Sierra Leone Market Analysis Bulletin  
(Major Food and Cash Crops)  
Quarter 2, 2009

Introduction

The purpose of this bulletin is to inform our partners about the trends of key food and cash crop prices in the main markets in Sierra Leone from April to June 2009. Emphasis is on the staple food rice (local and imported) and the cash crop palm oil. The data was collected by WFP field monitors in the provinces fortnightly.

Highlights

- The average nominal retail price of imported rice declined while the price of local rice increased. During the last month of the quarter (June), the price of local rice exceeded that of imported.
- The nominal price of palm oil increased rapidly during this quarter.
- The exchange rate (Le/USD) remained relatively stable in April and May, but increased in June.
- There is decline in the terms of trade for unskilled labourers, as the price of local rice has increased while the wage rate has remained stable.
- The reduced tariff on imported rice (from 15% to 10%) by Government in the first quarter of the year is still in effect.

Average nominal prices of rice and palm oil

During the months of April to June 2009 the retail price of imported rice declined in all markets except for Kailahun, where the price remained high. The retail price of local rice recorded an increase in the same period. Palm oil price surged significantly (40%) in June compared to previous months.
Retail price of imported rice

Unlike the first quarter of 2009, the second quarter retail prices of imported rice show a decline while the retail prices of local rice continues to increase. In fact, the price of the local rice exceeds the price of imported rice. This is due to declining availability of local rice as time elapses since the previous harvest and the cultivation of rice for seeds. The fact that Kailahun still records a higher price than the rest of the country could in part be due to the deplorable condition of the road leading towards the town. Even though there is a rise in the wholesale price of rice in June, retailers still sell at a lower price probably because they have enough stocks that are not exchange rate sensitive. Figure 2 below depicts price development in six provincial markets plus Freetown (the capital city).

Wholesale price of imported rice

In Sierra Leone, about 25 percent of the production gap of rice is filled by importation. The price of rice however depends on international prices, exchange rate and tariffs. The chart below shows the trend in the wholesale prices of imported rice (parboiled and milled).

From April to May 2009 the wholesale price of rice remains relatively stable due to the stability in the international prices, exchange rate and tariffs. However, in June 2009 the wholesale prices of rice in all the markets increased. The surge in price of rice in June may be attributed to seasonality as the country enters the rainy season, and also
to the rise in the official exchange from Le 3,154 per USD in April and May 2009 to Le 3,254 per USD in June 2009.

Retail price of palm oil

Palm oil prices during the second quarter of 2009 continued to increase in all the markets except for Kailahun. The relative stability in the price of palm oil in Kailahun may be attributed to the low exportation due to lack of good roads and means of transportation, and hence seasonal oversupply. Figure 4 below illustrates the price development of palm oil in seven markets including Freetown.

The chart below depicts stable price of palm oil in the months of April and May but a significant rise in June. The surge in the price of palm oil in June may be attributed to a decline in stock (seasonality) and the increase in cross border trade with neighbouring countries.
Terms of trade

Although the prices of commodities continue to increase, the minimum wage still remains at Le 5000 per day. The analysis below provides the terms of trade between labour wage and local rice in Freetown, which is a non-rice-producing area where most people rely on purchasing rice at the market. This means that in June, with one day’s work a labourer can buy 1,72 Kg of rice.

Outlooks for quarter 3, 2009

Food prices are likely to continue to rise and are expected to hit highest point in the month of August, where the peak of the rainy season coincides with the Muslim month of Ramadan.

The Leone is expected to depreciate against the USD because of the non-availability of foreign exchange in the central bank.

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