



## WEST AFRICA: MARKETS, HAZARDS AND FOOD SECURITY

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#### Purpose and Summary

This paper provides members of the regional-level Food Security and Nutrition Working Group and other decision-makers in West Africa with an overview of the food security situation, including the implications of international and sub-regional market trends.

On West African markets, a decline in the price of millet and maize began in September 2008. It is not known how far prices will drop, or for how long the trend will last. Satisfactory rains that continued until the end of September in the Sahel have resulted in good crop and grazing conditions. New crops of millet, maize, groundnut and cowpea are being brought to rural and urban markets. The CILSS FAO FEWS-NET crop assessment missions that started in October will ascertain expected production, and will help determine how long these trends could hold in favor of the average consumer in the region. Cereal prices remain above long-term averages in many parts of the region, and especially for rice, affecting the Western basin population who are net cereal importers.

The international context is one of falling prices for food – specifically maize and wheat - and fuel. Rice remains above long term averages. A sharp decline in the price of commodities produced in West Africa on international markets is noted. A readjusting of international exchange rates has occurred since July. The Naira and Ouguiya have gained 17 percent vis-à-vis the CFA franc since then, which could alter regional food trade flows.

#### Worldwide Price Trends for Grains

International prices for rice, maize and wheat are trending downward as a result of good worldwide supply prospects, changes in speculative behavior on world markets, the onset of the global financial crisis and expectations of lower international demand. In spite of this drop, prices for internationally traded grains remain above the 5-year average, especially for rice, as shown in Table 1.

**Table 1: Comparison of prices of international grains against the 5-year average**

Commodity	Oct 2008 (USD/mt)	2002-2007 average, (USD/mt) (average of October prices )	Increase against 5-year average
Wheat (US No.2, hard red, U.S. Gulf)	278	210	32%
Maize (US No.2, Yellow, U.S. Gulf (Friday))	197	125	58%
Rice (White Rice, Thai 100% B second grade, f.o.b. Bangkok (Friday closing price) )	720	277	160%

Source: FAO

The price of West Texas Intermediate crude oil has fallen 50 percent from its July peak of 147 dollars a barrel, which should translate into cheaper transportation costs to and within the region.

#### West Africa : price trends for local cash crops

International price trends for key West African cash crops – such as palm oil, cotton and groundnuts - show a similar profile to that of international cereal prices, with a surge in early 2008 followed by a

stabilization and decline in the third quarter. The reader is warned that global commodity prices do not necessarily imply higher farm gate prices for West African smallholders: for many products, a reference price is set once a year in producer countries. Cash crop policy often aims to stabilize prices – as such, the reference price for these cash crops can be very different from levels implied by the world price.

- **Palm oil:** West African markets do not yet reflect the sharp drop in the commodity's international price. At Kuala Lumpur stock exchange, the price of palm oil in September was below that of 12 month ago, due to weaker demand, increased production and the expectation of a good harvest in Indonesia and Malaysia (who account for 70 percent of global production). The West African market does not seem to be affected by this fall yet. For example in the North of Côte d'Ivoire, in August 2008 palm oil prices remain higher than in August 2007 (from 17 percent in Duékoué to 110 percent in Korhogo), however in some towns prices have been decreasing since June 2008 (Bouaké, Katiola) while in some others they are still increasing (Korhogo, Odienné). The high value of palm oil benefits palm oil producers, represented in coastal countries including Guinea-Bissau, Guinea, Sierra Leone, Liberia, Côte d'Ivoire and Ghana. Tapping of wild palm oil is the main income source of 12 percent of Liberia's rural population. Some 20 percent of households in this group are considered food insecure<sup>1</sup>.
- **Cotton:** Most West African cotton companies have decided to increase their farm gate purchasing prices, reflecting the global price increase for the commodity (Mali: from 160 FCFA/kg to 200 FCFA/kg this year; Burkina Faso: from 145 FCFA/kg to 165 FCFA/kg this year). Cotton growers are facing increasing prices for agriculture inputs.
- **Groundnuts:** According to FAO groundnut prices peaked in July 2008 and are now dropping on international markets. Senegal, Nigeria, Chad, Ghana, Guinea, Burkina Faso and Mali are the main groundnut producers in the region.

Favorable prices for cash crops for much of the year may have mitigated the shock caused by higher food prices for the livelihood groups depending on them for income. The more recent decline in prices could affect government revenue, as well as rural incomes and food security for at-risk groups, to an extent that cannot yet be determined.

### **West Africa : food markets at harvest**

Market supply in landlocked countries suffered from flooding that damaged infrastructures, and commercial restrictions, such as the taxes levied by the Government of Benin on rice transshipped to Niger or Nigeria. Although there is a lack of quantitative information on cereal stock levels in the region, there is a perception that that supply for coarse grains has overall remained acceptable due to the interventions of governments and partners, in addition to the release onto markets of grain held by private interests and community cereal banks. The fact that coarse grain prices remained below their 2005 highs in an unfavorable context of higher international food and fuel prices is perceived as the result of a lean-season supply response, trade restrictions, and other factors. National security stocks and cereal banks were drawn down to compensate for weak supply in the lean season. Commercial stocks have also been significantly reduced and may be difficult to reconstitute on the international or regional market. Stocks have evolved day by day on the markets, especially for rice. The perception that stocks are low may influence demand and prices in the months ahead.

Livestock prices continue to be favorable for pastoralists. They are generally above average due to strong demand in coastal countries, good grazing conditions in pastoral areas and the satisfactory state of animal health in most of the region. Thus, in spite of high cereal prices, terms of trade are generally in favor of pastoralists as prices for meat and milk are also high.

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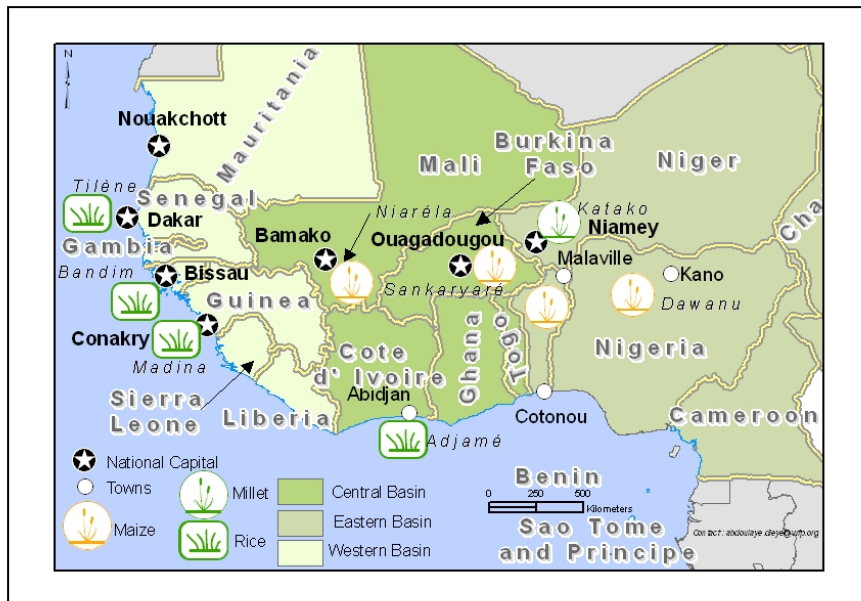
<sup>1</sup> Liberia Comprehensive Food Security and Nutrition Survey (2006) p30.

**Table 2: Year on year price increases for staple commodities by basin**

Basin	Market	City	Country	Staple	Nominal retail Price in Sept 2008 (FCFA/kg)	Average Nominal retail price Sept 2003/2007 (FCFA/kg)	Percentage Increase (Sept 2008 vs 2003/2007)
Western Basin	Tilène	Dakar	Senegal	Rice	469	217	116%
	Madina	Conakry*	Guinea	Rice	5600 GNF	2616 GNF	114%
	Bandim	Bissau +	Guinea-Bissau	Rice	450	250	80%
Central Basin	Sankaryaré	Ouagadougou	Burkina Faso	Maize	193	142	36%
	Niaréla	Bamako	Mali	Maize	200	160	25%
	Adjamé	Abidjan	Cote d'Ivoire	Rice	350	237	47%
Eastern Basin	Katakou	Niamey	Niger	Millet	220	173	27%
	Malanville	Malanville	Benin	Maize	150	98	53%
	Dawanu	Kano#	Nigeria	Maize	68 NGN	40 NGN	70%

**Source:** National MIS, FEWS NET, WFP for Guinea-Bissau prices \*Aug. 2008 vs. Aug 2003-2007 +Aug. 2008 vs. Aug. 2007. #Wholesale

**Map 1: location of monitored markets**



In the **Western Basin**, where reliance on imported rice is high, retail prices for the commodity remain twice as high as the five year average for the month, as shown in Table 2. In Senegal, the retail price of rice has dropped slightly from its July peak but nonetheless remains at more than twice the level of the long-term average. In the case of Senegal the CFA franc's weakness against the dollar, and anticipations that import duties could be reinstated, are limiting the drop in rice prices. Coarse grain (millet and sorghum) prices in the Western basin remain high due to low stocks, according to the Senegal Market Information System (MIS)<sup>2</sup>. These trends seem to indicate that the urban consumer in the Western basin will face

high food prices for the foreseeable future. Net food producers will be benefiting from the higher prices, especially those involved in the upcoming rice harvest. Income-earning opportunities for Guinea's cash crop and fonio producers will be enhanced should normal cross border food trade flows resume with the removal of restriction movements since august.

In the **Central Basin** prices for millet and maize are dropping in Burkina and western Niger in anticipation of a good harvest, as reported by Afrique Verte<sup>3</sup>. Table 2 shows that the level of the price increase on the markets of the central basin is not as high as in the Western basin. Prices nonetheless remain above the five year average in most markets. According to the Burkina MIS, the national average prices for white maize, millet and white sorghum were respectively 56, 27 and 27 percent above last year's prices at the same period<sup>4</sup>. Households in pastoral areas or in structural deficit areas are still facing high cereal prices. The cotton growers of the central basin are expected to benefit from increased farm gate prices for their produce. There is concern however that higher input costs will offset the increase in the official price.

<sup>2</sup> SIM/CSA September Monthly Bulletin

<sup>3</sup> Afrique Verte, bulletin n°90 October 2008

<sup>4</sup> SONAGESS, Bulletin n°41, 2008. (Covering Oct 5- Oct 12 2008)

**Eastern Basin**, prices for coarse grains are falling with the harvest that has started in some areas. Millet and maize remain above the long-term average for the same period on key markets, as shown on Table 2. The Nigerian naira has gained 17 percent against the CFA franc since July, which could lead to stronger Nigerian demand for products from CFA countries— including Benin, Cameroon and Niger. At the household level, this suggests that cereal buyers will be competing against Nigerian consumers, with a possible impact on prices of this strong demand. Should Niger producers adapt to this situation by selling more of their staple crops in Nigeria for higher income, the trend could contribute to higher prices in Niger for net food buyers. On the other hand a stronger Naira would imply higher revenue from seasonal migration to Nigeria for migrants from CFA countries. Seasonal migration is a key element of rural livelihoods in Niger's agro-pastoral areas.

## **Nutrition and food security assessments**

Findings for recent nutrition and food security surveys have been released for Senegal, illustrating lean season trends.

- Senegal SMART: the survey found that global acute malnutrition affects 17,3 percent of surveyed children in the the *district sanitaire* of Matam (North). This is above the 15 percent 'critical' threshold defined by the World Health Organization. The *districts sanitaires* of Goudomp (12,3 percent) and Guinguinéo (10,3 percent) show global acute malnutrition rates above the 10 percent alarm threshold. Two other *districts sanitaires* are below the alarm threshold. The study concludes that emergency interventions are required in the three districts, and that overall measures to detect and treat malnutrition are necessary. The causes of these high rates of malnutrition situations should be further investigated in order to draw conclusions on causality.
- Senegal Emergency Food Security Assessment (EFSA): In a national food security survey in rural areas, some 20 percent of households have poor food consumption. Three areas have a prevalence above the national average: 'Haute Casamance and Eastern Senegal' (33 percent) 'Groundnut Basin' (28 percent) and 'Lower and Middle Casamance' (27,5 percent). Households in these areas are implementing survival strategies such as eating less-preferred foods (51 percent) and reducing the quantity of meals (44 percent). There is concern that livelihoods are at risk, as households reporting distress animal sales have increased from 13 percent in 2007 to 35 percent in 2008. Some 30 percent of households stated that they reduced their investment in seeds and tools, compared to 14 percent in 2008.

The areas identified as having the highest rates of global acute malnutrition in the SMART survey and those shown to be the most food insecure in the EFSA do not necessarily overlap.

- Niger: An evaluation carried out by CRS and partners in September revealed that in the Tillabéri and Ouallam districts of the Tillabéri Region, rural households were resorting to practices that were not conducive to maintaining a good nutrition and health status. Among others such practices are the reduction in the quantity of meals consumed (71 percent of surveyed households); a reduction in frequency to one or two meals per person per day (24 percent); and reduced quality of meals including the consumption of penury foods.

## **Implications for food security**

The development of pasture quickly resulted in an improvement in milk availability with positive nutritional and revenue impacts, especially for pastoral households. Food security was of concern in September, when a let up in rains in the Eastern basin caused cereal prices to rise unexpectedly. The food security situation is still worrying in non-agricultural areas and in urban areas that have yet to benefit from the lower prices that have followed the start of harvesting.

AGRHYMET projections presented at the CILSS meeting in October indicate good prospects for the 2008/2009 crop in the region, especially in Nigeria and the Sahel. CILSS, FAO, FEWS NET and Governments will undertake crop assessment missions in October 2008. It is expected that food access issues will remain problematic in the Western basin and in urban areas in the 2008/2009 food year, as

prices for rice remain high. It should not be taken for granted that coarse grain prices will drop to their long-term averages. Public and private stocks are perceived to be low in the region and it is expected that stock building will lead to strong demand in the coming year. Anticipation of strong agro-industrial in Nigeria may continue to influence food trade in the region.

The boost to cash crop producer revenue that accompanied higher international commodity prices may be short-lived. This raises concern for the food security of cash cropping groups that possess few assets and have low coping ability, such as wild palm oil producers.

## Recommendations

In view of the evolving context in the region outlined above, CRS, CILSS, FAO, FEWS-NET and WFP recommend the following actions to the West Africa food policy community:

### Monitoring

- Monitor nutrition trends and determine whether there is a causal link between higher food prices and nutrition;
- Support the crop assessment process;
- Carry out a joint mission in the cereals basins to ascertain how food markets are reacting to the significantly higher price of rice and others food stuffs; and,
- Assess the impact of a weaker CFA franc on regional food markets.

### Programs

- Deliver assistance to urban areas in the form of cash transfers, especially in the Western Basin where prices remain high;
- Initiate the restocking of now-depleted cereal banks and national security stocks in October-November to avoid market risk inherent in restocking at a later date;
- Encourage village level storage and supply management. These programs could include the use of cash crops as collateral for loans; and,
- Support off-season market gardening to improve vulnerable households' access to a diverse diet and to limit the impact of higher food prices; support value added efforts for market gardening produce and other staples (cowpeas, cassava, and potato) to support income generation.

### Advocacy

- Continue advocating against obstacles to commerce, such as the *de jure* or *de facto* trade restrictions that were imposed in late 2007. Avoid political measures that could discourage commerce or local production – such as price fixing, export bans and abnormal practices, etc.