

### Highlights

- ✓ On the international market, the FAO food price index fell for the third month in a row in June 2022, after peaking in March 2022. However, it remains very high in comparison to last year (+23%) and February (+9%). Rice, corn and wheat prices in the United States are nearly 9%, 14%, and 61% higher than last year, respectively, and 11%, 15%, and 19% higher than February.
- ✓ On the domestic market, prices of imported rice, imported oil, imported wheat flour, and imported corn increased by 13%, 29%, 32%, and 27%, respectively, compared to February 2022 (before the crisis), while prices of local corn and local black beans increased by 21% and 15%, respectively, compared to February. As a result, the inflation rate for imported products is twice as high as that for domestic goods, at 40% and 21%, respectively.
- ✓ An analysis of the terms of trade reveals a significant loss of purchasing power for the poorest households. For example, a bean farmer loses at least 11% of his purchasing power for imported products (oil and wheat flour) in May compared to February, whereas a subcontractor's worker loses more than 20%.
- ✓ If price increases in March and April were relatively moderate in compared to the international prices, in June, prices on the domestic market reflect more and more the trend observed on the international market, which is linked, among other things, to the Russo-Ukrainian crisis.

This report is produced in light of the market disruptions caused by the Russian-Ukrainian conflict. This report aims to highlight the domestic market trend in relation to the international market situation. It includes a review of secondary data as well as an analysis of national prices collected by FEWSNET/ National Coordination for Food Security (CNSA).

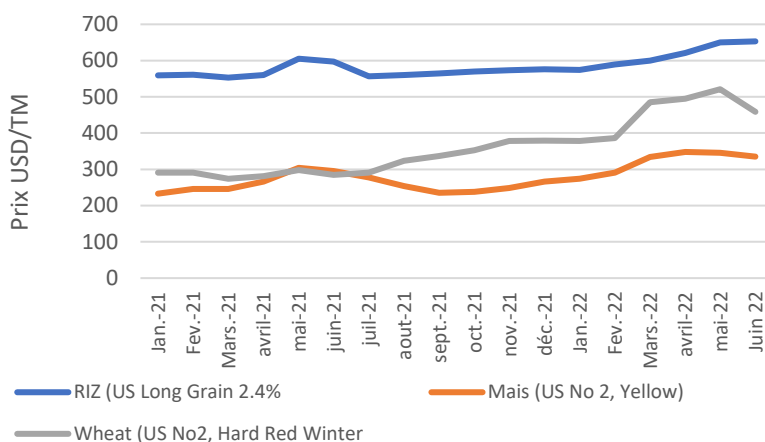
## A.- International market price trends

### A.1.- Price of rice trend in the US market <sup>2</sup>

In June, wheat and corn prices on the U.S. market decreased by 3% and 12%, respectively. Rice, on the other hand, continues to rise in price. However, prices remain very high in comparison to last year and February. Prices for US benchmark rice (US Long Grain 2.4 %), corn (US No2 Yellow), and wheat (US N02 Red Winter) are approximately 9 %, 14 %, and 61 % higher than last year, respectively, and 11 %, 15 %, and 19 % higher than in February.

The exportable volume of rice will be lower this year due to a further drop in production expected in 2022,

Figure 1: Price trend of rice on the US market

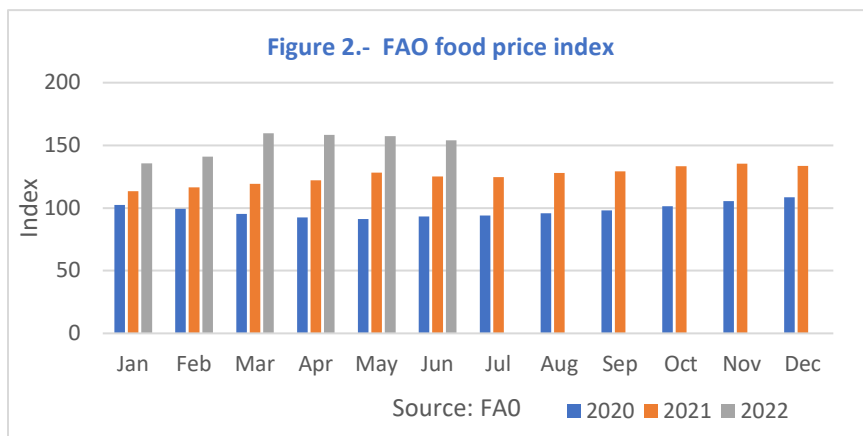


Source FAO

according to the most recent CIRAD publication (OSIRIZ-June 2022). In two years, U.S. production is estimated to have fallen by 20% as a result of a reduction in rice acreage replaced by more profitable crops<sup>3</sup>. The upward trend in rice prices in the United States can thus be expected to continue.

## A.2.- Trends in FAO’s food price index

In June 2022, the FAO Food Price Index<sup>4</sup> averaged 154.2 points, 3.7 points (2.3 %) lower than in May. The index has dropped for the third month in a row, but it is still 29.0 points (23.1 %) higher than a year ago and +13 points (9 %) higher than in February. The drop in June was caused by lower international prices for vegetable oils, cereals, and sugar, while prices for dairy and meat products strengthened<sup>5</sup>.

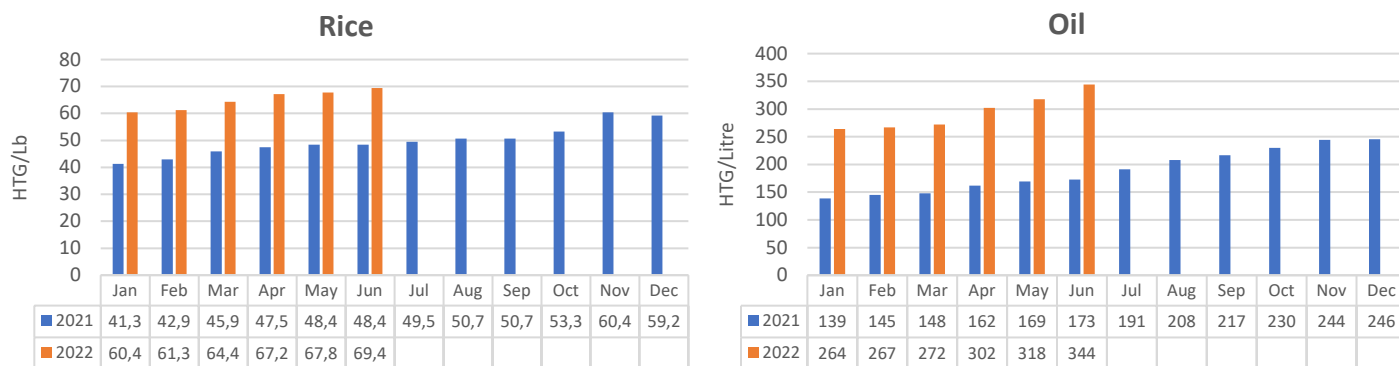


## B.- Price trends in the local market

### B.1.- Imported products

Rice, oil, wheat flour, and corn prices have increased by 43 %, 100 %, 73 %, and 52 % year on year, respectively, and by about 13 %, 29 %, 32 %, and 27 % compared to February (before the crisis).

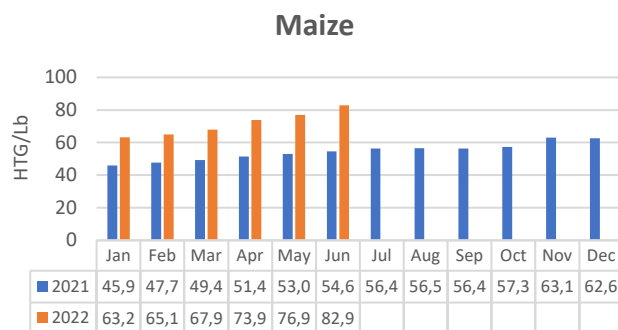
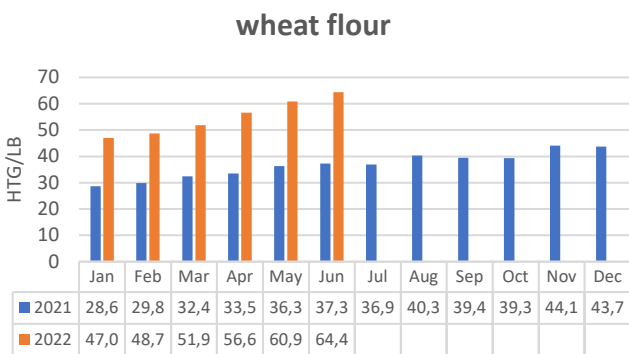
**Figure 3: Trend in imported products prices**



<sup>3</sup> [https://www.infoarroz.org/portal/uploadfiles/20220719120910\\_15\\_ia0622en.pdf](https://www.infoarroz.org/portal/uploadfiles/20220719120910_15_ia0622en.pdf)

<sup>4</sup> The FAO Food Price Index is a monthly measure of the change in international food commodity prices. It is the average of the indices for the five commodity groups, weighted by each group's average export share from 2014 to 2016.

<sup>5</sup> <https://www.fao.org/worldfoodsituation/foodpricesindex/fr/>



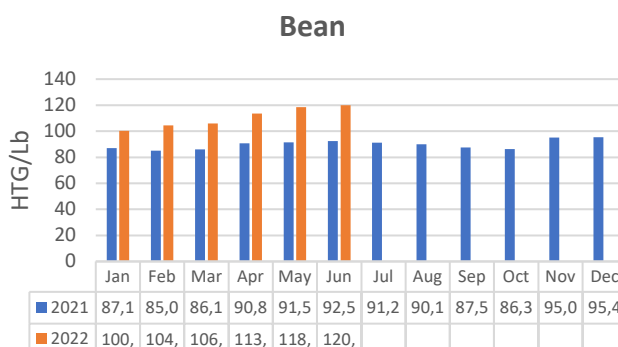
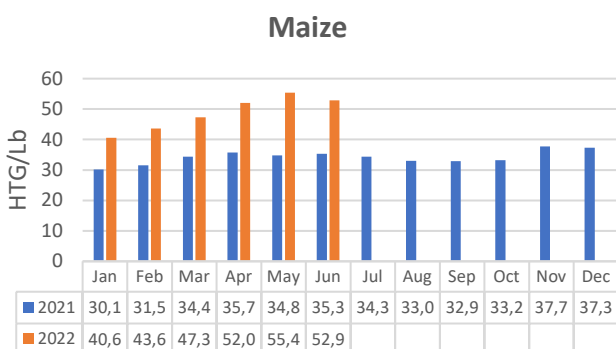
Source: CNSA/FEWSNET

## B.2.- Local Products

Corn and black bean prices have increased by 50 % and 30 %, respectively, compared to last year, and by about 21 % and 15 %, respectively, compared to February (before the crisis).

It is also worth noting that the price of maize fell by 5% in comparison to the previous month, while the price of beans rose by only 1%. This downward trend in corn and relative stability in beans is due to the beginning of the harvesting period.

Figure 3: Trend in local products prices



Source: CNSA/FEWSNET

## C.- Trend in inflation rate<sup>6</sup>

According to the latest publication from the Haitian Institute of Statistics and Informatics (IHSI), inflation continues its upward trend.

In May 2022, the General Consumer Price Index (CPI) showed a monthly **increase of 1.9 % and a year-on-year increase of 27.8 %**, compared to 1.6 % and 26.7 %, respectively, in the previous month.

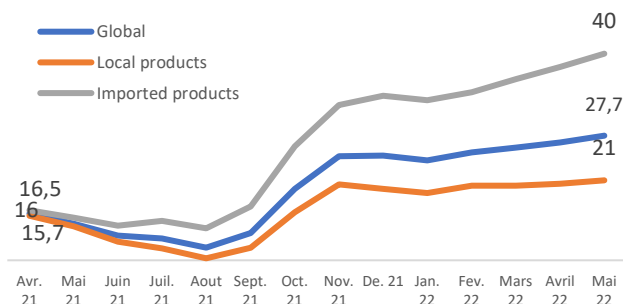
The fluctuation in the CPI for imported products (40.0%) is almost double that of local products (21.0%).

At the regional level, positive annual variations in the CPI were observed in all country's geographic regions for May. However, **the most significant variations were recorded in the Southern (29.8 %), Rest of Western (29.0 %), and Metropolitan Area (27.6 %) <sup>7</sup> regions.** It should be noted that these areas are the most affected by the security situation in the metropolitan area.

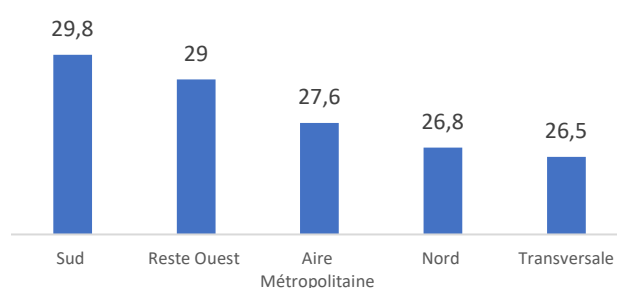
<sup>6</sup> <https://ihsi.aviti.digital/>

<sup>7</sup> **The Southern Region** includes the departments of the Southern, Grande-Anse, and Nippes / **Western other:** South-East and West without the P-au-P Metropolitan Area / **Northern Region:** Departments of the North, North-East, and North-West / **Transversal Region:** Departments of "centre " t and Artibonite

**Figure 5.- Annual inflation rate progression.**



**Figure 6.- Inflation rate/Region**



Source: Haitian Institute of Statistics and Informatics (IHSI)

## D.- Trend of terms of trade<sup>8</sup>

As shown in the previous graphs, the %age increase in the price of imported products far outweighs that of domestic products, as confirmed by the IHSI price indices (imported products index VS local products index). The result is a deterioration in farmers' and wage earners' terms of trade.

We present the terms of trade for "Beans/imported commodities" and "Minimum wage/imported commodities" in the graphs below.

**The trends clearly show a decline in household purchasing power.**

In February 2022, the sale of one pound of beans allowed for the acquisition of 0.39 liters of oil, whereas in June 2022, this same pound of beans only allowed for the acquisition of 0.35 liters of oil, **an 11% decrease compared to February 2022.**

During the same period, the terms of trade for the local bean/wheat flour pair fell by 13%. The same is true for the minimum wage/vegetable oil and minimum wage/wheat flour pairs, which decreased by 22% and 24%, respectively, during the same time frame.

<sup>8</sup> When households rely on the sale of commodities for income and the purchase of commodities for food consumption, price fluctuations in either can have severe consequences. The "terms of trade (TOT)" provide an indication of the evolution of these households' purchasing power.

The terms of trade (ToT)<sup>1</sup> are defined as the ratio of two prices. As an example:

- The ratio of the cost of livestock to the cost of a staple food;
- The price of a cash product in relation to the price of a staple food;
- The ratio of an unskilled worker's daily wage to the price of staple food.

As the ToT falls, households' ability to purchase food with traditional sources of income decreases. For example, if a household grows a cash crop and the ToT falls, this means that they get less staple food for the same amount of cash crop.

Reference: WFP - Technical Guidance Sheet: The Basics of Market Analysis for Food Security

Figure 7: The terms of trade progression.

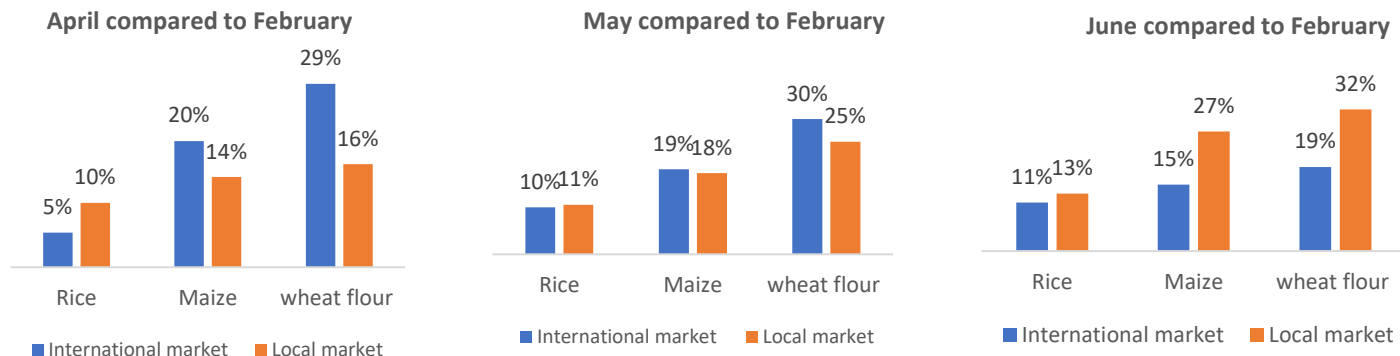


Source: Calculation based on price data from CNSA/FEWSNET.

### E.- Conclusion

The price increases recorded on the international market as a result of the Russo-Ukrainian crisis, as well as the significant weight of imports of goods and services (30 % of GDP according to World Bank figures in 2021<sup>9</sup>), are increasingly felt in the domestic market, resulting in a decrease in the purchasing power of employees and farmers. In early July, the recent deterioration of the security situation in some areas of the capital raises the risk of higher consumer prices in the coming months due to market closures.

Figure 8.- Increase import prices on the domestic market relative to the international market.



Source: Calculation based on CNSA and FAO's data

<sup>9</sup> <https://donnees.banquemondiale.org/indicateur/NE.IMP.GNFS.ZS?locations=HT>