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# Executive brief
# The Sahel Central Basin
# Market Assessment

## Overview, scope and methods

- ✓ The central market basin covers Burkina Faso, Côte d'Ivoire, Ghana, Mali and Togo. Historically, the central basin, for the most part, has been a surplus grain-producing area providing significant supplies to the Sahel. According to CILSS, grain production declined by 20 percent both in Mali and Burkina Faso compared to last year, setting the stage for an exceptional food crisis in those countries. However, compared to the last 5 years average, grain production increases in Mali by 13% while decreasing slightly in Burkina Faso by 1% (source: CILSS) Since the October 2011 harvest, the central basin has witnessed abnormally high grain prices.

- ✓ The survey aimed to assess the impact of the 2011 drought on the trading system in the Sahel's central basin and contribute to the planning of short-term responses. The assessment included national market information systems, ACF, CILSS, FAO, FEWS NET and WFP. The survey covered southern and central Mali, Burkina Faso, and the northern parts of Côte d'Ivoire, Ghana and Togo. Data collection took place in May 2012, immediately before the lean season, at a time when food markets were very active.

**How was the analysis done?**

The assessment relies on secondary data from national market information systems. Primary data collection took place in May 2012 in a total of 42 markets in Burkina Faso (14 markets), Cote d'Ivoire (7 markets), Ghana (3 markets), Mali (15 markets) and Togo (3 markets). Data collection tools included a market questionnaire, a trader questionnaire and a transporter questionnaire. Primary data collection did not take place in northern Mali due to insecurity.

## How are grain prices determined in the central basin?

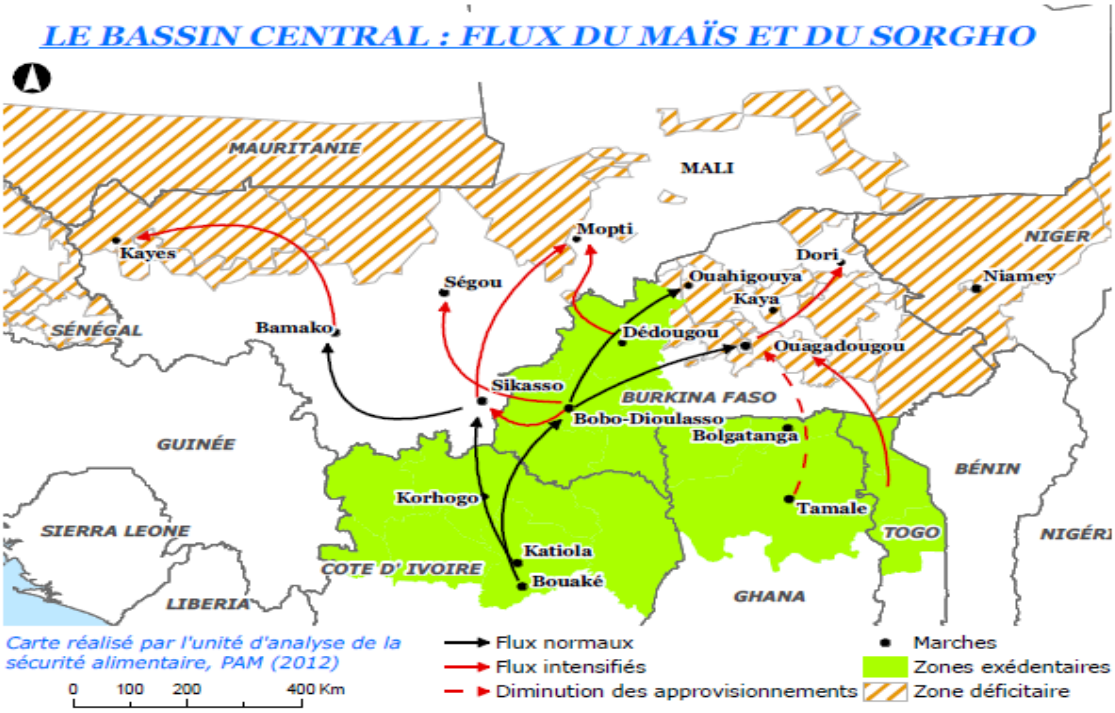
- ✓ Maize flows in the central basin mainly occur from south to north, linking surplus in the savannah areas to food deficit areas of the Sahel. Price trends for maize in the basin seem to be dictated by conditions on supply markets in northern Ghana and northern Togo, rather than by demand on food deficit markets of Mali and Burkina. Sorghum surpluses tend to originate in south western Burkina.

- ✓ There are two main transmission corridors for maize price changes in the central basin: Ghana-Burkina Faso-Mali, and Togo- Burkina Faso-Mali.

- ✓ For maize, the leading markets in the central market basin are **Tamale in Ghana and Cinkasse and Korbongou in northern Togo.** These markets host large volumes of transactions and a large number of traders, and play a key role in price discovery. Price changes on these markets are typically transmitted to most other markets of the basin with a one-month lag. Maize flows from Côte d'Ivoire to Mali reach certain markets of Mauritania. Price trends in Burkina Faso tend to influence Mali. Markets in the north of Côte d'Ivoire seem to have less influence on prices in the basin.

## How have markets responded to the 2012 food crisis?

- ✓ **Grain prices have significantly increased** compared to the 5-year average in Burkina Faso and Mali, especially for millet and sorghum (+60%-+80%). Increases are somewhat more pronounced for maize (+55%-+60%). Imported rice prices have been more stable (+20%).
- ✓ Increased **grain flows to Mali** are observed from surplus areas in the basin. A high degree of pressure on stocks in **northern Cote d'Ivoire** and **northern Togo** (maize) and **south west Burkina Faso** (maize and sorghum) is evident: strong demand from food deficit areas, weak supply due to limited sales from producers and large wholesalers. Low South-North tuber flows are also observed, confined in the North Ghana/Burkina Faso.




- ✓ Resupply times have increased, from 7 to 11 days for maize in northern Burkina Faso, and from 7 to 13 days in central Mali. These long supply delays limit the market chain's ability to react to sudden increases in demand.
- ✓ **Imported rice and maize** have allowed consumers to adjust to higher millet and sorghum prices (maize for the poorest, rice for better off). In the market
- ✓ Governments responded to the crisis by **restricting exports and implementing subsidized sales**. In Mali, authorities have **waived taxes on rice imports** and are attempting to control prices. Malian authorities have set the price at 315 FCFA at wholesale and 340 FCFA/kg at retail.

## How have trader incentives been affected?

- ✓ **Profit margins are lower** due to increased cost of the commodity at the market of origin and higher transportation costs.
- ✓ Due to the very high level of prices, traders are **unwilling to hold stocks**. The announcement of export bans is also limiting incentives to store grain on transit markets.
- ✓ Small coarse grain wholesalers are bearing the brunt of the crisis: they are facing higher business cost as well as lower consumer demand.
- ✓ The **number of active food retailers on markets has reportedly dropped**, as retail trade has become less lucrative. Retailers have been selling less millet and more maize instead.

## What are the implications for responses?

- ✓ Since March 2012, it has no longer been cost effective to conduct **local procurement** in Mali. The import parity price for white sorghum is lower than the local market price of the commodity. High price levels in both Mali and Burkina Faso argue against large-scale local grain procurement in those countries.

- ✓ Although small ruminant prices remain relatively stable, the large increase in grain prices are **driving down pastoralist terms of trade**. For instance, on the market of Djibo (Burkina Faso), a sheep could be exchanged against 108kg of millet, against 160-200kg at the same time over the past 4 years. In Mopti (Mali), a goat could be exchanged against 112 kg of millet, against 160 kg at the same time on average over the past 3 years.

## What is the outlook through September?

- ✓ Grain markets are currently stressed as grain availability reaches its annual low. The first 2012 maize harvests in Cote d'Ivoire, Togo and Ghana in July should bring some relief to markets and consumers. Assuming a normal 2012 rainy season, prices should revert to their historical levels in October 2011. Until then, markets will remain highly sensitive to rainfall patterns and changes in demand (such as government procurement or releases of traders' stocks).

- ✓ Household food access will suffer from high coarse grain prices and limited opportunities for substitution to cheaper foods. Conditions will begin to improve with the onset of rains and as grazing improves for pastoral groups, and at the harvest, in October for agro-pastoral groups.

## Recommendations

✓ Considering the exceptionally tense situation of the local coarse grain markets, **institutional grain procurement should proceed with utmost caution** until the main 2012 harvest in October. Commodities for distribution should mainly come from overseas, from government grain stocks or imported rice stocks in West African ports.

✓ Cash transfers are challenging to implement, due to the high prices of commodities. They nonetheless remain a **cost-effective transfer modality in parts of Burkina Faso**. In northern Mali, food transfers are the more cost effective modality, due to very high coarse grain prices.

✓ **Export restrictions** do not seem to have dampened price increases in either country. In fact, they might have increased transaction costs and limited incentives for large traders to store commodities in transit markets. Authorities should refrain from attempting to control prices, as that could limit incentives to supply deficit markets.

**For more information on the central basin market assessment, please contact:**

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