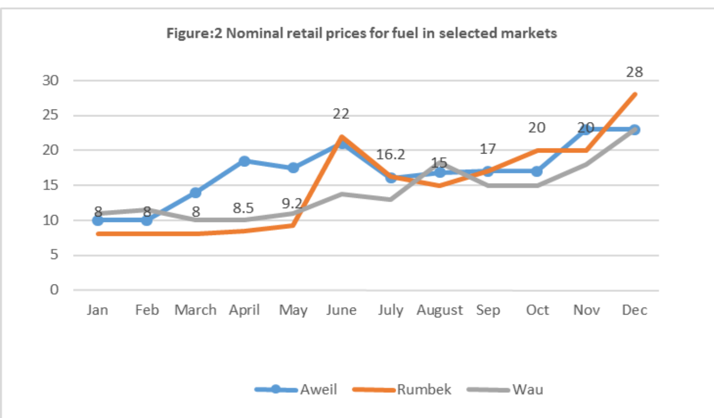
1. Rising cost of living following currency devaluation



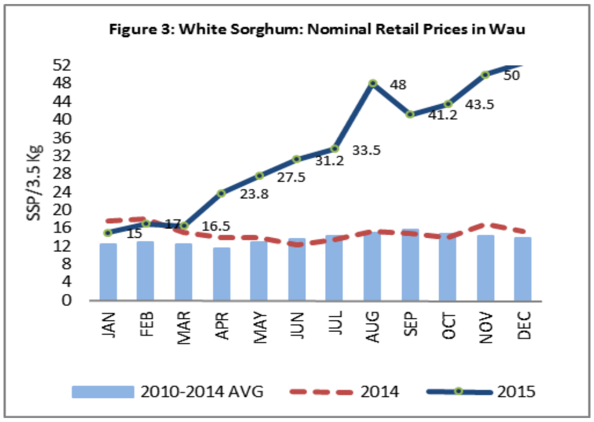
In mid of December 2015, the Government of South Sudan devalued the currency five-fold, allowing it to officially float at a prevailing market rate of SSP 18.5 per USD up from the fixed SSP 2.96 per USD previously. Consequently, South Sudan's state-owned Nile Petroleum Company increased the retail fuel prices in Juba from SSP6 to SSP22. Elsewhere, a litre of fuel retailed at between SSP 22-25, however, in the conflict affected areas prices price were much higher as reported in Bor, Bentiu and Upper Nile ranging between 45-60 SSP in the last week of December 2015. Mobile telephone companies (MTN and Vivacell) also increased their rates citing currency devaluation, further increasing the cost of doing business. Traders reportedly revised the retail prices for most commodities upwards in line with the official currency devaluation. Increased consumption demand by households during the December festivities also contributed to increased prices of commodities. Dollar scarcity persists, making it difficult for traders to import food.

2. Persistent shortage of fuel continues to disrupt trade flows

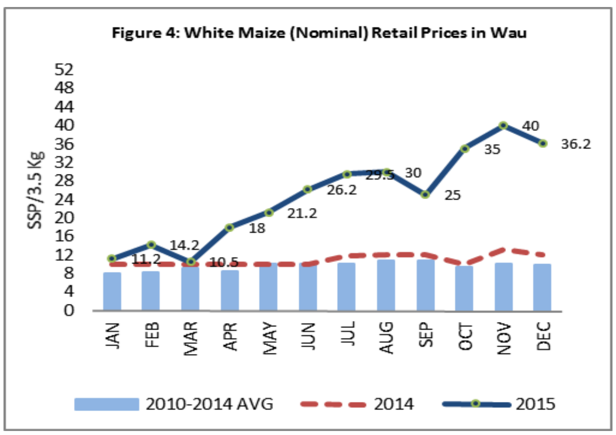


Fuel supply (petrol and diesel) deteriorated further following the currency devaluation. Fuel prices recorded the highest monthly increase ever in all markets monitored country wide. Limited fuel availability was reported in Bor and Bentiu where a litre retailed at SSP 45 to 60 respectively while in Yambio and Aweil it costed SSP22. In Rumbek, fuel was sold at SSP 28/litre (Figure 2) while in in Warrap the pump fuel increased to SSP 35/litre. In Juba fuel prices jumped by 267 percent. The persistent fuel shortage continued to disrupt trade, limit commodity supplies and increased the cost of transportation. Its effects are even higher in the conflict states of Greater Upper Nile and parts of Eastern Equatoria. Fuel shortage has also hampered movements of passenger vehicles, further negatively affecting economic operations.

3. Prices of locally produced staple grains continue to rise despite arrival of new harvests



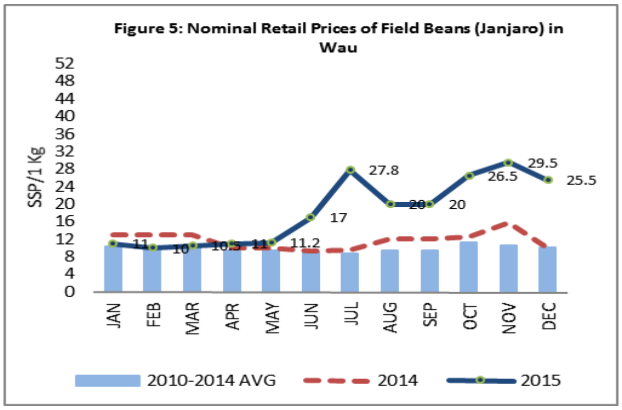
The prices of cereals continued to increase, defying seasonal trends. Prices of locally produced cereals are typical expected to decline in November-December due to increased supply from harvests. On the contrary, prices of local grains shot up in December 2015 in most markets. For example, in Rumbek, the price of white sorghum increased by up to 82% (from SSP 23 per *malwa*[1] in November to SSP 42/*malwa*) in December 2015, as indicated in Figure 3, similar trends were also recorded in Kuajok, Warrap. The retail price for white sorghum decreased by 25% in Bentiu as result of General Food Distribution (GFD) while remained stable in Torit and Kapoeta but at an elevated cost of SSP30/3.5kg malwa. In Juba, the sorghum price was 302 percent higher than December 2014, whereas in Rumbek and Kuajok, retail white sorghum increase by 146 and 170 percent respectively over same time. In the conflict affected areas, the prices of sorghum were much higher, mainly on account of insecurity that has disrupted markets, trade flows as well as farming activities. In Malakal, Upper Nile, the price of white sorghum increased by 62% to stand at SSP 53/3.5kg in December 2015. In Konyo Konyo market (in Central Equatoria), the price reduced by 6%. Minimal white sorghum price increases were recorded in most markets of the Equatoria and parts of the Greater Bahr el Ghazal region.



Prices of maize, an alternative staple commodity also increased in most markets during the reporting period. In Rumbek, a *malwa* of maize grain sold at SSP 41 (Figure 4). The same unit retailed at SSP 20 in Yambio (western Equatoria) in December 2015, the lowest recorded during the period. In Wau, the retail price of maize grain reduced by 9% during the reporting period. The price of maize grain was stable in Yambio, but could likely increase in the coming months due to the ongoing insecurity and relatively lower harvests compared to the previous year.

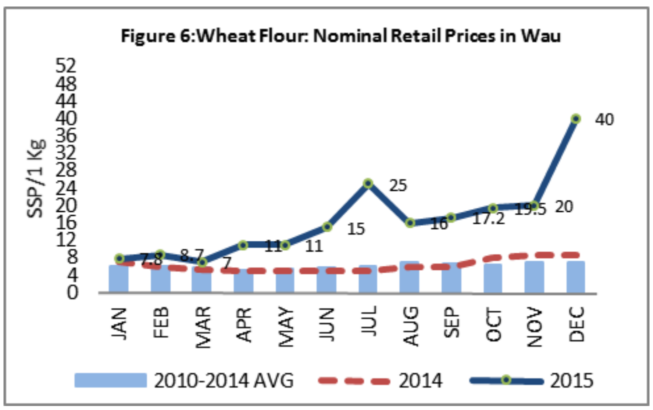
[1] 3.5 Kg container/measurement of cereals

4. Prices of beans, a common protein source, increase for the fourth straight month in most markets



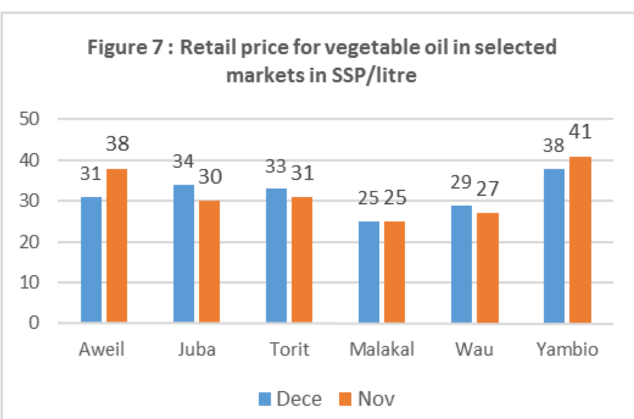
The currency devaluation heightened uncertainty in the import food trade resulting in immediate increases in the prices of imported goods such as vegetable oil, wheat flour and beans in most markets during month of December. Red beans (*janjaro*) retailed at an average of SSP 40 per kilogram, more than double the price within a period of just two months. In Wau, beans price sold at SSP25/kg while the same unit stood at SSP in 30 to 35 SSP in Aweil and Kapoeta (from [Figure 5]).

5. Increased cost of wheat flour, a common staple food among urban residents in most markets



The reporting period witnessed general price increases for wheat flour in many markets. Wheat flour prices increased between November and December by 58% in Juba and in Bor, by 61% while more than doubled in Wau, the highest increase in the country. On the other hand, wheat flour prices decreased slightly in Rumbek by 6% and in Warrap by 9% over the same period (Figure 6).

6: Continued pressure on vegetable oil prices



Most markets showed continued price inflation for vegetable oil in the last three months of October to December 2015. An exception however was reported in Juba and Malakal were relative price stability prevailed although this is expected to change following currency devaluation. The prices are also substantially higher than the 5-year average in all markets. In Aweil, vegetable oil prices reduced to 21% between November and December, followed by 13% in Rumbek. The highest retail prices of vegetable oil were reported in Yambio (SSP38 /liter) while the lowest were recorded in in Malakal at SSP25/liter (Figure 7).

6. Food Security Outlook

With the below average harvests in most areas, most households will exhaust their stocks earlier than expected, setting the stage for an early transition into the lean season. Increased reliance on imported food markets is therefore expected for the better part of 2016. Cross-border supplies of cereals from Sudan to northern markets is expected to be depressed due to crop failures and low production surpluses anticipated for the 2015/'16 harvest period in the Greater Darfur region and West and South Kordofan. In the Greater Upper Nile region, minimal crop production due to insecurity challenges coupled with disrupted transport routes and depressed economy will continue to put pressure on prices of basic commodities. The ongoing conflict in parts of the Greater Equatoria region is also hampering trade flows thereby contributing to high prices. The short term effects of currency devaluation, insecurity, fuel and dollar shortages, expected national food gap, restricted market functioning and tighter regional food markets lends credence to a high likelihood of further price increases early and throughout most of 2016. This will continue to increase the vulnerability of poor households who are highly reliant on markets.