Rising food prices and household food security in Southern Sudan

Highlights

Main issues

- Agricultural production showed modest increase between 2003 and 2007.
- After a persistent decline since 2005, prices of cereals have been rising over the past few months.
- Prices of cereals were significantly higher than the neighbouring countries (by about 60 % compare with Uganda) over the past few months.
- The retail price of wheat in Juba market is 100% higher than the import parity price in May 2008.

Recommendations

Short-term:

- Establishing food security council for guiding policy at highest level,
- Quick impact agricultural interventions,
- Targeted subsidy or safety net programme,
- Remove multiple taxes and import duties on staple food.

Medium and long-term:

- Strengthen the agricultural research and extension service,
- Support to smallholder producers,
- Encourage private sector and commercial rain fed and irrigation farming,
- Establishing Strategic Emergency Food Reserve,
- Investments in rural infrastructure.

1. Introduction

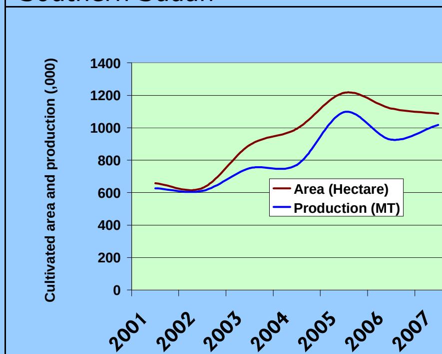
During the first three months of 2008, international nominal prices of all major food commodities reached their highest levels in nearly 50 years while prices in real terms were the highest in nearly 30 years (FAO 2008)[1]. In the short term, the impact of soaring food prices on households depends on the level of agricultural output and income levels which determine their purchasing power. Poor households who spend a large proportion of their income on staple food grains are likely to be the worst affected.

Southern Sudan is heavily reliant on imported food products from the neighbouring countries. This makes Southern Sudan highly vulnerable to the current global food crisis. Therefore, it is crucial to analyse the effect of food prices in Southern Sudan and propose strategies to mitigate the impact. The purpose of this paper is to discuss the current situation and propose possible actions to deal with rising prices. The paper identifies more specifically what needs to be done in the immediate and in the long-term to tackle the problem of food crisis. The set of policy actions that should be pursued by the main players specifically the government are identified and recommended.

2. Trends in cereal production

Overall cereal production from the traditional sector which represent about 80 percent of total production increased consistently between 2001 and 2007 (Figure 1). According to the data from the Joint WFP/FAO Crop and Food Supply Assessment Mission (CFSAM) report (see Figure 1), total estimated production of cereals increased from 627, 000 MT in 2001 to about 1 million in 2007, representing more than 60 percent increment. The increase in production may be attributed mainly to the increase of cultivated area. Area cultivated increased by 65 percent between 2001 and 2007. The average yield estimate of traditional cereal production, at 1.01 was estimated to be higher than any estimate in the recent years. The relative peace and stability after the CPA agreement in 2005 could also have contributed to the large increase in production after 2005 through 2007. The level of cereals production varies among the ten States of

Figure 1: Cereal productions in Southern Sudan



Source: CFSAM , January 2008

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[1] Soaring Food prices: Facts, perspectives, impacts and action required, FAO April 2008

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Southern Sudan. The variations could be as a result of agro-ecological and other socio-economic distinctions among the States. As shown Table 1, about 66 percent of the traditional cereals productions came from four States; namely, Warab, Western equatorial, Lakes and Northern Bahr El Ghazal. However, the lack of established trading networks and the sheer lack of physical infrastructure prevent large-scale transfers to cover the estimated cereal deficit from surplus producing areas.

Table 1: Cereals production estimates (, 000)

States	**2003**	**2004**	**2005**	**2006**	**2007**	**Average**	**%**
U.Nile	42	48	48	61	35	47	6
Unity	12	22	35	39	27	27	3
Jonglei	27	12	84	89	61	55	7
Warap	NA	NA	177	151	195	174	22
NBEG	185	195	56	72	70	116	14
WBEG	34	26	38	41	50	38	5
Lakes	87	85	103	95	107	95	12
WE	132	113	156	151	189	148	18
CE	84	66	77	78	74	76	9
EE	31	20	26	29	51	31	4
Total	**634**	**587**	**800**	**806**	**859**	**807**	**100**

Sources: Crop and food supply Assessment mission

Despite the good and consistent increase in total production; civil insecurity, population displacement, poor infrastructure and weak marketing system continue to place physical and financial constraints on access to food and make a large number of vulnerable people dependent on food assistance. The Annual Need and Livelihood Assessment (ANLA) undertaken in 2007 showed that approximately 80 percent of the rural households have not had enough food to feed the family until the next harvest.

3. Import parity price

In order to view the impact of soaring food prices from a global trade perspective, it is necessary to analyse the staple food prices in Juba vis-a-vis international market prices and implication for policy action. As illustrated in Table 2, the retail price of wheat in Juba market is 100% higher than the import parity price. This implies that the domestic wheat market in Southern Sudan is not competitive. Therefore, measures have to be put in place to enhance competitive trade to reduce the wheat prices in Juba market. It should be noted that the international market price of wheat (F.O.B[2]) has skyrocketed from US$ 203/MT to US$ 354/MT over the last 12 months, with a peak at US $460 in February 2008, increasing by more than 126 % percent. The Juba price, which is higher than the already exorbitant international market price, would mean that consumers in Juba are exposed to an even higher food prices than people in the rest of the world.

Table 2: Comparison of Import Parity Price (IPP) and Local wholesale prices for major food staples in Juba Market, Southern Sudan (May 2008) $US/MT

No.	**Cost item**	**Wheat**	**Maize**	**Sorghum**
A	Free on Board (FOB) price- May 08 (3 week average price)	354	285	240
B	Ocean freight	90	60	130
C	Insurance (2% FOB)	7.1	6.9	7.4
D	Port handling charges	28.9	28.9	28.9
E	Cost, Insurance and Freight (CIF) Mombassa [A+B+C]	480	380.8	406.3
F	Transport: from Mombassa to Juba	250	250	250
G	Customs 6% (E+F)	43.8	37.8	39.4
H	IPP Juba bagged (D+E+F+G)	773.8	668.6	695.7
I	IPP Juba + Traders profit margin (20%)	929	802	834.8
J	Domestic retail prices bagged, May 2008 (Juba)	1857	539	616

Source: WFP (Juba price) and FAO/GIEWS (international market)

Notes:
A. FOB price of Hard Red Winter Wheat and Yellow Sorghum from USA (Source :FAO/GIEWS) and yellow maize from South Africa (Source: WFP).
B. Ocean freight is from European port to Mombassa for wheat, from USA Gulf port to Mombassa for sorghum and from Durban, ZA to Mombassa for maize (Source: WFP)
C. Exchange rate 1 US$ = 2.04 Sudanese Pounds (SDG)
D. Insurance is assumed to be 2% of FOB
E. Port handling charges (Source: WFP)
F. Inland Transport Cost estimate US$ 12,000/ 50 tonn (Source: Private sector operator).
G. A customs duty of 6% (Source: Sudan Customs Authority).
H. Domestic retail prices (Source: WFP)
I. A 20 percent trader profit margin is assumed.

However, domestic retail prices of sorghum and maize in Juba were lower that the import parity price by 26% and 33% respectively (see Table 2). This is mainly due to the supply of sorghum and maize from domestic production in Southern Sudan and neighboring countries which reduces the transport and other transaction costs. Increased domestic production of sorghum and maize will bring prices lower than the current level. As indicated in table 2, inland transportation costs from Mombassa to Juba constitutes between 27 and 34 % of the IPP price. This clearly indicates the need to invest in road infrastructure.

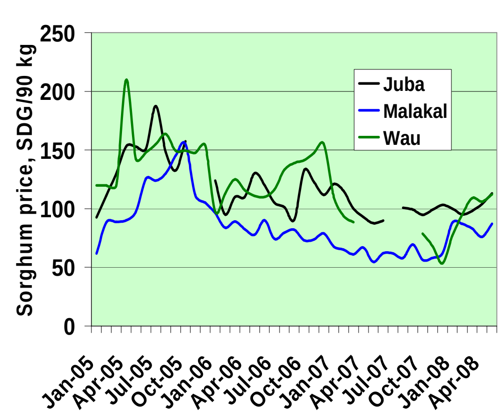
4. Cereals price trends in domestic markets

Over the past few years prices of cereals show a downward trend almost in all markets in Southern Sudan. The relative peace a and stability after the CPA is the main factor causing the downward trend due to better

[2] Freight on Board

domestic and cross-border trade Opportunities. Improved links with markets in East Africa has also contributed highly in lowering prices during this period. However, despite the seemingly downward movement, the general price levels have been considerably higher compared to the prevailing cereal prices in the region

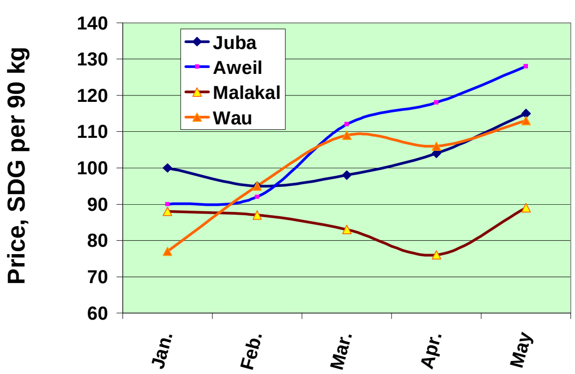
Figure 2. price of sorghum in selected markets (2005 – 2008)



Sources:WFP, Graphics: SIFSI-South

Over the past few months, cereal prices continue to rise, with more than 15 percent increase of prices of sorghum between January and May 2008 in Juba Wau, and Aweil (Figure 3). The prices of sorghum in Malakal were stable and lower than other markets mainly as a result of its favourable trade route with markets in Northern part of Sudan and its geographical closeness to major sorghum producing

Figure 3: Prices of sorghum in selected markets



Source: WFP, Graphics SIFSIA-South

mechanised farms. Similarly, prices of Maize have persistently increased since February in Juba market (25 % increment between February and June). Considering the global food crisis which is also affecting this region, price decline of major cereals is not expected over the coming months. The prices in Southern Sudan were considerably higher than prices in neighbouring countries. In May and June 2008, maize prices in Juba were 25 and 26 percent higher than prices in Kampala respectively. Similarly, sorghum's price in Juba was 66 and 59 percent higher than Kampala's market in May and June 2008 respectively.

5. Impact of prices increase on household food security

Due to poor and low cereal productivity, households do not produce enough to last them until next harvest. Recent evidence shows that about significant proportion of rural household and majority of urban households are net buyers of food and have at some period accessed the markets to buy food for the family in Southern Sudan. Considering the low employment and income generating opportunities, the impact of high cereal prices is expected to affect the normal livelihood patterns.

As indicated earlier, prices have been following upward trend over the past few months, implying that households will face higher cereal prices, at a time when there will be food shortages at household level. As a result, more households are expected to engage in negative coping strategies much earlier than usual. Incidences of high malnutrition pushed by household's lack of food access are expected to increase during the hunger period which occurs between April and July.

Recently a large number of Southern Sudanese refugees have been returning home from neighbouring countries. They have neither the capacity to produce nor the resources to adequately purchase their own food. The modest assistance they receive from the international agencies and government is not sufficient to meet their needs, unless extra support is provided to them. Therefore, they could be hard hit by the rising food prices.

The vulnerable population in Southern Sudan currently being assisted by the humanitarian organizations and the Government will also suffer from higher costs of food assistance which might leads to reduced volume of aid. This might force the beneficiaries to cut ration which might lead to malnutrition.

6. Policy recommendations

In order to tackle the impact of high food prices, it is imperative that the GOSS adopts multi-pronged strategy to address the crisis and prevent a further escalation of food prices which compromise the food security of the poor segment of both rural and urban population.

Urgent policy actions need to be taken while implementing long-term strategies to address the root causes of the problem. The following short and long term measures are suggested to address the issue:

6.1 Short-term recommendations

Southern Sudan Food Security Council. GOSS should speed up the establishment of the Southern Sudan Food Security Council which will be an inter-ministerial council guiding policies and programmes on food security at the highest level, including measures on how to tackle the soaring food prices.

Safety net for the most vulnerable. GOSS and its development and humanitarian partners should consider targeted subsidy or safety net programme to meet the basic needs for the most vulnerable population including returnees, disables, chronically food insecure etc. The level of humanitarian assistance to the most vulnerable should be increased to make up for the soaring food prices and to prevent famine.

Agricultural inputs to the poor. GOSS and development partners should embark upon quick-impact agricultural interventions which include distribution of agricultural input (seeds, tools, fertilisers, etc) to resource poor farm households,

Remove multiple taxes on staple food. Immediate policy measures must be taken to eliminate multiple taxes on staple food trade. Further, import duty should be lifted on staple food imports until the global prices come to a reasonable level. This will facilitate competitive regional and international trade of food grains which will contribute to the reduction of prices in Southern Sudan.

Cash transfer programmes. Promote protection actions such as cash transfer and employment creation programs focusing on the food deficit States. Humanitarian assistance for able-bodied beneficiaries should be linked to public/social works such as food/cash for work, food/cash for education and other programmes contributing to the building of economic and social capital of the community.

6.2 Medium and long term measures

Southern Sudan has massive potential for producing food far beyond its requirement. Aggressive policies and programme must be designed and implemented by GOSS to substantially increase domestic production of staple foods in the country.

The following interventions should be implemented to boost domestic production and invigorate markets in Southern Sudan in the medium and long-term:

Agricultural Research and extension. Strengthening the agricultural research and extension service is necessary to enhance domestic production through technology transfer.

Private sector development. GOSS should develop appropriate polices and strategies which motivate private sector involvement in commercial agriculture both in rain-fed and irrigated agriculture.

Agricultural Inputs to smallholder producers. Support should be provided to smallholder producers in productivity enhancing inputs including appropriate seeds, tools, fertiliser, extension service, mechanization services, etc.

Rural microfinance. Promote microfinance programmes (credit and savings) to permit the poor to avoid radical measures such as distress sales of productive assets that can permanently damage their future livelihoods. Microfinance shall also support income generation activities for smallholder farmers/pastoralists.

Strategic Food Security Reserve. Establishing Strategic Emergency Food Reserve is essential for timely response to impending food crisis until food is imported by humanitarian agencies and commercial entities.

Rural Infrastructure. Investments in rural infrastructure such as road networks, market place, communication, etc is critical to increasing domestic production and promote competition in the food markets.

Land tenure. Reviewing the policy on land tenure is essential to make agriculture and livestock sectors attractive to investors and encourage commercial farming and livestock husbandry both for domestic and export markets.

Natural Resource Conservation: Appropriate policies and legal frameworks are required to protect the degradation of natural resources and promote sustainable development