

# Food cartels feast on Ramadan profits

By [Cam McGrath](#)

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CAIRO: Opportunistic food traders have been blamed for soaring food prices across the Middle East that have added a financial burden on families observing the Islamic holy month of Ramadan.

"Every year it's the same story," complains Abeer Salem, an Egyptian widow supporting two children. "Merchants know we have an obligation to feed our families and the poor during Ramadan. They exploit this by raising food prices."

Food inflation is as much a part of Ramadan as the traditional gathering of Muslims with their family and friends to share an iftar, the meal that marks the end of the daily fast. Consumption of certain food items, particularly meat, increases during the month as families spend more time at home and entertaining.

Consumer groups have observed a sharp increase in grocery prices since the start of Ramadan last Wednesday (11 August 2010) despite government pledges to cap food prices and monitor retail outlets. In Abu Dhabi, market prices of fruits and vegetables were reported to have jumped 25 percent in a week. Lebanese consumers have complained of spiraling meat and vegetable prices.

The increases are in addition to already high food inflation throughout the region. In Egypt, retail prices of basic commodities such as sugar, rice and eggs rose up to 43 percent over the past year. The escalating costs of feeding a family have prompted some retailers to facilitate grocery purchases with financing schemes once reserved for cars and appliances.

"Buy your Ramadan food now and pay in instalments over the next four months," reads a sign in a Cairo supermarket.

In Yemen, where over 40 percent of the population lives below the poverty line, the seasonal food inflation puts a heavy burden on cash-strapped families. According to a poll conducted last year by the Studies and Economic Media Centre, household expenditures increase 35 percent during the month of Ramadan. Nearly 30 percent of Yemeni families reported borrowing money to cover the added expenses, while 15 percent sold personal properties to raise cash, the study found.

Government officials have accused traders of hoarding food stocks in the weeks ahead of Ramadan to create artificial shortages that inflate prices. Traders shift the blame to consumers, claiming that the seasonal increase in food consumption results in supply shortages that cause prices to rise.

Jordanian economist Yusuf Mansour refutes this explanation. He argues that the standard supply and demand paradigm

cannot be applied to Middle East countries because they import the bulk of their food.

"Importers are not producers; they don't have capacity constraints so they can import any quantity they want from the world supply at one price," he says. "If anything, with increased quantities the cost should fall, and in a competitive market these savings would be passed along to the buyer."

According to Mansour, the underlying problem is two-fold: food imports are controlled by a handful of appointed officials and powerful businessmen who engage in "cartel-like behaviour," while small neighbourhood grocers charge their customers a premium for convenience.

"There is strong evidence of collusion at both ends of the supply chain," he told IPS. "Importers at the top meet to fix prices or tacitly agree not to compete, while at the bottom end the small mom-and-pop stores act as local monopolies."

Arab governments have in recent years employed various market control and surveillance measures in an attempt to neutralise Ramadan food inflation. Authorities have mobilised state-run food companies to stock cooperatives and supermarkets, and imposed temporary price caps on certain food products.

Qatar announced in July that it would impose a price freeze on some 160 basic food and non-food items from Jul. 25 until the end of Ramadan on Sep. 11. Jordan's cabinet has authorised a price ceiling on items whose prices tend to increase in Ramadan. Egypt announced "official" prices for basic commodities.

Despite the efforts, analysts say market controls have fallen short of expectation. Food traders anticipating the government's measures had already raised prices months ahead of Ramadan to lock them in. Retailers in countries with ineffectual consumer protection laws violate price moratoriums with impunity.

"Our suppliers always put their prices up this time of year so we're forced to increase ours as well," says Cairo grocer Ali Ibrahim, defending his store's mark-ups on Ramadan staples such as rice, pasta and milk.

Mansour argues that the governments of the Middle East have neither the political will nor the resources to curtail monopolistic practices.

"At the top end of the supply chain are the big importers from large families with old money," he says. "Bureaucrats, who are usually unelected officials, are afraid of upsetting these influential people, who can convey messages to the ruler. Meanwhile, at the lower end, the problem is so large and government employees are so underpaid that they are easily bribed."

The absence of effective regulators has given traders a carte blanche to gouge consumers, says Mansour. The profiteering is expected to continue through Ramadan and into Eid al-Fitr, the feast that marks the end of the holy month.

"I don't know what I'll do when Eid comes," says barber Refaat Abdel Moneim. "Ramadan has just begun and I'm already in debt."

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