

West and Central Africa

WFP Regional Bureau Dakar Markets Update: April 2017

Highlights

- 10% increase in cereal production compared to last year confirmed in West Africa. Third consecutive year of favourable production conditions.
- Restrictive exchange rates development of regional economies such as Liberia, Ghana and Nigeria affecting trade patterns in the region
- Difficult macro-economic conditions affecting commercial activities in Chad despite positive agricultural performances
- Drop of world cocoa prices has diminished export and budgetary revenues in Côte d'Ivoire

MARKET TRENDS IN RBD REGION

According to the March 2017 PREGEC, the 2016-2017 agricultural campaign was generally satisfactory with production above the five-year average. Cereal production is up 10% from the 2015/2016 season and 17.5% from the five-year average. However, slight decreases were registered in The Gambia (-12.4%), Liberia (-7.5%) and Mauritania (-11.2%) compared to the five-year average.

Food supplies are favorable throughout the region and were sustained by the incoming harvests of 2016/2017. These harvests coupled with imports ensure a satisfactory supply of foods on the markets. However, in areas of conflict, particularly in the Lake Chad Basin and surrounding areas, these food supplies are reduced due to below average production and poor market functioning. The state of pastures and water points will enable satisfactory livestock production except in pastoral areas of Niger, Mali, Burkina Faso and Chad with low biomass production.

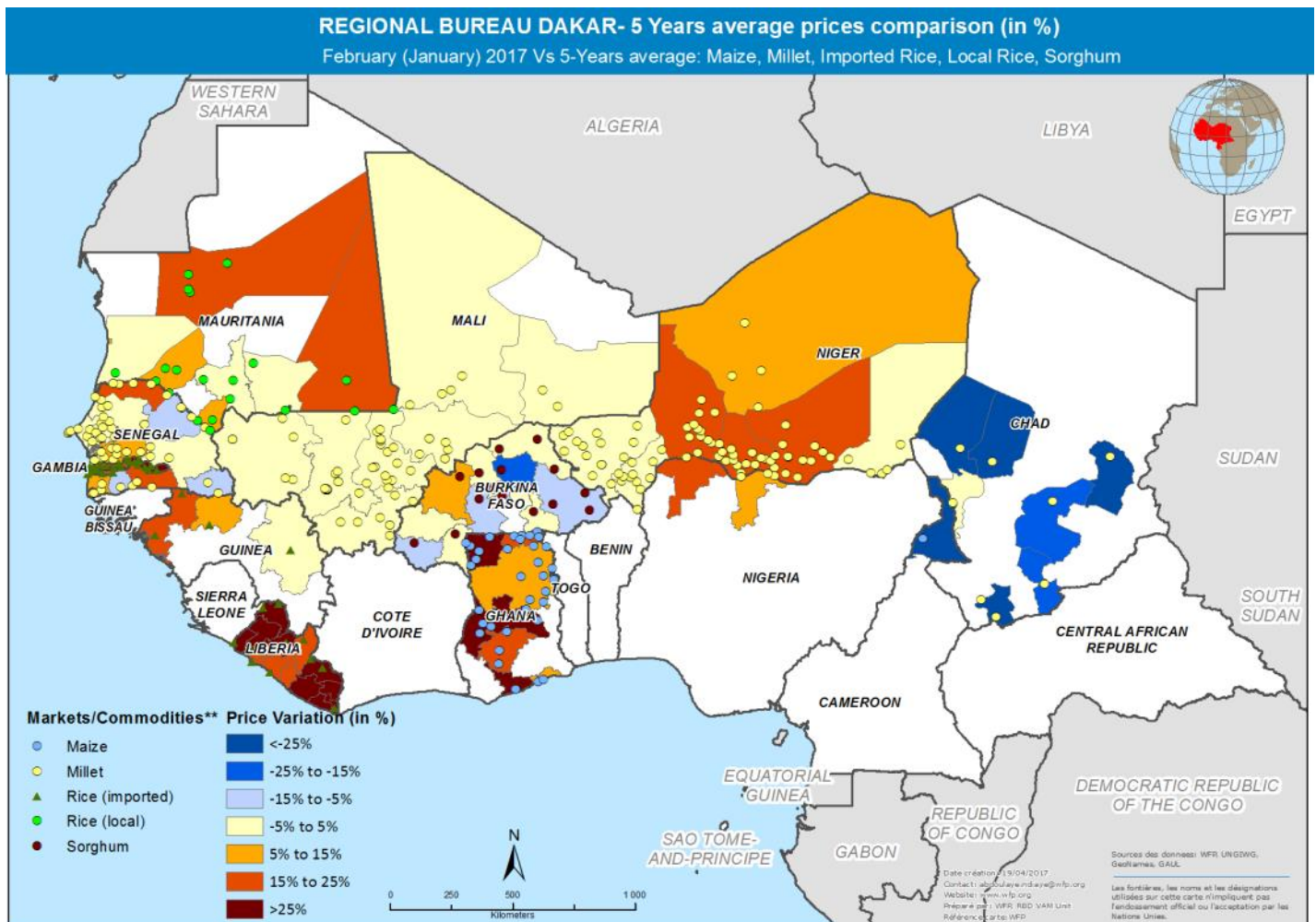
Market functioning is satisfactory, except in the Lake Chad basin due to the on-going conflict. In livestock markets, cattle and small ruminant prices are generally declining in the area affected by the decline in demand from Nigeria.

The depreciation of currencies in Nigeria, Liberia, Sierra Leone and Ghana and conflict around Lake Chad and northern Mali are the main factors affecting prices and trade flows between the countries (see Map1). In the eastern basin, this situation resulted in a reversal of livestock and other cash crops between Nigeria and Niger.

Access to food is slightly impacted by prices globally rising in the region. This trend is particularly related to currency depreciation specifically in Nigeria (+ 136%), Sierra Leone (+ 33%), Liberia (+ 36%) and Ghana (+ 29%). This applies mainly to staple cereals (sorghum, millet, maize, rice) and tubers. This impacts negatively food access for poor households to staple foods in these countries. Stable price of cash crops (except for Cote d'Ivoire) partially mitigates this impact.

Livestock imports and prices are falling overall due to declining demand in Nigeria and the closure of the Libyan, Chadian, Nigerien and Nigerian borders around the Lake Chad area. This situation prevents the commercialization of livestock and leading to a reduction of the pastoralist purchasing power.

Map1: Cereal price variation against their 5 year average in West Africa; WFP 2017



Critical economic situation in Chad

Despite a general improvement in the food security situation in Chad towards the end of 2016 following a positive harvest in most parts of the country, the Lake Chad basin and overall economic crisis continues to have a negative impact on livelihoods, markets and the transhumance livestock trade. Prevalence of food insecurity remains high, particularly among IDPs whose livelihoods opportunities have been limited. **By June 2017, Food security and Nutrition insecurity will affect almost 900,000 people** (PREGEC, March 2017).

In December 2016, the president of Chad describes “a critical economic situation. He cited in particular the fall in the price of oil, as well as the difficulty for Chad to export its cattle to Nigeria, Libya, and the Central African Republic, notably due to insecurity. There are losses of resources, added to the successive salary increases granted in the public service, according to the president. He said the economy could no longer bear both phenomena at the same time.” (Africa Research Bulletin, February 2017)

In March 2017, WFP states that local demand for cereals is relatively low in most markets during this period of the year. This situation is reinforced by the low purchasing power of consumers caused by the economic crisis in the country resulting in wage delays and the low circulation of money in the country. On top of that the decline in income from animal sale (falling prices and falling demand). (Source: WFP)

According to the latest IMF mission to Chad in April 2017, « Economic activity continues to be strongly affected by two external shocks: the sharp and persistent decline in oil prices and regional security challenges. These, together with high external debt service burden from commercial debt, have put significant strains on budgetary resources. Sharp reduction in government expenditures, together with significant investment cuts and layoffs by oil companies, has had strong spillover on the rest of the economy. Non-oil output contracted significantly for a second year in a row and inflation was negative last year. » (Source: IMF)

Positive agricultural harvest hides poor economic performance

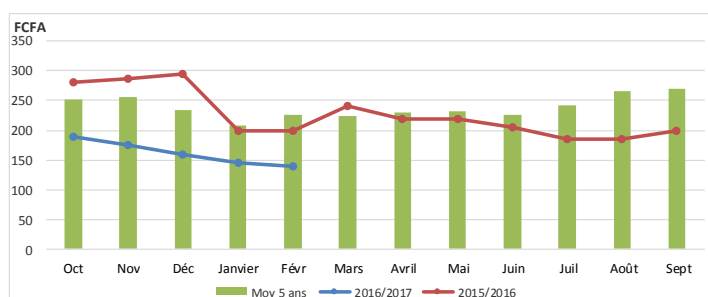
Market supply of local cereals (mainly sorghum) and imported products are generally satisfactory in February 2017 in all parts of Chad. They are sustained by this year's cereal production, which has seen an increase of 11% at national level compared to the five years average. Off-season sorghum crops are underway and contribute to this supply. In addition to cereals, tubers and legumes are found on the markets of the Sudanian zone of Chad. Imports of cereals (rice and wheat) and manufactured goods passing through Ndjamená or from Cameroon also partially contribute to increase the offer.

Flows of commodities, particularly cereals, have not undergone major changes from their usual channels, with the exception of products imported from Libya. Indeed, the majority of local cereals sold on the markets come from local production in the Sahelian, Saharian as well as Sudan zones. In the south of the country, much of the cash crops (groundnut, sesame and cowpea) continue to be transported to Cameroon through the border markets of Léré and Fianga. Livestock markets are also fed by the surrounding communities. The flow of animals to neighboring countries such as Libya and Nigeria fell sharply due to the closure of the border and the depreciation of the Nigerian currency (Naira).

Local demand for cereals is relatively low in most markets. In this period of the year, demand is generally low on the part of farmers who still have stocks from harvests. This situation is further worsened by the low purchasing power of consumers caused by the economic crisis in the country resulting in wage delays, the reduction of the state's expenditures and the low circulation of money in the country. To this must be added the fall in income from the sale of animals (falling prices and falling demand). In addition, late payments by cotton growers over two successive marketing years have reduced their ability to source food products from markets.

A generalized decline in food prices (cereals, oilseeds and pulses) is observed compared to the same period and the five-year average. This price reduction is explained by the increase in supply and reinforced by a drop in consumer demand.

Graph1: Millet price in Moundou; WFP



For example, compared to last year, the price of millet is down 20% in Abéché and 22% in Moundou (see graph 1); Sorghum of 44% in Mongo and 24% in Pont Carol.

Livestock prices also declined, with a 25% decrease in goat catches in Ati and Faya, while in sheep, there was a 33% drop in Biltine compared to last year. However, the price of wheat flour rose by 60% in Moussoro, 31% in Fada and Kalait and 17% in Ati, compared to last year, as a result of the closure of the borders with Libya.

The major concerns about the impact of market failures on household food security concern the border regions with Libya, which are affected by the border closure. The Lake Region is also an area of concern given the security situation that does not favor livelihood activities and the usual household strategies during the lean season.

Markets in these two zones of the country are already experiencing some difficulties in February 2017. Moreover, production shortfalls in Bahr El Gazal, Tandjilé and Wadi Fira could lead to a rapid deterioration during the lean season in these regions. Other regions of the country, such as Guera, Kanem, Batha, and Mayo-Kébbi East, as well as the departments of Kobe, Megri and Dar Tama, are areas at risk due to poor agricultural production. These are to be monitored until the next harvest. (see graph 2)

Exception to this phenomenon is seen in the East on Abeche, Abdi and Goz Beida markets where livestock and cereal prices are rising again after increasing demand since beginning of 2017.

Economy crisis impacting the daily life of Chadian's: Essential Services Interrupted

The economic situation in Chad remains precarious and its impact is felt in the daily life of Chadians (Source: WFP). Throughout the country essential health and education services have officially resumed, but with limited services. Illegal forms of taxation have been introduced, and whilst arrears have been paid salary payments remain sporadic. Reports of large numbers of domestic workers have been laid off without pay due to salary arrears, employment loss, is resulting in a increase in vulnerability of already vulnerable populations. There are reports of spike in stress levels and increased financial pressure to support extended family and neighbours.

Quality of healthcare has continued to deteriorate. Access to treatment of advanced illnesses is limited and the financial insecurity of would be patients has compounded the impact, unable to pay for what services do exist. The cost of treatment for acute illness requiring 2 days hospitalization exceeds the monthly minimum wage salary. This has resulted in an increase in return to traditional healers, and herbal treatments as a coping mechanism. (Source: WFP).

Livestock Market Underperforming due to border closure

Since January 2017, livestock prices have decreased, see graph 2). It is estimated that cattle breeders are in possession of over 2 million head of cattle that have not been sold as a direct result of the regional border closures. This is expected to lead to an increase of prices for other consumer goods, and potential for supply-chain interruption, as the cattle breeders are also the primary businessmen supplying food shops and household items across the country. (Source: WFP)

Graph 2: Livestock prices in Chad; WFP



Source: FEWS NET

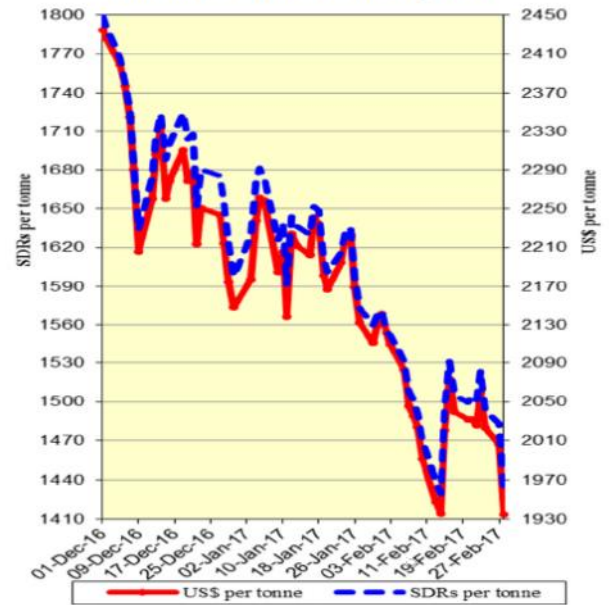
Drop of world cocoa prices has diminished export revenues and budgetary revenues in Cote d'Ivoire

According to IMF, the fall of more than 35 per cent of world cocoa prices has diminished export revenues and budgetary revenues in Cote d'Ivoire. In addition to the decline in world cocoa prices, Côte d'Ivoire has experienced a rise in oil prices, which has "reduced the taxable base on fuel", not to mention "social demands [which] have given rise to Additional budgetary expenditure. The latest Cacao bulleting states that: " The country has experienced favourable weather conditions, as the seasonal *harmattan* winds which were very mild during the first quarter of the current season have not been detrimental to crop development. However, the prospects of a large production for the current season coupled with low international prices have created some difficulties in the commercialization of the cocoa." (source: [ICCO](#), 2017)



As a consequence, analysis of terms of trade shows that cocoa

Chart II: ICCO daily prices
December 2016 – February 2017



Source: ICCO, 2017

producers who prior could buy 3 kg of imported rice with the sale of one kg of cocoa can only buy less than 2 kg today.

Outlook

Throughout the Western and Central Basins markets are expected to remain well supplied with local cereals and imported products until June 2017. Prices are expected to remain stable or slight decrease with a seasonal upward trend starting from June 2017 until the arrival of the next harvest expected in October. In parallel, livestock migration will increase the supply of livestock and the demand for cereals in most markets in the region. This will increase cereal prices and lower livestock prices. Following market fundamentals can continue to impact negatively the overall development in the region with direct on household food security: i) Fluctuations of exchange rates of major economies leading to decrease trade follows and ii) Crude oil price development leading to budget deficits in Crude Oil exporters.

For further information please contact
the RBD VAM Market Analysis Unit:
Rbd.vam@wfp.org