

## Sierra Leone Market Analysis Bulletin (Major Food and Cash Crops)

Quarter 4, 2009

### Introduction

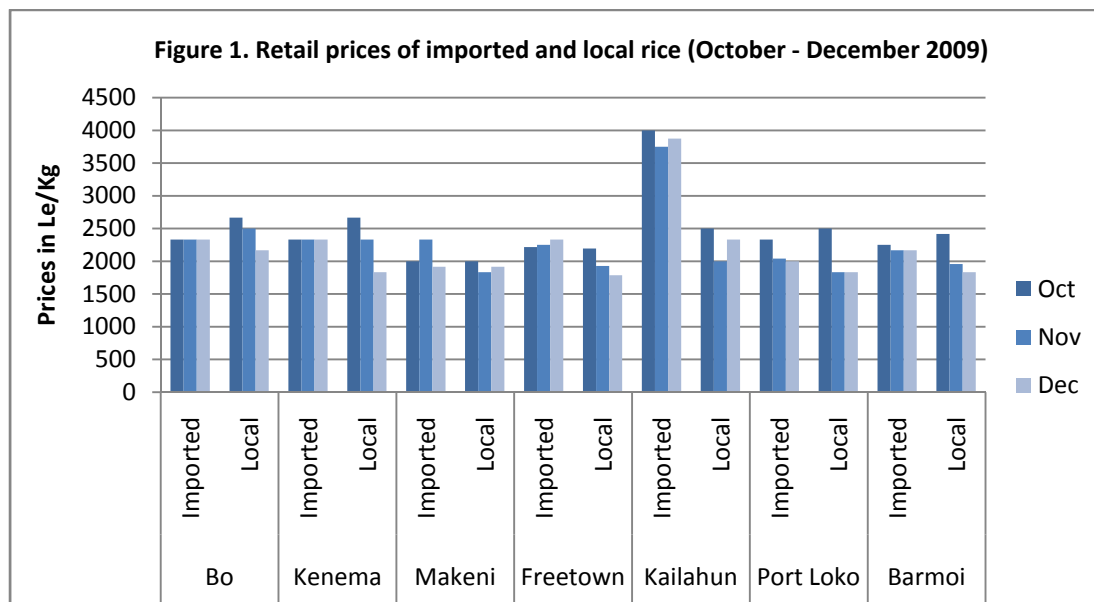
The purpose of this bulletin is to inform our partners about the trends of key food and cash crop prices obtained from fifteen major markets in Sierra Leone from October to December 2009. Emphasis is on the staple food rice (local and imported), on gari (fermented cassava) and on palm oil. In addition, we have calculated terms of trade for labour wage and for the cash crop coffee. The data was collected by WFP field monitors fortnightly.

### Highlights

- The prices of local rice dropped significantly in all markets from 3<sup>rd</sup> to 4<sup>th</sup> quarter
- Harvesting of rice continued throughout the period, but yields might be below expectations because of late rains, dry spells and flooding
- Palm oil prices increased in all the markets in the country
- Terms of trade favoured cacao farmers during the period
- The US dollar continued to fluctuate until December 2009

### Price of rice

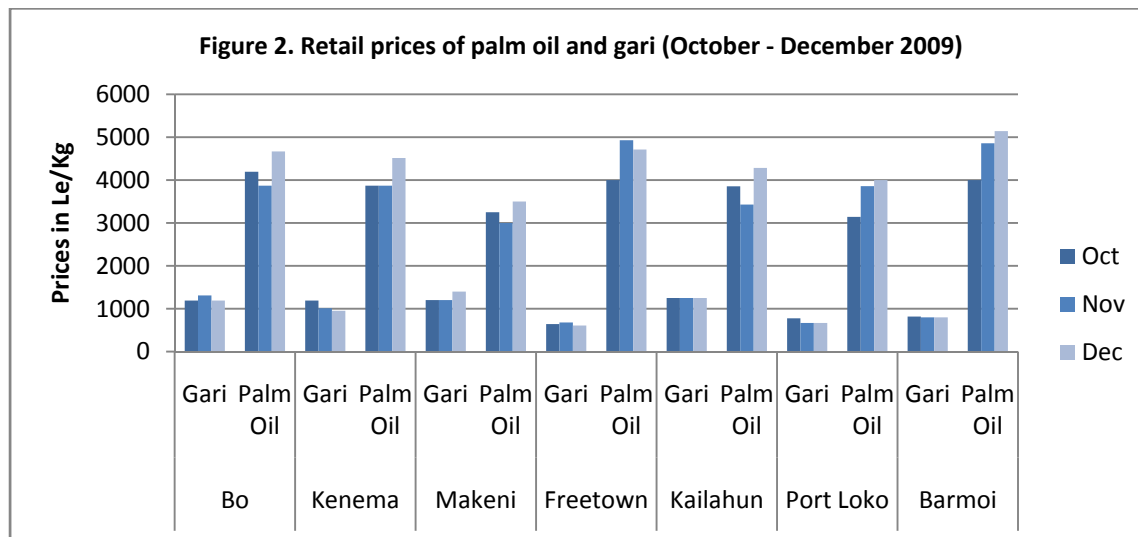
Figure 1 below shows the nominal prices of imported and local rice at various markets throughout the country. The figure shows that imported rice prices were quite stable throughout the period, whereas the price of local rice declined on most markets. It also shows that the price of imported rice continued to be much higher in Kailahun than the rest of the markets. This is probably caused by the high cost of transportation as a result of the bad conditions of the roads.





### Price of palm oil and gari

The retail prices of gari (fermented cassava) and palm oil at various markets from October to December 2009 are shown in Figure 2 below. The figure shows that, in November 2009, the price of palm oil at the Barmoi and Freetown markets were very high compared to other markets. In December 2009, the price remained highest in Barmoi and Freetown (although decreasing slightly in Freetown), with the price increasing in other markets as well. Makeni showed a relatively lower palm oil price than the rest of the country due to high supply from other parts of the country. As a result of the high supply of gari to the Freetown, Port Loko and Barmoi markets the prices at those markets were lower compared to the rest of the country.



### Price Trends during 4<sup>th</sup> quarter 2009

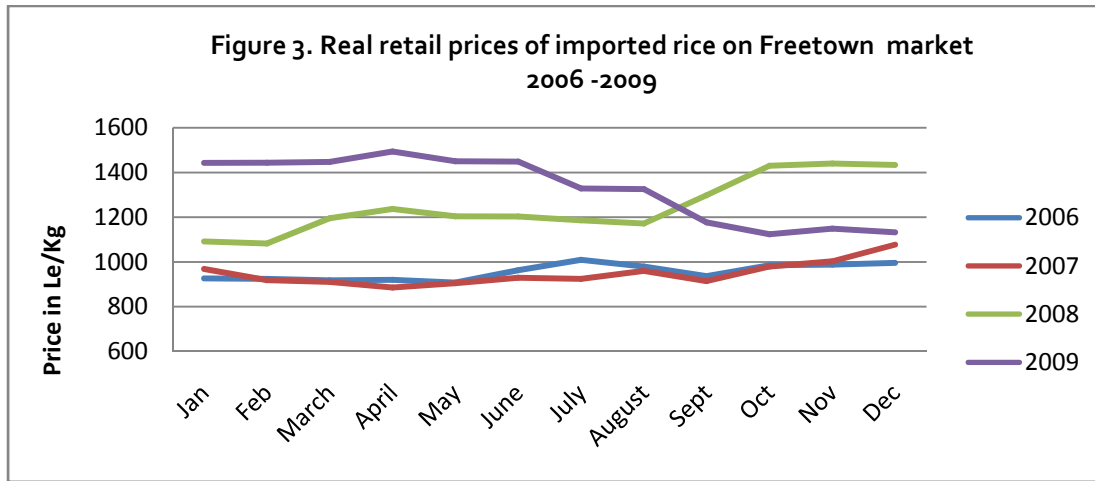
Table 1 shows the changes in price from the end of the third quarter to the end of the fourth quarter. A significant drop in the price of local rice was observed in all the markets. This comes because this period is usually the harvesting season, particularly of rice planted on the upland. Interestingly even though the price of local rice dropped

	Imported Rice	Local Rice	Palm Oil	Gari
Bo	-3	-28	21	-13
Kenema	0	-39	17	-11
Makeni	-4	-43	17	17
Freetown	0	-19	10	-33
Kailahun	-3	-12	25	0
Port Loko	-14	-27	27	-26
Barmoi	-4	-27	29	-20

significantly, the price of imported rice remained stable. The price of palm oil increased in all the markets with Barmoi, Port Loko and Kailahun markets, which are closer to the borders, recording the highest increases. Normally at this time of the year there is a shortage of palm oil in the market, which triggers the rise in price. Gari, which is a substitute to rice, experienced a drop in price in most markets, perhaps because of the drop in the price of local rice. The market in Kailahun, where gari is not widely consumed, experienced no change in price. Movement of large quantities of gari from Makeni markets to the border markets created the shortage and thus the price increased.



Price trends in 2009 compared to previous years



The real prices of imported rice at the Freetown market in 2006, 2007, 2008 and 2009 are presented in Figure 3 above. It shows that from September to December 2009, the real price of imported rice continued to drop slightly before stabilizing. The real price of rice in the last quarter of 2009 was lower than that of the same period in 2008, and nearly back to 2007-pre-crisis level. International rice prices increased in late 2009, but this did not seem to affect the price of imported rice in Sierra Leone – yet.

**Terms of Trade**

From October to November 2009, there was no significant change in the terms of trade between labour wage and imported rice in Freetown, as shown in table 2 above. It is indicative that for the same amount of work done people were able to buy the same quantity of food from October to December 2009. This related to the fact that the price and the wage rate were almost stable.

	Oct-09	Nov-09	Dec-09
Labour wage (Le/day)	5000	5000	5000
Imported rice (Le/kg)	2307	2333	2333
Terms of trade	2.17	2.15	2.15

The terms of trade of cacao/ local rice in Kailahun is presented in table 3 above. The terms of trade were not favourable for cacao farmers in October 2009. This was simply because the price of cacao was low and the local rice price was high, therefore a kilogram of cacao could only buy a kilogram of rice at the market. With the abundance of rice in the market in November 2009, due to harvesting, the price of rice dropped, and since this coincided with the rise in price of cacao the TOT improved for the cacao farmers in November. However, the situation reversed slightly already in December with the increase in the price of rice.

	Oct-09	Nov-09	Dec-09
Cacao (Le/kg)	2470	3529	3529
Local rice (Le/kg)	2500	2000	2333
Terms of trade	0.99	1.77	1.52



### Outlooks of quarter 1, 2010

Quarter one marks the end of the harvesting of rice and the beginning of preparation of upland farming. With the slow-down in supply of local rice, it is probable that prices will stabilize and even start rising again. Because of the instability in Cote d'Ivoire the price of cacao has increased in most countries in the area lately, and this increase is expected to continue in 2010.

It is likely that the price of palm oil will continue to rise in the first two months of 2010 because harvesting of palm oil will not start until March, as farmers will be fully engaged in land preparation for upland rice farming.

The USD is currently stronger than it was a few months ago, and a further strengthening of the USD should be monitored as this could make imported goods more expensive in local terms.

#### Recommendations

**Programming:** With markets functioning and food still available in the markets, cash for work continues to be the best response option for urban interventions. This could potentially improve trade and eventually stimulate production.

**Local Food Procurement:** Relatively low local prices favour the purchase of local food for the time being.

#### Implications for food security

On average, food prices decreased and stabilized throughout the period. This had a potentially positive impact on food security for vulnerable household which could then more easily access food in the market.

An increase in the price of cacao combined with a decrease in the price of rice has this been favourable for cacao farmers – compared to quarter 3 they have been able to purchase more than 50% more rice for the same amount of cacao.

For any questions on this bulletin, please contact:

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