

## MARKET BULLETIN :BENIN

### November 2008

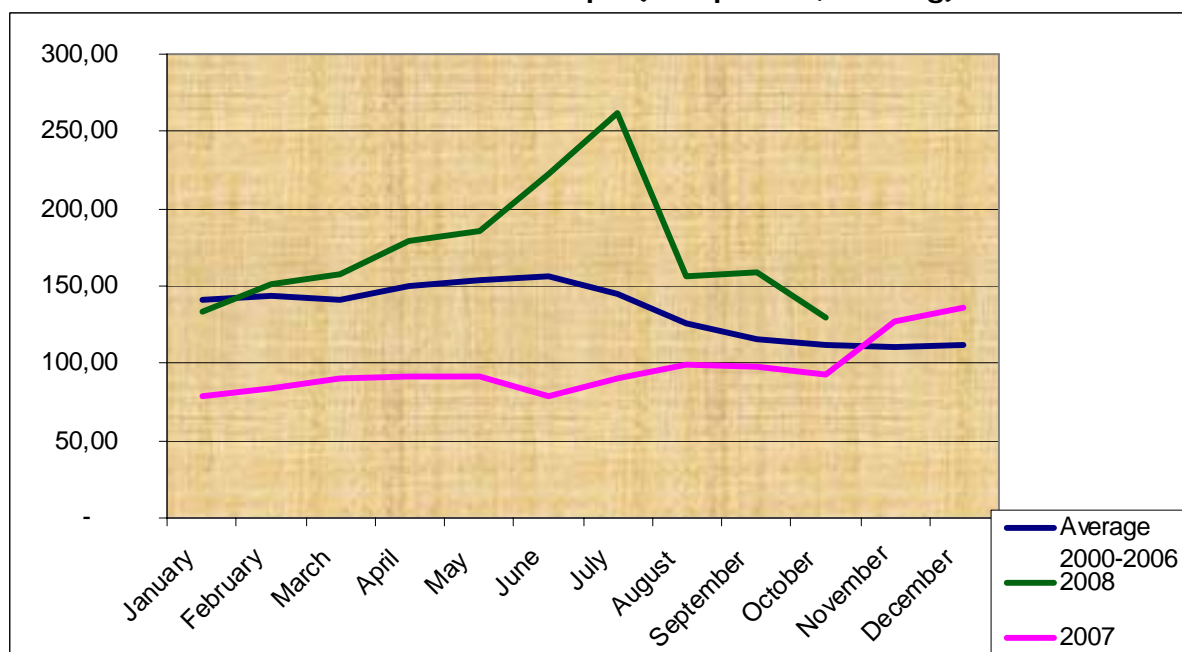
#### INTRODUCTION

The purpose of this bulletin is to inform partners and the World Food Programme (WFP) about the current and last trends of food commodities prices in the main local markets in Benin.

Local markets in Benin are generally showing a downturn trend for cereals as well as pulses for retail prices. This is mainly due to the seasonal trends associated with the beginning of the harvest period that started at the end of July. Nonetheless, prices are still high when compared to last year's level and to the normal trend, due to the influence of higher international food prices. The effects of higher prices are still affecting the purchasing power of the most vulnerable portion of the population, especially in rural areas where despite local food production, small scale farmers struggle against the higher cost of living.

#### COMPARATIVE PRICE ANALYSIS

**White Maize in Dantokpa (real prices<sup>1</sup>, fcfa/kg)**



Source : ONASA

After the price peak registered at the end of July, when the price of maize in Dantokpa was +189% than previous year level and +81% than seasonal trend, prices are falling in Benin. Between July and August the price of maize fell by 40%, as clearly shown in the chart, and after a quite stable period between August and September, prices decreased by a further 18% in October.

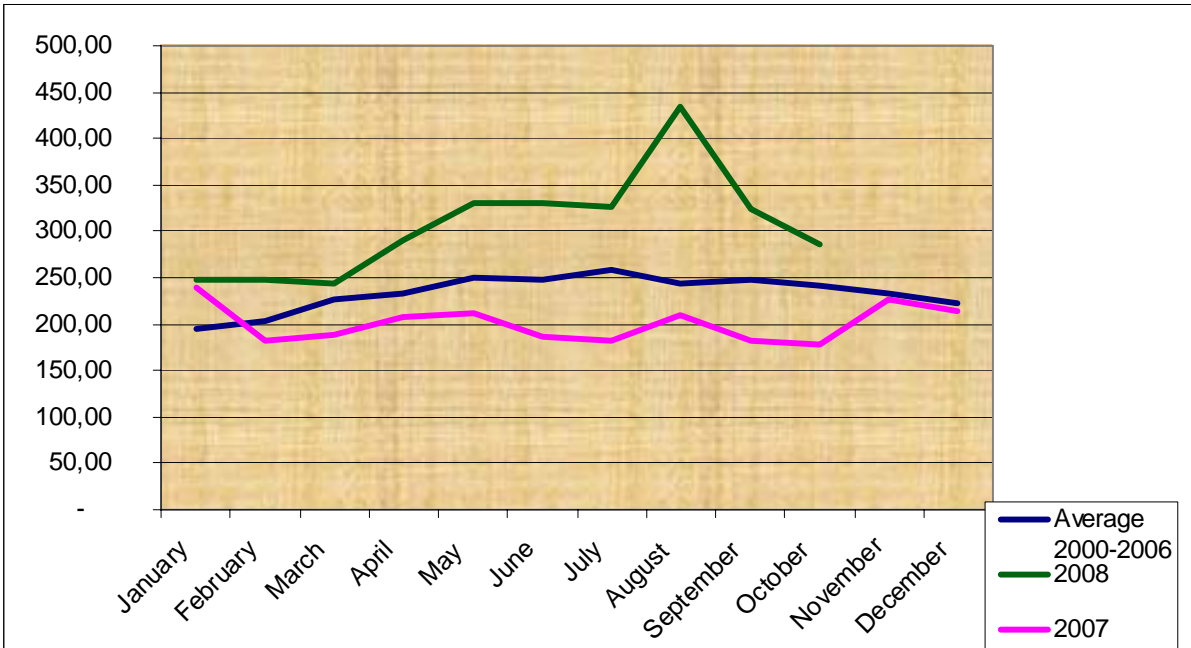
The downturn in prices is mainly due to seasonal factors: the harvest for cereals and pulses started in August, just one month later than usual, thus shifting forward the national supply curve and reducing the market price. However, the downturn looks

<sup>1</sup> Real prices are calculated on the official global CPI in Benin produced by INSAE.

steeper than seasonal trends: from July to August and from September to October the price of Maize decreased respectively 27% and 15% more than usual trend for those months. This difference might be explained by the influence of external factors, mainly the fall of crude oil price along with the appreciation of US\$ and the fears of a global economic downturn.

Despite that, prices are still high compared to last year's level, and the usual seasonal trend: as shown in the chart, the 2008 curve is well above the 2000-2006 average and 2007 levels. Indeed, during the last three months prices are higher than seasonal trends by respectively 24%, 37% and 16% while the difference with last year's levels are even more accentuated: +58%, +62% and +40% respectively compared to August, September and October 2007. These figures indicate that, despite the deflationary pressure, the recovery from the recent high food prices crisis is far from being fully achieved.

**White Beans in Dantokpa (real prices, fcfa/kg)**

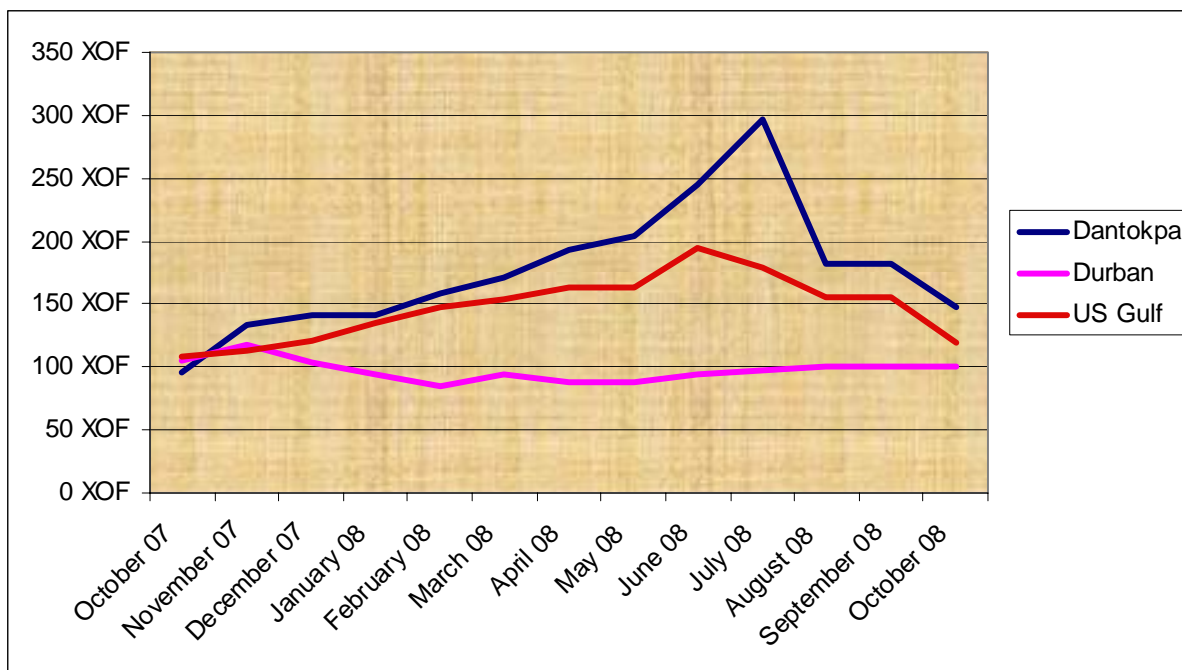


Looking at the above chart, the analogies between the price of maize and the price of beans are clear, showing how the downward trend of prices for local products has influenced the main locally-produced food staples that comprise the average household's food basket in Benin.

After peaking in August, the price of Beans has fallen by 34% over the past two months. As with maize, this is mainly due to the harvest, with the important exception that the downturn pressure is steeper than the usual seasonal trend. In fact, from August until October the price of beans normally does not decrease at all, as the usual downturn usually occurs between the month of October and the end of the year. Another similarity vis-à-vis maize is that despite the recent drop, the price is still 18% higher than seasonal trend and 60% higher than last year's level.

***Dantokpa vs International Market***

The following chart shows the trend for maize prices from October 2007 to October 2008 in Dantokpa compared to the international market of Durban (South Africa) and US Gulf.



Source : WFP, FAO, ONASA

The price for maize FOB Durban (South Africa) has been showing a steady trend with no differences after twelve months of price movements. After the peak registered in June, the price of maize FOB US Gulf has dropped by 39% over the past four months, following the general downward trend in prices for the main globally traded commodities.

The Dantokpa price, after falling from July to August due to local seasonal factors, has showed a similar trend compared to the international market, as is visible in the chart. This argues that along with local factors, the global economic downturn has affected the price of maize in Benin.

Looking at the overall picture, however, it seems that Dantokpa maize is not highly integrated with the international market: local and regional factors might play a more important role than other global mechanisms. In fact, the price of maize in Benin is strictly dependent on the trade patterns versus the two neighbouring countries, Niger and Nigeria. Those markets both regularly affect the price trend in Benin since almost 60% of total locally produced staple food (and in particular maize) are exported in Niger and Nigeria given the higher level of integration of border markets.

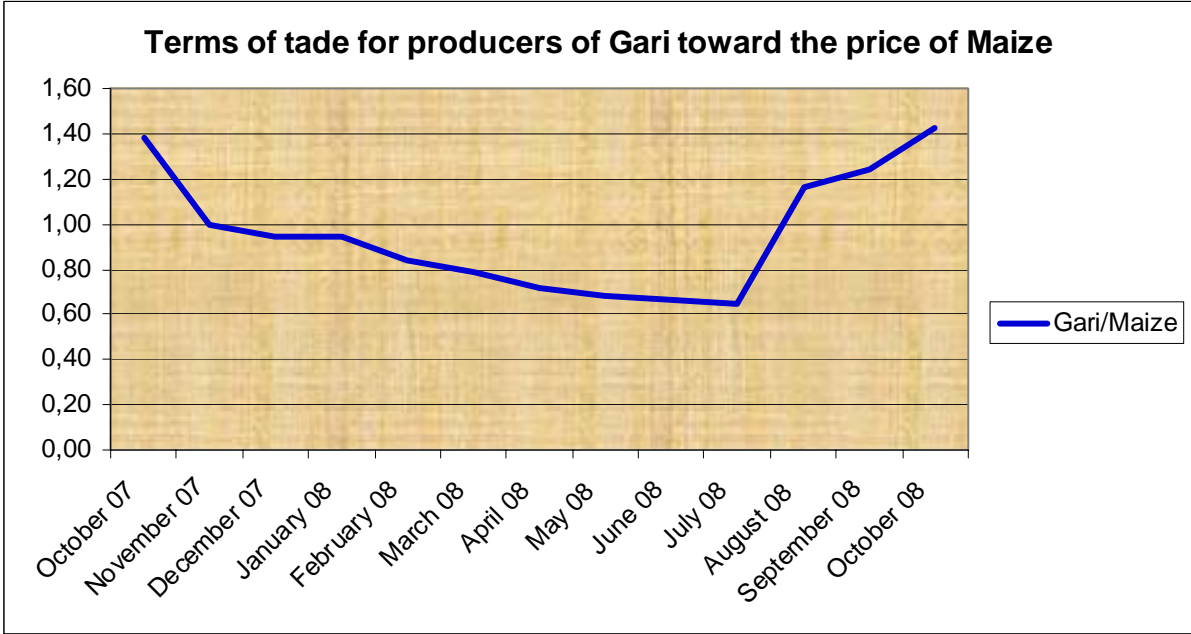
## **TERMS OF TRADE**

### **1) Women groups producing Gari**

In Benin gari, a cassava flour, is a very typical local product highly appreciated and consumed among urban as well as rural households. Usually the commodity is produced by women group associations and sold directly by them or by women traders at the market place.

The regions with the highest levels of production are in the central departments of Zou and Collines. Below is an analysis of the terms of trade for gari producers in terms of maize over the last twelve months. It is interesting to note that those women groups depend on the revenues from selling gari in order to sustain and cover households cereals needs: this is how the analysis shows the impact of high prices in the major

staple crop on the food security of the population. The prices used for the calculation are the ones for Dantokpa, the main market in Benin in terms of strategic location and volumes of food commodities traded.



Source: ONASA.

As shown in the chart, after July 2008, the terms of trade for women groups producing gari are getting better. Thanks to the fall of the price of maize and a quite stable high level for the price of gari (still 60% more than last year's) the situation has been getting more profitable for gari producers: since last July, terms of trade have been tremendously increasing by 120% reaching a level even higher than one year ago.

**2) Cotton producers**

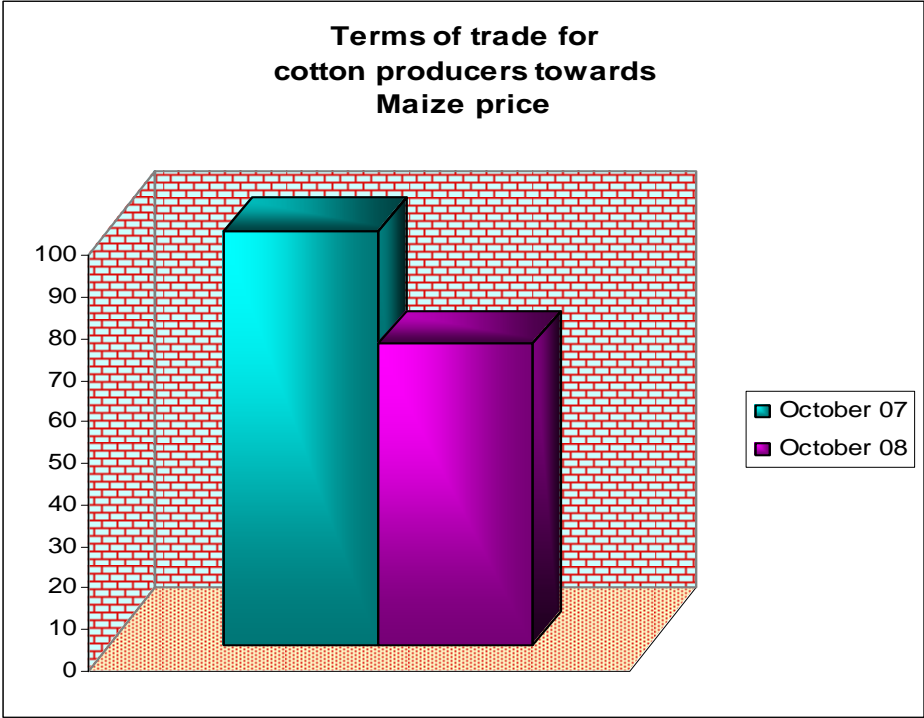
The farm gate price of cotton has been finally fixed at 190 FCFA/kg<sup>2</sup> thus confirming the expectations of last July. The harvest has been a quite good despite the downturn in the international market, given that a fall in priced occurred just after local producers had already invested their capital and human resources.

Compared with July, terms of trade have been getting better thanks to the decline of the price of maize versus the fixed and steady level for the local cotton farm-gate price. Despite that, cotton producers are still worse off than one year ago with an overall deterioration of terms of trade in maize terms by 27%<sup>3</sup>.

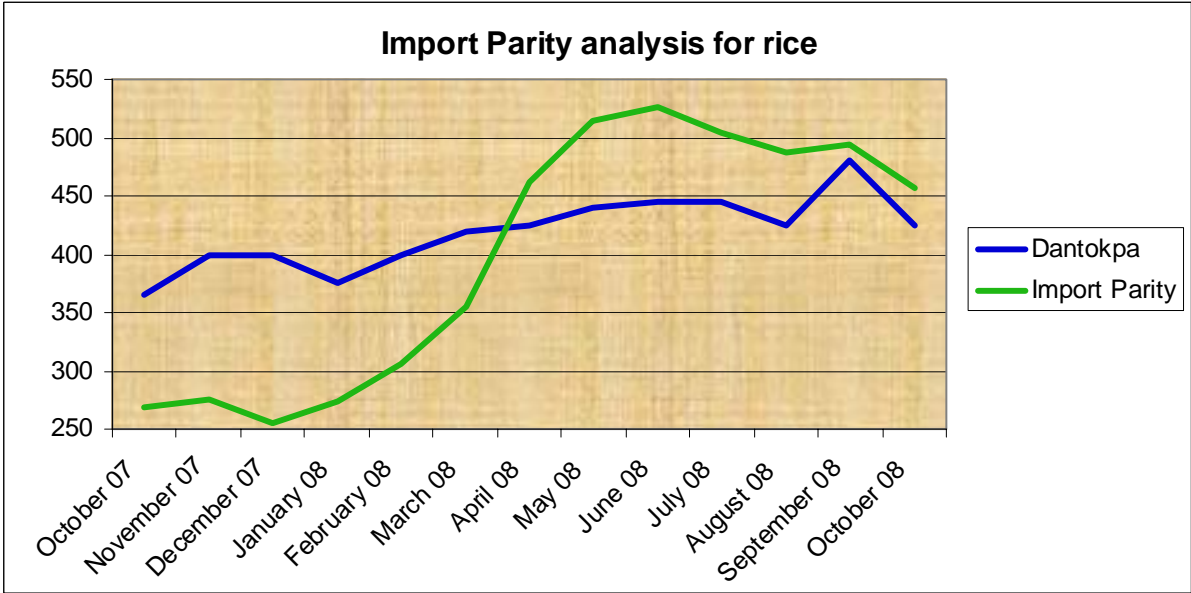
Actual trends for cotton in the international markets are showing a general downturn driven by the global recession. Current estimations are for a decrease in the industrial global demand of cotton by 3% to 25.5 millions of mt for 2008-2009 along with a fall in global volume of imports within textile sector by 6% to 7.8 millions of mt. This current scenario might negatively affect the next 2008-2009 harvest season: already in 2004, Benin cotton sector has recorded an important crisis driven by the Liverpool index

<sup>2</sup> Farm gate price officially released by local authorities  
<sup>3</sup> October 2007 level has been conventionally fixed at 100.

depression, thus showing the link between international prices and local level of investment in national production.



**IMPORT PARITY**



Source : ONASA and FAO.

The chart shows an import parity analysis over the last twelve months for Rice. The local market price of Dantokpa is compared to the import parity price based on FOB Bangkok price for Rice 100% B second grade. Both prices are moving down despite the temporarily peak in September for Dantokpa. The two prices are really close and they might cross each other in the next months given the possible stabilization of the FOB Bangkok price and the further decrease in the cost of fuel. During the last inter-

ministerial meeting, held on the 5 of November, the price of fuel in Benin has been reduced by 10%, down from 595 FCFA/l to 540 FCFA/l. However, given the recent appreciation of US\$ against FCFA, the Import Parity Price might still be too high in the next months.

***Magnitude of Monthly Price Changes and Contribution of the Cost of the Food Basket***

Main Staple Food	Number of Months included in 2008	Caloric contribution (%)	Most recent Month (%)	Monthly average (from last year) (%)	Monthly average (from seasonal pattern) (%)	Contribution to the Cost of the Food Basket (%)		Price Trend of the Main Staples
						Individual Commodity	Cumulative	
Maize	10	19	40	96	25	18	21	↓
Rice	10	8	0,1	18	N/A	1		
Beans	10	3	60	57	30	2		

The analysis above is meant to highlight the impact of the prices increase on the cost of the average households' food basket. The main staple food listed above represent the main component of the food basket given their caloric contribution<sup>4</sup> to the overall diet. The "most recent month" column indicates the variations of last month price compared to the same period last year. The "monthly average from last year" column indicates the average monthly variation of 2008 compared to 2007 from January until October. This indicator has been recently decreasing given the actual downturn trend which started by August. Furthermore; the "monthly average from seasonal pattern" column shows the average monthly variations of 2008 compared to the seasonal trend: this indicator shows that the difference from its long-term pattern and the normal level of prices. Finally, the last columns weight the impact of the prices trend on the food basket based on the caloric contribution of each staple: the cumulative score is 21, indicating a continuing impact of the higher cost of food.

***CONCLUSIONS***

The overall situation is still challenging as indicated by the table above. Higher prices are still affecting the cost of the food basket. However, prices for the main staples are trending downward, and the trend might continue if the global deflationary pressure persists and it if favourable harvest prospects are confirmed. The most vulnerable population in rural as well as urban areas is still affected by the high food prices crisis, but things might look better by the end of the year.

<sup>4</sup> FAO 2001-2003 estimates