

West and Central Africa

WFP Regional Bureau Dakar Markets Update: June 2017

Highlights

- Despite satisfying cereal availability, millet and sorghum prices increase beyond their seasonal trend in Mali and Niger due to stock depletion. The ongoing Ramadan is expected to exacerbate this rise.
- Strong pasture and fodder deficit in the Sahel, particularly in Mali and Niger
- Drop in livestock prices in the eastern trade Basin due to poor demand from Nigeria
- Fiscal Crisis in Chad: Poor economic performance threatens national food security and regional stability

MARKET TRENDS IN RBD REGION

Currently, markets are well stocked thanks to a successful harvest, fluent trade flows and a above-average level of commercial stocks on the international market. However, in areas affected by civil insecurity, these supplies remain below the normal situation. (PREGEC, Communication 2017). In northern Mali and the Lake Chad basin, conflict continues to disrupt the smooth functioning of markets. In May, the food availability situation is deteriorating compared to the previous month. It is characterized by a low level of supply of local and imported cereals and higher prices for dry cereals (millet, sorghum and corn). Also, with the end of off-season crops a scarcity in off-farm products on local markets and at the household level is observed. This induces early price increases for dry cereals namely observed in Mali and Niger.

In Sierra Leone, Guinea but also Ghana and Nigeria weak national currencies still maintain grain prices above their five year average.

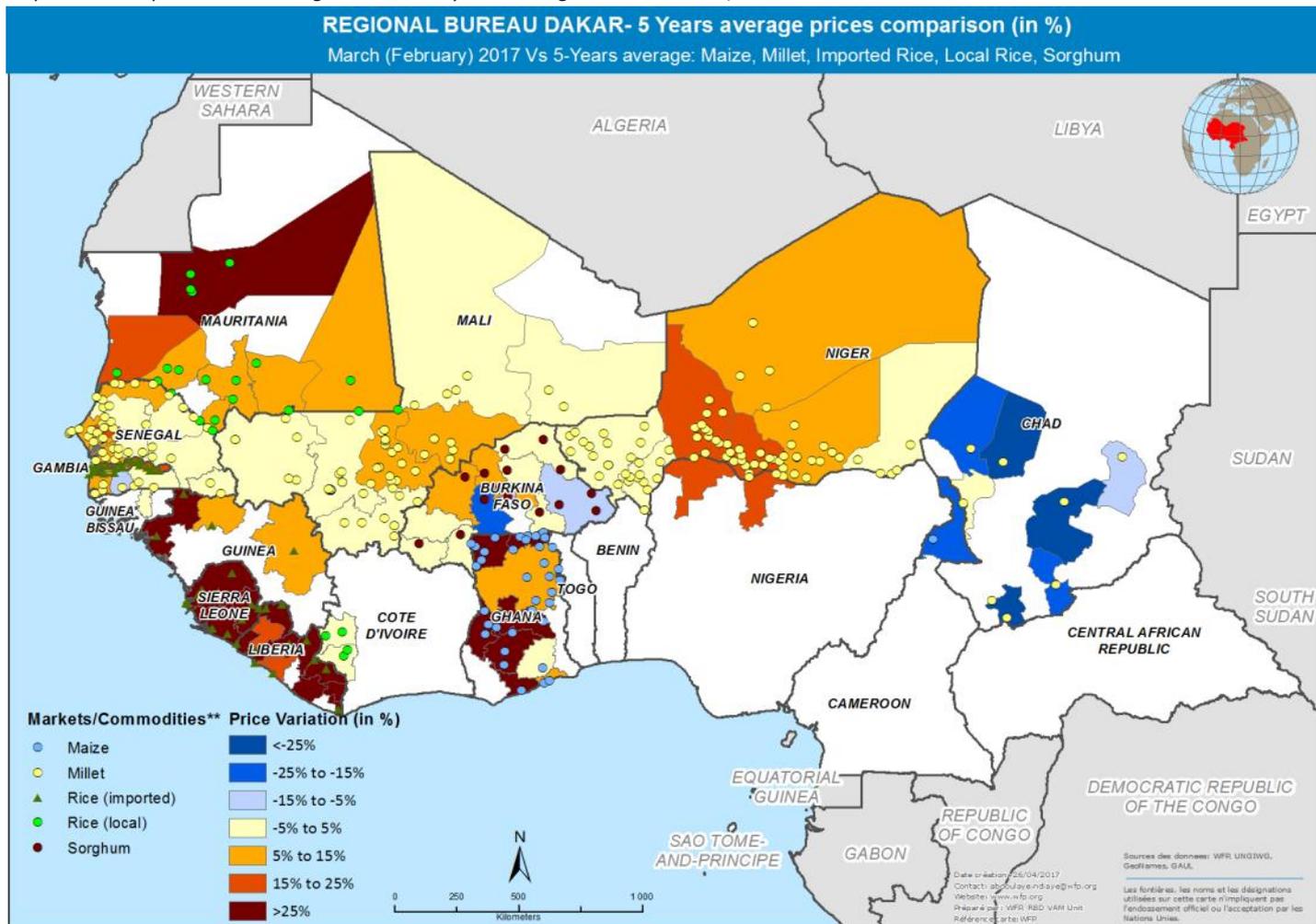
The current pastoralist situation is characterized by the depletion of forage resources and the drying up of surface water points. This announces a difficult pasto-

ral lean season in Burkina Faso, Mali and in the pastoral and agro-pastoral areas of Niger and Chad.

Cattle and small ruminant prices in livestock markets are up from the five-year average in the Western Basin and Mali. On the other hand, in the central and eastern basins, prices are dropping because of the reduction in demand of Nigeria following disruption of flows linked to civil insecurity, particularly in the countries of the Lake Chad Basin. (PREGEC, Communication 2017; WFP 2107)

In Chad, the cattle market has come almost to a complete halt and cut the revenues of thousands of pastoralists. Only the informal and local economic sector is the life line for many villages in Kanem and Lac . Surrounding crisis continues to put Chad's economy at risk. On top of that, migration from other regions is putting additional pressure on the local population. The continuing fiscal crisis cuts government investment and spending in agriculture and can therefore directly impact the next harvest and lead to increased food security.

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



Mali: uneven distribution of cereal production in 2016/17

During the month of April 2017, the total quantities of dry cereals sold by producers are lower than those sold during the same period last year. These quantities were over 7 000 tonnes during the month of April 2017, compared to more than 8 000 tonnes in April 2016, representing a decrease of -13%. This is explained by the combination of the following factors:

- The existence of pockets of cereal production deficit throughout the country during this 2016/17 marketing year ;
- Increased insecurity, which often disrupts the markets in central and northern parts of the country and prevents the free movement of people and their assets;
- The seasonal decrease in quantities marketed by producers during this period appears to be higher than in April 2016 due to higher demand and the importance of cash crops.

Since March, a continuous decrease in the smallholder supply during April was observed. Indeed, the quantities of dry cereals sold, decreased from 8,121 tons in March to 7,205 tons in April, a decrease of -11%. (OMA)

The reduction in the quantities sold by the producers is mainly found in millet and maize. The monthly quantities sold in-

creased from 3,800 tons in March to 3,444 tons in April for millet and 2,700 tons in March to 2,100 tons in April for maize, which leads to a decrease of -9 % for millet and -22% for maize. Regarding the quantities of sorghum sold by producers, they increased from 1,580 tonnes in March to 1,622 tonnes in April , representing an increase of 3%.

Overall the decline in the quantities of dry grains sold by producers in rural markets is explained by a combination of factors such as:

- The continuation of the marketing year marked by the propensity of producers retaining stocks still in their possession;
- Continued payment to cotton producers by the Malian Textile Development Company;
- The arrival in the markets of other cash crops such as off-farm products.

In fact, the latter two factors allow producers to diversify their sources of income and bring fewer grains onto markets to ensure their own food security during the next lean season and during the Ramadan.

Finally, despite the overall good results of the 2016/17 harvest which were judged to be better than of the previous year, the 2016/17 harvest is characterized by pockets of deficit, flooding and infestations by pests. This has led to uneven distribution of cereal production in 2016/17 in the country. This situation is increasing the demand and sourcing on areas with good production.

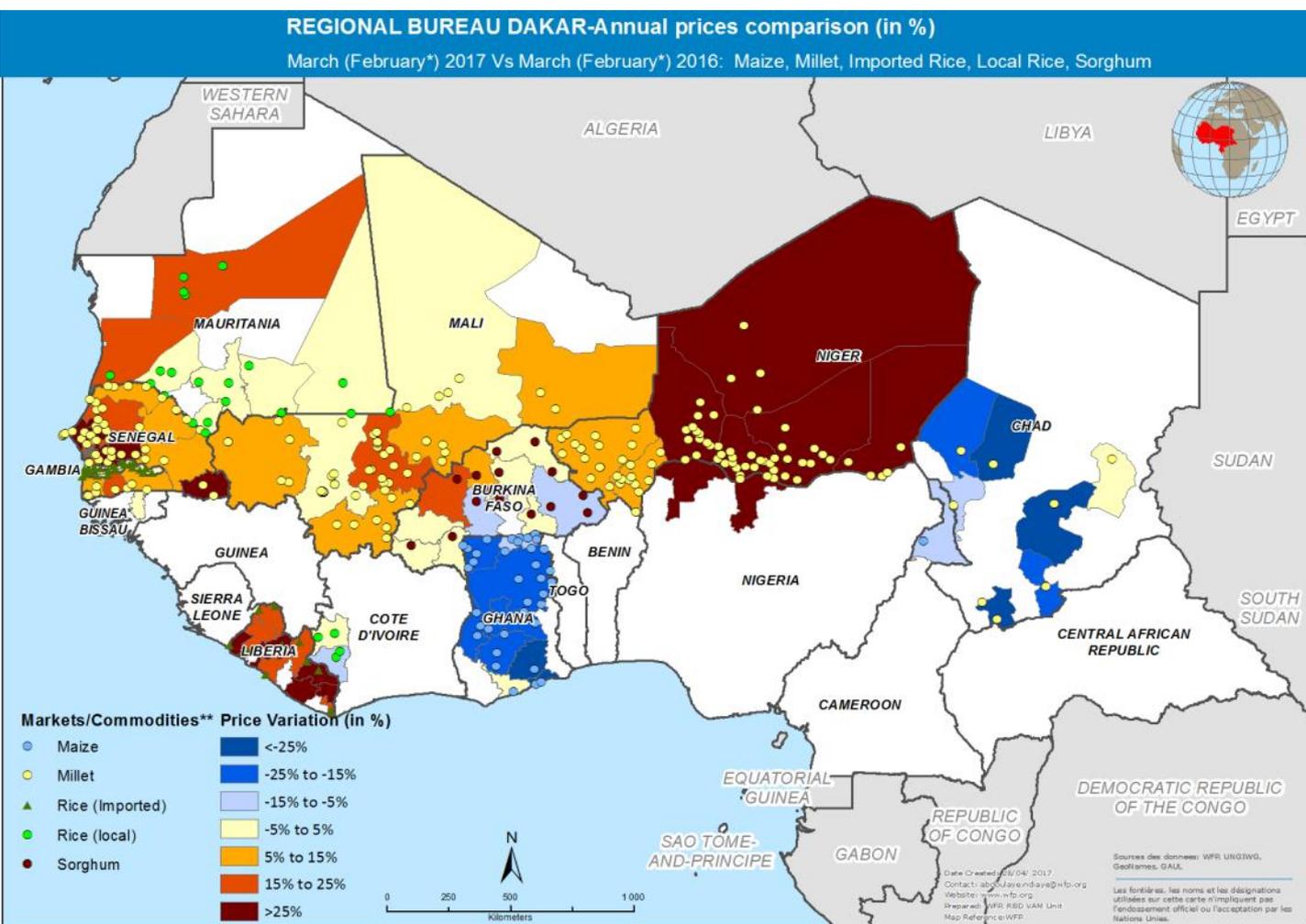
Average national weighted producer prices for dry cereals rose slightly in April 2017. From 144 to 153 F / kg for millet, 123 to 131 F / kg for sorghum and 95 At 100 F / kg for maize. This leads to price changes of + 6% for millet, + 7% for sorghum and + 5% for maize. (OMA)

In this interim period, the increase in average producer-weighted domestic producer prices for dry cereals is mainly due to the decline in supply.

Currently on the Malian markets, the supply of dry cereals comes mainly from local production and imports from neighboring countries. As for the current demand, it is composed by the internal demand of end-consumers and the purchases of local traders and those of neighboring countries, notably Burkina Faso, Côte d'Ivoire, Guinea, Mauritania and Senegal.

Unlike in March, the volume of cereals exported to neighboring countries is rising. They rose from 865.7 tons last month. (OMA)

Map 2: Cereal price variation against previous year in West Africa; WFP 2017



Compared with the same period last year, imports were up sharply this year. The total volume of cereal imports quadrupled from 700 tonnes in April 2016 to 2,930 tonnes in April 2017.

This increase in imports from coastal countries (Senegal, Côte d'Ivoire, etc.) compared to last year can be explained in part by the strong import demand, supported by:

- The approach of the month of Ramadan, which is a period of high demand;
- The increase in world rice production forecasts, which has resulted in prices generally stabilizing despite increases in prices in some major rice exporting countries;
- A 5 to 20% increase compared to the same period last year in rice exports in the main supplier countries;
- The ease of transport between Mali and the coastal countries due to the continued evacuation of cotton to these countries for export;
- The existence of pockets of deficit in the country;
- Declines in production in rice-producing areas, using free and controlled flood production systems.

Chad: Fiscal Crisis: Poor economic performance threatens national food security and

Chad's economy continues to be strongly impacted by two external elements: the continued decline in oil prices and regional security challenges. These, together with high external debt service burden from commercial debt, have put significant pressure on budgetary resources. Sharp reduction in government expenditures, together with significant investment cuts and layoffs by oil companies, have 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.

The drop of oil prices shrunk the annual national revenues from US\$2billion to US\$100million between 2014 and 2016. Internal debt levels are estimated at approximately CFA2,000 billion and external debts are limiting the government spending. (IMF,2017)

Two additional non-oil related key revenue sources are also having a major negative spillover to the economy. First, the cotton sector which provides up to 4 million people with a regular revenue is facing important structural issues (high production costs, low international prices). The late salary payments by cotton growers over two successive marketing years have reduced their ability to source food products from markets.

In parallel the livestock sector, which is a key revenue to almost the entire rural population, faces major export constraints. The combined effect of insecurity, border closure and a weak Naira, have led to surplus of estimated 20 million cattle in Kanem, Lac and Bar El Ghazal. Livestock prices have plunged by 60% since 2014.

Since September 2016, the government reacted with austerity measures whose effects can be noted in various sectors. Among others, the Government reduced civil servants' allowances by 50%, cut salaries by up to 30% and suspended university scholar-

ships. Schools remained closed during this period as do most government-run hospitals. The government's most recent measures suspended any free basic health services. This will cut-off the most deprived from health services. (previous issue: vam.wfp.org)

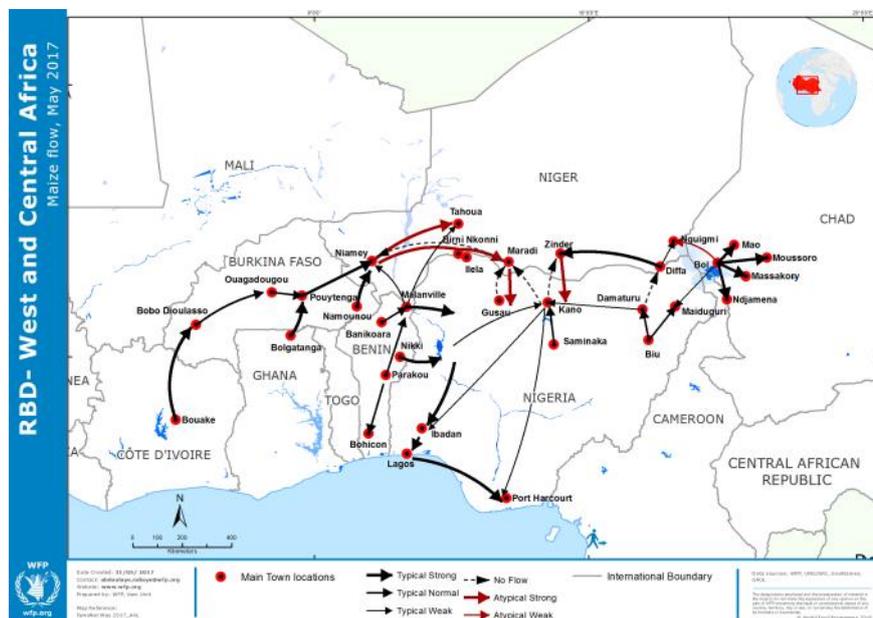
The government will likely not provide any agricultural support (distribution of seeds and fertilizer) this agricultural season. This decision will negatively affect the 2017/2018 agricultural production. With the above-mentioned economic challenges a food security deterioration is inevitable in the coming months.

While Chad is not facing any major security threats internally, the country is surrounded by new and protracted conflicts creating a potential source for instability in the country. The CAR crisis continues to push more migrants into to Chad. In the East, refugees have arrived from Sudan. The North of the country is facing security threats along the Libyan border (only recently the border has been reopened). Instability in Libya has also led to an increased return of Chadian to their home villages and therefore decreasing incomes from abroad.

The Boko Haram crisis has led to displacement of approximately 2.7million people around Lake Chad. More specifically, a large number of fishermen had to leave their islands and resettle on the main land cutting them off from their main source of income. Here, young men (15-25 ages) have been specifically affected and are in constant search for work.

In view of all of this, it is critical to underline that the government is in need for additional loans from international donors and banks in the coming months. Without it the country would be likely to suffer from internal instability beyond the capital city because of a prolonged economic crisis.

Map 3: Maize Trade flows; Source FEWSNET 2017



Niger: early signs of lean season

In Niger, the food security situation has remained difficult in several parts of the country due to the lingering effects of the previous food crises and the impact of recent years' of erratic rains leading crops and pastures deficits in some regions. In 2017 dry matter stocks is getting scarce. Global balance deficit calculated by authorities is over 12 million tons, about 48% of the theoretical overall requirements estimated at 25.6 million tons (PREGEC, March 2017). This represents 4 to 5 months of consumption on the 9 month. Additionally, the drying up of several ponds and water points endangers livestock production in some areas.

The availability of cereals remains varied in the markets followed, either because of the isolation of the locality or the bad state of the roads (Agadez, north of Diffa and Tahoua), the security situation (north Tillabéri and Bosso) or the deficit Of production recorded this year (Abala, Guidan Roundji, Loga, Ouallam, Mayahi).

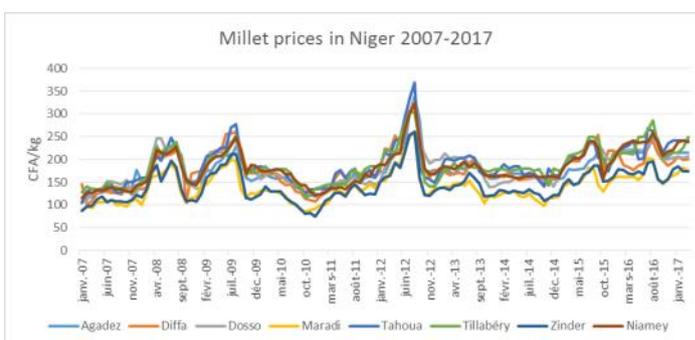
The Niger is highly dependent on imports of coarse grains (millet, sorghum and maize) from its neighbours, Benin and Nigeria, to cover its cereal requirements. The strong demand from institutional bodies for the replenishment of their stocks have also put pressure on cereal prices in recent months. (FAO)

The upward trend in cereal prices bases is due to:

- A launch of the marketing period with intense levels of trade due to the early influx of traders and households rebuilding their stock;
- A decrease in local supply caused by production deficits in areas of usually high yields such as the departments of Mayahi, Guidan Roundji and North Dakoro in the Maradi region, which resulted in a reversal of internal trade flows;
- A potential effect due to the launch of the government's 30,000-tonne national tenders for the replenishment of the National Security Stock in November 2016 (Cf: Bulletin Albichir de N°85);

- Non-official export restrictions along the Nigerian border;
- The economic situation (continued depreciation of the naira, rise in prices at source), with a consequent reduction in incentives for Niger traders to import from Nigerian markets;

The price of millet is up compared to the same period of 2016 and average of the last five years. This increase, beyond its seasonal pattern, is atypical as it is starting early in the year and reaches levels above the 5 year average as soon as March 2017. (See below)



Source: SIM Niger, 2017

According to the WFP market price monitoring indicator, ALPS (Alert for Price Spikes) (<http://foodprices.vam.wfp.org/ALPS-at-a-glance.aspx>), 50% of monitored markets in Niger show a level of stress or/and alert for millet and sorghum prices over the whole territory.

In terms of livestock, compared to March 2016 and the average of the last five years, the evolution of livestock prices and terms of trade (ToT) is deteriorating. Thus, compared to March 2016, decreases of 12%; 8% and 11% respectively are observed for the bull, the ram and the goat. These different declines compared to the average of the last 5 years show rates of 18%, 10% and 17% respectively for bulls, rams and goats. Overall, there has been a decline in the market value of animals with exacerbating herders' situation since March / April 2017. (source: DNGPCA, 2017)



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