INTRODUCTION:

The Liberia Market Price Monitor\(^1\) provides information on price changes for the commonly consumed staples as well as other vital non-food commodities that have potential of being exchanged for food. The potential impact of price changes on household food access is also analyzed.

This publication focuses on price variations between (May – June) and (July – August) of 2010. A comparison to the same period in 2009 (July – August) is not possible due to unavailable data for the period under review. It also provides insight into seasonal development of price trends for Liberian staple rice, as well as potential effects of global price variations.

Highlights:
- Marginal increase in domestic prices of imported rice averaging 2.5% nationally between May/June and July/August 2010;
- Seasonally high demand for imported rice coupled with poor road conditions during the rainy season is causing up to 90% price differentials between Monrovia, the main entry point for all rice imports, and far off markets (Pleebo, Foya);
- Terms of Trade for palm oil producers and casual labourers continues to improve despite a modest increase in the prices for imported rice.

NOMINAL”WHOLESALE” PRICE OF IMPORTED RICE:

The Figure 1 reveals that most Liberian markets are showing modest upward trends in prices of imported “butter” rice (most preferred staple), with the exception of Gbarnga and Tubmanburg markets that showed unexpected decline in price between May-June and July-August 2010. Red Light market showed the most dramatic increase in prices (11%) mainly explained by the lean season leading to higher demand for imported rice. Rural markets continued to report relatively higher prices compared to markets around Monrovia and Buchanan, the main ports of import entry. There are now reports of traders beginning to sell imported rice at wholesale level in Foya market, Lofa County, an observation attributed to seasonal influences (hunger season characterized by increased demand for imported rice) due to diminishing supply of local -rice on the market during this period. Overall, the peak of the hunger season coincides with a period marked by exhaustion of local rice stocks, bad roads and price rises in the markets. The poor households are more vulnerable during this particular period and increasingly rely on casual labour to access food. Both Foya and Pleebo remain the most expensive markets for buying imported rice in the country. For instance in July-August period, the differentials between Monrovia, main port of entry for imports, and Foya market was 89% (meaning a buyers in Foya pay 1,699 LD more than a consumer in Monrovia) for a 50-kg bag of imported rice. For Pleebo, a 50-kg bag of rice was purchased at 41% higher than Monrovia.

\(^1\) The market price monitoring is a component of the Food Security and Nutrition Monitoring System as coordinated by the Food Security and Nutrition Programme at the Ministry of Agriculture, with technical support from the World Food Programme (WFP) and funding from the European Commission. Prices are collected by the county staff of the Liberia Institute of Statistics & Geo-Information Services (LISGIS) in 10 of the largest food markets in 9 different counties.
GLOBAL TRENDS IN PRICE OF IMPORTED RICE AND INTERNATIONAL RUBBER TRADE

In August, the global rice price witnessed an increase for the first time since late 2009. The OSIRIZ price index for rice rose by 7.5 points during the month to 200 points against 192.5 points in July. There are reports of uncertainties about Asian crops due to flooding in several major rice producing and exporting countries such as China and Pakistan. In Pakistan, the floods have caused a loss of 30% of production and also impacted the volume of exports projected for this year, which could fall by 20%. However, this reduction could be offset by additional exports from Thailand, the United States and even India. Thus, it is thought that rice prices should remain stable in the near term.\(^2\)

Internationally, the price of wheat has increased by 50% on major wheat exporting markets, due to the consequences of the Russian drought and export ban. For the moment, these higher prices have not led to an increase in the price of rice on exporting markets.

Export availability remain relatively large in those exporting countries least affected by the weather. Thus, global export supply is likely to be sufficient, and world prices should see moderate increases in the coming months.\(^3\). The renewed upsurge in global prices may therefore not have an impact in Liberia soon—furthermore, most of rice consumed in Liberia does not originate from the countries most affected by the poor weather.

The global prices for rubber have reached their highest price in almost five months; as traders expect rubber stocks to reach a 4-year low. Earlier drought followed by heavy rains this year have hampered tree-tapping across plantations in Asia, the largest exporter of rubber which could be associated with the surging prices of rubber on the global markets\(^4\). It is also noted that cocoa prices hit a 30-year high in July and are expected to remain that way in coming months. This is as a result of speculation on the cocoa market and to poor harvests for two successive years in the Ivory Coast – the world’s largest cocoa producer\(^5\).

PRICES OF OTHER COMMODITIES

This section of the bulletin presents price trends on food and non-food commodities regularly monitored in Liberia. Exchange rates are also reported in this section. Rubber, Liberia’s number one export and cash crop reported an unexpected downward trend across most domestic markets. Overall the decline in price is estimated at 2.5% between the two periods under review. There is no clear cut explanation for this local decline, especially when there is a growing demand globally for rubber and increasing prices on expectations of rubber shortage in coming months.

Cocoa has been cultivated in Liberia since the early 1900s and is historically the second most important commercial crop after rubber. Major growing areas are in Lofa, Bong, Nimba, and Grand Gedeh counties. Cocoa beans are usually harvested at the end of the rainy season, an explanation for the low availability of the commodity and corresponding rise in price as shown in Figure 2 above. The price of cane juice is lowest in Gbarnga and the Southeastern market of Pleebo, an area known for relatively high production potential for sugar cane.

On the average, price of cassava, Liberia’s second most consumed staple slightly declined across markets in July-August 2010. Bo-waterside market, through which cassava products from Sierra Leone are imported to Liberia, continued to show relatively stable prices for the reporting period. Price of cassava was most expensive in Zwedru market followed by Pleebo, Buchanan and Red Light markets. The high costs in Zwedru and Monrovia can be explained by the fact that it is not often grown locally and transport is relatively expensive due to its heavy weight.

Palm oil, a common ingredient in most food recipes in Liberia reported a rise in price in all markets with the exception of Pleebo market compared to the last two months (May-June 2010). Supplies remain limited in major producing areas (Lofa, Nimba, and Bong counties) during the peak of the rainy season, as rains disrupt palm cutting, lowering production. According to the Liberia Market Review 2007, palm oil prices are lower during the dry season, in particular from March to May when the market is flooded with palm nuts. Prices are very high from June to October.

Palm oil is also the main source of dietary fat in Sierra Leone and Liberia. According to FAOSTAT, palm oil consumption amounted to some 198 kcal per person per day in Sierra Leone, and 327 kcal per person per day in Liberia in 2007. In addition to its contribution to the diet, the commodity is an income source for producer households.

The palm oil trade crosses borders, as surpluses from Sierra Leone and Liberia find their way to Guéckédou market in Guinea. Key informants estimate that the wholesale palm oil market in Ganta (Nimba County, Liberia) handles some 90,000 liters of palm oil every week during the marketing season, of which 60 percent are exported to Guinea. These volumes make Ganta one of the largest regional palm oil markets in the basin\(^6\). The supply of palm oil is constrained in July-August due to current low production (rainy season when the palm nuts are mostly green) while demand of the product in neighbouring countries continued leading to a rise in prices in the domestic markets.

The local currency minimally depreciated from the July 2010’s rate of 1 USD to 70 LD to a current level of 1 USD to 71 LD. This could be a normal fluctuation due to market volatility as the US dollar remained relatively stable at international level. With the exception of Pleebo, price of gasoline also remained stable over the period with price differentials witnessed across the markets explained by distances from the main port of entry, Monrovia coupled with poor road conditions (that translates higher transport costs) during this period of the rainy season. Charcoal prices increased in most markets (ranging from 5% in Buchanan to 26% in Tubmanburg) between May and August—an observation explained by unfavourable condition for its production. However, Pleebo and Gbargna Markets surprisingly showed a decline in charcoal prices.

\(^6\) Cross-border trade and Food Security in Liberia and Sierra Leone May 2010
TERMS OF TRADE (TOT) BETWEEN WAGE RATES AND IMPORTED RICE

Most poor households in rural areas increasingly rely on wage labour (mainly in agriculture and construction) for their livelihood as local stocks have been exhausted. Currently, the dominant agricultural activities in rural Liberia are fencing, weeding and planting, while construction remains the dominant source of casual employment in the major urban centres of Monrovia and Buchanan. The Terms of Trade (TOT) reflect the amount of rice in kilogram that households may purchase in exchange for earnings from their daily work either in construction sites (Red Light and Buchanan Markets), agricultural labour (currently fencing, weeding and planting, activities primarily undertaken by both men and women) or the production of a 50 kg bag of charcoal in the case of Tubmanburg Market. Figure 5 above shows Terms of Trade exception of Foya market, the terms of trade had improved for wage labourers in all sectors between July and August 2010. The relatively higher prices for imported rice reported in Foya Market is a possible explanation for the decline in terms of trade in that market. Tubmanburg, identified with charcoal production shows an increase in TOT between July and August 2010, an observation that is favourable for charcoal producers. On the other hand, Figure 6 shows the quantity (in kg) of “butter” rice that can be purchased in each market by selling one gallon of palm oil, an income source for producer households in most rural markets. Prices of palm oil either remain stable or improved, which indicates palm oil producers experienced improving terms of trade in the period. It would also be interesting to examine a year-on-year comparison on TOT trends and draw conclusions. This kind on analysis will be available in the next issue of this bulletin.

OUTLOOK AND CONCLUSION

Local rice is less available on the national market as farming households’ food stock are declining, thus the demand for imported rice may likely increase - especially in markets like Foya and Voinjama in Lofa County where households heavily relied on the purchase of local rice. In addition, the reporting period also coincides with the peak of the lean season as a result of declining availability of food stock at household’s levels. On the other hand, the higher demand for imported rice characterized by the peak of the hunger season coupled with deplorable road conditions during the raining season are responsible for the high price differentials between Monrovia, the main entry point for all rice imports, and far off markets (differential at 41% for Pleebo and 89% for Foya). Liberia heavily relies on rice imports to meet at least 50 percent of national staple requirements. The current stability in global rice prices could keep the prices within the reach of domestic consumers.

The international context is currently favorable to Liberian cash crop producers. The global prices for rubber are trending higher due to earlier drought followed by heavy rains this year that hampered tree-tapping across plantations in Asia, the largest exporter of rubber. Meanwhile, cocoa prices also hit a 30-year high in July due to poor harvest in major producing countries and are expected to remain that way in coming months. It is hoped that these trends will translate to higher farm gate rubber and cocoa prices in rural Liberia. Meanwhile, the Ministry of Agriculture, in collaboration with its partners, will continue to closely monitor food prices in the country.

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4. You can also download it from: http://www.wfp.org/content/liberia-market-price-monitor-2010