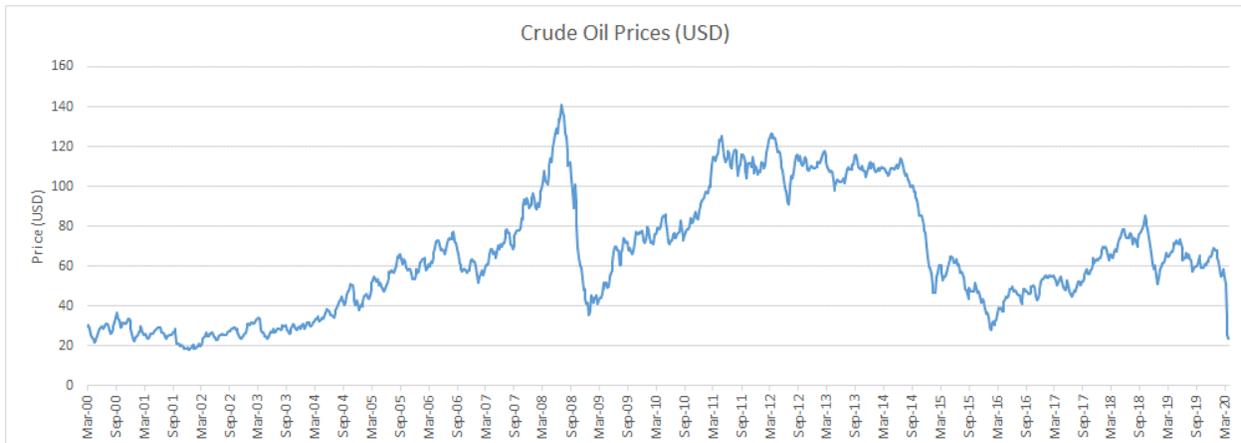




Cross-border cereal trade: Crop production estimates for South Sudan for the 2020 consumption year indicate that a cereal deficit of 482,000 metric tonnes is expected. This deficit is to be covered by imports from neighbouring countries. The most imported cereal from the neighbouring countries is maize, with Uganda being the main source of the commodity. Traditionally, many of the maize traders in Uganda prefer to sell their cereal stocks in Juba where they fetch better prices due to the high demand. However, this year, **COVID-19 related border closures and neighbouring countries’ restrictions to cereal exports¹ are likely to result in cereal shortages in South Sudan.** Exportable cereal surpluses in the region were 18 percent below average, with Uganda’s production being 9 percent below average (FEWSNET, 2019). This will result in high prices of the cereals when they arrive in South Sudan markets.

Oil economy: South Sudan heavily relies on oil for income, but relatively little of this income is spent on improving food security and basic service delivery outcomes. Growth in the oil and mining sectors was estimated at 10.7 percent and exports of oil were projected to increase by 23 percent bolstered by a 27 percent increase in daily production from an estimated 133,295 bpd during FY 2018/19 to 169,000 bpd net during FY 2019/20 (World Bank, 2020). However, these overall gains looks to disappear during the 2019/20 due to COVID -19 impacts. The situation is worsened by the **ongoing oil price crisis** that has led to prices falling as low as \$24 per barrel (*see the graph below*). The impact is a **reduction in trade with neighbouring countries as traders are unable to readily access hard currency to facilitate imports.** Consequently, limited market supplies in the face of increased panic-driven demand will lead to high food prices.



However, low global oil prices and continued access by fuel trucks into South Sudan has led to stabilization of fuel prices in the country, which has helped in stemming excessive price increases attributed to high transportation costs.

Demand, Supply and Prices: Currently, there is **high demand for food commodities by consumers who are stocking up** following fears that the government is likely to order the closure of most businesses in efforts to try and contain the spread of COVID-19. According to FAO’s market price monitoring portal², prices of food commodities are already showing price spikes e.g. as of March 2020, the price of maize flour in Juba has already increased by 33 percent

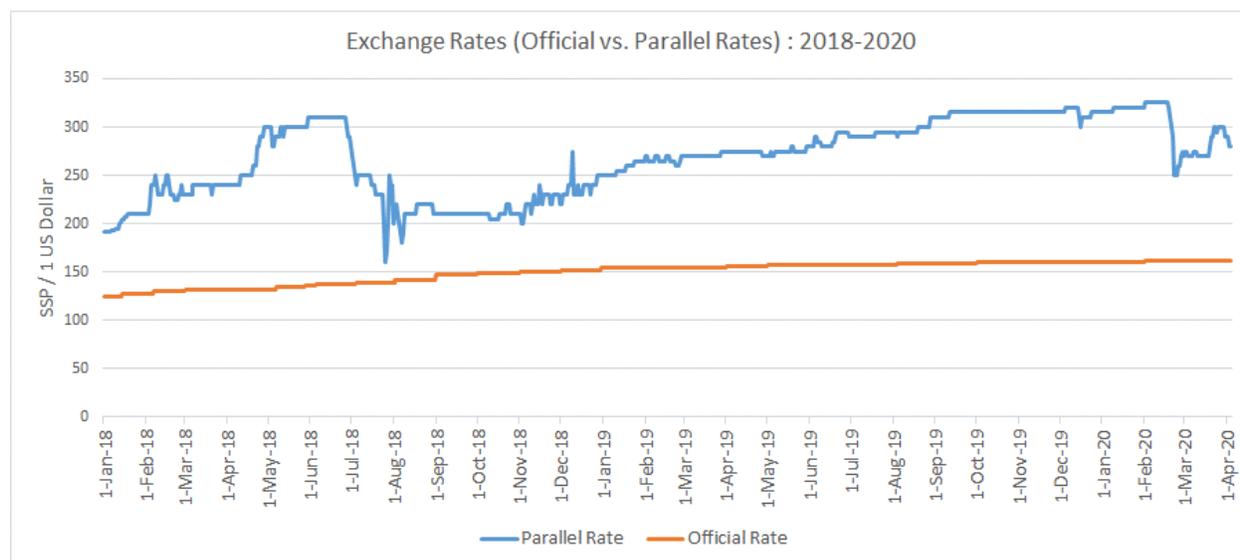
¹ Neighbouring countries are restricting cereal exports, and purchasing them as part of their national reserve stocks, so that they can hoard them for feeding their citizens

² Visit FAO’s CLIMIS portal on www.climis-southsudan.org for more real-time market information

compared to the same period last year and 75 percent compared to the three-year average³. However, to allay consumer fears and try to contain the rapid increase of food prices, on 26 March 2020, the Deputy Chairperson of the South Sudan Chamber of Commerce cautioned traders against increasing food commodity prices even as borders remain open for trucks bringing in food and other essential goods. If COVID-19 related business closure is effected on a massive scale, trading households will experience a reduction in income and savings in the upcoming weeks and this is likely to be followed by a reduction in food supply and demand due to reduced purchasing power. Shifts to less expensive and less nutritious foods are likely to be observed as households try to make the most of their income and savings.

Rural economies: More than 83 percent of South Sudan’s population relies on subsistence farming, livestock and fishing as their primary source of livelihood (World Bank, 2018), with a proportion of the production from these livelihood activities being sold in markets to earn income. **Restrictions on movement, businesses and cross-border trade will limit market access for the smallholder farmers and traders.** The main agricultural season has also started in the greenbelt region, with other regions to follow in May. COVID-19 related movement restrictions and other measures will limit access to essential tools and quality seeds⁴, thus negatively impacting on agricultural production, and leading to increased vulnerability in the country.

Exchange rates: The official rate has hovered around SSP 160 per US Dollar while the parallel market rate has averaged SSP 300 per US Dollar in the last 6 months, a trend that continues to hold amid the COVID-19 pandemic. The gap between the official exchange rate and the parallel market rate remains high, indicating that the official rate is overvalued and does not reflect the underlying economic fundamentals.



However, the risk of prolonged disruption of economic activities due to COVID-19 prevention may further widen the gap significantly affecting major consumable imported items which may lead to a reduction in labour opportunities that would then severely reduce their purchasing power.

³ The three-year average is comprised of market prices from 2017, 2018 and 2019

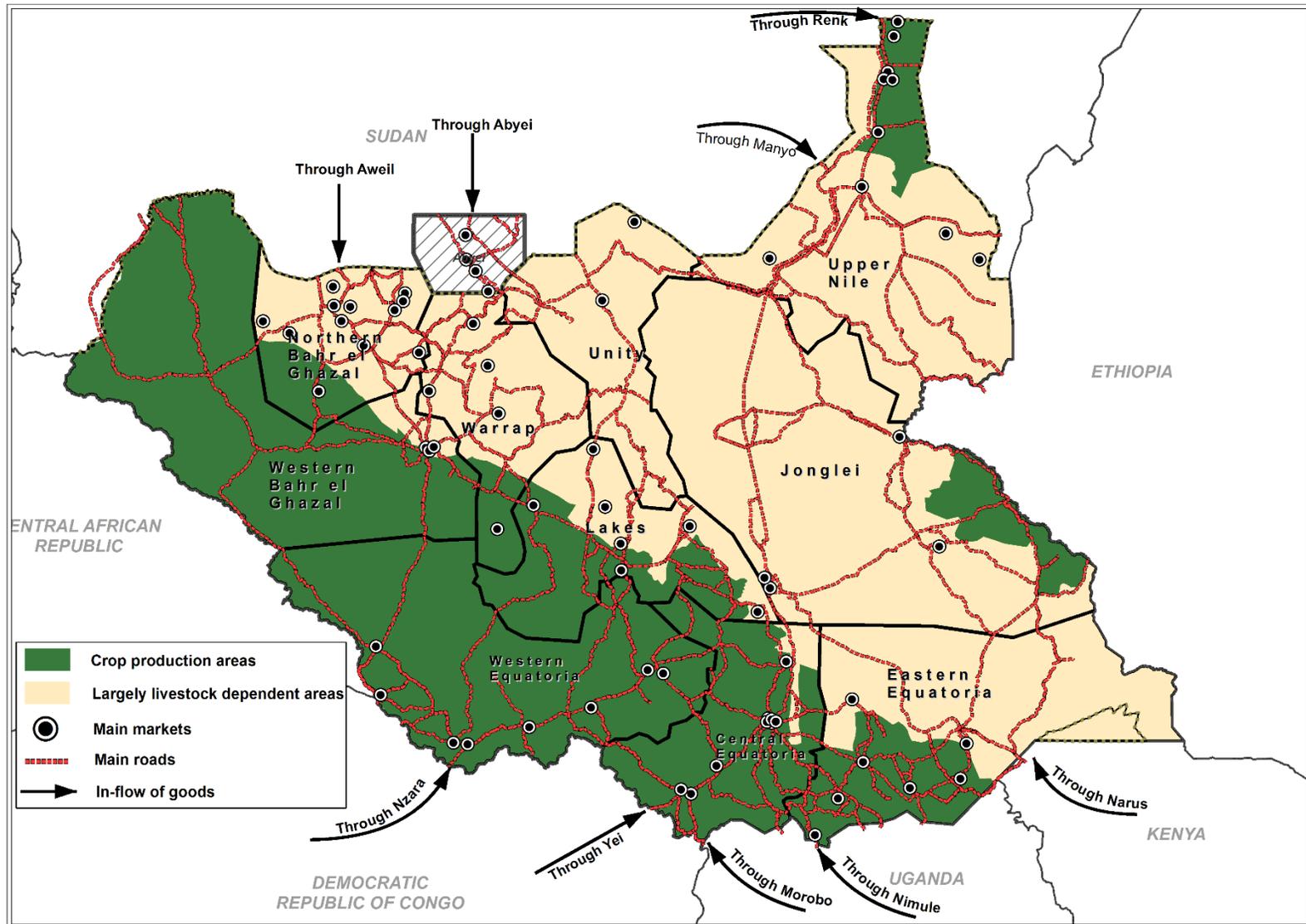
⁴ 14% of farmers rely on seed aid and 21% purchase their seeds from markets. Of those that rely on seed aid, 90% of them are served by FAO through direct seed distribution and seed fairs. A huge proportion of the seeds provided by FAO are imported into the country. If this seed distribution system is disrupted, the impact on agricultural production will be substantial.

Recommendations to manage the impact of COVID-19 on markets and trade in South Sudan:-

- With proper preventive measures in place, importation of essential commodities such as food and fuel should continue to ensure that supply is not disrupted and price increases are contained.
- Movement of goods within the country should not be restricted as this would negatively impact on trade flows, resulting in commodity scarcities and lack of access to markets to sell goods and services. Instead, trade-related interactions should be conducted with all the COVID-19 safety and prevention measures in place.
- Interventions supporting agricultural production can help to alleviate food insecurity and improve livelihoods in the longer term, thus ensuring continued market functionality and trade.
- Alternative livelihood interventions will help to support livelihoods and sustain market functionality, thus they should be designed to mitigate the potential negative impacts of the COVID-19 pandemic.
- All stakeholders must ensure that information on food-related trade measures, levels of food production, consumption and stocks, as well as on food prices, is available to everyone in real time. This would help reduce uncertainty and would also allow producers, consumers and traders to make informed decisions. Above all, it would help contain 'panic buying' and the hoarding of food and other essential items, which ultimately leads to opportunistic price hikes.



This report is produced by the FAO South Sudan project titled “*Strengthening the Livelihoods Resilience of Pastoral and Agro-Pastoral Communities in South Sudan’s cross-border areas with Sudan, Ethiopia, Kenya and Uganda*” which is funded by the European Union.



South Sudan map showing trade routes from neighbouring countries