

West and Central Africa

WFP Regional Bureau Dakar Markets Update: October 2016

Highlights

- PREGEC forecasts normal to above normal crops and pasture production for the 2016-2017 cropping season
- Cereal prices peak increases are found in Nigeria, Ghana and Sierra Leone experiencing high inflation after currency depreciation *(Annex)
- Lake Chad Basin area remains critical in terms of security and vulnerability

MARKET TRENDS IN RBD REGION

The PREGEC held in September 2016 in Lomé claims that markets were generally well supplied in the region due to the fact that cross-border trade flows were maintained during the 2016 lean season and the good progress of the rainy season, which encouraged traders and farmers to market their stocks. Demand experienced a normal seasonal increase. Prices of local cereals, tubers and cash crops are generally up compared to the five-year average. These increases are more pronounced in Nigeria, Ghana, Côte d'Ivoire and in certain markets of Benin, Togo, Sierra Leone, Liberia and Senegal (Map1). In the coming months, given the good harvest prospects, commodity prices will experience a seasonal decline, except in Nigeria where they will remain above the five-year average. (Source: PREGEC)

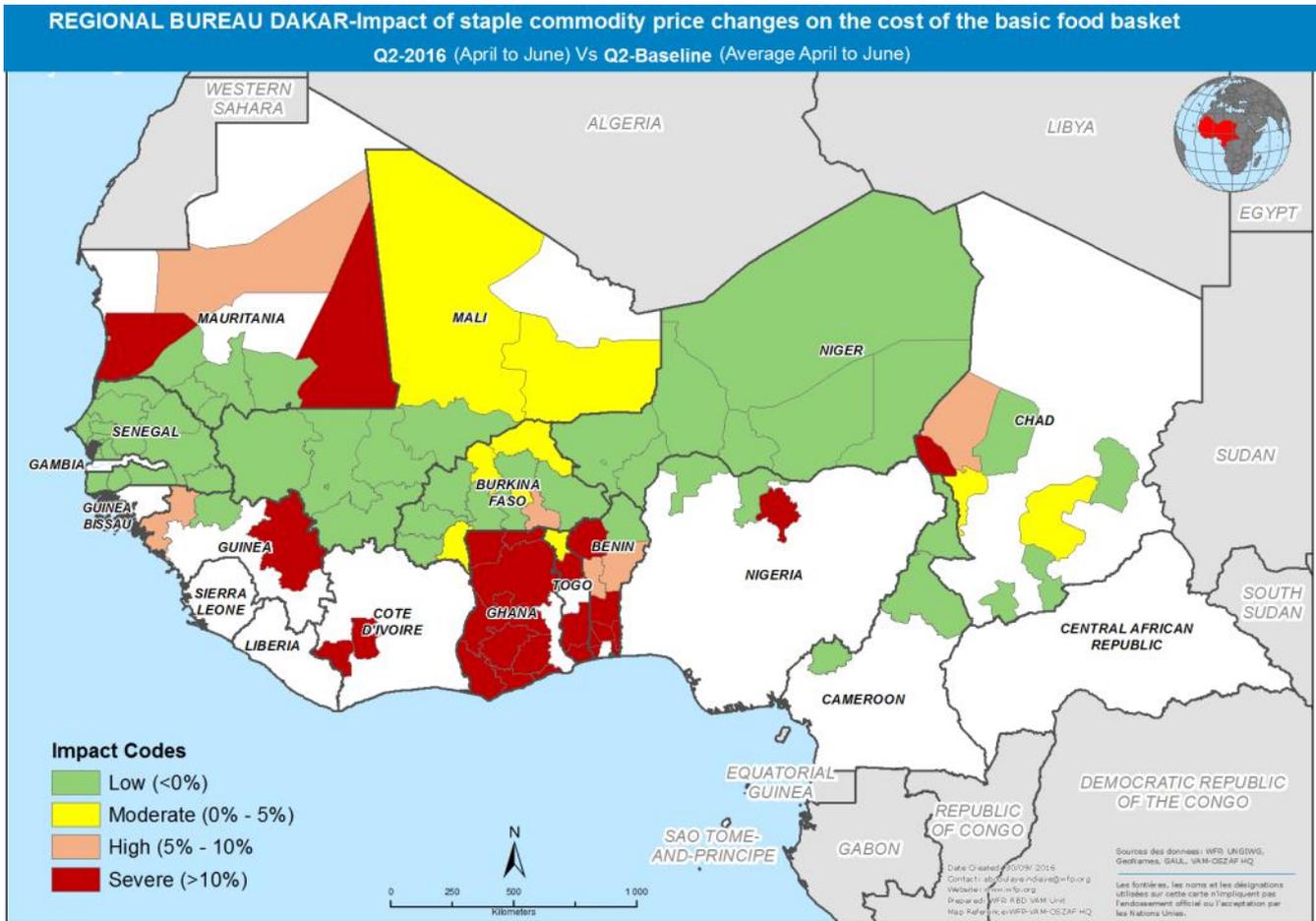
Looking at the month to month cereal price movements the following observations can be made:

In the Sahel, the price of millet and sorghum have remained broadly stable in Burkina Faso and Mali in August 2016, thanks to sufficient supplies from normal harvests last year, as well as prospects in the generally favorable for crop years 2016 - 2017. However, in Niger, prices of coarse grains continued to rise in August, particularly in the south as the Maradi market, following strong demand especially from Nigerian traders peasants and limited stocks.

In Chad, overall, prices of coarse grains declined in July and stood at values below those of last year at the same period despite the decline in cereal production in 2015, compensated through sufficient imports from neighboring countries. In Nigeria, the upward trend of high cereal prices has continued since the beginning of the year. It is linked to the sharp depreciation of the Naira and the consequent increase in fuel costs, as well as increased subregional demand. In Togo, maize prices fell in July on most markets with first maize harvests of the 2016 campaign entering the markets. (Source: FAO) In Ghana, despite a decline from a peak of 19.2 percent in March 2016 to 16.9 in August 2016, inflation remains high. Food inflation, however, remains at 8.5 percent for the month. In Sierra Leone, inflation passed the 10 percent threshold in July 2016. The depreciation of the local currency (Leone) against the US dollar prompted importers to sell rice at retail rather than shift responsibility to wholesalers. In the Central African Republic, cereal prices have dropped compared to end of last year with favourable harvest but remain volatile due to poor market integration.

With new production and consumption forecasts developed by the US Department of Agriculture (USDA), claiming that due to rising global rice stocks, international rice prices—being very low and not seeming to increase—imported rice may strongly compete this year again with local cereals in the subregion.

Map1: Impact of staple commodity price changes on the cost of the basic food basket



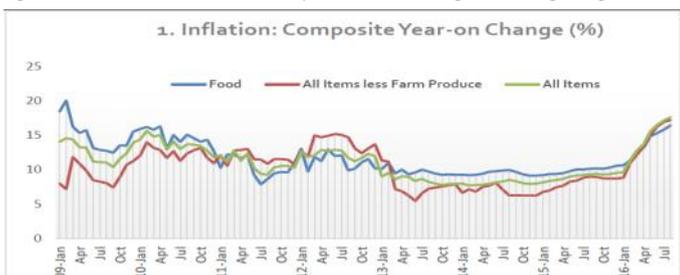
Lake Chad Basin And Central African Republic – Update on market functioning in 5 countries

Nigeria

In September 2016, Nigeria has slipped into an economic recession, as it has now seen two consecutive quarters of declining economic growth. The latest growth figures showing the economy contracted 2.06% between April and June.

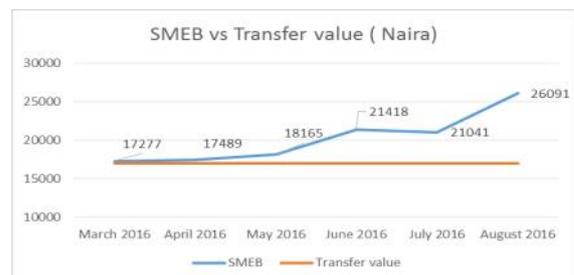
In August the Consumer Price Index (CPI) change, which measures inflation, reached 17.6% (year-on-year), 0.5% points higher from the rate recorded in July (17.1%) (Fig.1). Increases were recorded in all categories which contribute to the Headline index reflecting higher prices across the board. During the Cadre Harmonise meeting in Lomé, the government of Nigeria indicated that: “There is deficit financing on the part of government. Foreign reserves dropped by \$2billion to \$26.4m in 2016, domestic fuel price increased by 67% and there is limited supply of hard currency for imports” (Source: CILSS, September 2016).

Figure 1: Inflation; Source: NBS, Sept. 2016; www.nigerianstat.gov.ng



This economic development is directly felt in the Northeast of Nigeria. In Maiduguri for example, price increases of food commodities is attributed not only to the reduced production levels in this part of the country due to the on-going armed conflict, but also to the increased cost of fuel affecting transportation costs and appreciated of the dollar against the Naira for imported commodities. WFP’s latest mobile Post Distribution Monitoring (PDM) survey done in August on WFP’s Cash based Transfer (CBT) beneficiaries revealed that the interviewed households were spending on average 23,291 Naira on food per month. Between March 2016 and August 2016, the Survival Minimum Expenditure Basket (SMEB) based on commodities millet, maize, cow peas/red beans, palm oil, onions and peanuts has increased by 51% from 17,227 Naira to current 26,092 Naira. (Fig.2)

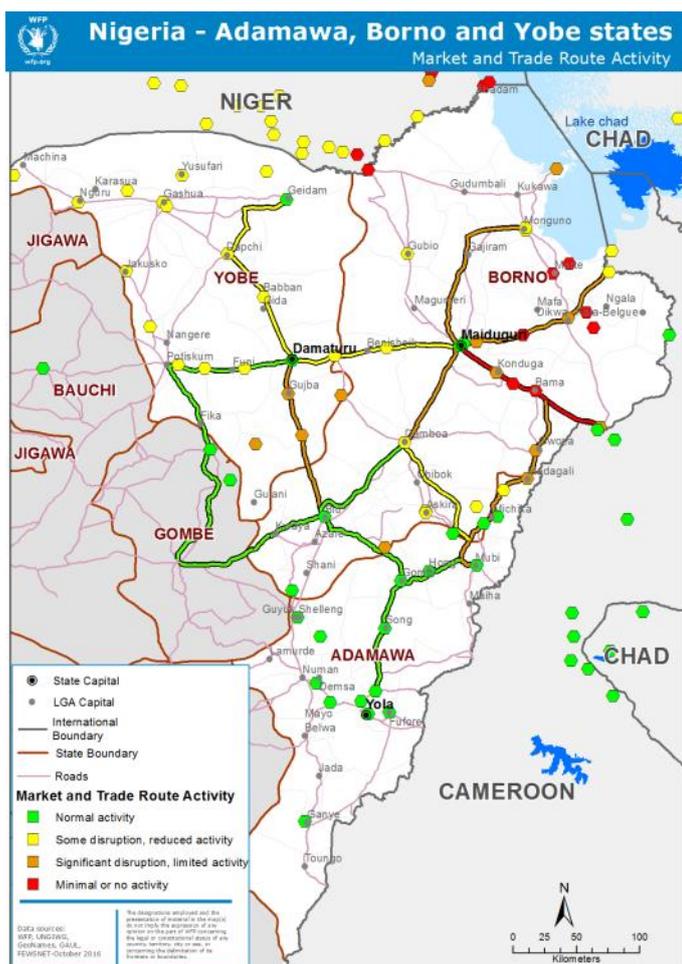
Figure2: SMEB versus transfer value; Source: WFP



Further, markets remain disrupted in Northeast Nigeria due to the effects of the conflict (Fig.3). Significant portions of Borno and Yobe States are inaccessible due to military operations and presence of insurgents, limiting humanitarian activity. There has been none or limited market activity in many areas of Northern and Central Borno and Southern Yobe since early 2015. (Source: FEWS NET)

During the first round of WFP’s key informant traders interviews (June 2016), when asked to describe challenges, high food prices, lack of capital and availability of products were most frequently mentioned. Many key informants in less accessible area reported challenges related to security and checkpoints. The second round of KI (August 2016) reconfirms the same challenges. In some areas it seems that the traders perceive that the overall markets environment is deteriorating as road blocks and money extortion are increasing. (Source: WFP, 2016)

Figure 3: Market functioning in Northeast Nigeria, August 2016, FEWS NET



Source: www.fews.net

Cameroun

In the Far North Region, due to erratic weather conditions and widespread insecurity which severely constrained access to land, crop production in 2015 was 32.4 percent lower than the previous year, with an estimated uncovered cereal deficit of 75 844 tonnes. (Source: FAO) Local crop production was estimated to be sufficient for the coverage of just five months of consumption, with an ensuing early start of the lean season. Here, prices of millet increased by 11 percent due to a low 2015 output compounded by market disruptions, caused by widespread insecurity in northern regions, where the cereal is predominantly grown. In these areas, reduced crossborder trade flows towards neighbouring countries prevented millet prices to further increase.

In Kousseri, Bertoua and Meiganga, prices of maize, the most consumed cereal, declined in July/August 2016 in anticipation of the main season harvest (Source: WFP/Minader).

Prices of wheat and rice mostly sourced from the international market and mainly consumed in the urban areas, were stable in the first semester of 2016 in Douala, the largest urban centre and the main entry port for imports. By contrast, in the capital, Yaoundé, prices of wheat and rice recorded some volatility. Overall, prices of wheat and rice in June in both urban centres were around their levels of the same month of the previous year. (Source: FAO)

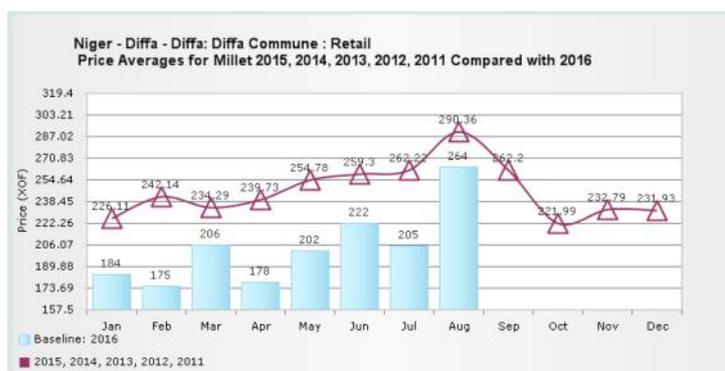
Niger

While the overall market supply is regular and satisfactory due to destocking by wholesale traders in favor of the promising trend of the rainy season, a general price increase is observed for most cereals and millet in particular. It can also be assumed that the Naira / CFA exchange rate would help to encourage increased circulation of Nigeria cereals to Niger. CILSS confirms this statement in their presentation at the PREGEC meeting. At the same time the Réseau Ouest-africain des Céréals states that Niger has been exporting local rice to Nigeria leading to reduction of availability. (Source: ROAC, <http://www.roac-wagn.org/>)

Cross border markets are still well supplied, as availability is favorable in Niger as well as in Nigeria.

In other regions, the food situation is marked by the continued rise in prices of coarse grains (millet, sorghum and maize) and negative impacts caused by floods recorded in almost all regions of Niger. About 75% of people affected by the flooding are located in the regions of Agadez, Maradi and Tahoua . (OCHA) In Maradi, the markets are well stocked with local and imported cereals. However, coarse grain prices continue to rise; they remain very high compared to September 2015 (+ 38% for millet, 33% for sorghum and 21% for corn). (Source: Afrique verte, <http://www.afriqueverte.org/>). In Diffa, prices remained below the five-year average (Fig.4).

Figure 4: Millet prices, Diffa, 2016 vs 2011-2015, Source: WFP



Chad

The agricultural campaign is progressing as expected and millet is mature since early September. Harvests have started for millet and beans as well as other pulses. Overall, security constraints have limited influence on farming crops both in the mainland than in traditional polders and Lake Chad Islands. The military protection actions to secure populations have allowed them to pursue their livelihood activities.

In the Lake Chad zones, the main markets like Bol, Bagassola, Liwa, Daboua, Ngouri are generally well supplied both in local cereals and imported basic products such as sugar, pasta, salt, oil, etc. These products come from Ndjamenas as well as neighboring countries (Niger, Nigeria and Libya).

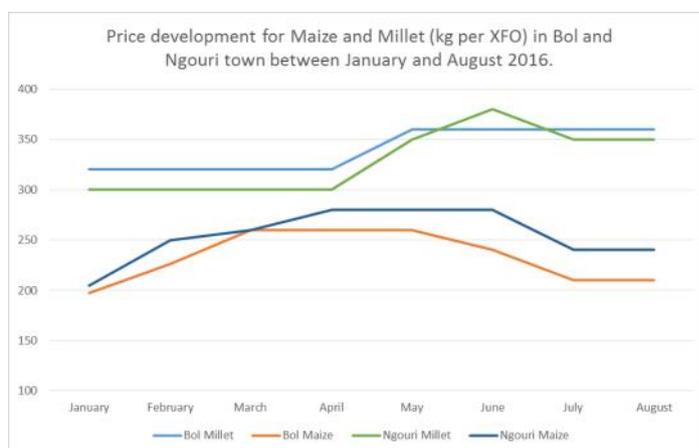
Despite the lean season, grain prices are stable or downward both at Bol market (island part) and Ngouri (mainland) (see figure 5). This trend is due to an increase in supply and falling demand forcing traders to reduce their profit margins (and in consequence their price). Regarding supply, traders and producers are destocking earlier due to subsidize cereals sales

and an anticipated favorable harvest this year. In terms of demand, the crisis in Lac and an early lean season have led to a decline in livestock prices. Hence, terms of trade for livestock / grain have decreased and reduced their purchasing power. In addition, the unfavorable economic situation in the country caused by the falling price of oil affects all commercial transactions and results in an overall drop in economic activities and therefore demand.

The commercial flow of the Lac continues with exports of natron, hides, fish, donkeys, peanuts and beans in Nigeria despite the security risks. Carriers are forced to make detours to import or export the main products traded in the region. They leave Kano in Nigeria and go through Diffa, Zinder in Niger and Guiguimi Daboua to enter the West Lake area. This detour takes them a month of travel. As for those who take the risk of going through waterways, traffic takes them a week to import the products from Nigeria to Lac (Chad). These waterways are officially closed by the police, carriers support important incidentals.

Trade on the border is done in Naira. In the south and center of the Lake region, the CFA franc is circulating in the markets.

Figure 5: Price development, Bol, Ngouri, Source: WFP



According to the latest WFP mobile survey (mVAM), 60% of retailers reported price declines of food compared to last year. A higher proportion of traders report price drops in the Sudan region, while in the basin, traders mention price stability or increase. Other sources of information available on prices confirm this overall trend stable or falling prices, contrary to what is expected during this lean period.

This atypical behavior of prices of food products may be justified by various factors. First, on the supply side, consider the stabilizing effect of sales at subsidized prices from the government. 38% of interviewed traders reported subsidized sales in their area. Then the violent conflict in North East Nigeria, reducing cross-border trade, has enhanced the offer on local markets. Finally, good rainfall during the current campaign speculates for a good harvest 2016/2017, which results in an early destocking from traders and producers. The crisis in Lac has also led to a decline in livestock prices and a worsening terms of trade for livestock / grain, reducing and the purchasing power of farmers. Moreover, the overall economic conjuncture affects commercial transactions over the whole country and results in a weak global demand. Faced with a stable supply or rising and falling demand, traders are forced to reduce their profit margins.

Central African Republic

Crop production in 2015, estimated at 838 671 tons, increased by 10 percent compared to 2014 as a result of an increase in cassava production. By contrast, cereal production declined by 4 percent in 2015 compared to 2014 (Source: CFSAM 2015).

Persisting insecurity continues to disrupt agricultural activities, and the 2015 harvest, despite the increase compared to 2014, is still 54 per cent below the pre-crisis average. Notably, cereal production declined for the third consecutive year, and in 2015 was 70 percent lower than the pre-crisis average.

In June 2016, WFP conducted a market assessment targeting 215 traders. Preliminary results are as follows:

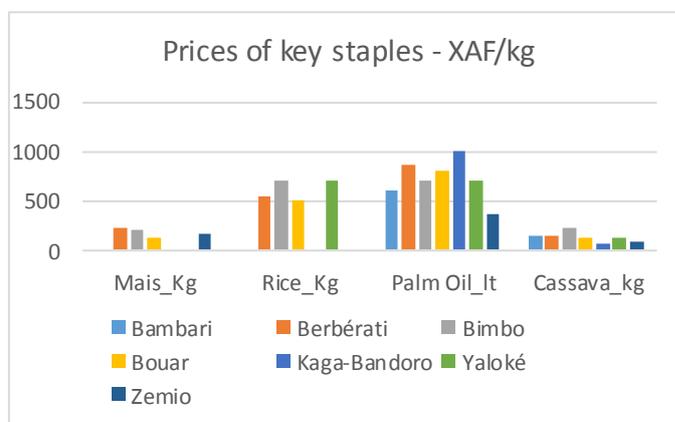
Prices of groundnuts, wheat flour, beef meat and fish, in October, were between 22 and 87 percent higher than their pre-crisis levels. By contrast, maize prices declined by 25 percent in

In 2016 markets regain functionality and competitiveness, driven by a significant increase of number of retail traders, wholesalers and semi-wholesalers and collectors and hence ease prices. Markets are physically accessible and open to all ethnic groups and even traders from other regions. Key products (cassava and rice) are available. Improved availability was sustained by better harvest in 2015. Cassava supply is mainly from producers and traders within the prefectures. No significant change in sources of supply is to be expected in the near future (the next 6 months), which indicates a relative stability of supplies.

The lack of own capital, limited access to credit and insecurity are the main constraints in trade activities. However, the majority of traders say they have the ability to access more credit when needed and quickly replenish their stocks (usually in less than 2 weeks). In addition, the majority of traders say they have the capacity to absorb additional demand of 10 to 50%.

September mVAM in CAR shows strong price variation for key staples among locations due to poor market integration in the country. (See Figure 6)

Figure 6: Prices of main cereals in CAR, XAF/kg



For further information please contact the RBD VAM Market Analysis Unit:

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Annex

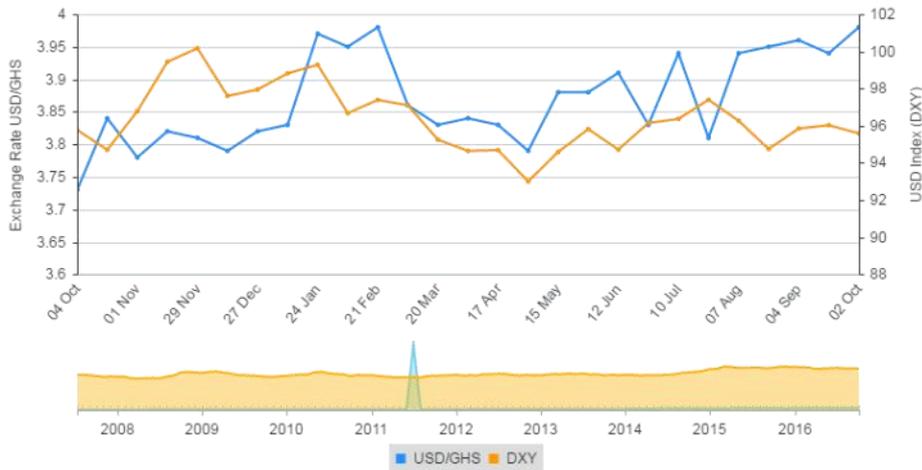
Exchange rate (daily data)

The exchange rate is the price of one country's currency expressed in US dollar. Here we report the direct quotation (also known as the Price Quotation System) which defines the amount of domestic currency needed to exchange one unit of foreign currency.

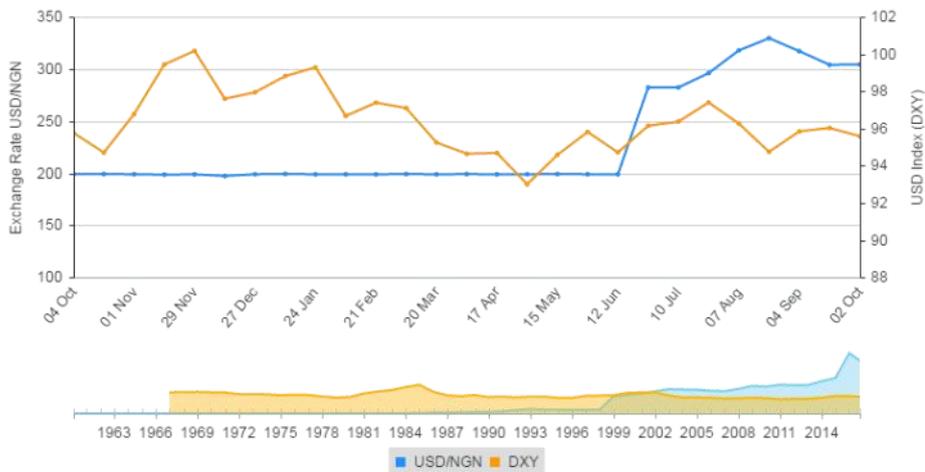
USD Index - DXY (daily data)

The United States Dollar Index or DXY measures the performance of the dollar against a basket of other currencies including euro (EUR), Japanese yen (JPY), United Kingdom pound sterling (GBP), Canadian dollar (CAD), the Swiss franc (CHF), and Swedish krona (SEK).

Graph 1: GHANA: US Dollar vs Ghana Cedi and DXY, 12 previous months, Source: WFP



Graph 2: NIGERIA: US Dollar vs Nigeria Naira and DXY, 12 previous months, Source: WFP



Graph 3: SIERRA LEONE: US Dollar vs Sierra Leone Leone and DXY, 12 previous months, Source: WFP

