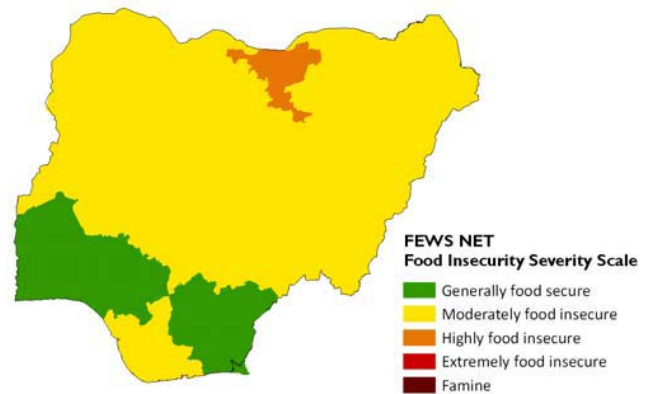


NIGERIA Food Security Outlook

October - December 2008

- The performance of the 2008 growing season has generally been good throughout the country. After a late onset of rainfall, abundant and well distributed rainfall covered most areas of the country in August. The heavy downpours compensated for moisture deficits and accelerated crop growth. The prospects for an above average harvest are good only if rainfall remains well distributed and extends until mid October, enabling crops which were planted late to reach maturity.
- Household food security has improved following the gradual improvement in rainfall, the availability of seasonal crops such as potatoes, legumes and fruits, and an increase in rural employment opportunities. Access to food remains, however, a challenge for most poor households, who are subsistence farmers with low purchasing power, due to a continuation of high food and non-food prices.

Figure 1. Current estimated food security conditions, July – September, 2008

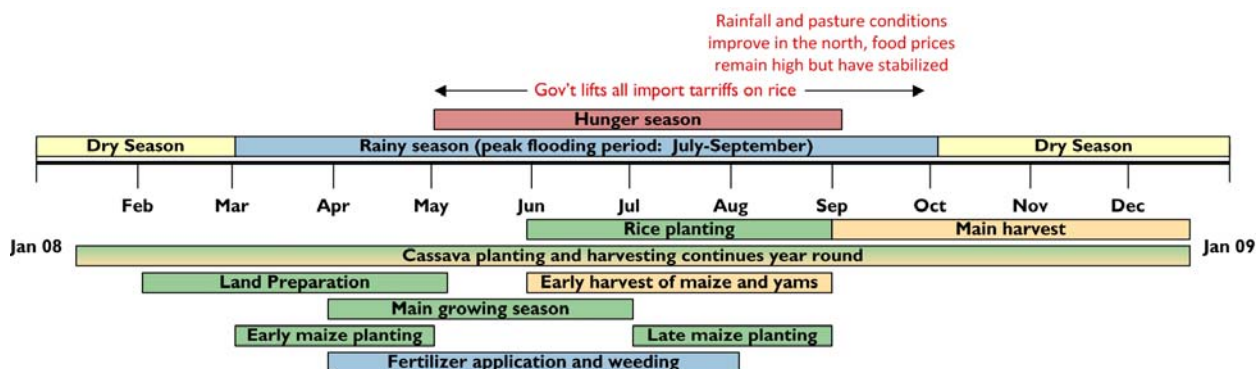


Source: FEWS NET Nigeria

For more information on FEWS NET's Food Insecurity Severity Scale, please see: www.fews.net/FoodInsecurityScale

- In the most likely scenario, rainfall is abundant and well distributed and extends to mid October, except in localized areas of the far North. Fodder and water are available for animal consumption and newly harvested crops arrive in the markets at the end of October. As a result, food availability improves and prices drop. In food deficit areas, the combined impact of production shortages and high food costs will result in moderate food insecurity during the hunger season.
- In the worst case scenario, the harvest is compromised in most parts of the country, and food production is significantly reduced following rain failures and flooding. Water and pasture conditions deteriorate, pushing livestock prices down and forcing herders to migrate southward earlier than usual. Poor households will shift to remittance funded market purchases as soon as December, instead of May/June as in a normal year. Meanwhile, poor urban household's access to food will be constrained by the combined impact of high prices and increased unemployment.

Seasonal calendar and critical events



Source: FEWS NET

Current Food Security Conditions: July-September 2008

Household food security

A diversity of seasonal crops, including Irish potatoes, legumes, and fruits, are now available nationwide following the recent improvement in rainfall. Coupled with favorable market conditions in August, including lower cereal prices and higher supplies, this increased food availability in urban and rural markets is improving household food access. However, despite some significant reductions since July in staple food prices (in response to increased supplies from the recent harvest and the release of trader stocks), food security conditions are still a concern as current food prices across the country remain substantially higher than both their five-year averages and prices at this time last year.

Household access to a variety of cereals, tubers, legumes, and fruits has improved this month. This is likely to increase dietary diversity, and contribute to improvements in the nutritional condition of children under the age of five. Harvest of early maturing crops (e.g., millet and maize) is also underway in some areas of the country although these crops must be dried before they will be available for household consumption. In September, food security conditions are likely to improve further due to the arrival of additional crops, including legumes and fruits, in the markets. Cereal crops such as maize and millet will find their way into household food reserves and urban and rural markets, thus reinforcing existing stocks.

In the far North, access to food remains a major challenge for poor households who are subsistence farmers with low purchasing power. Household sources of food and cash have significantly deteriorated in this region following unseasonably high food prices since April and the high cost of farm operations (land clearing, planting, weeding, fertilizer application, chemical spray, and harvest). In Northern Sokoto, a household spends NGN 3,000 for planting, which includes NGN 700 for seeds and NGN 2,300 for agricultural labor. In Yobe, an average of NGN 2,500 per hectare was spent on land clearing and plowing this year. When compared to 2007 during the same period, the cost for planting rose by 2.3 percent, but the cost of plowing and land clearing rose by 29 percent.

In the North, most poor households rely on seasonal labor opportunities from June to August in order to mitigate food deficits. The availability of wage labor is highest during August as farmers require assistance with weeding, fertilizer application, chemical spraying, and harvest. In addition, farmers tend to plant those crops for which prices are the highest at the time of planting. In response to the high cost of cereal and tubers this year, farmers have planted more of these crops than last year by expanding the amount of land under cultivation, according to government agricultural services. This has resulted in increased demand for labor and increased wages. A laborer earns NGN 500 per day for weeding this year, 25 percent more than could be earned last year for the same work. While increasing the cost of input for farmers, the high agricultural wages are improving the income of agricultural laborers.

Seasonal progress

The performance of the 2008 growing season has generally been good throughout the country. While full planting was delayed across the country following a late onset of the season, abundant and well distributed rainfall in August has compensated for moisture deficits and accelerated crop growth. Recent NDVI and RFE imagery illustrate the improvement in rainfall, and in vegetation (Figures 2 and 3). Recent field trips, conducted by the National Food Reserve Agency, have confirmed the satellite imagery.

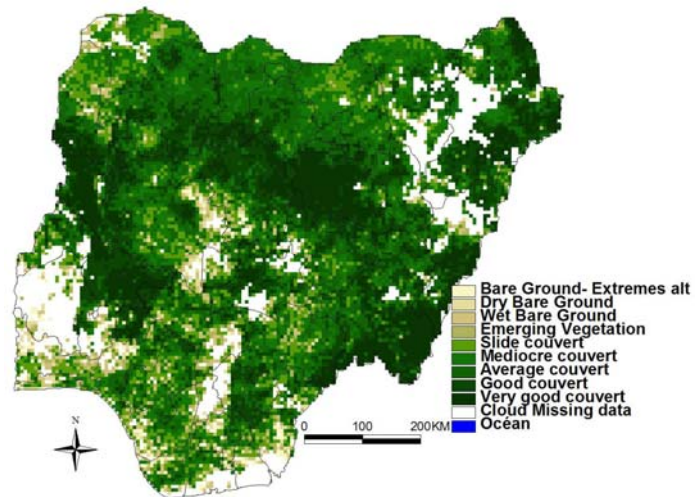
Current crop stages vary throughout the country. For example, in the Northwestern State of Kebbi, millet is at the maturity stage and sorghum at the heading stage. Stages for maize in Kebbi vary from flowering in the South to maturity in the North. In the North Central parts of the country, most crops are at an advanced stage of grain filling. The early maturing varieties of millet and maize that were planted in June are at maturing stages, and some are currently being harvested. In the South, the harvest of early maize took place in most areas of Oyo and Osun in southwest Nigeria. In other areas of the same states, maize is near its maturity stage. Farmers are engaged in land preparation for planting late maize, which will be harvested at the end of October. Yam was harvested in July in Oyo and Osun states and in June in Ekiti and Ondo states. Most cassava has already been harvested.

A few localized areas of the North (e.g., Zamfara, Kebbi, and Borno) were affected by dry spells in July and August. This dryness has resulted in crop stress, particularly for maize, which is moisture sensitive. Millet and sorghum, which are more drought resistant, have been less affected. The short dryness is not likely to affect yield significantly in these areas, and rainfall is expected to pick up again in September.

Bird attacks on millet were reported in Borno, and moderate cases of pest infestations in Katsina, Sokoto, and Kebbi states. These cases are not likely to affect yield. However a massive *quelea* bird attack might significantly affect yield in southern Kebbi if appropriate control measures are not taken.

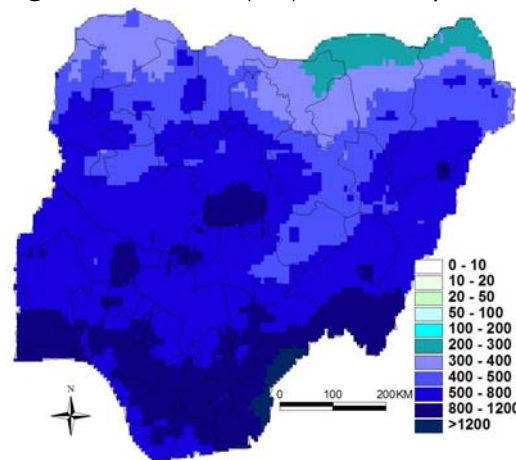
Pasture and water conditions significantly improved throughout the country in August, following recent rainfall. Nomadic herders who usually move south earlier in the year (March and April) in search of pasture and water are reported to have moved back to the northern parts of the country following recent rainfall in the north and due to the prevailing risk of Tsetse fly-related disease in the North Central and the Southern regions. Animal body conditions are generally good, and livestock prices are rising as fodder and water become more available. Conflicts between herders and farmers were reported in Kebbi, where the struggle for grazing areas and water has intensified. Minor cases of animal diseases (e.g., foot and mouth disease) in goats and cattle were reported in Sokoto and Kebbi states. Household access to veterinary drugs is constrained by the high cost of these drugs. Pastoral conditions will improve further in September owing to a likely continuation of above average rainfall conditions. The favorable situation will result in rising prices of livestock, which in turn will improve pastoral household income.

Figure 2. NDVI at the end of the 2nd dekad of August



Source: USGS

Figure 3. Total RFE (mm) – 1st dek April -2nd dekad August



Source: USGS

Markets and trade

In Dawanau market in Kano, current food prices are higher than their five year averages by 67 percent for maize, 72 percent for sorghum, 64 percent for millet, and 98 percent for cowpea (Figure 4). Compared to prices in August last year, current prices are 139 percent higher for maize, 129 percent for sorghum, 113 percent for millet and 162 percent higher for cowpea. In Dodoru market in Kebbi state, current food prices also remain quite high Millet, maize, and sorghum, which sold for NGN 3,500, NGN 4,200, and NGN 3,700, respectively, at this time last year, now sell for about twice the price.

Similar patterns were observed in Ibadan, in southern Nigeria, where current prices are higher than their five year averages by 90 percent for maize, 100 percent for cowpea, 35 percent for imported rice, and 55 percent for gari (Figures 4 and 5). Compared to prices at this time last year, current prices are 128 percent higher for maize, 107 percent for cowpea, 83 percent for gari, and 28 percent for imported rice. Prices changes for sorghum, millet, and yam are relatively smaller when compared to those of other food staples in Ibadan. With the availability of new yams, a major staple in north central and southern Nigeria, yam prices are steadily declining.

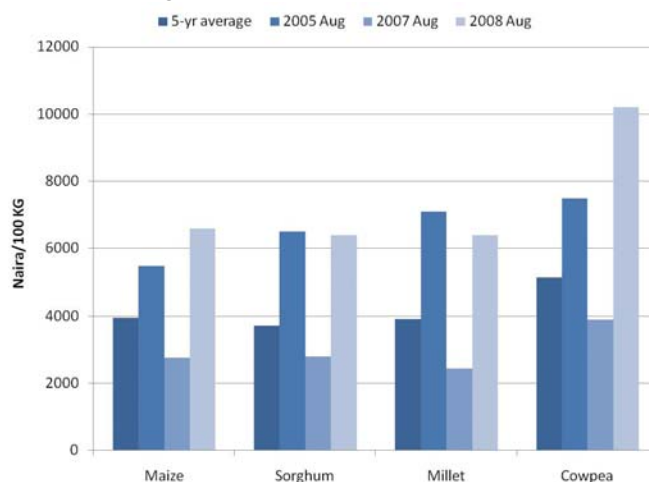
The price of imported rice in Ibadan, which rose from NGN 114/kg in March to NGN 187/kg in May, now stands at NGN 150/kg, indicating a response to the removal of tariffs on this commodity and the increased availability of alternative foods. Similarly, in Lagos, the imported rice that sold for NGN 8,200 per 50kg bag in July now sells for NGN 7,700, and in Maiduguri, Borno state (In North Eastern Nigeria), the same 50kg bag that sold for NGN 9,100 in July now sells for NGN 7,330. However, in Lafia in north central Nigeria, a 50kg bag of imported rice still sells at NGN 10,000. The government plans to reinstate the tariffs after October in expectation of improved availability of this commodity and other foods following the upcoming harvest, forecast to be above average if the rains continue into October.

Food prices rose sharply in September 2007 following the early cessation of rains in the extreme northern band of the country and the spate of flooding that occurred across many northern and southern states and resulted in below average harvests of major food crops, especially maize and sorghum. This situation was compounded by the global rise in food prices, which resulted in extremely high price of rice, in particular, in April 2008. Food prices remained high, peaking in July, following the late start of the seasons in both the north and south and the unofficial rise in the cost of diesel fuel that increased the cost of food transport. These conditions fuelled traders' speculation and resulted in the hoarding of food stocks across markets in the country. The current above-average performance of the rains and the early harvest of a range of crops are resulting in some decline in food prices, though current prices of most food commodities are still substantially higher compared to their five year averages and prices at this time last year

Although stocks of major food commodities are relatively low for this time last year, there are some indications of improvement as early harvested crops (e.g., maize, yam, cassava, and groundnuts) are now available and as traders and households have released food stocks following good rainfall performance and improved harvest prospects. It is expected that prices will continue to fall as the harvest continues into September.

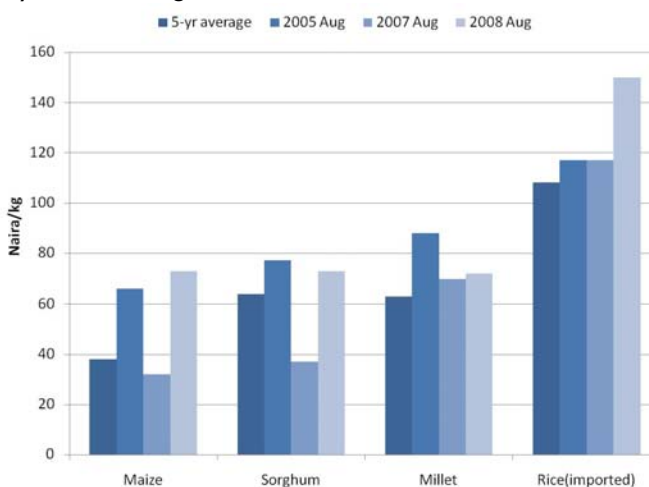
Cross border trade has been low since February 2008 owing to the price differential between Nigeria and its neighbors. Unseasonably high cereal prices in Nigeria led to unfavorable import parity prices for countries such as the Niger Republic, thus discouraging Nigerian traders from buying in Nigerian markets. However, the

Figure 4. Nominal wholesale prices for major grains in Dawanau in August



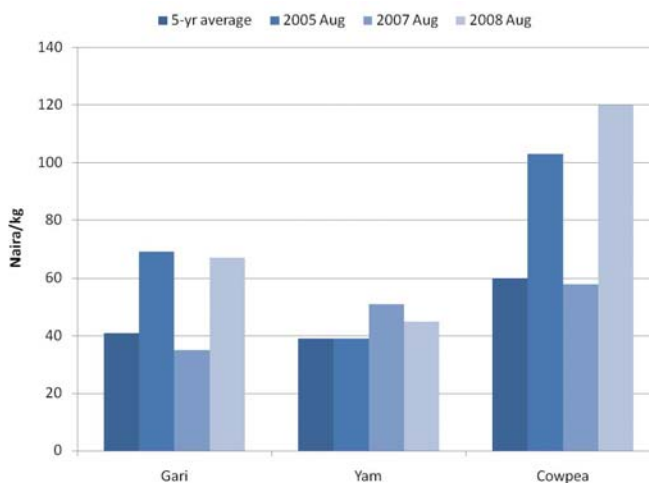
Source: Dawanau ICT/FEWS NET

Figure 5. Nominal Retail Prices for Major Grains in Ibadan, Oyo State in August



Source: OYSADEP/FEWS NET

Figure 6. Nominal Retail Prices for Some Major Staples in Ibadan, Oyo State in August



Source: OYSADEP/FEWS NET

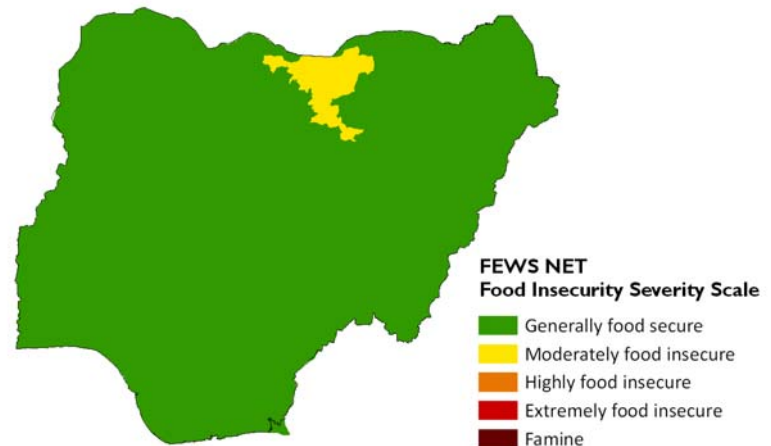
volume of imports to Nigeria remains low because of low market and household stocks in neighboring countries, and market stocks are usually lower in August than in any other month of the year. Cross border trade between Nigeria and countries in the Sahel is likely to resume in October, after the harvests begin and prices have dropped further as more supplies reach the markets in September.

Most likely scenario: October-December 2008

In the most likely scenario for October-December, rainfall will be abundant and well distributed in most parts of the country, extending into mid-October in most areas. Production will be average to above-average, except in the far North, where the harvest will be compromised in some areas by dry spells and an early cessation of rainfall.

In pastoral areas, fodder and water availability will be adequate, and animal body conditions will improve, resulting in an upward trend in livestock prices. Improved terms of trade will improve food access for pastoral households. Water and fodder scarcity in localized areas of the country may force some herders to migrate to the north central and southern regions of the country where pastoral conditions are better.

Figure 7. Most likely food security conditions (October-December 2008)



Source: FEWS NET

One major concern is that crops that were planted in July in the far North might not reach maturity if rainfall doesn't extend to mid-October. This scenario is made plausible by the Nigerian Meteorological Agency (NIMET) predictions, which indicate that rainfall is likely to cease earlier than usual in some areas of the far North. An early cessation of rainfall in September might pose a serious threat to the harvest in the far North, and local production will therefore be adversely affected.

In general however, food supplies will increase, and prices will begin to drop in October, once newly harvested crops arrive in the markets, starting at the end of September. However, by November, local demand for cereals (e.g., maize, sorghum, and to a lesser extent millet and cowpea) by food processing companies, poultry feed companies, and breweries and for cereals, cash crops, and legumes in neighboring countries (Niger, Cameroon and Chad) will begin to increase during this period. Coupled with high fuel prices, the combined impact of industrial and foreign demand for food will translate into a surge in food prices in December, keeping them higher than their four-year averages.

Although high, prices in Nigeria will be lower than prices in neighboring countries (e.g., Niger and Chad), and this price differential will lead to the resumption of cross border trade between Nigeria and these countries. Following normal trends, cross border trade is likely to intensify between October and December. Traders from food deficit countries such as Niger and Chad buy millet, sorghum, and to a lesser extent maize, from Nigerian markets and sell livestock and cowpea to Nigerian traders.

Also in the most likely scenario, the government will begin to implement a new initiative called the "Guaranteed Minimum Price" program. Under this program, the Federal government will draw excess production off the market by purchasing maize, sorghum, and millet at NGN 4,000/100 kg (for all three crops) from farmers and storing it in silos throughout the country. The stocks will be released in order to stabilize the markets later when market prices are very high. According to government officials, the buying price was based on the total production cost, to which a small profit margin for the farmer was added. While this price is far below current market prices for these commodities, which are between NGN 5,000 to NGN 7,000/100 kg, if rains extend beyond the month of October, as is expected in this scenario, and traders continue to release their old stocks, prices of most crops could fall below N4000, thus making the government prices attractive to

farmers. These measures are likely to be complemented with additional short and medium-term actions such as the improvement of irrigation schemes, the provision of storage silos to households, and the provision of small loans to farmers.

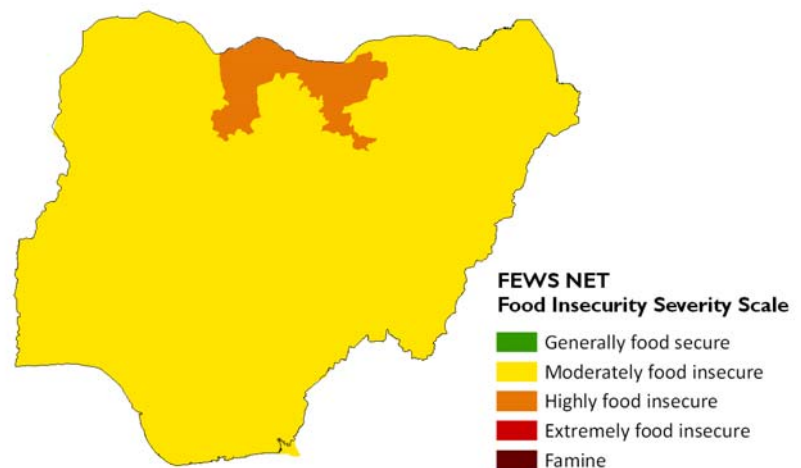
Finally, urban and rural labor opportunities are expected to increase in October following a surge in agricultural activities including harvest, grain transport, storage, and marketing. Increased water availability following the seasonal rains will increase opportunities for construction work. These activities provide alternative income sources to poor households. This increase in available employment is typical for this time of year, and poor households usually use wages earned during this period to build-up household food reserves when prices are the lowest. The money is also used for buying clothes, condiments, veterinary drugs, and to pay back debts incurred during the hunger season.

Worst case scenario: October-December 2008

In the worst case scenario, the growing season will be characterized by prolonged dry spells in August and September and an early cessation of rainfall in September in most parts of the country. Excessive flooding in the North Central parts of the country and the South would also occur. As a result of these two factors, the harvest will be compromised in most parts of the country and food production will decline significantly. As a result, farm-gate prices will remain high and few farmers will sell to the government’s “Guaranteed Minimum Price Program”, limiting the government’s grain reserves.

Meanwhile, low food production in neighboring countries (e.g., Niger and Chad), due to similarly poor rainfall conditions, will reduce the flow of imports from these countries into Nigeria. Together, low production and reduced trade will result in below-average food availability at the national level. Food insecurity conditions would be worst in the areas bordering the Republic of Niger and the Republic of Chad and stretching from Northern Kebbi State to Northern Borno State, where poor rainfall conditions, soil erosion, and desertification will have resulted in low productivity. Also, in this scenario, the government does not conduct an assessment to estimate crop production in order to identify food deficit areas. The lack of official post harvest crop estimates fuels traders’ speculation and panic buying.

Figure 8. Worst case food security conditions (October-December 2008)



Source: FEWS NET

As of November, tuber and cereal prices reach levels much higher than their 4 year average for this time of the year. Poor household access to food is constrained by the parallel increases in the cost of energy and basic household goods only two months after harvest.

In November and December, strong demand from national and foreign traders, feed companies, and breweries will result in a drastic reduction of market stocks and a further increase in food prices. The situation will compound existing constraints to household food access, and increase debt levels for poor households normally reliant on remittances from their younger relatives who themselves went into debt earlier in June and July during the difficult lean period. The poorest households will become market dependent as early as December, rather than in May and June as would be expected in a normal year. Difficult access to food will result in reductions in the frequency and quality of meals and trigger a surge in child malnutrition. High international food and energy prices and high national inflation levels will compound the problem.

Pasture and water availability will be depleted by a prolonged drought, followed by an abrupt cessation of the season. Water levels in rivers and ponds will become unseasonably low, animal body conditions will deteriorate, and livestock

prices will fall drastically. Impacts on crop/livestock terms of trade will result in a significant erosion of pastoral household cash income. Faced with rising food insecurity, many herders will migrate to cities in search of urban labor opportunities. In the far North, herders will move to the south in search of pasture and water as soon as December, instead of in April as is typical, exacerbating resource-related conflicts between herders and farmers.

Faced with heavy losses earlier this year, due to unseasonably high prices for raw materials (e.g., maize, sorghum, and millet), many food processing companies, breweries, and poultry feed companies will not be able to recoup their investments. As a result, many private companies will be forced to close and lay-off workers. These job losses, combined with an upward trend in food and non food prices and very high inflation rates will exacerbate urban food insecurity.

In the worst case scenario, food insecurity is likely to be severe in localized areas of the country where households livelihood is constrained by the combined impacts of structural poverty, weak local economies and recurrent food deficits. The most vulnerable areas are located in the Far North, stretching from Kebbi to Borno State and in few localized zones of the South East and the South West. However, the dynamic Nigerian market system and increased rural labor opportunities during this period will help prevent a regional or national crisis. The government would also likely address the problem by extending the removal of import tariffs on rice to other commodities, in order to encourage the inflow of foreign food in the country, and by purchasing excess production in surplus producing areas to sell in deficit areas at subsidized prices.