

The international rise in maize and wheat prices and its potential impact on food security in West Africa

August 2012



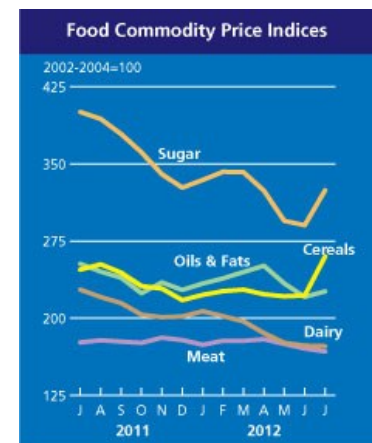
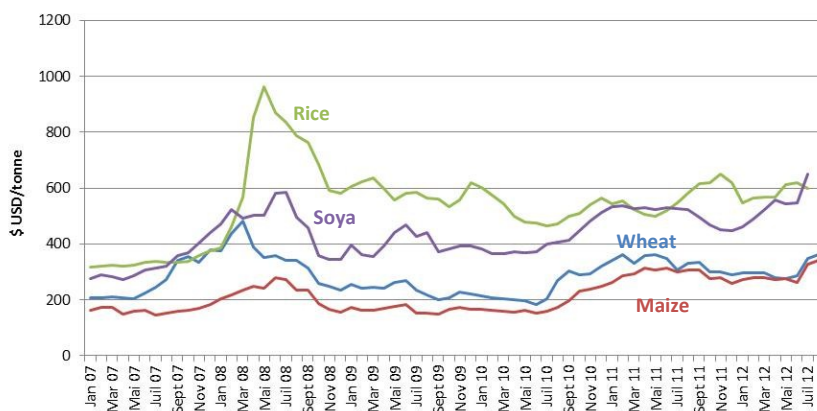
Key points:

- Atypical drought conditions in the USA are causing wheat, maize and soya prices to soar internationally
- Mauritania may be affected due to its large dependence on wheat imports
- Further assessment should be conducted to assess the potential impact of maize price hikes in the region
- The international rise in soya price is unlikely to have an impact in the region
- What about an eventual shift in WFP food purchases in the area?

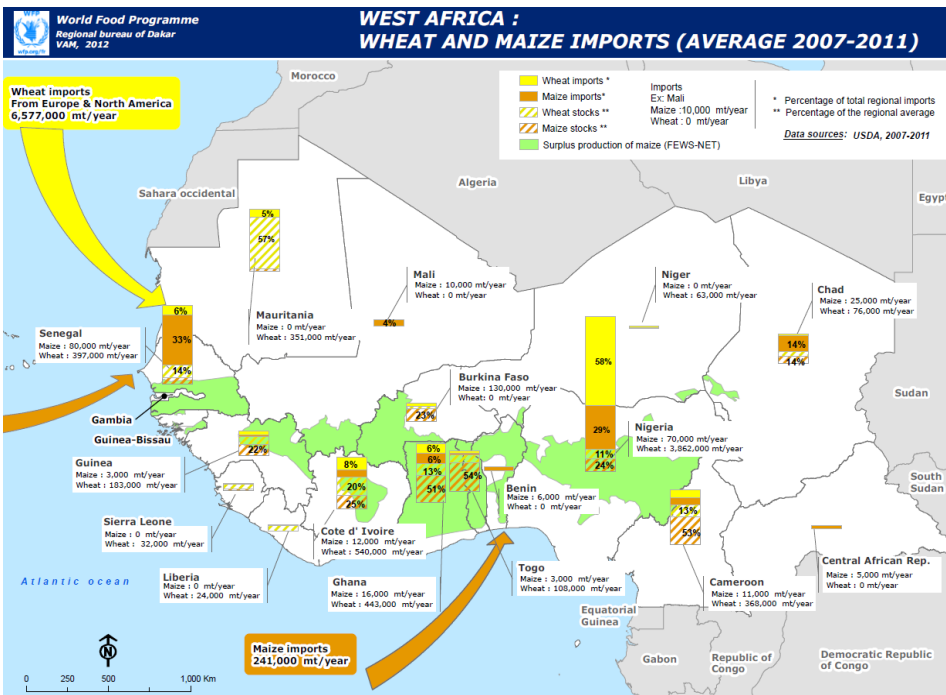
Sharp rise of international prices

Atypical drought conditions in the US causes wheat, maize and soya prices to soar (figure 1). According to data recorded by the World Bank in July 2012, **wheat increased by 50%, maize by 45% and soya by 30%** since mid-June 2012. By contrast, rice prices remained stable until July 2012. Compared to the 5-year average, maize, soya and wheat increased by 59%, 44% and 31%, respectively, and rice increased only by 8%. A new bullish phase in international markets could impact regional markets and the food access of West African households already affected by the current nutrition and food crisis.

Figure 1 : Trends in international prices (wheat, maize, rice, and soya)



Source : FAOSTAT data



Broad picture of wheat and maize imports in the region

In the region, wheat and maize are mainly imported from the United States and European countries.

Nigeria imports 58% of the global imports of wheat in the region. Due to its large wheat imports, Mauritania holds 57% of regional wheat availability.

Senegal and Nigeria import 62% of regional maize imports. A significant part of these imports are used in poultry farming.

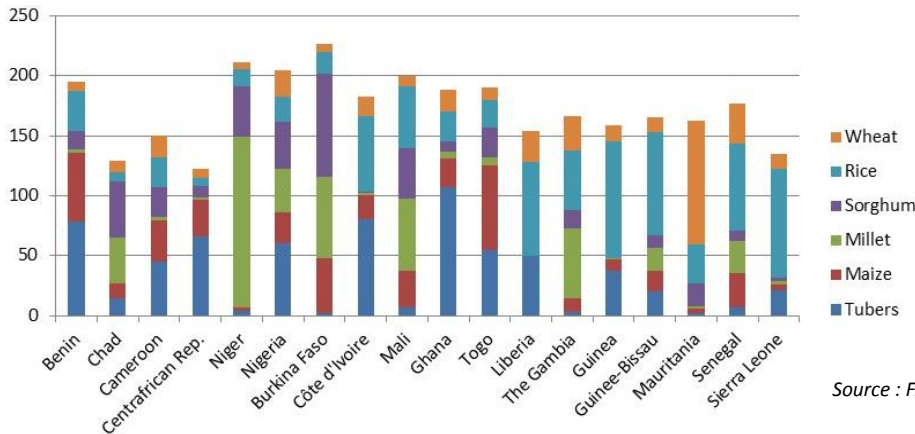
Wheat price increase, new blow for Mauritania?

According to FAO, annual wheat consumption in Mauritania was 106 kg per person in 2009, which accounts for half

of the country's annual grain consumption. According to the Mauritanian Ministry of Agriculture, the 2011-2012 cereal balance indicates a shortage of 464,800 tons, equating to 72% of the average consumption needs in the country.

Wheat imports represent 75% of Mauritania's total grain imports. Based on this observation, an international rise in wheat price could affect food consumption in Mauritania. Subsidized wheat sales, organized by the Government under the EMEL program could mitigate this impact.

Figure 2 : Gain and root/tuber consumption (5-year average, kg/person/year)



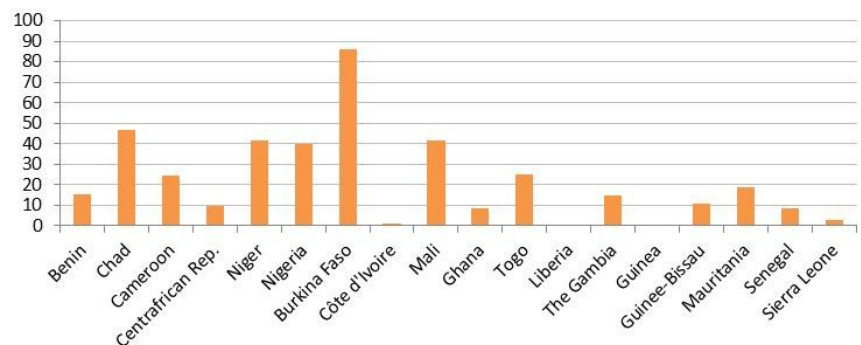
Source : FAOSTAT data

Mauritania, the biggest importer of wheat in the region could face the highest consequences of international price increases

Is soya consumption in the region related to the international market?

In Burkina Faso, soya consumption remains high for the region. According to FAO, annual soya consumption was 87 kg per person in 2009. This consumption relies entirely on regional production. Therefore, the potential impact of international soya price on the region and especially on Burkina Faso is very unlikely.

Figure 4 : Soya consumption (5-year average, kg/person/year)



Source : FAOSTAT data

Which countries are consuming the most maize in the region?

Benin, Togo, Burkina Faso and Senegal are among the countries consuming maize in the region. On average, Senegal imports 80,000 tons of maize per year (equating to five times the regional average), mainly used for poultry farming. Burkina Faso imports maize from Côte d'Ivoire and Ghana but not from the international market. Even if Benin and Togo produce enough maize and meet the regional demand, these countries nevertheless import maize from international markets. According to USDA, on average, Benin and Togo import 6,000 tons and 3,000 tons, respectively, per year. However, these volumes remain marginal compared to the regional average (14,000 tons). **A rise in maize price could therefore be mitigated should the 2012-2013 harvest be good** in these two countries. Due to the lack of information (international maize stock, yields of the current growing season, rise in fuel prices, exchange rates, etc.), it is still too early to fully predict the impacts the increase in maize prices could have in the region.

In Senegal, poultry price could be affect-

Impact of high food prices on WFP food aid

High food prices could affect food aid and the funding of this aid, should the WFP Regional Bureau redirect its purchases on the global market. A 10% increase in food prices would burden the WFP budget of about USD 200 million per year to purchase the same volume of food (WFP, 2012). During the **2011/2012 crisis in the Sahel, WFP oriented its grain purchases toward regional markets**, such as in Togo (28%), Nigeria (26%) and Benin (13%). Grain purchases in the US represent 27% (31,059 tons) of the total international purchases over these last 4 years. This volume could, however, be directed towards regional

ed by this rise. Moreover, Senegalese households who had switched to maize following the 2008 rice price crisis (WFP, CIRAD, 2010) could revert to rice this year.

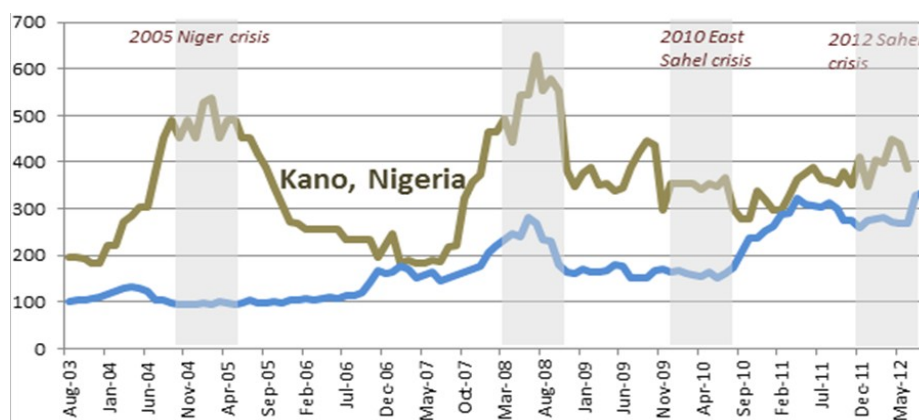
The correlation is low between the biggest wholesale market in Kano (Nigeria) and export prices in the US (0.23) and indicates the **low integration between the regional market and the international one**.

Also, a rise in maize prices in 2010/2011 did not translate to soaring prices in Nigeria

Though West Africa is not internationally integrated in the maize market, it does not mean that the region cannot be affected by global trends: in 2008 in Kano, maize prices had tripled while they had increased by 50% on the international market (figure 3). In 2008, despite its self-sufficiency, the regional market amplified the international shockwave.

Further analysis is necessary to better understand this lack of impact in the region.

Figure 3 : Comparison of maize prices internationally and in Kano (Nigeria) 2003/2012, USD/tonnes



Source: FAO/GIEWS data

markets, considering the total volume of grains locally purchased over the last 4 years (305,127 tons). On average, the region represents 72% of the total amount of food aid purchased over the last 4 years. A good spatial rainfall distribution until mid-October, even with shortages in quantity, should allow strong crop-growing conditions (AGRHYMET, 2012). This means that **if the coming harvest is good and if regional and local purchases are more supported, the rise in international prices should not affect the food aid volume**.

International purchases would nevertheless be an option.

The WFP Regional Bureau should therefore anticipate the price trends and adopt new strategies to cope with higher food prices, such as improving the purchasing power of the most vulnerable households with Cash & Vouchers programs and continue supporting local and regional purchases to small producers and farmers' associations.

The effects of the price increase on humanitarian aid could be mitigated by a good regional harvest, local purchases and non-food programs such as Cash & Vouchers

Prospects and recommendations

- Better understand the Mauritanian government's intentions regarding the extension of the Emel Plan (subsidized sales).
- After the 2012 harvest, strengthen the close monitoring of the regional maize price trends on wholesale markets like Techiman, Korogho, Kara, Malanville and Dawanu. Disruptions could indicate that the regional market is affected by international trends. A normal behaviour of these markets would confirm a distinct evolution in the West African context.
- The joint crop assessments scheduled for the September and October in the coastal countries of the region should, as much as possible, include market components in order to continue fol-

lowing price trends in the field.

- Should the situation remain volatile in international markets, conduct assessment missions as early as in November/December 2012 to better understand the grain trade prospects in the region.
- In Mauritania and Senegal, make sure that price monitoring systems are functioning.
- In the region, states should draw lessons from the 2008 food crisis to avoid the adverse effects of protectionism. In the short term, such measures can reduce the risk of food shortage. However, such measures can also have the opposite effect and cause international prices to soar.
- Even as prices for rice remain relatively stable, rice represents an important part of cereal consumption in the region. According to the World Bank, 45% of the rice consumed in the region is imported. An increase of the

prices of rice could affect vulnerable households' consumption in the region. When maize prices increase in the region, households tend to substitute this cereal with rice. Additional local pressure could lead to price hikes. Therefore, monitoring international and local prices of rice is essential in the coming months in order to anticipate any possible consequence on household food security.

- Finally, that the increase of international prices has an impact in the region or not, cereal prices in the region are currently abnormally high. The consequences of this inflation are already felt by the poorest households in the region. WFP and its partners should continue monitoring the situation but building countries' capacities to collect, analyse and disseminate price information is essential.

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