

Executive Brief: Liberia Impact of rising food prices on food security

July 2008



Overview, scope and methods

Since the Accra Peace Agreement which marked the end of 14 year of conflict in 2003, substantial work on recovery has been ongoing. Liberia is a least-developed, low-income and food-deficit country. Extreme poverty – inability to meet the cost of food providing 2,400 kcal/person/day - affects 56 percent in the rural population and 29 percent in the urban population.

Liberia is particularly vulnerable to the global food and fuel prices' increase as it relies heavily on imports to meet its needs. It is estimated that Liberia requires 332,000 tonnes of rice, the country's main staple, every year but the national production meets only one quarter to third of the national requirements for rice. About 60 percent of rice consumed is imported. In Greater Monrovia it is 99 percent.

Purchase is the main food source for obtaining rice for both rural and urban households. The high rates of poverty, food insecurity and malnutrition mean that the poorest would have difficulty coping with the shock.

The Government of Liberia has formulated a strategy aiming at i) ensuring adequate supply of rice, ii) increasing food production and iii) protecting vulnerable groups. Some priority actions include the reintroduction of school feeding in Greater Monrovia, expansion of nutrition interventions, and cash/food employment project for vulnerable urban youth.

To support the design of appropriate and proportionate programs, a rapid assessment of the impact of rising prices on household food security was carried out. This joint UN survey (FAO, UNDP, UNICEF, WFP, and UNMIL) was implemented in partnership with the Government (MOA, MCI, LISGIS), Action Contre la Faim, the Danish Refugee Council, Concern, German Agro-Action and Save the Children UK.

How was the assessment done? The analysis is based on primary data collected through a survey of 266 households in 8 deprived areas of Greater Monrovia and focus group discussions. Focus group discussions took place in rural areas to capture the effect of the shock on livelihood groups. Interviews were conducted with traders and other key informants in Monrovia and other urban centres across the country.

How have food prices evolved in Liberia?

The price of rice in Monrovia has increased 40 percent in US dollar terms in the past year. It nonetheless remains below international and regional levels due to the elimination of import tariffs in March 2008 and the fact that a high level of imports was purchased before the brunt rise earlier this year. The rise in rice price is of particular concern in light of a World Bank study (CWIQ, 2007) which found that a 20 percent increase in rice price would lead to an increase in the poverty rate by four percentage points from 64 to 68 percent.

Rice purchased by cup is 32 percent more expensive than by bag, which provides an extra burden to poor households that cannot afford the purchase by bag. In terms of inter-regional price differences, rice is 56 percent more expensive in the South-East due to high transport costs. At Nzerekoré (across the Guinean border) in May 2008, a 50 KG bag cost US\$47 compared to US\$31 in Greater Monrovia, an indication that world market prices have not yet fully passed through to the consumer. The price differences also provide a strong incentive for cross-border trade and smuggling.

Consumer price inflation is high and increasing. It is forecasted at 13.4 percent in 2008. Liberia's trade balance is highly vulnerable to the price shock. The IMF estimates that, 'with unchanged volumes, the trade balance would deteriorate in 2008 by 16 percent of GDP due to higher food and fuel prices, making Liberia sub-Saharan Africa's single most-affected economy.

What is the impact of rising food prices on households' food security?

Urban areas (Greater Monrovia represents about 30 percent of Liberia's total population): **The rate of severely food insecure households in poor neighbourhoods has increased from 4 percent in December 2006 to 8 percent in June 2008.** During the same period, the proportion of people with good food consumption patterns has dropped from 64 to 40 percent. To guarantee the consumption of basic staple food commodities, households are restricting their consumption of high quality food commodities, in particular protein sources and vegetables, which leads to decreased dietary diversity.

Some 9 of 10 respondents reported increasing expenditure for food and transport in the 12 months prior to the survey. Expenses on higher quality food commodities such as meat, eggs, vegetables, has dropped. Also expenses on education and health have declined.

The most common coping strategies are:

- Reliance on less preferred foods (75 percent of households);
- Limiting the size of meals (68 percent) or reducing their numbers (66 percent);
- Giving preference to children (42 percent);
- Purchase food on credit (35 percent); and rely on relatives or friends assistance (27 percent).

The proportion of urban households engaging in agricultural production of cassava, leaves and greens, vegetables and fruits has increased, which could be a mitigation strategy to higher food prices.

Rural areas: Through rural Liberia was is more deprived in terms of poverty and food security, there is indication that rural groups have thus far been less affected by the price increases. Some livelihood groups such as gold miners, hunters, fisher folk, palm oil producers and charcoal burners may benefit from stable or improved terms of trade. Rubber tappers and casual labourers are experiencing a decline in their terms of trade in some areas while the outlook for cocoa and coffee growers will depend on the market trends for these goods later in 2008. All livelihoods groups are resorting to coping strategies, in particular eating less preferred food, substituting rice by cassava, and looking for additional income generating activities.

Who are the most affected people? How many are they?

It is estimated that 48,000 people living in Greater Monrovia have poor food consumption and are therefore highly vulnerable to increasing food prices. They have more limited income sources and rely more on loans and credit to purchase food. They own few assets. Children under 5 in households with poor food consumption eat only one meal per day. The access strategies of this group may be reaching their limit, which translates in declining food consumption.

What is the impact on markets and traders?

There are only three major importers in Liberia. Wholesalers interviewed reported a supply problem. The quantity of supply they can buy from importers is limited and involves long waiting times. In rural Liberia, traders complained about lower demand because of increasing prices, very high transportation costs and no access to credit and banking facilities. As the Government tries to guide the price at wholesale level, margins for importers and wholesalers in the rice business are becoming less and less attractive.

How is the situation likely to evolve in the coming months?

Although, supply of rice has worsened, the most likely scenario is that new imports will be arranged prior to the depletion of in-country stocks. Traders will have to import rice at higher prices than previously caused by the substantial price increase that took place since the beginning of this year. This will result in higher prices for households. Based on different scenarios, the price could rise from currently US\$32 to a range of US\$39 to US\$52 per 50KG bag within the next three months. Food security will be most at risk in the June to October 'rainy season', when income earning opportunities will be limited in urban areas. This corresponds with the agricultural lean season in rural Liberia.

Recommendations for interventions

Short term (July - December 2008):

- Take immediate action to arrange for the import of new rice stocks and avoid depletion of stocks.
- Scale up nutrition interventions
- Scale up and strengthen interventions aiming at increasing food production and income generating activities in rural areas focusing on activities with immediate impacts with a focus on pre- and post-harvest interventions
- Pilot conditional cash/food transfers in urban areas
- Implement food complements to cash initiatives in rural areas
- Kick-start national food security and nutrition monitoring system

Medium term:

- Shift from food for work to food/and or cash for assets
- Continue investments in the agriculture and tree crop sectors
- Assess the feasibility of setting up a cereal buffer stock
- Implement a study on the effects of cash, food and mixed transfers in rural Liberia.
- Conduct regular monitoring activities to continuously assess impacts and trends over time

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