

WFP SOUTH SUDAN MARKET PRICE MONITORING BULLETIN



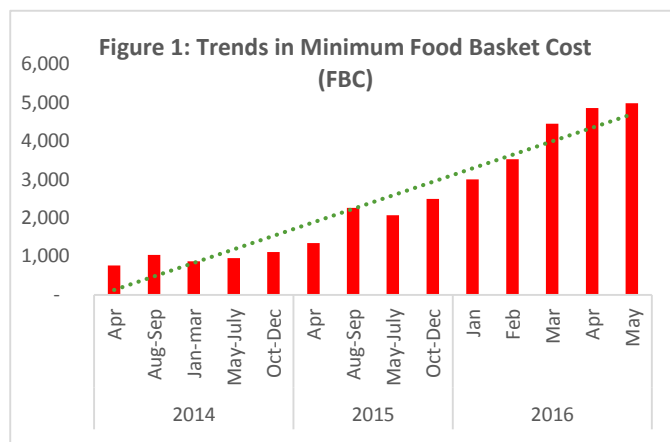
1st – 31st May 2016

Market Highlights

- *In May 2016, the South Sudanese Pound (SSP) lost further ground against the United States (US) dollar in the black market exchanging at an average 38 SSP/1US\$, one unit down from the previous month. The SSP weakened further against the dollar in the third week June 2016 exchanging at an historic rate of 48 SSP/1US\$. The depreciation of the SSP is mainly due to acute shortage of dollars. This has made it extremely difficult for traders to import and preposition food and other commodities before the rainy season, signaling high prospects of reduced market functioning and escalating prices during June-July 2016.*
- *The country is still experiencing acute fuel shortages, characterized by sporadic supply and unwillingness of dealers to sell at government controlled prices. Accordingly, hoarding and black market sales of fuel was on the rise in Juba, with petrol retailing at 75-95 SSP/ liter against the controlled price of SSP 22/liter. The increased cost of fuel has inflated transportation costs and disrupted trade with knock off effects on prices.*
- *Cereal staples - white sorghum and maize - sustained rising trends in most markets in May 2016. The highest price of white sorghum was recorded in Bor and Wau, where it ranged between SSP 80-95/ 3.5kg malwa while the highest cereal price increase was in Bentiu and Kuajok. Scarcity of maize grains was reported in Aweil, Bor, and Kuajok while the highest price was in Torit at SSP 55/ 3.5kg malwa, representing a monthly increment of 60%. Prices of most imported commodities sustained upward trends across the country in line with currency depreciation and increased cost of doing business.*
- *In the June-July 2016 outlook, the purchasing power of many households will remain highly compromised as staple food prices are projected to increase further across the country while income opportunities will decline in line with the economic slowdown. Reliance on markets will increase during the June-July period as many households have exhausted their livestock and crop stocks, exposing them to heightened seasonal vulnerability to food insecurity. The most at risk will be the urban poor, returnees in Greater Upper Nile, vulnerable rural people and the deficit crop producers in Greater Bhar el Gazal. However, the expected early green harvests in July in the Green Belt will bring temporary reprieve for many households and cereal prices may stabilize or even decrease in the Equatoria region.*

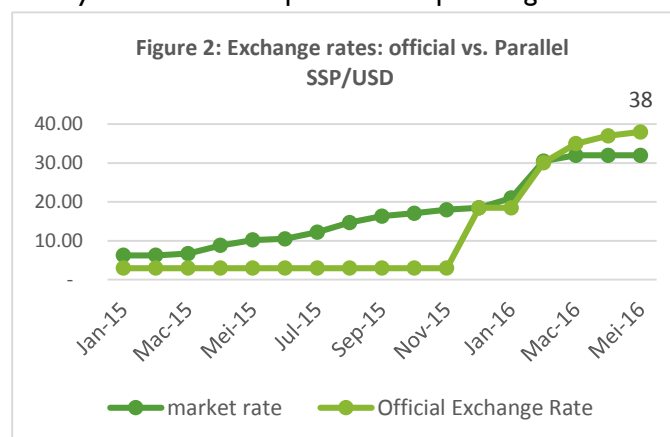
I. Rising cost of living and economic deterioration sending families across international borders

The overall cost of living in South Sudan extended increasing trends in May 2016. According to the National Bureau of Statistics, the headline inflation hit 295% year-on-year (YoY), up from April's 266% YoY, officially the highest ever recorded in the country and currently the highest in the world. The monthly CPI increased by 21% between April-May 2016 on account of higher prices of fruits. The Minimum Food Basket Cost¹ (MFBC) however increased modestly (3%) month-on-month but was 41% higher than what it was three months before and was significantly elevated (269%) when compared to the same month in 2015 (Figure 1). The effect of the deepening economic crisis on households characterized by rising inflation, seasonal vulnerabilities, dwindling income opportunities and depleted crop and livestock assets implies that many urban poor and those in the rural who rely heavily on markets can no longer afford regular meals with many reportedly going for days without food. In an attempt to counter the effects of the economic downturn, many private sector companies have opted to lay off their staff while salary delays² for many public sector workers have been reported, compounding the already worse food insecurity situation. Since the beginning of the year, due to hunger, economic crisis and localized conflicts, many families have continued to seek refuge in neighbouring countries. For instance about as of May 2016, about 7,804 people had so far arrived in Kakuma Camp in Kenya while in excess of 70,000³ had been registered by UNHCR in Sudan. These numbers could be higher considering that those who have been integrated into the local host country population have not been accounted for.



II. Plummeting South Sudanese Pounds crippling food imports

South Sudan's macro-economic situation remains fragile as the country continues to implement the peace agreement and the economic reforms. The reduced extraction of oil and low crude oil prices are putting additional strain on the fiscal space and foreign reserves⁴ at a time when the country is faced with the dilemma of expanded domestic public expenditure⁵. In May 2016, the South Sudanese pound (SSP) weakened further against the United States (US) dollar in the black market exchanging at an average 38 SSP/1US\$ down from 37SSP/1US\$ the previous month. The SSP lost further ground against the dollar in the third week of June 2016, exchanging at an all-time high of 48 SSP/1US\$. However the official exchange rate was pegged by the Bank of South Sudan within stable bands at an average of 32-35 SSP/1 US \$ during the reporting month. Forex



¹ Basic staple (sorghum or maize), pulses/beans (source of protein), vegetable oil, sugar and salt. This provides the cheapest possible minimum food basket for minimum energy requirements consumed by an average household of six people.

² Most staff in the public sector have not been paid for the last three months

³ Humanitarian Bulletin Sudan Issue 24 | 6 – 12 June 2016

⁴ The reserves are less than one month of import cover

⁵ The new administrative structures will put additional pressure to increase taxes in order to fund the ballooning wage bill and other recurrent expenditure lines

market volatility and dollar shortages have made it extremely difficult for traders to import and stock food and other goods before the rainy season, signaling reduced market functioning and escalating prices during June-July 2016.

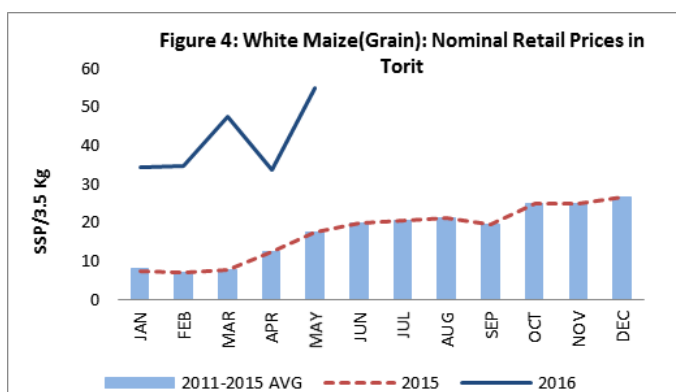
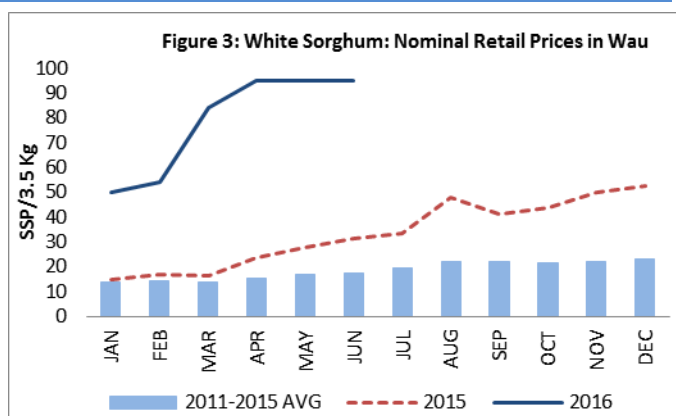
III. Sporadic fuel supply and isolated insecurity cases limiting trade flows

While the official price of fuel has been maintained at 22 SSP per liter, it retailed at between 75-95 SSP per liter in the black market in Juba during the month of May 2016. Although trade routes with Greater Bahr el Ghazal were seasonally accessible in May, normal flows to destination markets were still low due to insecurity, fuel shortages and high transportation⁶ costs. In particular, commodity supplies to Wau market were still very low during the reporting month mainly due to the insecurity along the main Tambura – Wau supply route. The persistent insecurity⁷ in Wau where most of the green vegetable crops are produced has also contributed to high prices of greens in the market due to low supply. There has been limited trade flows between Juba to Rumbek in the recent months due to the insecurity along the Juba-Terekeka-Yirol-Rumbek trade route, despite improved seasonal road access. Food prices have also risen significantly in the Malakal PoC following restrictions of the route to Wau Shilluk located across the Nile River. The high price of fuel and sporadic supply breaks have partly contributed to the high prices of staple foods.

IV. Deteriorated road conditions following seasonal rains piling pressure on prices

Road conditions continued to deteriorate with the onset of seasonal rains in late May and June, limiting food deliveries by heavy trucks, particularly in northern and eastern Jonglei and eastern Upper Nile former states. Other main routes are passable by small pickups, albeit with difficulties. Air transport has also been crippled due to rains that have muddied many seasonal runways limiting delivery of humanitarian assistance in many parts in Greater Upper Nile. In May 2016, the highest price of cereals was recorded in Bor and Wau where a 3.5kg malwa of cereals was sold at SSP 80 – 95 (Figure 3). Significant price increase of white sorghum was witnessed in Bentiu and Kuajok where a 3.5kg malwa was sold at SSP 76 -77. The highest cereal price in the country was recorded in Bor market, the second time in a row. The cost of cereals was reduced somewhat (26-54%) in Juba and Bentiu on a monthly basis but was substantially higher (121%) than the same time last year in the former, and significantly elevated (up to 374%) when compared to the long term average in both markets.

Scarcity of white maize grain was observed in Aweil, Bor, and Kuajok owing to high cost of transportation. The nominal retail price of maize grain in Torit market showed the highest monthly increment (64%) in the country where a 3.5 kg malwa stood at SSP 55 (Figure 4). Whereas in Juba and Yida Markets



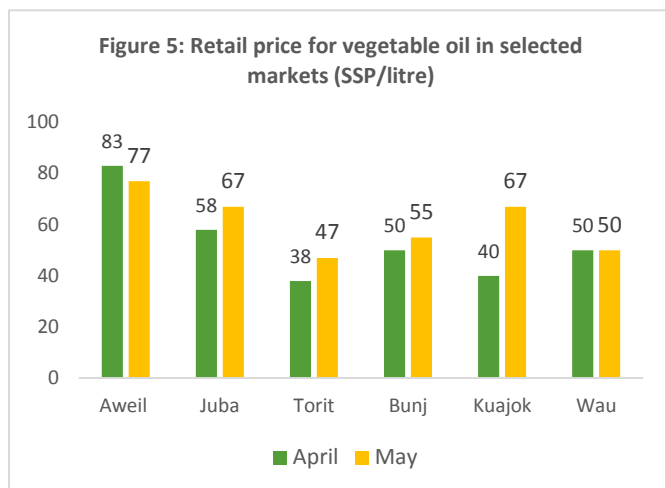
⁶ Cost of fuel contributes to 30-40% of transportation costs

⁷ Has discouraged transporters and traders

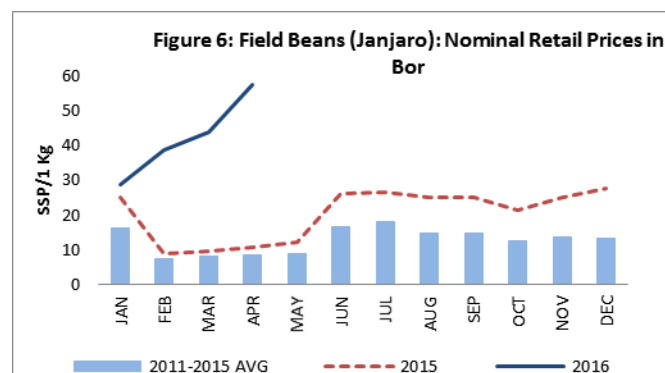
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Maize grain were reduced by 20% and 28% , they were still significantly higher than the same time in 2015 by 321% and 115% respectively. In the next 2-3 months, cereal prices are expected to increase further mainly due to high demand following earlier than usual depletion of household food stocks, low volumes of imports, dollar scarcity and the depreciation of the South Sudanese currency. The exception may be in the green belt livelihood zone of Greater Equatoria where the green harvest of maize is expected to start in July.

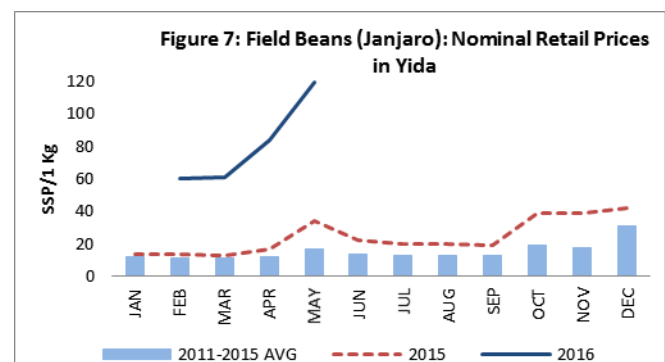
The price of cooking oil, like other imported commodities that are subject to high transportation costs, dollar scarcity and currency devaluation risks, increased in most markets. Price of cooking oil increased everywhere month-on-month with the exception of relative stability in Wau and slight reduction in Aweil where it retailed at SSP 50 and SSP 77 respectively. Vegetable oil in the two latter markets cost 3-4 times more than during the same month last year. The steepest increase (70%) in cooking oil price was reported in Kuajok where a litre costed SSP 67, followed by Juba (35%). In early June, prices of imported commodities rose to unprecedented levels in Wau, prompting the local chapter of the Chamber of Commerce to suggest the possibility of introducing price controls in the Town.



Accelerated prices of red beans (Janjaro) were observed in most markets due to low supply and high transportation costs. Bentiu and Juba reported the highest prices (ranging from 10% to 52%), costing between SSP 50-55/kg while prices in Wau and Aweil ranged between 40-45 SSP. The price of beans decreased (13%) in Bor while remaining relatively stable (3- 6%) in Aweil and Wau.

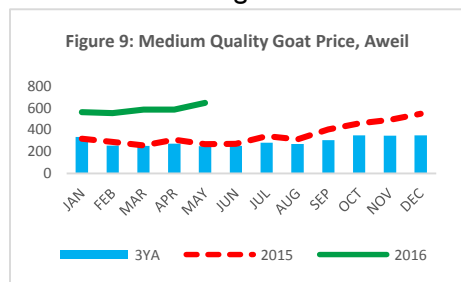


Wheat flour, an alternative source of starch in urban areas, was most expensive in Bentiu retailing at SSP 67/kg which represents an increase of 8% from the previous month. Wheat flour retailed at SSP 30-35 in Torit, Bor, Aweil and Wau, slightly lower than last month prices but expected to increase through the coming months due to low supply and high transport costs. In Yida wheat flour prices were significant higher than the same month last year by 512% where it retailed at SSP 85 /kg.

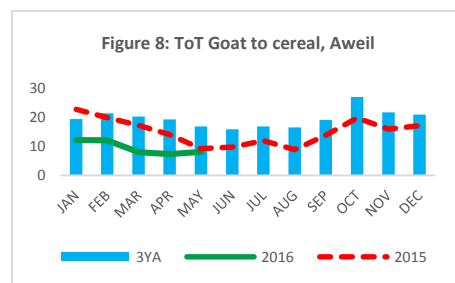


V. Real purchasing power of casual labourers and livestock keepers at unprecedented lows

The purchasing power of casual laborers and livestock keepers has been declining in 2016 and is significantly lower than 2015 and the three year average (Figure 8). This is despite the fact that in nominal terms, the value of livestock is much higher than the same time last year and the 3-year average (Figure 9). The reduced purchasing power in 2016 is due to cereal prices increasing much faster than casual labour rates and livestock prices, disadvantaging livestock keepers and casual labourers. Again the cost of living as measured by the CPI grew faster than



the increase in casual labour rates and livestock prices. For example in Aweil, in May 2016, the ToT for goat against white sorghum showed slight increase, suggesting an increase in the quantity of white sorghum that a goat could buy at 8kgs, 1kg more than it was in the previous month (Figure 9). However, the ToT for goat to cereal was much lower than the same period last year and the three year average suggesting reduced purchasing power year-on-year and seasonally.



VI. Food security outlook

In a normal year, South Sudan heavily relies on imports to meet food need gaps as the country does not typically produce enough to meet the national consumption requirements. The volumes of trade remain lower⁸ than normal while staple food prices are at historical highs. Given this low level of commercial food imports before the rains, food availability is expected to be far below normal in many markets during the wet season (June-August). Coupled with the fact that many households have depleted their food stocks earlier than normal, prices of staples are projected to sustain rising trends (June-July) and will be significantly higher than last year and the five-year average levels in all markets across the country, inflating the cost of living and deepening seasonal vulnerability among market-dependent households. The worsening economic conditions will compound an already dire food insecurity situation by reducing purchasing power in addition to drying up non-farm income sources. On a positive note, the expected early green harvests in the green belt will likely temper cereal prices in parts of the Equatoria region.

There are indications of an increased number of people leaving PoCs in Bentiu/ Malakal to return to their homes and re-establish their livelihoods particularly in farming. Therefore, an increased area under cultivation is projected in parts of Greater Bahr el Ghazal and Greater Upper Nile compared to last year. Therefore food availability is expected to improve in November with the harvest given the projected normal to above normal rainfall in July-September. However in the Eastern part of the country (former Eastern Equatoria, Jonglei and Upper Nile states) which are expected to receive above normal rainfall⁹, the prospects of significant flooding could negatively impact crop production.

Despite the positive formation of the Transitional Government of National Unity, the deteriorating economic situation will likely fuel opportunistic criminality and banditry along major supply routes. Moreover, localized conflict and tensions over resources will likely continue, disrupting trade flows and markets.

⁸ Mainly due to limited availability of foreign currency and continuing depreciation of the South Sudanese Pound

⁹ WFP VAM South Sudan: The 2016 Rainfall Seasonal Analysis, May 2016