

Food prices decrease in most districts after government provides subsidies

Key points:



Average prices of all monitored foods decreased or remained stable in July 2016, in part thanks to the government subsidy that reduced the retail prices of maize meal and pulses by 30 percent beginning in May 2016



National average maize meal prices fell by 4 percent in July compared to the previous month



Wheat flour prices dropped by 2-9 percent in the mountain districts of Thaba-Tseka, Mokhotlong, Qacha's Nek and Quthing, but increased slightly in Leribe, Berea and Mafeteng



Pulses became 4-39 percent cheaper across the country— the sharpest fall in the price of pulses was in Thaba-Tseka and Maseru, likely due to increased availability of subsidized beans and peas



Photo: WFP / Vincent Kiwanuka

Methodology

In July 2016, mVAM collected price data through mobile phones with a sample of 40 traders throughout Lesotho. Traders were selected through a purposive targeting approach to cover functional markets in rural and urban areas. The majority of the traders interviewed were in urban areas; 68 percent were retailers in supermarkets, 27 percent were retailers in shops, and 5 percent were wholesalers. Due to network coverage issues, some traders' phones were not reachable in the mountain districts of Thaba-Tseka and Qacha's Nek. The survey questions primarily focused on the prices of basic foods which comprise the standard food basket - maize meal, wheat flour, beans and peas, cooking oil, cabbage, salt and sugar. Other survey questions addressed food availability, market accessibility and factors that might limit business. There was also an open-ended question to gauge traders' perception of the food security situation in their local community.



Average food prices decreased or remained stable

Prices for basic foods remained stable or decreased in July, in part thanks to the 30 percent government subsidy on retail prices of maize meal and pulses that began in May 2016. Additionally, there was a 6-8 percent fall in the wholesale price of white maize in South Africa, which may have had an impact on the maize meal prices in Lesotho. The consumer price index was stable in June and annual inflation was 7.5 percent.

Maize meal: On average, maize meal cost M83.00 per 12.5 kg in July – 4 percent less than the previous month. The lowest price was recorded in Mafeteng (M74.60), and the highest in Thaba-Tseka (M100.00). For most districts, July prices were between 1 and 8 percent lower than in June.

Wheat flour: The national average price of wheat flour was stable over June and July at M88.00 per 12.5 kg. However, prices fell by 2-9 percent in the mountain districts of Thaba-Tseka, Mokhotlong, Qacha's Nek and Quthing. The lowest price was in Leribe (M83.75) and the highest in Quthing and Mokhotlong (M92.00).



Photo: WFP

Fig. 1. Average price of maize meal (in Lesotho maloti per 12.5 kg)

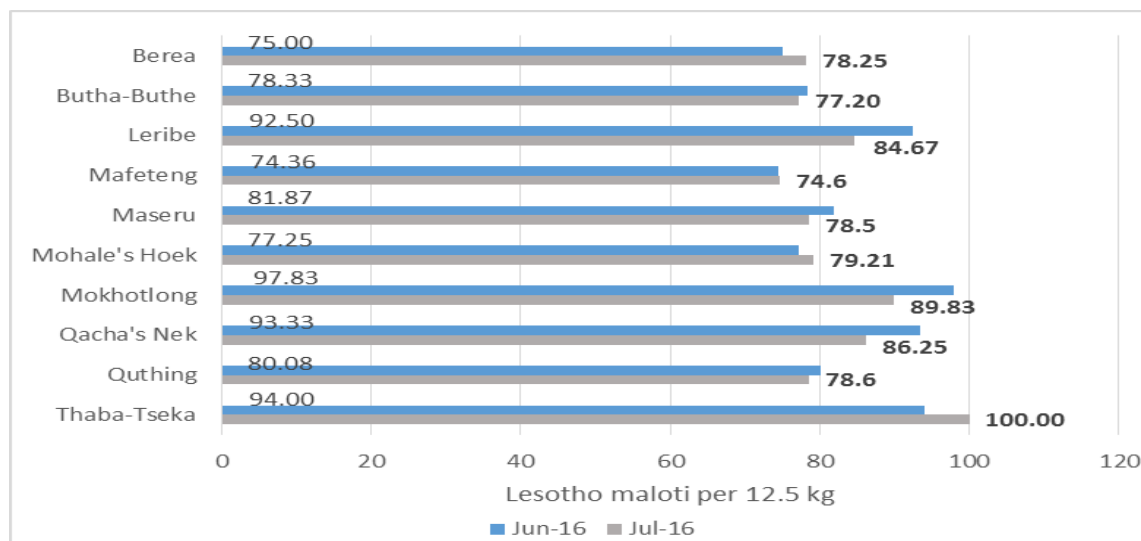
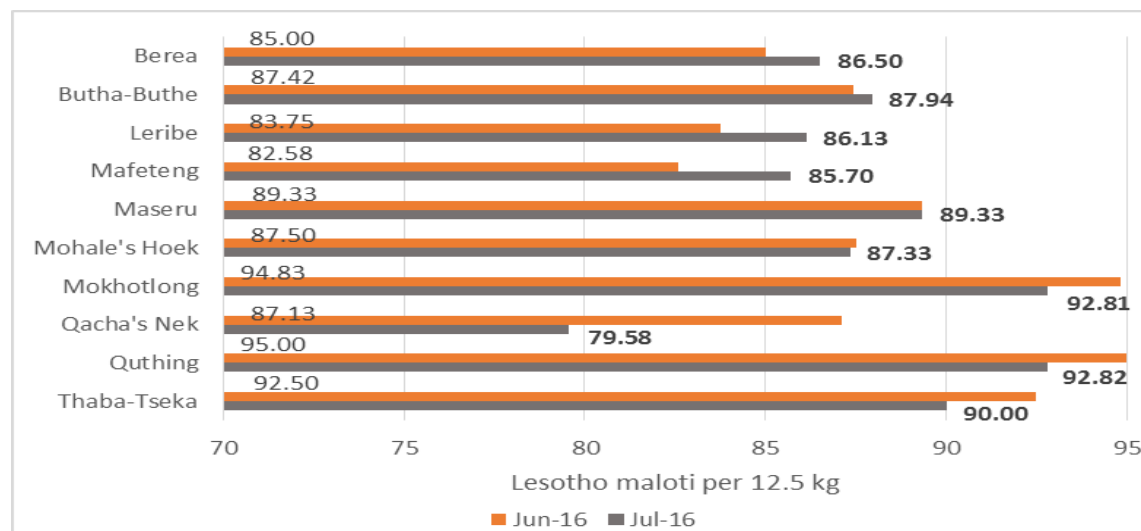


Fig. 2. Average price of wheat flour (in Lesotho maloti per 12.5 kg)



Source: mVAM, July 2016

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Pulses (beans and peas): Prices for beans and peas ranged between M7.00 and M12.00 per 500 g in July. The highest prices were observed in Berea, while the lowest were in Maseru. Beans and peas have become cheaper in all districts except Berea, with prices down between 4 and 39 percent compared to June. This could be linked to the increased number of traders who reported having subsidized stocks of pulses in July.

Table 1: Prices of basic foods (in Lesotho maloti)

District	Cooking oil (750 ml)	Sugar (500 g)	Salt (500 g)	cabbage (1 head)
Butha-Buthe	18.00	7.24	4.58	8.67
Leribe	16.21	7.17	4.71	8.00
Berea	17.83	6.92	5.92	8.00
Maseru	17.37	6.75	5.27	8.00
Mafeteng	16.50	6.61	4.76	7.00
Mohale's Hoek	17.71	6.83	4.88	9.50
Quthing	17.86	7.37	5.78	12.50
Qacha's Nek	18.05	7.76	6.00	-
Mokhotlong	19.00	6.75	5.63	10.25
Thaba-Tseka	20.75	6.25	6.25	10.00

Source: mVAM, July 2016

Fig. 3a. Average prices of beans (in Lesotho maloti per 500 g)

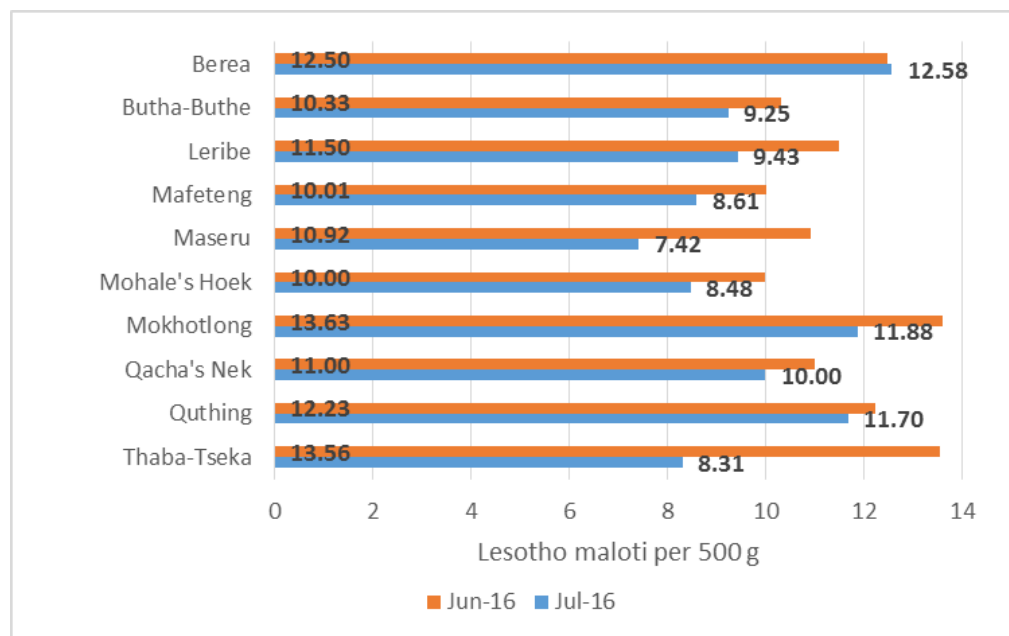
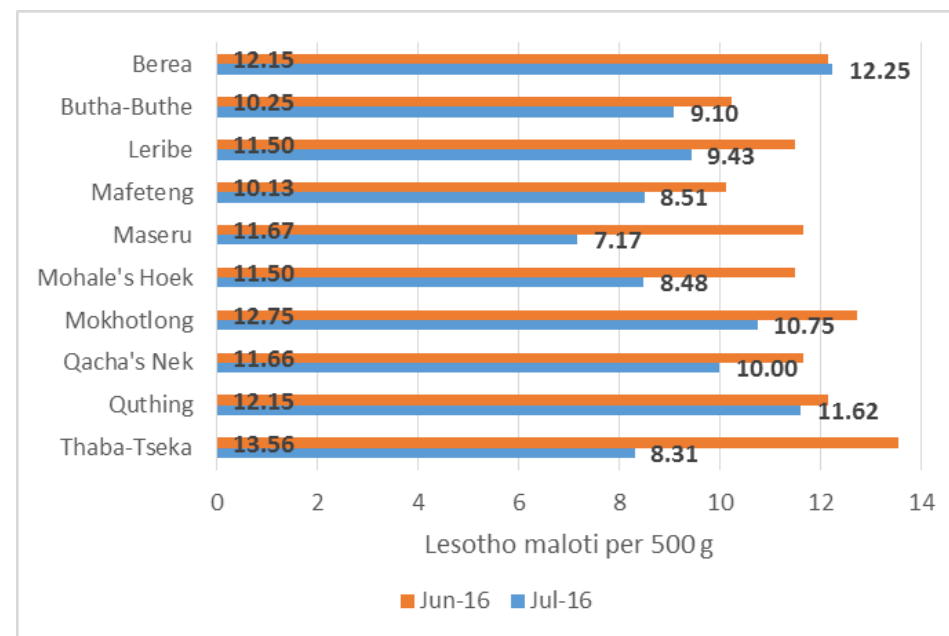


Fig. 3b. Average prices of peas (in Lesotho maloti per 500 g)





Markets are functioning

In July, 94 percent of traders said they had no stock shortages. Markets remained accessible: those farthest from markets walked an average two to three hours to reach them. Forty-one percent of traders cited high food prices as the main problem limiting business, while a lack of transport and financial institutions for credit provision were also mentioned frequently. Around 71 percent of traders ordered maize meal stock on a weekly basis. The main markets for sourcing maize meal are inside Lesotho: 49 percent of traders buy maize meal within their district of operation, and 48 percent buy it from other districts. Only a small proportion (3 percent) sources it from South Africa.



Urban households buy smaller quantities and less preferred food

Traders in urban areas said that high unemployment and high food prices were leading people to buy smaller quantities of maize meal. Some are buying less preferred food such as chicken feet and other chicken organs instead of meat. Traders in rural areas reported that low crop production has resulted in a high reliance on purchased food. There are also fewer income opportunities from agricultural activities, and traders reported some migration to towns in search of jobs. However, some traders said that fewer people are buying food on credit, which could be because subsidized foods are more available in some markets. Around one third of the traders were aware of people in their communities receiving cash assistance, but only a small proportion knew of people receiving food assistance.



Photo: WFP/Washi Mokati



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mVAM Resources:

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